

**CITY OF HOGANSVILLE, GEORGIA**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**CITY OF HOGANSVILLE, GEORGIA  
AUDITED BASIC FINANCIAL STATEMENTS  
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**WILCOX & BIVINGS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditors' Report**

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

**We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hogansville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.**

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

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

**In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, on our consideration of the City of Hogansville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.**

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

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

**Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hogansville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedule of Projects Constructed with Local Option Sales Tax Proceeds have been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.**

*Wilcox & Birings, P.C.*

**Suwanee, Georgia  
December 8, 2009**

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

Management of the City of Hogansville, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2009. 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 \$10,145,417 (presented as "net assets"). Of this amount, \$291,398 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's obligations to citizens and creditors. \$7,168,515 of net assets consisted of investments in capital assets. The remainder of net assets consisted of amounts restricted by state law or debt agreements, and totaled \$2,685,504.
- The City's total net assets increased by \$605,109 in fiscal year 2009.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$632,423. Of this amount, 8.8% of this total amount \$55,950 is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$55,950 or 2.1% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements**

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Fund financial statements**

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

**Governmental Funds**

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

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

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

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

**Proprietary Funds**

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

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

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 50 of this report.

**Other Information**

In addition to the primary government financial statements and accompanying notes, this report also presents Nonmajor Governmental Fund financial statements and schedules, other supplementary information, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. Nonmajor Governmental Fund financial statements and schedules can be found on pages 51 to 55 of this report, the budget and actual schedule for the major capital project fund can be found on page 57 of this report, and other required supplementary information can be found on pages 58 to 61 of this report.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by \$10,145,417 as of June 30, 2009.

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

**CITY OF HOGANSVILLE, GEORGIA'S NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets \$	1,248,774	\$ 1,488,648	\$ 3,060,470	\$ 3,613,789	\$ 4,309,244	\$ 5,102,437
Capital assets	<u>3,230,436</u>	<u>3,002,335</u>	<u>11,799,603</u>	<u>11,385,462</u>	<u>15,030,039</u>	<u>14,387,797</u>
Total assets	<u>4,479,210</u>	<u>4,490,983</u>	<u>14,860,073</u>	<u>14,999,251</u>	<u>19,339,283</u>	<u>19,490,234</u>
Long-term liabilities	17,635	11,601	7,565,864	7,990,063	7,583,499	8,001,664
Other liabilities	<u>614,954</u>	<u>554,899</u>	<u>995,413</u>	<u>1,393,363</u>	<u>1,610,367</u>	<u>1,948,262</u>
Total liabilities	<u>632,589</u>	<u>566,500</u>	<u>8,561,277</u>	<u>9,383,426</u>	<u>9,193,866</u>	<u>9,949,926</u>
Net assets:						
Invested in capital assets, net of related debt	3,229,100	2,983,249	3,939,415	3,150,994	7,168,515	6,134,243
Restricted	455,442	666,689	2,230,062	2,448,465	2,685,504	3,115,154
Unrestricted	<u>162,079</u>	<u>274,545</u>	<u>129,319</u>	<u>16,366</u>	<u>291,398</u>	<u>290,911</u>
Total net assets	\$ <u>3,846,621</u>	\$ <u>3,924,483</u>	\$ <u>6,298,796</u>	\$ <u>5,615,825</u>	\$ <u>10,145,417</u>	\$ <u>9,540,308</u>

An additional portion of the City's net assets (26.5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$291,398 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2009 and 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**Analysis of the City's Operations**

The following table provides a summary of the City's operations for the years ended June 30, 2009 and 2008. Governmental activities decreased the City's net assets by \$77,862 for the year ended June 30, 2009, and increased the City's net assets by \$373,662 for the year ended June 30, 2008. Business-type activities increased the City's net assets by \$682,971 and by \$194,180 for the years ended June 30, 2009 and 2008.

**CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 807,436	\$ 895,853	\$ 5,405,992	\$ 5,200,103	\$ 6,213,428	\$ 6,095,956
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	-	-	-	-	-	-
<b>General revenues:</b>						
Taxes	1,888,220	1,961,595	-	-	1,888,220	1,961,595
Payments from component unit	122,520	-	-	-	122,520	-
Investment revenue	9,950	13,067	100,759	160,864	110,709	173,931
Other	<u>32,799</u>	<u>36,197</u>	<u>-</u>	<u>-</u>	<u>32,799</u>	<u>36,197</u>
<b>Total revenues</b>	<u><b>2,860,925</b></u>	<u><b>2,906,712</b></u>	<u><b>5,506,751</b></u>	<u><b>5,360,967</b></u>	<u><b>8,367,676</b></u>	<u><b>8,267,679</b></u>
<b>Expenses:</b>						
<b>Program expenses:</b>						
General government	555,885	539,467	-	-	555,885	539,467
Public safety	1,320,746	1,166,921	-	-	1,320,746	1,166,921
Public services	415,828	467,239	-	-	415,828	467,239
Downtown development	7,670	8,655	-	-	7,670	8,655
Intergovernmental	212,279	230,775	-	-	212,279	230,775
Interest	4,011	7,010	-	-	4,011	7,010
Utility system	-	-	<u>5,261,567</u>	<u>5,631,948</u>	<u>5,261,567</u>	<u>5,631,948</u>
<b>Total expenses</b>	<u><b>2,516,419</b></u>	<u><b>2,420,067</b></u>	<u><b>5,261,567</b></u>	<u><b>5,631,948</b></u>	<u><b>7,777,986</b></u>	<u><b>8,052,015</b></u>
<b>Excess (deficiency) in net assets before contributions and transfers</b>	<b>344,506</b>	<b>486,645</b>	<b>245,184</b>	<b>( 270,981)</b>	<b>589,690</b>	<b>215,664</b>
Contributions	( 410,866)	15,000	426,285	337,178	15,419	352,178
Transfers	( 11,502)	( 127,983)	<u>11,502</u>	<u>127,983</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<b>( 77,862)</b>	<b>373,662</b>	<b>682,971</b>	<b>194,180</b>	<b>605,109</b>	<b>567,842</b>
<b>Net assets July 1,</b>	<u><b>3,924,483</b></u>	<u><b>3,550,821</b></u>	<u><b>5,615,825</b></u>	<u><b>5,421,645</b></u>	<u><b>9,540,308</b></u>	<u><b>8,972,466</b></u>
<b>Net assets June 30,</b>	<u><b>\$ 3,846,621</b></u>	<u><b>\$ 3,924,483</b></u>	<u><b>\$ 6,298,796</b></u>	<u><b>\$ 5,615,825</b></u>	<u><b>\$ 10,145,417</b></u>	<u><b>\$ 9,540,308</b></u>

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

**Governmental funds**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$632,423. Approximately 8.8% of this total amount or \$55,950 constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital projects (\$541,237), and 2) public safety (\$35,236).

The General Fund is the chief fund of the City. At the end of the current fiscal year, unreserved and total fund balance of the General Fund was \$55,950. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the fund's total operational expenditures. Unreserved fund balance represents 2.2% of total expenditures, while total fund balance also represents 2.2% of that same amount.

The General Fund's fund balance decreased by \$327,277 during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues increased by \$127,611 for a percentage increase of 6.0%. This increase was mainly due to an increase in payments from component units of \$122,520.
- Total expenditures increased by \$450,863 for a percentage increase of 21.1%. This increase was mainly due to the City incurring increases in general government, public safety, capital outlay, and debt service expenditures of \$124,610, 126,983, \$122,520 and \$121,082. These increases were mainly due to increases in insurance, other contractual services, supplies and materials, property received from the DDA, and repayments of a bank line of credit.
- Proceeds from a bank line of credit decreased by \$355,150 and transfers out to the City's Enterprise Fund decreased by \$115,000. These decreases were due to the City not borrowing funds to assist its operations, and not transferring funds to subsidize the Enterprise Fund's operations or debt service expenses.

The 2006 SPLOST Fund's fund balance decreased \$93,332 during the current fiscal year. The key factors for this decrease were that the City's capital outlay expenditures exceeded SPLOST revenues by \$93,332.

Other governmental funds fund balances decreased \$144,901 during the current fiscal year. This decrease was due mainly to an increase in confiscated asset expenditures over revenues during the current fiscal year.

**Proprietary funds**

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

Unrestricted net assets of the proprietary fund were \$129,319. The fund had a net asset increase for the fiscal year of \$682,971 mainly due to an increase in operating revenues, a decrease in operating expenses and an increase in capital contributions from 2006 SPLOST contributions for water system improvements.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

**General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the City Council. Overall these revisions resulted in a net increase of expenditure appropriations of \$556,042. The largest budget revisions were for an increase to expenditures for general government, public safety, capital outlay, and debt service. Budget increases for expenditures to general government, public safety, capital outlay, and debt service were \$92,957, \$137,218, \$122,520, and \$253,814.

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 and 2008 amounted to \$15,030,039 and \$14,387,797, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, utility system infrastructure, infrastructure assets, and vehicles.

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

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

- The City received \$122,520 of land.
- The City expended \$201,505 for infrastructure improvements.
- The City expended \$114,622 for furniture, fixtures and equipment.
- The City spent \$94,784 for vehicles.
- The City spent \$736,536 for utility system improvements.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 306,338	\$ 183,818	\$ 380,784	\$ 380,784	\$ 687,122	\$ 564,602
Construction in progress	19,190	-	-	-	19,190	-
Buildings and improvements	1,998,522	1,998,522	-	-	1,998,522	1,998,522
Utility system infrastructure	-	-	16,064,621	15,341,514	16,064,621	15,341,514
Furniture, fixtures and equipment	535,587	563,280	199,581	213,153	735,168	776,433
Infrastructure	1,060,400	858,895	-	-	1,060,400	858,895
Vehicles	663,221	568,437	-	-	663,221	568,437
Accumulated depreciation	( 1,352,822)	( 1,170,617)	( 4,845,383)	( 4,549,989)	( 6,198,205)	( 5,720,606)
<b>Total</b>	<b>\$ 3,230,436</b>	<b>\$ 3,002,335</b>	<b>\$ 11,799,603</b>	<b>\$ 11,385,462</b>	<b>\$ 15,030,039</b>	<b>\$ 14,387,797</b>

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, 2009**

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had \$7,861,524 in outstanding debt consisting of revenue bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue bonds	\$ -	\$ -	\$ 6,960,226	\$ 7,192,012	\$ 6,960,226	\$ 7,192,012
Notes payable	-	-	537,334	710,600	537,334	710,600
Line of credit payable	-	250,150	-	-	-	250,150
Capital leases payable	<u>1,336</u>	<u>19,086</u>	<u>362,628</u>	<u>365,536</u>	<u>363,964</u>	<u>384,622</u>
<b>Total</b>	<b>\$ <u>1,336</u></b>	<b>\$ <u>269,236</u></b>	<b>\$ <u>7,860,188</u></b>	<b>\$ <u>8,268,148</u></b>	<b>\$ <u>7,861,524</u></b>	<b>\$ <u>8,537,384</u></b>

The City's total debt decreased \$675,860 during the current fiscal year. This was mostly attributable to the City repaying principal of long-term debt. Additional information on the City's long-term debt can be found in note 6.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In the 2009-2010 Budget, General Fund revenues are budgeted to decrease by .36% from the 2008-2009 budget year with taxes making up about 65.9% of general fund budgeted revenues and transfers in. The 2009-2010 General Fund Budget includes budgeted revenue of \$525,000 for local option sales tax, \$429,000 in property tax, and \$625,000 in fines and forfeitures. The City has also budgeted expenditures of \$363,067 for general government and \$1,035,618 for public safety.

The City has budgeted \$5,659,595 in revenues for its business-type activities for the 2009-2010 Budget. This is a decrease of 1.2% from the 2008-2009 budget year with charges for services making up 95.4% of budgeted revenues. The City has budgeted \$2,797,100 in electric revenue, \$1,500,000 in gas revenue, \$435,000 in sewer revenue and \$431,000 in water revenue. The City's business-type activities have also budgeted electric department expenses of \$2,438,634 and gas department expenses of \$1,339,221.

**REQUEST FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HOGANSVILLE, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 89,165	\$ 89,165	\$ 31,417
Investments	-	39,926	39,926	-
Receivables, net	241,991	417,792	659,783	-
Prepaid expenses	-	5,709	5,709	-
Internal balances	497,961	( 497,961)	-	-
Due from component unit	5,006	-	5,006	-
Restricted cash and cash equivalents	503,816	-	503,816	-
Restricted investments	-	2,742,713	2,742,713	-
Unamortized portion of debt issue costs	-	263,126	263,126	-
Nondepreciable capital assets	325,528	380,784	706,312	-
Depreciable capital assets	<u>2,904,908</u>	<u>11,418,819</u>	<u>14,323,727</u>	<u>-</u>
<b>Total assets</b>	<b>\$ <u>4,479,210</u></b>	<b>\$ <u>14,860,073</u></b>	<b>\$ <u>19,339,283</u></b>	<b>\$ <u>31,417</u></b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Bank overdrafts	\$ 7,046	\$ -	\$ 7,046	\$ -
Accounts payable	561,652	372,835	934,487	-
Accrued expenses	16,721	135,350	152,071	-
Deferred revenue	28,199	-	28,199	-
Due to primary government	-	-	-	5,006
Capital leases	1,336	60,481	61,817	-
Notes payable	-	179,960	179,960	-
Revenue bonds payable	<u>-</u>	<u>246,787</u>	<u>246,787</u>	<u>-</u>
<b>Total current liabilities</b>	<b><u>614,954</u></b>	<b><u>995,413</u></b>	<b><u>1,610,367</u></b>	<b><u>5,006</u></b>
<b>Noncurrent liabilities:</b>				
Customer deposits	-	175,990	175,990	-
Compensated absences	17,635	16,914	34,549	-
Capital leases	-	302,147	302,147	-
Notes payable	-	357,374	357,374	-
Revenue bonds payable	<u>-</u>	<u>6,713,439</u>	<u>6,713,439</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<b><u>17,635</u></b>	<b><u>7,565,864</u></b>	<b><u>7,583,499</u></b>	<b><u>-</u></b>
<b>Total liabilities</b>	<b><u>632,589</u></b>	<b><u>8,561,277</u></b>	<b><u>9,193,866</u></b>	<b><u>5,006</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,229,100	3,939,415	7,168,515	-
<b>Restricted for:</b>				
Debt service	-	779,843	779,843	-
Restricted assets	-	1,450,219	1,450,219	-
Capital projects	420,206	-	420,206	-
Public safety	35,236	-	35,236	-
Unrestricted	<u>162,079</u>	<u>129,319</u>	<u>291,398</u>	<u>26,411</u>
<b>Total net assets</b>	<b><u>3,846,621</u></b>	<b><u>6,298,796</u></b>	<b><u>10,145,417</u></b>	<b><u>26,411</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>4,479,210</u></b>	<b>\$ <u>14,860,073</u></b>	<b>\$ <u>19,339,283</u></b>	<b>\$ <u>31,417</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental activities:</b>				
General government	\$ 555,885	\$ 45,403	\$ -	\$ -
Public safety	1,320,746	721,923	-	-
Public services	415,828	40,110	-	-
Downtown development	7,670	-	-	-
Intergovernmental	212,279	-	-	-
Interest	<u>4,011</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>2,516,419</u></b>	<b><u>807,436</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Business-type activities</b>				
Utility system	<u>5,261,567</u>	<u>5,405,992</u>	<u>-</u>	<u>-</u>
<b>Total business-type activities</b>	<b><u>5,261,567</u></b>	<b><u>5,405,992</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total primary government</b>	<b>\$ <u>7,777,986</u></b>	<b>\$ <u>6,213,428</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>
<b>Component Unit</b>				
Downtown Development Authority	<u>\$ 20,369</u>	<u>\$ -</u>	<u>\$ 3,863</u>	<u>\$ -</u>

**General revenues:**

**Taxes:**

Local option sales

Property

Insurance premium

Beer and wine

Franchise

Motor vehicle

Other

Intergovernmental revenue

Payments from City of Hogansville

Contributions to City of Hogansville

Investment return

Gain on sale of assets

Other

Contributions

Transfers

**Total general revenues and transfers**

**Change in net assets**

**Net assets – beginning**

**Net assets – ending**

<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
\$( 510,482)	\$ -	\$( 510,482)	\$ -
( 598,823)	-	( 598,823)	-
( 375,718)	-	( 375,718)	-
( 7,670)	-	( 7,670)	-
( 212,279)	-	( 212,279)	-
( 4,011)	-	( 4,011)	-
<u>( 1,708,983)</u>	<u>-</u>	<u>( 1,708,983)</u>	<u>-</u>
<u>-</u>	<u>144,425</u>	<u>144,425</u>	<u>-</u>
<u>-</u>	<u>144,425</u>	<u>144,425</u>	<u>-</u>
<u>\$( 1,708,983)</u>	<u>\$ 144,425</u>	<u>\$( 1,564,558)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$( 16,506)</u>
\$ 534,157	\$ -	\$ 534,157	\$ -
463,034	-	463,034	-
155,280	-	155,280	-
54,909	-	54,909	-
73,376	-	73,376	-
28,623	-	28,623	-
51,122	-	51,122	-
527,719	-	527,719	-
-	-	-	7,670
122,520	-	122,520	( 122,520)
9,950	100,759	110,709	288
21,782	-	21,782	-
11,017	-	11,017	7,758
( 410,866)	426,285	15,419	45,876
( 11,502)	11,502	-	-
<u>1,631,121</u>	<u>538,546</u>	<u>2,169,667</u>	<u>( 60,928)</u>
( 77,862)	682,971	605,109	( 77,434)
<u>3,924,483</u>	<u>5,615,825</u>	<u>9,540,308</u>	<u>103,845</u>
<u>\$ 3,846,621</u>	<u>\$ 6,298,796</u>	<u>\$ 10,145,417</u>	<u>\$ 26,411</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General</u>	<u>Capital Project 2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Property taxes receivable	\$ 13,521	\$ -	\$ -	\$ 13,521
Sales and other taxes receivable	103,363	-	4,076	107,439
Intergovernmental receivable	-	120,066	-	120,066
Other receivables	-	965	-	965
Due from component unit	21,331	-	-	21,331
Due from other funds	505,887	-	12,474	518,361
Restricted cash and cash equivalents	<u>-</u>	<u>440,606</u>	<u>63,210</u>	<u>503,816</u>
<b>Total assets</b>	<b><u>\$ 644,102</u></b>	<b><u>\$ 561,637</u></b>	<b><u>\$ 79,760</u></b>	<b><u>\$ 1,285,499</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Bank overdrafts	\$ 7,046	\$ -	\$ -	\$ 7,046
Accounts payable	561,652	-	-	561,652
Accrued expenses	16,721	-	-	16,721
Deferred revenue	2,733	-	28,199	30,932
Due to component unit	-	-	16,325	16,325
Due to other funds	<u>-</u>	<u>20,400</u>	<u>-</u>	<u>20,400</u>
<b>Total liabilities</b>	<b><u>588,152</u></b>	<b><u>20,400</u></b>	<b><u>44,524</u></b>	<b><u>653,076</u></b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Capital projects	-	541,237	-	541,237
Public safety	-	-	35,236	35,236
Unreserved	<u>55,950</u>	<u>-</u>	<u>-</u>	<u>55,950</u>
<b>Total fund balances</b>	<b><u>55,950</u></b>	<b><u>541,237</u></b>	<b><u>35,236</u></b>	<b><u>632,423</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 644,102</u></b>	<b><u>\$ 561,637</u></b>	<b><u>\$ 79,760</u></b>	<b><u>\$ 1,285,499</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009**

<b>Total Governmental Fund Balances</b>	<b>\$</b>	<b>632,423</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
<b>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,352,822</b>		<b>3,230,436</b>
<b>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:</b>		
<b>Property taxes receivable</b>		<b>2,733</b>
<b>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</b>		
<b>Compensated absences</b>	<b>(</b>	<b>17,635)</b>
<b>Capital leases payable</b>	<b>(</b>	<b><u>1,336</u>)</b>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>3,846,621</u></b>

**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, 2009**

	<u>General</u>	<u>Capital Project 2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,342,313	\$ -	\$ 19,172	\$ 1,361,485
Fines and forfeitures	658,740	-	63,183	721,923
Intergovernmental	-	527,719	-	527,719
Payments from component unit	122,520	-	-	122,520
Licenses and permits	45,403	-	-	45,403
Charges for services	40,110	-	-	40,110
Contributions	15,419	-	-	15,419
Other	11,017	-	-	11,017
Investment return	<u>3,211</u>	<u>6,739</u>	<u>-</u>	<u>9,950</u>
<b>Total revenues</b>	<b><u>2,238,733</u></b>	<b><u>534,458</u></b>	<b><u>82,355</u></b>	<b><u>2,855,546</u></b>
<b>EXPENDITURES</b>				
<b>Current operating</b>				
General government	528,153	-	-	528,153
Public safety	1,082,263	-	205,212	1,287,475
Public services	373,538	-	-	373,538
Downtown development	-	-	7,670	7,670
Intergovernmental	209,407	-	2,872	212,279
Capital outlay	122,520	627,790	-	750,310
Debt Service	<u>271,911</u>	<u>-</u>	<u>-</u>	<u>271,911</u>
<b>Total expenditures</b>	<b><u>2,587,792</u></b>	<b><u>627,790</u></b>	<b><u>215,754</u></b>	<b><u>3,431,336</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>( <u>349,059</u> )</b>	<b>( <u>93,332</u> )</b>	<b>( <u>133,399</u> )</b>	<b>( <u>575,790</u> )</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of surplus property	21,782	-	-	21,782
Transfers out	<u>-</u>	<u>-</u>	<u>( 11,502 )</u>	<u>( 11,502 )</u>
<b>Net other financing sources (uses)</b>	<b><u>21,782</u></b>	<b><u>-</u></b>	<b><u>( 11,502 )</u></b>	<b><u>10,280</u></b>
<b>Net changes in fund balance</b>	<b>( <u>327,277</u> )</b>	<b>( <u>93,332</u> )</b>	<b>( <u>144,901</u> )</b>	<b>( <u>565,510</u> )</b>
<b>Fund balance - beginning of year</b>	<b><u>383,227</u></b>	<b><u>634,569</u></b>	<b><u>180,137</u></b>	<b><u>1,197,933</u></b>
<b>Fund balance - end of year</b>	<b>\$ <u>55,950</u></b>	<b>\$ <u>541,237</u></b>	<b>\$ <u>35,236</u></b>	<b>\$ <u>632,423</u></b>

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, 2009**

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

Net change in fund balances – total governmental funds	\$( 565,510)
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	467,110
Depreciation expense	( 239,009)
A certain amount of property tax revenues in the statement of activities that does not provide current financial resources and is not reported as revenue in the funds	
	( 984)
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	
	( 7,369)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces, long-term liabilities on the statement of activities:	
Line of credit payable	250,150
Capital leases payable	<u>17,750</u>
Change in Net Assets of Governmental Activities	\$( <u>77,862</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, 2009**

	<u>General Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 1,336,500	\$ 1,336,500	\$ 1,342,313	\$ 5,813
Fines and forfeitures	600,000	600,000	658,740	58,740
Payments from component unit	-	-	122,520	122,520
Licenses and permits	56,000	56,000	45,403	( 10,597)
Charges for services	13,500	13,500	40,110	26,610
Contributions	-	-	15,419	15,419
Other	13,250	13,250	11,017	( 2,233)
Investment return	-	-	<u>3,211</u>	<u>3,211</u>
<b>Total revenues</b>	<u><b>2,019,250</b></u>	<u><b>2,019,250</b></u>	<u><b>2,238,733</b></u>	<u><b>219,483</b></u>
<b>EXPENDITURES</b>				
Current operating				
General government	435,196	528,153	528,153	-
Public safety	945,045	1,082,263	1,082,263	-
Public services	425,445	373,538	373,538	-
Intergovernmental	207,967	209,407	209,407	-
Capital outlay	-	122,520	122,520	-
Debt service	<u>18,097</u>	<u>271,911</u>	<u>271,911</u>	<u>-</u>
<b>Total expenditures</b>	<u><b>2,031,750</b></u>	<u><b>2,587,792</b></u>	<u><b>2,587,792</b></u>	<u><b>-</b></u>
Excess (deficiency) of revenues over (under) expenditures	( <u>12,500</u> )	( <u>568,542</u> )	( <u>349,059</u> )	<u>219,483</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of capital assets	<u>12,500</u>	<u>12,500</u>	<u>21,782</u>	<u>9,282</u>
<b>Net other financing sources (uses)</b>	<u><b>12,500</b></u>	<u><b>12,500</b></u>	<u><b>21,782</b></u>	<u><b>9,282</b></u>
Net change in fund balance	-	( 556,042 )	( 327,277 )	228,765
Fund balance - beginning of year	<u>383,227</u>	<u>383,227</u>	<u>383,227</u>	<u>-</u>
Fund balance - end of year	\$ <u>383,227</u>	\$ ( <u>172,815</u> )	\$ <u>55,950</u>	\$ <u>228,765</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009**

	<b>ENTERPRISE FUND</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 89,165
Investments	39,926
Accounts receivable, net	417,792
Prepaid expenses	5,709
<b>Total current assets</b>	<b>552,592</b>
<b>Noncurrent assets:</b>	
Restricted investments	2,742,713
Unamortized portion of debt issue costs	263,126
Net capital assets	<b>11,799,603</b>
<b>Total noncurrent assets</b>	<b>14,805,442</b>
<b>Total assets</b>	<b>\$ 15,358,034</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 372,835
Accrued expenses	135,350
Interfund payables	497,961
Capital leases payable	60,481
Notes payable	179,960
Revenue bonds payable	246,787
<b>Total current liabilities</b>	<b>1,493,374</b>
<b>Noncurrent liabilities:</b>	
Customer deposits	175,990
Compensated absences	16,914
Capital leases payable	302,147
Notes payable	357,374
Revenue bonds payable	<b>6,713,439</b>
<b>Total noncurrent liabilities</b>	<b>7,565,864</b>
<b>Total liabilities</b>	<b>9,059,238</b>
<b>FUND NET ASSETS</b>	
Invested in capital assets, net of related debt	3,939,415
Restricted for debt service	779,843
Restricted for restricted assets	1,450,219
Unrestricted	<b>129,319</b>
<b>Total fund net assets</b>	<b>6,298,796</b>
<b>Total liabilities and fund net assets</b>	<b>\$ 15,358,034</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>ENTERPRISE FUND</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,261,876
Other	<u>144,116</u>
<b>Total operating revenues</b>	<u>5,405,992</u>
<b>OPERATING EXPENSES</b>	
Personal services	642,573
Contractual services	273,479
Utilities purchased for resale	3,024,209
Utilities	127,024
Repairs and maintenance	26,705
Materials and supplies	153,867
Depreciation	407,906
Bad debt	<u>37,144</u>
<b>Total operating expenses</b>	<u>4,692,907</u>
<b>Operating income (loss)</b>	<u>713,085</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment earnings	100,759
Interest expense	( 541,181)
Amortization	( 22,290)
Bond administrative fees	<u>( 5,189)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>( 467,901)</u>
<b>Income (loss) before contributions and transfers</b>	245,184
<b>CAPITAL CONTRIBUTIONS</b>	426,285
<b>TRANSFERS</b>	<u>11,502</u>
<b>Change in fund net assets</b>	682,971
<b>Fund net assets – beginning</b>	<u>5,615,825</u>
<b>Fund net assets – ending</b>	\$ <u>6,298,796</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>ENTERPRISE FUND</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Receipts from customers	\$ 5,436,116
Receipts from interfund services provided	41,020
Payments to suppliers	( 4,018,476)
Payments to employees	( 502,989)
Net cash provided (used) by operating activities	<u>955,671</u>
<b><i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i></b>	
Transfers from other funds	<u>11,502</u>
Net cash provided (used) by noncapital financing activities	<u>11,502</u>
<b><i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i></b>	
Proceeds from capital contributions	676,285
Proceeds from capital debt	44,500
Purchases of capital assets	( 822,047)
Principal paid on capital debt	( 525,674)
Interest paid on capital debt	( 475,465)
Administrative fees on bond and notes payable	( 5,189)
Net cash provided (used) by capital and related financing activities	<u>( 1,107,590)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Proceeds from sales of investments	896,345
Purchase of investments	( 849,857)
Interest and dividends	<u>92,556</u>
Net cash provided (used) by investing activities	<u>139,044</u>
Increase (decrease) in cash and cash equivalents	( 1,373)
Cash and cash equivalents – beginning of year	<u>90,538</u>
Cash and cash equivalents – end of year	<u>\$ 89,165</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>ENTERPRISE FUND</u>
<b><i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i></b>	
Operating income (loss)	\$ 713,085
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	407,906
Change in assets and liabilities:	
Accounts receivable	98,798
Prepaid expenses	( 233)
Accounts payable	( 426,528)
Accrued expenses	( 729)
Internal balances	144,540
Customer deposits	9,490
Compensated absences	<u>9,342</u>
Net cash provided by operating activities	\$ <u><u>955,671</u></u>
 <b><i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</i></b>	
Cash and cash equivalents	\$ 89,165
Restricted cash and cash equivalents	<u>-</u>
Total cash and cash equivalents, end of year	\$ <u><u>89,165</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**REPORTING ENTITY**

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

**Discretely Presented Component Unit**

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

The DDA did not issue separate financial statements for the year ended June 30, 2009.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**BASIS OF PRESENTATION**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Proprietary funds**

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

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

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**Budgeting Policy**

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

All appropriations lapse at the end of the fiscal year.

**Encumbrances**

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue or Proprietary Funds. Encumbrances outstanding at year-end are reservations of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2009.

**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, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ACCOUNTS RECEIVABLE AND DEFERRED REVENUE**

Accounts receivable are recorded in the General and Proprietary Funds. Receivables are stated at their net realizable value (face value less the allowance for uncollectible accounts). Delinquent taxes receivable are fully reserved by the deferral of the related revenues until payment is received. Utility receivables are recognized only when billed. No accrual of earned, but unbilled receivables is made at year-end. The Enterprise Fund grants credit to utility customers, all of whom are located within the City. Allowances for doubtful accounts totaled \$0 for the General Fund and \$96,731 for the Enterprise Fund.

**PREPAID EXPENSES**

Payments made for services that will benefit periods beyond June 30, 2009 are recorded as prepaid expenses.

**RESTRICTED CASH AND INVESTMENTS**

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

**INVENTORIES**

All governmental fund type inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased. Enterprise fund inventories were not recorded at June 30, 2009 and are not reflected in the accompanying financial statements, due to their immaterial amount.

**CAPITAL ASSETS**

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**CAPITAL ASSETS - Continued**

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

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

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

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

**INTEREST EXPENSE AND CAPITALIZED INTEREST**

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was \$4,011. Total interest expense from business-type activities was \$541,181, 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, 2009 was \$541,181. Total interest costs charged to expense by the enterprise fund for the year ended June 30, 2009 was \$541,181. No interest costs were capitalized by the enterprise fund for the year ended June 30, 2009.

**BOND DISCOUNTS AND ISSUANCE COSTS**

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

**COMPENSATED ABSENCES**

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

**LONG-TERM DEBT**

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

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**RESERVES OF FUND BALANCE/NET ASSETS**

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

**INTERFUND TRANSACTIONS**

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

**USE OF ESTIMATES**

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

**USE OF RESTRICTED/UNRESTRICTED NET ASSETS**

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

**REVENUE RECOGNITION**

*Property Taxes* - Troup County bills and collects real and personal property taxes for the City. Ad valorem tax on motor vehicles and mobile homes is collected by the Troup County Tax Commissioner and remitted to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue. Property taxes are normally levied on October 1 of each year on the assessed valuation of property as of the preceding January 1 and are payable on December 20. Liens may attach to property for unpaid taxes on January 1. The assessed valuation for 2008 was \$61,017,698.

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

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 - CASH AND INVESTMENTS**

*Cash*

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

At June 30, 2009, the carrying amount of the City's cash was \$585,935 and the bank balance was \$648,377. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by the pledging financial institution or its agent in the City's name.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$31,417, and the bank balance was \$31,417. The entire bank balance was covered by Federal Depository Insurance at June 30, 2009.

*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, 2009, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<b>Primary Government</b>			
<b><u>Business-type activities</u></b>			
First American Treasury Obligations Fund			
Money Market Fund	AAAm	07/01/09 - 01/31/10	\$ 307,415
Bayerische Landesbank Girozentrale E-NY			
Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/06/09 - 12/28/09	2,736
Intermediate Portfolio	Not Rated	07/20/09 - 12/15/14	497,787
Intermediate Tax Restricted Portfolio	Not Rated	08/15/09 - 12/15/15	<u>1,156,901</u>
<b>Total</b>			<b>\$ <u>2,782,639</u></b>

**CITY OF HOGANSVILLE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

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

*Credit Risk.* The City has no policy regarding credit risk. The investments in First American Treasury Obligations Fund Money Market Fund is 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 \$307,415 investment in First American Treasury Obligations Fund Money Market Fund is an investment 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 Fund Money Market Funds maturity range is from 07/01/09 – 01/31/10, the Bayerische Landesbank Girozentrale E-NY Investment Agreement matures on 10/01/23, the Municipal Competitive Trust Short-term Portfolio maturity range is from 07/06/09 – 12/28/09, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/20/09 – 12/15/14, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 08/15/09 – 12/15/15.

*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 Fund Money Market Fund and the Bayerische Landesbank Girozentrale E-NY Investment Agreement. These investments represent 11.0% and 29.4% of the City's total investments. External investment pools are excluded from the concentration of credit risk requirement, therefore, the Municipal Competitive Trust is exempt from this requirement.

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 3 - RECEIVABLES**

	<u>Governmental Activities</u>			<u>Business- type Activities</u>	<u>Total</u>
	<u>General</u>	<u>2006 SPLOST</u>	<u>Other Governmental Activities</u>		
<b>Gross receivables:</b>					
Property taxes	\$ 13,521	\$ -	\$ -	\$ -	\$ 13,521
Sales and other taxes	103,363	-	4,076	-	107,439
Intergovernmental	-	120,066	-	-	120,066
Accounts	-	-	-	514,523	514,523
Other	-	965	-	-	965
<b>Total gross receivables</b>	<b>116,884</b>	<b>121,031</b>	<b>4,076</b>	<b>514,523</b>	<b>756,514</b>
<b>Less: allowance for uncollectibles</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96,731</b>	<b>96,731</b>
<b>Total receivables</b>	<b>\$ 116,884</b>	<b>\$ 121,031</b>	<b>\$ 4,076</b>	<b>\$ 417,792</b>	<b>\$ 659,783</b>

**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, 2009:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>General Fund</b>		
Due from Enterprise Fund	\$ 497,961	\$ -
Due from SPLOST 2006 Fund	20,400	-
Other Governmental Funds	-	12,474
<b>Total General Fund</b>	<b>\$ 518,361</b>	<b>\$ 12,474</b>
<b>SPLOST 2006 Fund</b>		
Due to General Fund	\$ -	\$ 20,400
<b>Total SPLOST 2006 Fund</b>	<b>\$ -</b>	<b>\$ 20,400</b>
<b>Other Governmental Funds</b>		
Due from General Fund	\$ 12,474	\$ -
<b>Total Other Governmental Funds</b>	<b>\$ 12,474</b>	<b>\$ -</b>
<b>Enterprise Fund</b>		
Due to General Fund	\$ -	\$ 497,961
<b>Total Enterprise Fund</b>	<b>\$ -</b>	<b>\$ 497,961</b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Not being depreciated:</b>				
Land	\$ 183,818	\$ 122,520	\$ -	\$ 306,338
Construction in progress	<u>-</u>	<u>19,190</u>	<u>-</u>	<u>19,190</u>
Subtotal	<u>183,818</u>	<u>141,710</u>	<u>( - )</u>	<u>325,528</u>
<b>Other capital assets:</b>				
Buildings and improvements	1,998,522	-	-	1,998,522
Infrastructure	858,895	201,505	-	1,060,400
Furniture, fixtures and equipment	563,280	29,111	( 56,804)	535,587
Vehicles	<u>568,437</u>	<u>94,784</u>	<u>-</u>	<u>663,221</u>
Subtotal	<u>3,989,134</u>	<u>325,400</u>	<u>( 56,804)</u>	<u>4,257,730</u>
<b>Accumulated depreciation:</b>				
Buildings and improvements	( 452,151)	( 55,821)	-	( 507,972)
Infrastructure	( 87,469)	( 22,629)	-	( 110,098)
Furniture, fixtures and equipment	( 305,957)	( 66,123)	56,804	( 315,276)
Vehicles	<u>( 325,040)</u>	<u>( 94,436)</u>	<u>-</u>	<u>( 419,476)</u>
Subtotal	<u>( 1,170,617)</u>	<u>( 239,009)</u>	<u>56,804</u>	<u>( 1,352,822)</u>
Net other capital assets	<u>2,818,517</u>	<u>86,391</u>	<u>( - )</u>	<u>2,904,908</u>
Total governmental activities capital assets	\$ <u>3,002,335</u>	\$ <u>228,101</u>	\$( <u>-</u> )	\$ <u>3,230,436</u>
<b>Depreciation was charged to functions as follows:</b>				
<b>Governmental activities:</b>				
General government		\$ 44,191		
Public safety		146,789		
Public services		<u>48,029</u>		
Total governmental activities depreciation expense		\$ <u>239,009</u>		

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5 - CAPITAL ASSETS – Continued**

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

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
<b>Not being depreciated:</b>				
Land	\$ <u>380,784</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>380,784</u>
Subtotal	<u>380,784</u>	<u>-</u>	<u>-</u>	<u>380,784</u>
<b>Other capital assets:</b>				
Utility system	15,341,514	736,536	( 13,429)	16,064,621
Furniture, fixtures and equipment	<u>213,153</u>	<u>85,511</u>	<u>( 99,083)</u>	<u>199,581</u>
Subtotal	<u>15,554,667</u>	<u>822,047</u>	<u>( 112,512)</u>	<u>16,264,202</u>
<b>Accumulated depreciation:</b>				
Utility system	( 4,387,456)	( 387,292)	13,429	( 4,761,319)
Furniture, fixtures and equipment	<u>( 162,533)</u>	<u>( 20,614)</u>	<u>99,083</u>	<u>( 84,064)</u>
Subtotal	<u>( 4,549,989)</u>	<u>( 407,906)</u>	<u>112,512</u>	<u>( 4,845,383)</u>
Net other capital assets	<u>11,004,678</u>	<u>414,141</u>	<u>-</u>	<u>11,418,819</u>
Net business-type activities capital assets	\$ <u>11,385,462</u>	\$ <u>414,141</u>	\$ <u>-</u>	\$ <u>11,799,603</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Utility System	\$ <u>407,906</u>
Total business-type activities depreciation expense	\$ <u>407,906</u>

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

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
<b>COMPONENT UNIT:</b>				
<b>Not being depreciated:</b>				
Land	\$ <u>80,680</u>	\$ <u>41,840</u>	\$( <u>122,520</u> )	\$ <u>-</u>
Net component unit capital assets	<u>80,680</u>	<u>41,840</u>	<u>( 122,520)</u>	<u>-</u>

Depreciation was charged to functions as follows:

Component unit:	
Downtown Development	\$ <u>-</u>
Total component unit depreciation expense	\$ <u>-</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

<u>Type of Debt</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due within One Year</u>
<b>Governmental activities:</b>					
Line of credit payable	\$ 250,150	\$ -	\$( 250,150)	\$ -	\$ -
Capital leases payable	19,086	-	( 17,750)	1,336	1,336
Compensated absences	<u>10,266</u>	<u>7,369</u>	<u>-</u>	<u>17,635</u>	<u>-</u>
<b>Total general long-term debt</b>	<b>\$ <u>279,502</u></b>	<b>\$ <u>7,369</u></b>	<b>\$( <u>267,900</u>)</b>	<b>\$ <u>18,971</u></b>	<b>\$ <u>1,336</u></b>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 7,790,000	\$ -	\$( 305,000)	\$ 7,485,000	\$ 320,000
Less: unamortized issue costs, discounts, and premiums	( <u>597,988</u> )	<u>73,214</u>	<u>-</u>	( <u>524,774</u> )	( <u>73,213</u> )
Revenue bonds payable, net	7,192,012	73,214	( 305,000)	6,960,226	246,787
Capital leases payable	365,536	44,500	( 47,408)	362,628	60,481
Notes payable	710,600	-	( 173,266)	537,334	179,960
Compensated absences	<u>7,572</u>	<u>9,342</u>	<u>-</u>	<u>16,914</u>	<u>-</u>
<b>Total proprietary fund debt</b>	<b>\$ <u>8,275,720</u></b>	<b>\$ <u>127,056</u></b>	<b>\$( <u>525,674</u>)</b>	<b>\$ <u>7,877,102</u></b>	<b>\$ <u>487,228</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

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

**GOVERNMENTAL ACTIVITIES:**

As of June 30, 2009, the governmental long-term debt of the financial reporting entity consisted of the following:

**LINE OF CREDIT PAYABLE**

In a 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. During the year, the City repaid the line of credit plus interest in full.

**CAPITAL LEASE OBLIGATIONS**

The City has financed a vehicle under a capital lease agreement. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related asset has been recorded at the present value of the future minimum lease payments at the inception of the leases, which in this case was \$24,599 for the vehicle. The following is a schedule of future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2009:

June 30, 2010	\$ <u>1,348</u>
Total minimum lease payments	1,348
Amount representing interest	( <u>12</u> )
Present value of lease obligations for governmental activities	1,336
Less: current maturities	<u>1,336</u>
Long-term maturities	\$ <u><u>          -</u></u>

Leased assets under capital leases in capital assets at June 30, 2009, include the following:

Vehicles	\$ 24,599
Less: accumulated depreciation	( <u>16,985</u> )
Total	\$ <u><u>7,614</u></u>

Total depreciation expense on the vehicle for the year ended June 30, 2009, was \$4,920. This depreciation is included in the total depreciation expense shown in Note 5.

**COMPENSATED ABSENCES**

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

Noncurrent portion	\$ <u><u>17,635</u></u>
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**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES:**

As of June 30, 2009, the long-term debt payable from proprietary fund resources consisted of the following:

**CAPITAL LEASE OBLIGATIONS**

The City has financed improvements to its electric utility system and the purchase of a vehicle under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related assets will be recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$486,963 for improvements, \$13,037 for closing costs, and \$42,500 for the vehicle. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2009:

June 30, 2010	\$ 73,052
June 30, 2011	72,063
June 30, 2012	72,063
June 30, 2013	66,127
June 30, 2014	60,192
June 30, 2015	<u>60,192</u>
Total minimum lease payments	403,689
Amount representing interest	<u>( 41,061)</u>
Present value of lease obligations for governmental activities	362,628
Less: current maturities	<u>60,481</u>
Long-term maturities	\$ <u>302,147</u>

Leased assets under the capital lease at June 30, 2009 include the following:

Electric system	\$ 486,963
Vehicle	42,500
Less: accumulated depreciation	<u>( 35,393)</u>
Total	\$ <u>494,070</u>

Total depreciation expense on the utility system improvements and the vehicle for the year ended June 30, 2009, was \$17,132. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES - Continued:**

**REVENUE BONDS PAYABLE 1993 Series**

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

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

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

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

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

The City elected early application of Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities". Under this statement, the loss on advance refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, this deferred loss is reported as a deduction from the new debt liability. For the year ending June 30, 2009 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, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES - Continued:**

**REVENUE BONDS PAYABLE 1993 Series – Continued:**

The ordinance authorizing the 1993 Combined Public Utility System Refunding Revenue Bonds requires that a Revenue Bond Sinking Fund be established in amounts sufficient to pay principal and interest on the bonds as they become due. As of June 30, 2009, 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, 2009, 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, 2009, 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, and operating transfers) equal to at least 130% of the required Sinking Fund payments and 100% of the debt service requirements of subordinated debt coming due. At June 30, 2009, the net revenues (excluding bond interest expense, depreciation, amortization, and operating 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>( 2,695,000)</u>
 Amount outstanding, June 30, 2009	 5,830,000
Less: unamortized discount	( 24,425)
Less: unamortized deferred loss on advance refunding	<u>( 500,349)</u>
 Net amount outstanding, June 30, 2009	 5,305,226
 Less: current maturities	 <u>176,787</u>
 Long-term maturities	 <u>\$ 5,128,439</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2010	\$ 250,000	\$ 339,330	\$ 589,330
2011	265,000	324,266	589,266
2012	285,000	308,179	593,179
2013	300,000	291,068	591,068
2014	315,000	273,079	588,079
2015 - 2019	1,885,000	1,053,600	2,938,600
2020 - 2024	<u>2,530,000</u>	<u>396,900</u>	<u>2,926,900</u>
 Totals	 <u>\$ 5,830,000</u>	 <u>\$ 2,986,422</u>	 <u>\$ 8,816,422</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES - Continued:**

**REVENUE BONDS PAYABLE 2004 Series**

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

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

- At June 30, 2009, \$1,692,745 of the proceeds was used to pay for the costs and installation of gas lines for the City's gas system.
- \$103,565 of the proceeds has been used to pay capitalized interest during the gas line installation phase.
- \$37,630 of the proceeds were used to pay issuance and other related costs.
- At June 30, 2009 the remaining \$8,711 was being held in order to pay the remaining costs and installation of the gas lines and capitalized interest.

The intergovernmental agreement between the Authority and the City requires the City to levy an annual tax on all taxable property located within the City boundaries as may be necessary to make the payments to the Authority for debt service of the bonds as it comes due. As of June 30, 2008, 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	( 190,000)
 Amount outstanding, June 30, 2009	 1,655,000
 Less: current maturities	 <u>70,000</u>
 Long-term maturities	 \$ <u>1,585,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2010	\$ 70,000	\$ 76,950	\$ 146,950
2011	75,000	73,506	148,506
2012	80,000	69,825	149,825
2013	80,000	66,025	146,025
2014	85,000	62,106	147,106
2015 – 2019	500,000	243,438	743,438
2020 – 2024	625,000	109,844	734,844
2025	<u>140,000</u>	<u>3,325</u>	<u>143,325</u>
 Totals	 <u>\$ 1,655,000</u>	 <u>\$ 705,019</u>	 <u>\$ 2,360,019</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

**NOTES PAYABLE**

<ul style="list-style-type: none"> <li>• Note payable to Georgia Environmental Facilities Authority in the original amount of \$1,004,480, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$14,563, including interest, through May 1, 2011. This note was used for improvements to the City's utility system</li> </ul>	\$ 322,389
<ul style="list-style-type: none"> <li>• Note payable to Georgia Environmental Facilities Authority in the original amount of \$256,730, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$1,827, including interest, through January 1, 2021. The note was used for improvements to the City's water and sewer system.</li> </ul>	<u>214,945</u>
Total notes payable, June 30, 2009	537,334
Less: current maturities	<u>179,960</u>
Long-term maturities	\$ <u>357,374</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>16,914</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, 2009, are as follows:

**CAPITAL LEASES PAYABLE**

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2010	\$ 1,336	\$ 12	\$ 60,481	\$ 12,571	\$ 74,400
2011	-	-	61,783	10,279	72,062
2012	-	-	64,085	7,978	72,063
2013	-	-	60,538	5,590	66,128
2014	-	-	56,773	3,419	60,192
2015	-	-	58,968	1,224	60,192
<b>Total</b>	<b>\$ <u>1,336</u></b>	<b>\$ <u>12</u></b>	<b>\$ <u>362,628</u></b>	<b>\$ <u>41,061</u></b>	<b>\$ <u>405,037</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6 - LONG-TERM DEBT - Continued**

**ANNUAL DEBT SERVICE REQUIREMENTS – Continued**

**NOTES PAYABLE**

<b><u>Year Ending June 30,</u></b>	<b><u>Business-type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2010	\$ 179,960	\$ 17,403	\$ 197,363
2011	172,294	10,506	182,800
2012	15,798	6,807	22,605
2013	16,433	6,171	22,604
2014	17,061	5,543	22,604
2015-2019	95,787	17,235	113,022
2020-2021	<u>40,001</u>	<u>1,485</u>	<u>41,486</u>
<b>Total</b>	<b>\$ <u>537,334</u></b>	<b>\$ <u>65,150</u></b>	<b>\$ <u>602,484</u></b>

**REVENUE BONDS PAYABLE**

<b><u>Year Ending June 30,</u></b>	<b><u>Business-type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2010	\$ 320,000	\$ 416,280	\$ 736,280
2011	340,000	397,773	737,773
2012	365,000	378,003	743,003
2013	380,000	357,093	737,093
2014	400,000	335,185	735,185
2015-2019	2,385,000	1,297,038	3,682,038
2020-2024	3,155,000	506,743	3,661,743
2025	<u>140,000</u>	<u>3,325</u>	<u>143,325</u>
<b>Total</b>	<b>\$ <u>7,485,000</u></b>	<b>\$ <u>3,691,440</u></b>	<b>\$ <u>11,176,440</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES**

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Other Governmental Funds:</b>		
Enterprise Fund	\$ <u>          -</u>	\$ <u>      11,502</u>
<b>Total Other Governmental Funds</b>	<u>          -</u>	<u>      11,502</u>
<b>Enterprise Fund:</b>		
Other governmental funds	<u>      11,502</u>	<u>                  -</u>
<b>Totals</b>	<u>\$ <b>11,502</b></u>	<u>\$ <b>11,502</b></u>

Transfers are primarily used to move funds from:

- Other Governmental Funds to the Enterprise Fund for beautification.

During the year ended June 30, 2009, the City made transfers of \$11,502 from Other Governmental Funds to the Enterprise Fund for beautification.

**NOTE 8 - RESTRICTED GOVERNMENT-WIDE ASSETS**

**Governmental activities**

Restricted assets are composed of \$503,816 of cash restricted for capital projects and public safety expenditures under Federal and/or State laws. \$440,606 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax adopted in 2006, and \$63,210 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, 2009:

	<u>Investments</u>
Municipal Competitive Trust Investment Accounts	\$ 1,617,498
1993 Revenue Bond Investment Accounts	1,116,504
2004 Revenue Bond Investment Accounts	<u>          8,711</u>
<b>Total</b>	<u>\$ <b>2,742,713</b></u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 9 - RESTRICTED FUND ASSETS**

**2006 SPLOST Fund**

Restricted assets are composed of \$440,606 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 \$63,210 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, 2009:

	<u>Investments</u>
Municipal Competitive Trust Investment Accounts	\$ 1,617,498
1993 Revenue Bond Investment Accounts	1,116,504
2004 Revenue Bond Investment Accounts	<u>8,711</u>
<b>Total</b>	<b>\$ <u>2,742,713</u></b>

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

**Governmental activities**

Liabilities payable from governmental activities are composed of the following at June 30, 2009:

Deferred revenue	\$ 28,199
Due to other funds	<u>20,175</u>
<b>Total</b>	<b>\$ <u>48,374</u></b>

**Business-type activities**

Liabilities payable from restricted assets are composed of the following at June 30, 2009:

Current Portion of 1993 Revenue Bonds Payable	\$ 250,000
Customer Deposits	175,990
Accrued Interest Payable on 1993 Revenue Bonds	<u>86,661</u>
<b>Total</b>	<b>\$ <u>512,651</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 11 - LIABILITIES PAYABLE FROM FUND RESTRICTED ASSETS:**

**Governmental Funds**

Liabilities payable from restricted assets are composed of the following at June 30, 2009:

2006 SPLOST Fund	
Due to other funds	\$ <u>20,175</u>
<b>Total 2006 SPLOST Fund</b>	<b>\$ <u>20,175</u></b>
Other governmental funds	
Deferred revenue	\$ <u>28,199</u>
<b>Total other governmental funds</b>	<b>\$ <u>28,199</u></b>

**Proprietary Funds**

Liabilities payable from restricted assets are composed of the following at June 30, 2009:

Enterprise Fund	
Current Portion of 1993 Revenue Bonds Payable	\$ 250,000
Customer Deposits	175,990
Accrued Interest Payable on 1993 Revenue Bonds	<u>86,661</u>
<b>Total</b>	<b>\$ <u>512,651</u></b>

**NOTE 12 - RESERVED FUND BALANCE**

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

**SPLOST 2006 Fund**

Reserves of \$541,237 have been provided in the Special Purpose Local Option Sales Tax 2006 Fund for capital projects required by the SPLOST agreement.

**Confiscated Assets Fund**

Reserves of \$35,236 have been provided in the Confiscated Assets Special Revenue Fund for restricted assets that are required to be used for specific purposes.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 13 - RESTRICTED NET ASSETS**

**Governmental Activities**

Restricted net assets are comprised of the following at June 30, 2009:

Restricted for:	
Capital projects	\$ 420,206
Public safety	<u>35,236</u>
<b>Total net assets restricted for governmental activities</b>	<b>\$ <u>455,442</u></b>

**Business-type Activities**

Restricted net assets are comprised of the following at June 30, 2009:

Restricted for:	
Municipal Competitive Trust Agreement	\$ 1,450,219
Debt Service	<u>779,843</u>
<b>Total net assets restricted for business-type activities</b>	<b>\$ <u>2,230,062</u></b>

**NOTE 14 - CONFISCATED ASSETS SPECIAL REVENUE FUND**

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

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

A summary of the Special Revenue Fund follows:

	<u>Confiscated Assets</u>
Balance July 1, 2008	\$ <u>180,137</u>
Revenues	
Forfeitures	<u>63,183</u>
Total revenues	<u>63,183</u>
Expenditures	
Public safety	205,212
Intergovernmental	<u>2,872</u>
Total expenditures	<u>208,084</u>
Balance June 30, 2009	\$ <u>35,236</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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.

*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 8.48% of covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

*Annual Pension Cost*

For the current year, the City's annual pension cost of \$86,642 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the March 1, 2009 actuarial valuation based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 16 - PENSION PLAN - Continued**

*Membership of the plan*

Retirees and beneficiaries receiving benefits	37
Terminated plan members entitled to, but not yet receiving benefits	22
Active plan members	<u>39</u>
 Total	 <u>98</u>

**Three-Year Trend Information for HRP**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/07	\$62,820	100%	\$0
06/30/08	\$68,518	100%	\$0
06/30/09	\$86,642	100%	\$0

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress for HRP**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
03/01/07	\$1,927,930	\$1,709,104	\$(218,826)	112.8%	\$1,075,136	(20.4)%
03/01/08	\$2,002,462	\$1,831,321	\$(171,141)	109.4%	\$1,018,094	(16.8)%
03/01/09	\$1,591,022	\$1,812,764	\$221,742	87.8%	\$1,021,895	21.7%

*Projection of Benefits for Financial Reporting Purposes*

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

*Effect of Plan Changes on the Actuarial Accrued Liability*

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

*Effect of Plan Changes on Recommended Contributions*

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

*Method used to determine the Actuarial Value of Assets*

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 17 - HOTEL/MOTEL LODGING TAX**

The City has levied a 5% hotel/motel lodging tax. The amount of total tax collected in excess of a rate of 3% (60% of the total tax collected), or 2% (40% of the tax collected) is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions for the year ending June 30, 2009 follows:

Total hotel/motel tax receipts	\$ 19,172
Less: hotel/motel tax collected at a rate of 3% (60% of the total tax collected)	<u>11,502</u>
 Hotel/motel tax collected at a rate of 2% (40% of the total tax collected) to be expended for the promotion of tourism, conventions and trade shows	 7,670
 Expenses for promotion of tourism, conventions and trade shows to Hogansville Downtown Development Authority (40% of the total tax collected)	 <u>7,670</u>
 Balance of hotel/motel tax funds at June 30, 2009	 \$ <u>-</u>

**NOTE 18 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS**

The City had no expenditures over appropriations for the fiscal year ending June 30, 2009.

**NOTE 19 - DEFICIT FUND BALANCES/RETAINED EARNINGS**

There were no deficit fund balances/net assets at June 30, 2009.

**NOTE 20 - LITIGATION**

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

**NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES**

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

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

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued**

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default. The City is contingently liable for a significant amount of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2009.

**Gas System.** The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Gas Authority ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with the Gas Authority, the City is obligated to take from the Gas Authority, and the Gas Authority is obligated to provide, all of the City's natural gas requirements. The price paid by the City to the Gas Authority under its contracts is intended to cover the City's share of all the costs of the Gas Authority, including scheduled debt service of the Gas Authority. Such payments are required to be made by the City whether or not the Gas Authority's facilities or natural gas properties or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with the Gas Authority. To the extent the required payments are not made from the revenues of the System or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for \$1,210,645 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2009.

The City completed its replacement of cast iron natural gas mains subsequent to year end and is no longer under a court order from the Georgia Public Service Commission.

**Intergovernmental Natural Gas Sales Agreement**

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

**Intergovernmental Water Sales Agreement**

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

**Intergovernmental Water Sales Agreement**

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

**Intergovernmental Water Sales Agreement**

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 22 - 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 23 - RELATED ORGANIZATION**

The City of Hogansville Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$17,858 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2009.

**NOTE 24 - JOINT VENTURE**

Under Georgia law, the City is a member of the Three Rivers Regional Commission ("TRRC"). The City had been a member of the Chattahoochee-Flint Regional Commission prior to Chattahoochee-Flint merging into the TRRC. The City paid \$3,345 in dues to the Chattahoochee-Flint Regional Commission for the year ended June 30, 2009. Membership in a Regional Development Center ("RDC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Three Rivers Regional Commission, P.O. Box 120 North Hill Street, Griffin, GA 30224.

**NOTE 25 - GRANTS**

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 26 - LANDFILL CLOSURE AND POSTCLOSURE CARE**

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

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

All work was completed by April 30, 1997.

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

**NOTE 27 - SUBSEQUENT EVENTS**

Subsequent to year end, the City entered into a line of credit agreement with a local bank in the amount of \$350,150. The line of credit is collateralized by property tax receipts. The interest rate on the credit line is 4.0%, with accrued interest on the unpaid balance due monthly and continuing on the twentieth day of each month through December 20, 2009, with the final installment of principal and interest payable on December 20, 2009.

**REQUIRED AND OTHER SUPPLEMENTARY INFORMATION**

### **NONMAJOR GOVERNMENTAL FUNDS**

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

**CITY OF HOGANSVILLE, GEORGIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009**

	<b>Special Revenue</b>		
	<b>Confiscated Assets</b>	<b>Hotel/ Motel Tax</b>	<b>Totals</b>
<b>ASSETS</b>			
Sales and other taxes receivable	\$ -	\$ 4,076	\$ 4,076
Due from other funds	225	12,249	12,474
Restricted cash and cash equivalents	<u>63,210</u>	<u>-</u>	<u>63,210</u>
<b>Total assets</b>	<b>\$ <u>63,435</u></b>	<b>\$ <u>16,325</u></b>	<b>\$ <u>79,760</u></b>
<b>LIABILITIES</b>			
Deferred revenue	\$ 28,199	\$ -	\$ 28,199
Due to component unit	<u>-</u>	<u>16,325</u>	<u>16,325</u>
<b>Total liabilities</b>	<b><u>28,199</u></b>	<b><u>16,325</u></b>	<b><u>44,524</u></b>
<b>FUND BALANCES</b>			
Reserved:			
Public safety	<u>35,236</u>	<u>-</u>	<u>35,236</u>
<b>Total fund balance</b>	<b><u>35,236</u></b>	<b><u>-</u></b>	<b><u>35,236</u></b>
<b>Total liabilities and fund Balances</b>	<b>\$ <u>63,435</u></b>	<b>\$ <u>16,325</u></b>	<b>\$ <u>79,760</u></b>

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, 2009**

	<b>Special Revenue</b>		
	<b>Confiscated Assets</b>	<b>Hotel/ Motel Tax</b>	<b>Totals</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ 19,172	\$ 19,172
Fines and forfeitures	<u>63,183</u>	<u>-</u>	<u>63,183</u>
<b>Total Revenues</b>	<u>63,183</u>	<u>19,172</u>	<u>82,355</u>
<b>EXPENDITURES</b>			
Current operating			
Public safety	205,212	-	205,212
Intergovernmental	2,872	-	2,872
Downtown Development	<u>-</u>	<u>7,670</u>	<u>7,670</u>
<b>Total Expenditures</b>	<u>208,084</u>	<u>7,670</u>	<u>215,754</u>
Excess (deficiency) of revenues Over (under) expenditures	( <u>144,901</u> )	<u>11,502</u>	( <u>133,399</u> )
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	<u>-</u>	( <u>11,502</u> )	( <u>11,502</u> )
Net other financing sources (uses)	<u>-</u>	( <u>11,502</u> )	( <u>11,502</u> )
<b>Net changes in fund balances</b>	( <u>144,901</u> )	-	( <u>144,901</u> )
<b>Fund balance - beginning of year</b>	<u>180,137</u>	<u>-</u>	<u>180,137</u>
<b>Fund balance - end of year</b>	\$ <u>35,236</u>	\$ <u>-</u>	\$ <u>35,236</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – CONFISCATED ASSETS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Confiscated Assets Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>63,183</u>	\$ <u>63,183</u>
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>63,183</u>	<u>63,183</u>
<b>EXPENDITURES</b>				
Current operating				
Public safety	-	205,212	205,212	-
Intergovernmental	<u>-</u>	<u>2,872</u>	<u>2,872</u>	<u>-</u>
<b>Total expenditures</b>	<u>-</u>	<u>208,084</u>	<u>208,084</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	( 208,084)	( 144,901)	63,183
Fund balance - beginning of year	<u>180,137</u>	<u>180,137</u>	<u>180,137</u>	<u>-</u>
Fund balance - end of year	\$ <u>180,137</u>	\$( <u>27,947</u> )	\$ <u>35,236</u>	\$ <u>63,183</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, 2009**

	<u>Hotel/Motel Tax Fund</u>			<b>Variance with Final budget Over (Under)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ <u>20,000</u>	\$ <u>20,000</u>	\$ <u>19,172</u>	\$( <u>828</u> )
<b>Total revenues</b>	<u>20,000</u>	<u>20,000</u>	<u>19,172</u>	( <u>828</u> )
<b>EXPENDITURES</b>				
Current operating				
Downtown development	<u>8,000</u>	<u>7,670</u>	<u>7,670</u>	<u>-</u>
<b>Total expenditures</b>	<u>8,000</u>	<u>7,670</u>	<u>7,670</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,000</u>	<u>12,330</u>	<u>11,502</u>	( <u>828</u> )
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( <u>12,000</u> )	( <u>12,000</u> )	( <u>11,502</u> )	<u>498</u>
<b>Net other financing sources (uses)</b>	( <u>12,000</u> )	( <u>12,000</u> )	( <u>11,502</u> )	<u>498</u>
<b>Net changes in fund balance</b>	-	330	-	( 330)
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - end of year</b>	\$ <u>-</u>	\$ <u>330</u>	\$ <u>-</u>	\$( <u>330</u> )

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

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

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

**CITY OF HOGANSVILLE, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – 2006 SPLOST FUND**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2006 SPLOST Fund</b>			<b>Original Amount Authorized</b>
	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 712,339	\$ 527,719	\$ 1,240,058	\$ 3,400,000
Investment return	<u>9,469</u>	<u>6,739</u>	<u>16,208</u>	<u>-</u>
<b>Total revenues</b>	<u>721,808</u>	<u>534,458</u>	<u>1,256,266</u>	<u>3,400,000</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>87,239</u>	<u>627,790</u>	<u>715,029</u>	<u>3,400,000</u>
<b>Total expenditures</b>	<u>87,239</u>	<u>627,790</u>	<u>715,029</u>	<u>3,400,000</u>
<b>Net change in fund balance</b>	\$ <u>634,569</u>	( 92,332)	\$ <u>541,237</u>	\$ <u>-</u>
<b>Fund balance - beginning of year</b>		<u>634,569</u>		
<b>Fund balance - end of year</b>		\$ <u>541,237</u>		

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

**REPORT REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

**WILCOX & BIVINGS, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**4485 Tench Road, Suite 1320**

**Suwanee, GA 30024**

**Phone: 770-904-0419**

**Fax: 770-904-5299**

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

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

We have audited the financial statements of the governmental activities, 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, 2009, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hogansville, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Hogansville, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Hogansville, Georgia's internal control. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Significant deficiencies are noted in the accompanying schedule of findings and responses as items 2009-1, 2009-2, 2009-3, 2009-4, 2009-5, 2009-6, and 2009-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Hogansville, Georgia's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1, 2009-2, 2009-3, and 2009-4 to be material weaknesses.

#### **Compliance and Other Matters**

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

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

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

*Wilcox & Bivings, P.C.*

Suwanee, Georgia  
December 8, 2009

**CITY OF HOGANSVILLE, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2009**

**Finding 2009-1**

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

**Response**

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

**Finding 2009-2**

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

**Response**

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

**Finding 2009-3**

The City did not apply consistent classifications for recording some types of expenditures between the current and prior year, and the Confiscated Assets Fund had several transactions recorded to one account that had to be reclassified to the proper expenditure accounts.

**Response**

The City will determine consistent classifications for expenditures going forward in order to improve comparability between accounting periods. The City discovered the need for reclassifying the expenditure transactions in the Confiscated Assets Fund and provided the journal entry to reclassify these transactions.

**Finding 2009-4**

The City did not have the necessary controls in place to properly account for deferred revenue in the Confiscated Assets Fund.

**Response**

The City will maintain a schedule of deferred revenue for the Confiscated Asset Fund.

**Finding 2009-5**

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

**Response**

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

**Finding 2009-6**

The City did not have personnel change forms in some employee personnel files noting current employee pay rates.

**Response**

The City will begin including personnel change forms in all employee files noting current employee pay rates.

**Finding 2009-7**

The City needs to improve its controls for determining vendors that should be issued 1099 Forms.

**Response**

The City will adopt a policy that will eliminate this control deficiency.

**SCHEDULES REQUIRED BY THE STATE OF GEORGIA**

**CITY OF HOGANSVILLE, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**2006 SPLOST**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Year</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
<b><i>PROJECTS</i></b>						
<b>Water and Sewer System</b>						
<b>Improvements - Priority One</b>	\$ 500,000	\$ 542,000	\$ 87,239	\$ 426,285	\$ 513,524	94.7%
<b>Road and Bridge Improvements -</b>						
<b>Priority Two</b>	<u>2,900,000</u>	<u>2,858,000</u>	<u>-</u>	<u>201,505</u>	<u>201,505</u>	7.0%
<b>Totals</b>	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>	<u>\$ 87,239</u>	<u>\$ 627,790</u>	<u>\$ 715,029</u>	