

CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 56, and the Schedule of Contributions on Page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hogansville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedules of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the City of Hogansville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering City of Hogansville, Georgia's internal control over financial reporting and compliance.

Wilcox & Birings, P.C.

Suwanee, Georgia
December 22, 2017

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Management of the City of Hogansville, Georgia (the "City") provides this Management Discussion and Analysis. This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2017. 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 \$12,088,723 (presented as "net position"). Of this amount, \$(725,740) was reported as a deficit "unrestricted net position". \$11,080,313 of net position consisted of net investment in capital assets. The remainder of net position consisted of amounts restricted by state law or debt agreements, and totaled \$1,734,150.
- The City's total net position increased by \$1,265,698 in fiscal year 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$427,536. Unassigned fund balance was a deficit of \$(879,868).
- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of \$(520,781) or negative (20.5)% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Fund financial statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 55 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents certain required and other supplementary information. Required and other supplementary information can be found on pages 56 to 66 of this report.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,088,723 as of June 30, 2017.

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

CITY OF HOGANSVILLE, GEORGIA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	Restated 2016	2017	Restated 2016	2017	2016
Current and other assets	\$ 1,447,034	\$ 1,253,841	\$ 4,400,603	\$ 4,500,014	\$ 5,847,637	\$ 5,753,855
Capital assets	<u>5,965,778</u>	<u>5,194,417</u>	<u>15,749,222</u>	<u>15,801,854</u>	<u>21,715,000</u>	<u>20,996,271</u>
Total assets	<u>7,412,812</u>	<u>6,448,258</u>	<u>20,149,825</u>	<u>20,301,868</u>	<u>27,562,637</u>	<u>26,750,126</u>
Deferred outflows of resources	<u>87,166</u>	<u>153,089</u>	<u>39,333</u>	<u>69,081</u>	<u>126,499</u>	<u>222,170</u>
Long-term liabilities	332,959	447,765	11,077,492	11,494,545	11,410,451	11,942,310
Other liabilities	<u>670,443</u>	<u>589,884</u>	<u>903,431</u>	<u>923,137</u>	<u>1,573,874</u>	<u>1,513,021</u>
Total liabilities	<u>1,003,402</u>	<u>1,037,649</u>	<u>11,980,923</u>	<u>12,417,682</u>	<u>12,984,325</u>	<u>13,455,331</u>
Deferred inflows of resources	<u>27,583</u>	<u>5,318</u>	<u>2,588,505</u>	<u>2,688,622</u>	<u>2,616,088</u>	<u>2,693,940</u>
Net position:						
Net investment in capital assets	5,866,635	5,030,203	5,213,678	4,701,844	11,080,313	9,732,047
Restricted	1,213,542	1,172,832	520,608	598,913	1,734,150	1,771,745
Unrestricted	(611,184)	(644,655)	(114,556)	(36,112)	(725,740)	(680,767)
Total net position	<u>\$ 6,468,993</u>	<u>\$ 5,558,380</u>	<u>\$ 5,619,730</u>	<u>\$ 5,264,645</u>	<u>\$ 12,088,723</u>	<u>\$ 10,823,025</u>

An additional portion of the City's net position (14.3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(725,740).

As of June 30, 2017 and 2016, the City was able to report positive balances in two out of three categories of net position for the government as a whole. As of June 30, 2017 and 2016, the City was able to report positive balances in two out of three categories of net position for its governmental activities as it had negative unrestricted net position balances of \$(611,184) and \$(644,655). The City was able to report positive balances in two out of three categories of net position for its business-type activities at June 30, 2017 and 2016 as it had a negative unrestricted net position balances of \$(114,556) and \$(36,112).

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2017 and 2016. Governmental activities increased the City's net position by \$910,613 for the year ended June 30, 2017 and decreased the City's net position by \$308,127 for the year ended June 30, 2016. Business-type activities increased the City's net position by \$355,085 and \$200,098 for the years ended June 30, 2017 and 2016.

CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 482,119	\$ 395,541	\$ 6,079,379	\$ 5,663,256	\$ 6,561,498	\$ 6,058,797
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	1,497,213	801,818	-	-	1,497,213	801,818
General revenues:						
Taxes	1,679,561	1,630,028	-	-	1,679,561	1,630,028
Investment revenue	2,044	655	43,772	44,352	45,816	45,007
Other	<u>86,535</u>	<u>45,069</u>	<u>-</u>	<u>-</u>	<u>86,535</u>	<u>45,069</u>
Total revenues	<u>3,747,472</u>	<u>2,873,111</u>	<u>6,123,151</u>	<u>5,707,608</u>	<u>9,870,623</u>	<u>8,580,719</u>
Expenses:						
Program expenses:						
General government	698,959	871,014	-	-	698,959	871,014
Public safety	1,445,667	1,353,497	-	-	1,445,667	1,353,497
Public services	718,217	757,835	-	-	718,217	757,835
Tourism	17,507	17,339	-	-	17,507	17,339
Interest	7,885	11,375	-	-	7,885	11,375
Utility system	<u>-</u>	<u>-</u>	<u>5,723,592</u>	<u>5,679,433</u>	<u>5,723,592</u>	<u>5,679,433</u>
Total expenses	<u>2,888,235</u>	<u>3,011,060</u>	<u>5,723,592</u>	<u>5,679,433</u>	<u>8,611,827</u>	<u>8,690,493</u>
Excess (deficiency) in net assets before contributions and transfers	859,237	(137,949)	399,559	28,175	1,258,796	(109,774)
Contributions	6,902	1,745	-	-	6,902	1,745
Transfers	<u>44,474</u>	<u>(171,923)</u>	<u>(44,474)</u>	<u>171,923</u>	<u>-</u>	<u>-</u>
Change in net position	910,613	(308,127)	355,085	200,098	1,265,698	(108,029)
Net position July 1,	5,558,380	5,787,206	5,264,645	5,143,848	10,823,025	10,931,054
Prior period adjustment	<u>-</u>	<u>79,301</u>	<u>-</u>	<u>(79,301)</u>	<u>-</u>	<u>-</u>
Net position June 30,	\$ <u>6,468,993</u>	\$ <u>5,558,380</u>	\$ <u>5,619,730</u>	\$ <u>5,264,645</u>	\$ <u>12,088,723</u>	\$ <u>10,823,025</u>

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$427,536. Negative \$(879,868) of the combined fund balance constitutes unassigned fund balance deficit. The remainder of the fund balance is classified as either restricted or committed. Restricted fund balance consisted of amounts restricted to pay for capital projects of \$1,168,146 and public safety of \$45,396. \$93,862 of fund balance was committed for public safety.

The General Fund is the chief fund of the City. At the end of the current fiscal year, unassigned fund balance was a deficit of \$(520,781) and total fund balance of the General Fund was a deficit of \$(426,919). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents negative (20.5)% of total expenditures, while total fund balance represents negative (16.8)% of that same amount.

The General Fund's fund balance increased by \$59,187 during the current fiscal year. Key factors in this increase are as follows:

- Total revenues increased by \$148,896 for a percentage increase of 7.4%. This increase was mainly due to an increases in taxes revenue of \$50,029 and fines & forfeitures revenue of \$77,099.
- Total expenditures increased by \$98,012 for a percentage increase of 4.0%. This decrease was mainly due to the City incurring an increase in public safety expenditures of \$105,670.
- Net transfers in increased by \$128,695. This increase was due to the increase of transfers in from the Enterprise Fund in order to fund General Fund operations.

The SPLOST IV Fund's fund balance increased by \$45,175. This increase was due to an increase in intergovernmental revenues over expenditures during the current year.

The Capital Grants Fund's fund balance decreased by \$392,454. This decrease was due to an increase in intergovernmental expenditures during the year.

Other governmental funds fund balances decreased \$4,465 during the current fiscal year. This decrease was due mainly to expenditures exceeding revenues by \$4,513 in the Confiscated Asset Fund during the current fiscal year.

Proprietary funds

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

Unrestricted net position of the proprietary fund was a deficit of \$(114,556). The fund had a net position increase for the fiscal year of \$355,085. Operating revenues increased by \$416,123, operating expenses increased by \$137,242, capital contributions increased by \$109,406, and net transfers to other funds increased by \$325,803.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall, these revisions resulted in decreases in budgeted revenues of \$307,595, increases in budgeted expenditures of \$74,214, and increases in other financing sources of \$440,996. Material revisions to budgeted appropriations were for increases of public safety appropriations of \$57,788.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 and 2016 amounted to \$21,715,000 and \$20,996,271, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, utility system infrastructure, infrastructure assets, and vehicles.

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

- The City expended \$877,860 for general government infrastructure construction in progress.
- The City expended \$220,740 for general government infrastructure improvements.
- The City expended \$393,167 for utility system construction in progress.
- The City expended \$251,981 for utility system infrastructure improvements.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 396,609	\$ 371,634	\$ 380,784	\$ 380,784	\$ 777,393	\$ 752,418
Construction in progress	886,968	11,157	770,292	377,125	1,657,260	388,282
Buildings and improvements	2,007,272	2,007,272	-	-	2,007,272	2,007,272
Utility system infrastructure	-	-	23,375,385	23,123,404	23,375,385	23,123,404
Furniture, fixtures and equipment	264,851	315,959	305,170	285,138	570,021	601,097
Infrastructure	4,337,837	4,117,097	-	-	4,337,837	4,117,097
Vehicles	575,865	547,930	-	-	575,865	547,930
Accumulated depreciation	(2,503,624)	(2,176,632)	(9,082,409)	(8,364,597)	(11,586,033)	(10,541,229)
Total	\$ 5,965,778	\$ 5,194,417	\$ 15,749,222	\$ 15,801,854	\$ 21,715,000	\$ 20,996,271

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, 2017**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$11,027,775 in long-term debt consisting of revenue bonds, capital leases, notes payable, and net pension liability. All of the debt was secured by capital assets or specific revenue sources.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	Restated 2016	2017	Restated 2016	2017	2016
	Capital leases payable	\$ 99,143	\$ 164,214	\$ 5,853,489	\$ 5,911,666	\$ 5,952,632
Notes payable	-	-	362,606	395,629	362,606	395,629
Revenue bonds payable	-	-	4,319,450	4,792,715	4,319,450	4,792,715
Net pension liability	<u>270,863</u>	<u>327,664</u>	<u>122,227</u>	<u>147,859</u>	<u>393,090</u>	<u>475,523</u>
Total	\$ <u>370,006</u>	\$ <u>491,878</u>	\$ <u>10,657,772</u>	\$ <u>11,247,869</u>	\$ <u>11,027,778</u>	\$ <u>11,739,747</u>

The City's total debt decreased \$711,972 during the current fiscal year. This was mainly attributable to the City repaying debt principal and its' net pension liability decreasing during the fiscal year. Additionally, the City had long-term interest payable related to capital leases of \$729,645 and \$545,011 at June 30, 2017 and 2016. Additional information on the City's long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2017-2018 Budget, General Fund revenues are budgeted to decrease by 9.4% from the 2016-2017 budget year with taxes making up about 71.9% of general fund budgeted revenues. The 2017-2018 General Fund Budget includes budgeted revenue of \$552,000 for local option sales tax, \$424,000 in property tax, and \$410,000 in fines and forfeitures. The City has also budgeted expenditures of \$556,610 for general government and \$1,435,475 for public safety.

The City has budgeted \$6,567,706 in revenues for its business-type activities for the 2017-2018 Budget. This is an increase of 0.7% from the 2016-2017 budget year with charges for services making up 96.8% of budgeted revenues. The City has budgeted \$3,733,002 in electric revenue, \$1,108,605 in gas revenue, \$613,000 in sewer revenue and \$651,500 in water revenue. The City's business-type activities have also budgeted electric department expenses of \$3,074,706 and gas department expenses of \$862,518.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
ASSETS				
Cash and cash equivalents	\$ 1,118,072	\$ 163,519	\$ 1,281,591	\$ 61,161
Investments	-	149,296	149,296	-
Receivables, net	663,150	780,887	1,444,037	-
Prepaid expenses	-	7,077	7,077	-
Internal balances	(651,810)	651,810	-	-
Restricted cash and cash equivalents	317,622	161,647	479,269	-
Restricted investments	-	1,071,613	1,071,613	-
Long term receivables	-	1,414,754	1,414,754	-
Nondepreciable capital assets	1,283,577	1,151,076	2,434,653	-
Depreciable capital assets	<u>4,682,201</u>	<u>14,598,146</u>	<u>19,280,347</u>	<u>-</u>
Total assets	<u>7,412,812</u>	<u>20,149,825</u>	<u>27,562,637</u>	<u>61,161</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	<u>87,166</u>	<u>39,333</u>	<u>126,499</u>	<u>-</u>
Total deferred outflows of resources	<u>87,166</u>	<u>39,333</u>	<u>126,499</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Bank overdrafts	127,458	-	127,458	-
Accounts payable	181,967	211,556	393,523	-
Accrued expenses	40,533	103,999	144,532	-
Unearned revenue	266,080	-	266,080	-
Capital leases	54,405	50,310	104,715	-
Notes payable	-	34,300	34,300	-
Revenue bonds payable	<u>-</u>	<u>503,266</u>	<u>503,266</u>	<u>-</u>
Total current liabilities	<u>670,443</u>	<u>903,431</u>	<u>1,573,874</u>	<u>-</u>
Noncurrent liabilities:				
Customer deposits	-	262,401	262,401	-
Compensated absences	17,358	15,550	32,908	-
Accrued liabilities	-	729,645	729,645	-
Capital leases	44,738	5,803,179	5,847,917	-
Notes payable	-	328,306	328,306	-
Revenue bonds payable	-	3,816,184	3,816,184	-
Net pension liability	<u>270,863</u>	<u>122,227</u>	<u>393,090</u>	<u>-</u>
Total noncurrent liabilities	<u>332,959</u>	<u>11,077,492</u>	<u>11,410,451</u>	<u>-</u>
Total liabilities	<u>1,003,402</u>	<u>11,980,923</u>	<u>12,984,325</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - fines & forfeitures	5,966	-	5,966	-
Deferred gain on sale-leaseback	-	2,578,751	2,578,751	-
Pension	<u>21,617</u>	<u>9,754</u>	<u>31,371</u>	<u>-</u>
Total deferred inflows of resources	<u>27,583</u>	<u>2,588,505</u>	<u>2,616,088</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,866,635	5,213,678	11,080,313	-
Restricted for:				
Debt service	-	520,608	520,608	-
Capital projects	1,168,146	-	1,168,146	-
Public safety	45,396	-	45,396	-
Unrestricted	<u>(611,184)</u>	<u>(114,556)</u>	<u>(725,740)</u>	<u>61,161</u>
Total net position	<u>\$ 6,468,993</u>	<u>\$ 5,619,730</u>	<u>\$ 12,088,723</u>	<u>\$ 61,161</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 698,959	\$ 57,467	\$ -	\$ 1,497,213
Public safety	1,445,667	367,029	-	-
Public services	718,217	57,623	-	-
Tourism	17,507	-	-	-
Interest	<u>7,885</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,888,235</u>	<u>482,119</u>	<u>-</u>	<u>1,497,213</u>
Business-type activities				
Utility system	<u>5,723,592</u>	<u>6,079,379</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,723,592</u>	<u>6,079,379</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>8,611,827</u>	\$ <u>6,561,498</u>	\$ <u>-</u>	\$ <u>1,497,213</u>
Component Unit				
Downtown Development Authority	<u>\$ 5,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Local option sales

Property

Franchise

Insurance premium

Beer and wine

Motor vehicle

Other

Investment return

Other

Contributions

Transfers

Total general revenues and transfers

Change in net position

Net position – beginning, as restated

Net position – ending

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
\$ 855,721	\$ -	\$ 855,721	\$ -
(1,078,638)	-	(1,078,638)	-
(660,594)	-	(660,594)	-
(17,507)	-	(17,507)	-
(<u>7,885</u>)	<u>-</u>	(<u>7,885</u>)	<u>-</u>
(<u>908,903</u>)	<u>-</u>	(<u>908,903</u>)	<u>-</u>
<u>-</u>	<u>355,787</u>	<u>355,787</u>	<u>-</u>
<u>-</u>	<u>355,787</u>	<u>355,787</u>	<u>-</u>
<u>\$(908,903)</u>	<u>\$ 355,787</u>	<u>\$(553,116)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(5,665)</u>
\$ 534,258	\$ -	\$ 534,258	\$ -
447,048	-	447,048	-
286,611	-	286,611	-
189,614	-	189,614	-
80,601	-	80,601	-
69,116	-	69,116	-
72,313	-	72,313	-
2,044	43,772	45,816	123
86,535	-	86,535	2,979
6,902	-	6,902	-
<u>44,474</u>	(<u>44,474</u>)	<u>-</u>	<u>-</u>
<u>1,819,516</u>	(<u>702</u>)	<u>1,818,814</u>	<u>3,102</u>
910,613	355,085	1,265,698	(2,563)
<u>5,558,380</u>	<u>5,264,645</u>	<u>10,823,025</u>	<u>63,724</u>
<u>\$ 6,468,993</u>	<u>\$ 5,619,730</u>	<u>\$ 12,088,723</u>	<u>\$ 61,161</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 47,320	\$ 1,022,743	\$ 3	\$ 48,006	\$ 1,118,072
Property taxes receivable	26,514	-	-	-	26,514
Sales and other taxes receivable	108,990	-	-	2,320	111,310
Intergovernmental receivable	-	93,266	419,670	-	512,936
Other receivable	12,390	-	-	-	12,390
Due from other funds	339,741	11,784	-	-	351,525
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>266,080</u>	<u>51,542</u>	<u>317,622</u>
Total assets	\$ <u>534,955</u>	\$ <u>1,127,793</u>	\$ <u>685,753</u>	\$ <u>101,868</u>	\$ <u>2,450,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Bank overdrafts	\$ 127,458	\$ -	\$ -	\$ -	\$ 127,458
Accounts payable	124,754	7,653	49,560	-	181,967
Accrued expenses	40,533	-	-	-	40,533
Unearned revenue	-	-	266,080	-	266,080
Due to other funds	<u>663,594</u>	<u>-</u>	<u>337,241</u>	<u>2,500</u>	<u>1,003,335</u>
Total liabilities	<u>956,339</u>	<u>7,653</u>	<u>652,881</u>	<u>2,500</u>	<u>1,619,373</u>
Deferred inflows of resources:					
Unavailable revenue –					
Property taxes	5,535	-	-	-	5,535
Fines & forfeitures	-	-	-	5,966	5,966
Intergovernmental	<u>-</u>	<u>-</u>	<u>391,959</u>	<u>-</u>	<u>391,959</u>
Total deferred inflows of resources	<u>5,535</u>	<u>-</u>	<u>391,959</u>	<u>5,966</u>	<u>403,460</u>
Fund balances:					
Restricted for:					
Capital projects	-	1,120,140	-	48,006	1,168,146
Public safety	-	-	-	45,396	45,396
Committed for:					
Public safety	93,862	-	-	-	93,862
Unassigned	<u>(520,781)</u>	<u>-</u>	<u>(359,087)</u>	<u>-</u>	<u>(879,868)</u>
Total fund balances	<u>(426,919)</u>	<u>1,120,140</u>	<u>(359,087)</u>	<u>93,402</u>	<u>427,536</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>534,955</u>	\$ <u>1,127,793</u>	\$ <u>685,753</u>	\$ <u>101,868</u>	\$ <u>2,450,369</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total Governmental Fund Balances	\$	427,536
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$2,503,624.		5,965,778
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds:		
Property taxes receivable		5,535
Intergovernmental revenue receivable		391,959
Deferred outflows of resources are not due and payable in the current period, and therefore, are not reported in the funds:		
Pension related experience differences, assumption changes, differences between projected and actual earnings on pension plan investments, and contributions		87,166
Deferred inflows of resources are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Pension related differences between expected and actual experience	(21,617)
Debt and other long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Compensated absences	(17,358)
Capital leases payable	(99,143)
Net Pension liability	(<u>270,863</u>)
Net Position of Governmental Activities	\$	<u>6,468,993</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,650,792	\$ -	\$ -	\$ 28,011	\$ 1,678,803
Fines and forfeitures	363,202	-	-	3,827	367,029
Intergovernmental	-	523,214	580,925	-	1,104,139
Licenses and permits	57,467	-	-	-	57,467
Charges for services	57,623	-	-	-	57,623
Contributions	6,902	-	-	-	6,902
Other	33,496	-	-	-	33,496
Investment return	<u>2,044</u>	<u>1,067</u>	<u>-</u>	<u>48</u>	<u>3,159</u>
Total revenues	<u>2,171,526</u>	<u>524,281</u>	<u>580,925</u>	<u>31,886</u>	<u>3,308,618</u>
EXPENDITURES					
Current operating					
General government	581,494	-	-	-	581,494
Public safety	1,324,313	-	-	8,340	1,332,653
Public services	568,781	-	-	-	568,781
Tourism	-	-	-	17,507	17,507
Capital outlay	-	479,106	1,151,767	-	1,630,873
Debt Service	<u>71,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,922</u>
Total expenditures	<u>2,546,510</u>	<u>479,106</u>	<u>1,151,767</u>	<u>25,847</u>	<u>4,203,230</u>
Excess (deficiency) of revenues Over (under) expenditures	(<u>374,984</u>)	<u>45,175</u>	(<u>570,842</u>)	<u>6,039</u>	(<u>894,612</u>)
OTHER FINANCING SOURCES (USES)					
Sales of surplus property	27,831	-	-	-	27,831
Compensation for loss on capital assets	25,208	-	-	-	25,208
Transfers in	500,000	-	178,388	-	678,388
Transfers out	(<u>118,868</u>)	<u>-</u>	<u>-</u>	(<u>10,504</u>)	(<u>129,372</u>)
Net other financing sources (uses)	<u>434,171</u>	<u>-</u>	<u>178,388</u>	(<u>10,504</u>)	<u>602,055</u>
Net changes in fund balance	59,187	45,175	(392,454)	(4,465)	(292,557)
Fund balance (deficit) – beginning of year	(<u>486,106</u>)	<u>1,074,965</u>	<u>33,367</u>	<u>97,867</u>	<u>720,093</u>
Fund balance (deficit) – end of year	\$ (<u>426,919</u>)	\$ <u>1,120,140</u>	\$ (<u>359,087</u>)	\$ <u>93,402</u>	\$ <u>427,536</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances – total governmental funds	\$(292,557)
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	1,164,559
Depreciation expense	(393,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property taxes	758
Intergovernmental	391,959
Contributions to the pension plan in the current fiscal year are not included in the statement of activities	(29,578)
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	3,599
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Capital leases payable	<u>65,071</u>
Change in Net Position of Governmental Activities	\$ <u>910,613</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, 2017

	<u>General Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,768,971	\$ 1,650,792	\$ 1,650,792	\$ -
Fines and forfeitures	555,000	363,202	363,202	-
Licenses and permits	52,250	57,467	57,467	-
Charges for services	68,000	57,623	57,623	-
Contributions	2,500	6,902	6,902	-
Other	32,200	33,496	33,496	-
Investment return	<u>200</u>	<u>2,044</u>	<u>2,044</u>	<u>-</u>
Total revenues	<u>2,479,121</u>	<u>2,171,526</u>	<u>2,171,526</u>	<u>-</u>
EXPENDITURES				
Current operating				
General government	580,732	581,494	581,494	-
Public safety	1,266,525	1,324,313	1,324,313	-
Public services	554,039	568,781	568,781	-
Debt service	<u>71,000</u>	<u>71,922</u>	<u>71,922</u>	<u>-</u>
Total expenditures	<u>2,472,296</u>	<u>2,546,510</u>	<u>2,546,510</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,825</u>	<u>(374,984)</u>	<u>(374,984)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sales of surplus property	1,000	27,831	27,831	-
Compensation for loss of capital assets	-	25,208	25,208	-
Transfers in	-	500,000	500,000	-
Transfers out	<u>(7,825)</u>	<u>(118,868)</u>	<u>(118,868)</u>	<u>-</u>
Net other financing sources (uses)	<u>(6,825)</u>	<u>434,171</u>	<u>434,171</u>	<u>-</u>
Net change in fund balance	-	59,187	59,187	-
Fund balance - beginning of year	<u>(486,106)</u>	<u>(486,106)</u>	<u>(486,106)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (486,106)</u>	<u>\$ (426,919)</u>	<u>\$ (426,919)</u>	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

	<u>ENTERPRISE FUND</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 163,519
Investments	149,296
Accounts receivable, net	500,639
Interfund receivables	651,810
Installment sale receivable	280,248
Prepaid expenses	<u>7,077</u>
Total current assets	<u>1,752,589</u>
Noncurrent assets:	
Restricted cash and cash equivalents	161,647
Restricted investments	1,071,613
Installment sale receivable	1,414,754
Net capital assets	<u>15,749,222</u>
Total noncurrent assets	<u>18,397,236</u>
Total assets	<u>20,149,825</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>39,333</u>
Total deferred outflows of resources	<u>39,333</u>
LIABILITIES	
Current liabilities:	
Accounts payable	211,556
Accrued expenses	103,999
Capital leases payable	50,310
Notes payable	34,300
Revenue bonds payable	<u>503,266</u>
Total current liabilities	<u>903,431</u>
Noncurrent liabilities:	
Customer deposits	262,401
Compensated absences	15,550
Accrued liabilities	729,645
Capital leases payable	5,803,179
Notes payable	328,306
Revenue bonds payable	3,816,184
Net Pension liability	<u>122,227</u>
Total noncurrent liabilities	<u>11,077,492</u>
Total liabilities	<u>11,980,923</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on sale-leaseback	2,578,751
Pension	<u>9,754</u>
Total deferred inflows of resources	<u>2,588,505</u>
FUND NET POSITION	
Net investment in capital assets	5,213,678
Restricted for debt service	520,608
Restricted for municipal competitive trust agreement	
Unrestricted	(<u>114,556</u>)
Total fund net position	<u>\$ 5,619,730</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>ENTERPRISE FUND</u>
OPERATING REVENUES	
Charges for services	\$ 5,838,697
Other	<u>240,682</u>
Total operating revenues	<u>6,079,379</u>
OPERATING EXPENSES	
Personal services	778,719
Contractual services	553,417
Utilities purchased for resale	3,003,205
Utilities	60,256
Repairs and maintenance	101,848
Materials and supplies	163,832
Depreciation	608,466
Bad debt	<u>103,457</u>
Total operating expenses	<u>5,373,200</u>
Operating income (loss)	<u>706,179</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	43,772
Interest expense	(342,915)
Amortization	(1,734)
Bond administrative fees	<u>(5,743)</u>
Total nonoperating revenues (expenses)	<u>(306,620)</u>
Income (loss) before contributions and transfers	399,559
CAPITAL CONTRIBUTIONS	504,542
TRANSFERS	<u>(549,016)</u>
Change in fund net position	355,085
Fund net position – beginning, as restated	<u>5,264,645</u>
Net position – ending	\$ <u><u>5,619,730</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>ENTERPRISE FUND</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 6,029,353
Receipts from interfund services provided	28,400
Payments to suppliers	(4,733,362)
Payments to employees	(<u>517,823</u>)
Net cash provided (used) by operating activities	<u>806,568</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers to other funds	(<u>549,016</u>)
Net cash provided (used) by noncapital financing activities	(<u>549,016</u>)
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Receipts from installment sale receivable	400,000
Purchases of capital assets	(160,639)
Principal paid on capital debt	(566,200)
Interest paid on capital debt	(282,412)
Administrative fees on bond and notes payable	(<u>5,743</u>)
Net cash provided (used) by capital and related financing activities	(<u>614,994</u>)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Proceeds from sales of investments	149,323
Purchase of investments	(129,168)
Interest and dividends	<u>44,761</u>
Net cash provided (used) by investing activities	<u>64,916</u>
Increase (decrease) in cash and cash equivalents	(292,526)
Cash and cash equivalents – beginning of year	<u>617,692</u>
Cash and cash equivalents – end of year	\$ <u><u>325,166</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>ENTERPRISE FUND</u>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	
Operating income (loss)	\$ 706,179
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	608,466
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(31,723)
Prepaid expenses	(351)
Deferred outflows of pension items	29,748
Accounts payable	(43,546)
Accrued expenses	7,346
Internal balances	(464,969)
Customer deposits	10,097
Compensated absences	1,722
Net pension liability	(25,631)
Deferred inflows of pension items	<u>9,230</u>
Net cash provided by operating activities	\$ <u>806,568</u>
 <i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</i>	
Cash and cash equivalents	\$ 163,519
Restricted cash and cash equivalents	<u>161,647</u>
Total cash and cash equivalents, end of year	\$ <u>325,166</u>
 <i>SUPPLEMENTAL DISCLOSURES</i>	
Noncash capital and related financing activities:	
Property acquired through capital contributions	\$ <u>504,542</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

REPORTING ENTITY

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

Discretely Presented Component Unit

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

The DDA did not issue separate financial statements for the year ended June 30, 2017.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Proprietary funds

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

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

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BUDGETS AND BUDGETARY ACCOUNTING

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

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

Budgeting Policy

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

All appropriations lapse at the end of the fiscal year.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue or Proprietary Funds. Encumbrances outstanding at year-end are commitments of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2017.

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, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable are recorded in the General and Proprietary Funds. Receivables are stated at their net realizable value (face value less the allowance for uncollectible accounts). Delinquent taxes receivable are deferred as revenue until payment is received. Utility receivables are recognized only when billed. No accrual of earned, but unbilled receivables is made at year-end. The Enterprise Fund grants credit to utility customers, all of whom are located within the City. Allowances for doubtful accounts totaled \$0 for the General Fund and \$169,260 for the Enterprise Fund.

PREPAID EXPENSES

Payments made for services that will benefit periods beyond June 30, 2017 are recorded as prepaid expenses.

RESTRICTED CASH AND INVESTMENTS

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

INVENTORIES

All governmental fund type inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased. Enterprise fund inventories were not recorded at June 30, 2017 and are not reflected in the accompanying financial statements, due to their immaterial amount.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS

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

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

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

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

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

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

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

INTEREST EXPENSE AND CAPITALIZED INTEREST

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was \$7,885. Total interest expense from business-type activities was \$342,915, 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, 2017 was \$342,915 all of which was charged to expense. No interest costs were capitalized by the enterprise fund for the year ended June 30, 2017.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BOND DISCOUNTS

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

COMPENSATED ABSENCES

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

LONG-TERM DEBT

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GOVERNMENTAL FUND BALANCES

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

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

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

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

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

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

The City's non-spendable fund balance is comprised of amounts which are not in a spendable form. The City had no non-spendable fund balance at June 30, 2017.

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

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

The City's governmental fund balances follow:

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ 1,120,140	\$ -	\$ 48,006	\$ 1,168,146
Public safety	-	-	-	45,396	45,396
Committed for:					
Public safety	93,862	-	-	-	93,862
Unassigned	(<u>520,781</u>)	-	(<u>359,087</u>)	-	(<u>879,868</u>)
Total fund balances	\$(<u>426,919</u>)	\$ <u>1,120,140</u>	\$(<u>359,087</u>)	\$ <u>93,402</u>	\$ <u>427,536</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

INTERFUND RECEIVABLES AND PAYABLES

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

TRANSACTIONS BETWEEN FUNDS

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

USE OF ESTIMATES

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

USE OF RESTRICTED/UNRESTRICTED NET POSITION

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

REVENUE RECOGNITION

Property Taxes - Troup County bills and collects real and personal property taxes for the City. Ad valorem tax on motor vehicles and mobile homes is collected by the Troup County Tax Commissioner and remitted to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue. Property taxes are normally levied on October 1 of each year on the assessed valuation of property as of the preceding January 1 and are payable on December 20. Liens may attach to property for unpaid taxes on January 1. The assessed valuation for 2016 was \$53,528,217.

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

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

PENSIONS

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - CASH AND INVESTMENTS

Cash

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

At June 30, 2017, the carrying amount of the City's cash including investments in certificates of deposit was \$1,861,616, and the bank balance was \$1,967,053. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by the pledging financial institution or its agent in the City's name. The City has not adopted a formal deposit policy.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$61,161, and the bank balance was \$61,161. The entire bank balance was covered by Federal Depository Insurance at June 30, 2017.

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, 2017, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<u>Primary Government</u>			
<u>Business-type activities</u>			
Certificate of Deposit	Not Rated	730 day	\$ 100,756
First American Treasury Obligations Class Y Money Market Fund	AAAm	32 day WAM	153,058
Wells Fargo Advantage Government Money Market Fund – Institutional	AAAm	38 day WAM	27,973
Fidelity Institutional Money Market Treasury Portfolio Class III	AAAm	26 day WAM	8,730
Bayerische Landesbank Girozentrale E-NY Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/01/17 – 09/25/18	2,793
Intermediate Portfolio	Not Rated	07/01/17 – 11/01/26	246
Intermediate Tax Restricted Portfolio	Not Rated	07/01/17 – 12/14/18	109,553
Total			\$ 1,220,909

CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - CASH AND INVESTMENTS - Continued

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

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

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City uses the specific identification of maturity of its investments. The First American Treasury Obligations Class Y money market fund has a 32 day weighted average maturity, the Wells Fargo Advantage Government Money Market Fund Institutional has a 38 day weighted average maturity, the Fidelity Institutional Money Market Treasury Portfolio Class III money market fund has a 26 day weighted average maturity, the Bayerische Landesbank Girozentrale E-NY Investment Agreement matures on 10/01/23, the Municipal Competitive Trust Short-term Portfolio maturity range is from 07/01/17 – 09/25/18, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/01/17 – 11/01/26, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/17 – 12/14/18.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in the First American Treasury Obligations Class Y Money Market Fund and in the Bayerische Landesbank Girozentrale E-NY Investment Agreement. These investments represent 12.5% and 67.0% of the City's total investments. External investment pools are excluded from the concentration of credit risk requirement, therefore, the Municipal Competitive Trust is exempt from this requirement.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - CASH AND INVESTMENTS - Continued

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

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City's fair value measurements follow:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
First American Treasury Obligations Class Y Money Market Fund	\$ 153,058	\$ -	\$ -	\$ 153,058
Wells Fargo Advantage Government Money Market Fund – Institutional	27,973	-	-	27,973
Fidelity Institutional Money Market Treasury Portfolio Class III	8,730	-	-	8,730
Bayerische Landesbank Girozentrale E-NY Investment Agreement	817,800	-	-	817,800
Municipal Competitive Trust:				
Short-term Portfolio	-	2,793	-	2,793
Intermediate Tax Restricted	-	246	-	246
Intermediate Extended Maturity	-	109,553	-	109,553
Total investments measured at fair value	\$ 1,007,561	\$ 112,592	\$ -	\$ 1,120,153
Investments recorded at cost:				
Certificates of deposit				<u>100,756</u>
Total investments				\$ 1,220,909

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 - RECEIVABLES

	Governmental Activities				Business- type Activities	Total
	General	SPLOST IV	Capital Grants	Other Governmental Activities		
Current receivables:						
Property taxes	\$ 26,514	\$ -	\$ -	\$ -	\$ -	\$ 26,514
Sales and other taxes	108,990	-	-	2,320	-	111,310
Intergovernmental	-	93,266	419,670	-	-	512,936
Accounts	-	-	-	-	669,899	669,899
Installment sale	-	-	-	-	280,248	280,248
Other	<u>12,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,390</u>
Total gross receivables	147,894	93,266	419,670	2,320	950,147	1,613,297
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,260</u>	<u>169,260</u>
Total current receivables:	\$ <u>147,894</u>	\$ <u>93,266</u>	\$ <u>419,670</u>	\$ <u>2,320</u>	\$ <u>780,887</u>	\$ <u>1,444,037</u>
Long term receivables:						
Installment sale	\$ -	\$ -	\$ -	\$ -	\$ 1,414,754	\$ 1,414,754
Total long term receivables	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,414,754</u>	\$ <u>1,414,754</u>

The installment sale receivable consists of the following at June 30, 2017:

Installment sale made to MEAG Power for the City's Electric System. Original amount of the note was \$5,980,000. Payments to be received semi-annually at varying amounts, discounted at 5.95% interest. Collateralized by Electric System Facilities.	\$ 2,950,000
Less: Discount	(1,254,998)
Total Installment sale receivable, net	1,695,002
Less: current portion	(280,248)
Long term portion	\$ <u>1,414,754</u>

At June 30, 2017, scheduled maturities of the installment sale receivable as discounted were the following:

2018	\$ 280,248
2019	283,403
2020	282,348
2021	283,323
2022	283,298
2023	<u>282,382</u>
Total maturities of installment sale receivable	\$ <u>1,695,002</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		
Due to Enterprise Fund	\$ -	\$ 651,810
Due to SPLOST IV Fund	-	11,784
Due to Other Governmental Funds	-	-
Due from Capital Grants Fund	337,241	-
Due from Other Governmental Funds	<u>2,500</u>	<u>-</u>
Total General Fund	\$ <u>339,741</u>	\$ <u>663,594</u>
SPLOST IV Fund		
Due from General Fund	<u>11,784</u>	<u>-</u>
Total SPLOST IV Fund	\$ <u>11,784</u>	\$ <u>-</u>
Capital Grants Fund		
Due to General Fund	<u>-</u>	<u>337,241</u>
Total Capital Grants Fund	\$ <u>-</u>	\$ <u>337,241</u>
Other Governmental Funds		
Due to General Fund	-	2,500
Due from General Fund	<u>-</u>	<u>-</u>
Total Other Governmental Funds	\$ <u>-</u>	\$ <u>2,500</u>
Enterprise Fund		
Due from General Fund	<u>651,810</u>	<u>-</u>
Total Enterprise Fund	\$ <u>651,810</u>	\$ <u>-</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 371,634	\$ 24,975	\$ -	\$ 396,609
Construction in progress	<u>11,157</u>	<u>877,860</u>	<u>(2,049)</u>	<u>886,968</u>
Subtotal	<u>382,791</u>	<u>902,835</u>	<u>(2,049)</u>	<u>1,283,577</u>
Other capital assets:				
Buildings and improvements	2,007,272	-	-	2,007,272
Infrastructure	4,117,097	220,740	-	4,337,837
Furniture, fixtures and equipment	315,959	15,098	(66,206)	264,851
Vehicles	<u>547,930</u>	<u>27,935</u>	<u>-</u>	<u>575,865</u>
Subtotal	<u>6,988,258</u>	<u>263,773</u>	<u>(66,206)</u>	<u>7,185,825</u>
Accumulated depreciation:				
Buildings and improvements	(899,525)	(56,696)	-	(956,221)
Infrastructure	(863,599)	(197,954)	-	(1,061,553)
Furniture, fixtures and equipment	(183,175)	(34,573)	66,206	(151,542)
Vehicles	<u>(230,333)</u>	<u>(103,975)</u>	<u>-</u>	<u>(334,308)</u>
Subtotal	<u>(2,176,632)</u>	<u>(393,198)</u>	<u>66,206</u>	<u>(2,503,624)</u>
Net other capital assets	<u>4,811,626</u>	<u>(129,425)</u>	<u>-</u>	<u>4,682,201</u>
Total governmental activities capital assets	\$ <u>5,194,417</u>	\$ <u>773,410</u>	\$(<u>2,049)</u>	\$ <u>5,965,778</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 76,850		
Public safety		132,043		
Public services		<u>184,305</u>		
Total governmental activities depreciation expense		\$ <u>393,198</u>		

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS – Continued

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

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land	\$ 380,784	\$ -	\$ -	\$ 380,784
Construction in progress	<u>377,125</u>	<u>393,167</u>	<u>-</u>	<u>770,292</u>
Subtotal	<u>757,909</u>	<u>393,167</u>	<u>-</u>	<u>1,151,076</u>
Other capital assets:				
Utility system	23,123,404	251,981	-	23,375,385
Furniture, fixtures and equipment	<u>285,138</u>	<u>20,032</u>	<u>-</u>	<u>305,170</u>
Subtotal	<u>23,408,542</u>	<u>272,013</u>	<u>-</u>	<u>23,680,555</u>
Accumulated depreciation:				
Utility system	(8,198,537)	(689,045)	-	(8,887,582)
Furniture, fixtures and equipment	<u>(166,060)</u>	<u>(28,767)</u>	<u>-</u>	<u>(194,827)</u>
Subtotal	<u>(8,364,597)</u>	<u>(717,812)</u>	<u>-</u>	<u>(9,082,409)</u>
Net other capital assets	<u>15,043,945</u>	<u>(445,799)</u>	<u>-</u>	<u>14,598,146</u>
Net business-type activities capital assets	\$ <u>15,801,854</u>	\$(<u>52,632</u>)	\$ <u>-</u>	\$ <u>15,749,222</u>

Depreciation was charged to functions as follows:

Business-type activities:		
Utility System Enterprise Fund		
Depreciation		\$ 717,812
Deferred gain recognized from sale-leaseback transactions against depreciation		<u>(109,346)</u>
Total business-type activities depreciation expense		\$ <u>608,466</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - SHORT TERM DEBT

<u>Type of Debt</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Governmental activities:				
Line of credit payable	\$ -	\$ 325,300	\$(325,300)	\$ -
Total governmental activities	<u>\$ -</u>	<u>\$ 325,300</u>	<u>\$(325,300)</u>	<u>\$ -</u>

LINES OF CREDIT PAYABLE

In the prior year the City entered into a line of credit agreement with a local bank. The line of credit was collateralized by property tax receipts, and assisted the City with funding its operations. The City repaid the line of credit plus interest in full during December 2016. In January of 2017, the City entered into a new line of credit with a local bank for \$300,300. The line of credit was collateralized by property tax receipts, and assisted the City with funding its operations. The City is required to repay all funds borrowed on the line of credit prior to December 31, 2017.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

<u>Type of Debt</u>	<u>Balance July 1, 2016 Restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Capital leases payable	\$ 164,214	\$ -	\$(65,071)	\$ 99,143	\$ 54,405
Net pension liability	327,664	-	(56,801)	270,863	-
Compensated absences	<u>20,957</u>	<u>-</u>	<u>(3,599)</u>	<u>17,358</u>	<u>-</u>
Total general long-term debt	<u>\$ 512,835</u>	<u>\$ -</u>	<u>\$(125,471)</u>	<u>\$ 387,364</u>	<u>\$ 54,405</u>
Business-type activities:					
Revenue bonds payable	\$ 4,805,000	\$ -	\$(475,000)	\$ 4,330,000	\$ 505,000
Less: unamortized discounts	<u>(12,285)</u>	<u>1,735</u>	<u>-</u>	<u>(10,550)</u>	<u>(1,734)</u>
Revenue bonds payable, net	4,792,715	1,735	(475,000)	4,319,450	503,266
Capital leases payable	5,911,666	-	(58,177)	5,853,489	50,310
Notes payable	395,629	-	(33,023)	362,606	34,300
Net pension liability	147,859	-	(25,632)	122,227	-
Compensated absences	<u>13,828</u>	<u>1,722</u>	<u>-</u>	<u>15,550</u>	<u>-</u>
Total proprietary fund debt	<u>\$ 11,261,697</u>	<u>\$ 3,457</u>	<u>\$(591,832)</u>	<u>\$ 10,673,322</u>	<u>\$ 587,876</u>

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

GOVERNMENTAL ACTIVITIES:

As of June 30, 2017, the governmental long-term debt of the financial reporting entity consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City has financed vehicles under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital leases payable and the related assets have been recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$84,000, \$119,128, \$19,916, and \$96,365 for vehicles and equipment. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017:

June 30, 2018	\$ 56,871
June 30, 2019	22,122
June 30, 2020	20,985
June 30, 2021	<u>3,497</u>
Total minimum lease payments	103,475
Amount representing interest	<u>(4,332)</u>
Present value of lease obligations for governmental activities	99,143
Less: current maturities	<u>54,405</u>
Long-term maturities	\$ <u><u>44,738</u></u>

Leased assets under capital leases in capital assets at June 30, 2017, include the following:

Vehicles	\$ 295,734
Furniture, fixtures, and equipment	28,816
Less: accumulated depreciation	<u>(203,427)</u>
Total	\$ <u><u>121,123</u></u>

Total depreciation expense on the office equipment and vehicles for the year ended June 30, 2017, was \$55,274. This depreciation is included in the total depreciation expense shown in Note 5.

COMPENSATED ABSENCES

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

Noncurrent portion	\$ <u><u>17,358</u></u>
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**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City financed the sale-leaseback of certain assets of its electric utility system and improvements to its electric utility system under a capital lease agreement. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related assets will be recorded at the present value of the future minimum lease payments at the inception of the lease, which in this case was \$5,980,000 for the sale-leaseback assets and capital improvements. 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, 2017:

June 30, 2018	\$ 60,033
June 30, 2019	76,080
June 30, 2020	95,310
June 30, 2021	118,529
June 30, 2022	146,331
June 30, 2023-2027	2,849,456
June 30, 2028-2032	3,672,595
June 30, 2033-2037	3,653,959
June 30, 2038-2041	<u>2,905,617</u>
Total minimum lease payments	13,577,910
Amount representing interest	(<u>7,724,421</u>)
Present value of lease obligations for business-type activities	5,853,489
Less: current maturities	<u>50,310</u>
Long-term maturities	\$ <u>5,803,179</u>

Leased assets under the capital lease at June 30, 2017 include the following:

Electric system	\$ 5,220,000
Less: accumulated depreciation	<u>(1,116,500)</u>
Total	\$ <u>4,103,500</u>

Total depreciation expense on the utility system improvements and equipment for the year ended June 30, 2017, was \$174,000. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 1993 Series

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

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

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

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, 2017, 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, 2017, 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, 2017, the City was not in compliance with this debt service requirement per auditor calculation.

Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Utility System and will revise them as necessary to provide net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and transfers) equal to at least 130% of the required Sinking Fund payments and 100% of the debt service requirements of subordinated debt coming due. At June 30, 2017, the net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and transfers) of the Enterprise Fund were in compliance with this requirement.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 1993 Series – Continued:

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	(5,175,000)
 Amount outstanding, June 30, 2017	 3,350,000
Less: unamortized discount	(10,550)
 Net amount outstanding, June 30, 2017	 3,339,450
Less: current maturities	398,266
 Long-term maturities	 \$ 2,941,184

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2018	\$ 400,000	\$ 189,000	\$ 589,000
2019	420,000	164,400	584,400
2020	450,000	138,300	588,300
2021	475,000	110,550	585,550
2022	505,000	81,150	586,150
2023 - 2024	<u>1,100,000</u>	<u>66,900</u>	<u>1,166,900</u>
 Totals	 <u>\$ 3,350,000</u>	 <u>\$ 750,300</u>	 <u>\$ 4,100,300</u>

REVENUE BONDS PAYABLE 2004 Series

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

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

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

The intergovernmental agreement between the Authority and the City requires the City to levy an annual tax on all taxable property located within the City boundaries as may be necessary to make the payments to the Authority for debt service of the bonds as it comes due. As of June 30, 2017, all required transfers have been made to the Bond Fund for the debt service on the bonds.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 2004 Series - Continued:

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

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

Amount of original issue	\$ 1,845,000
Amount redeemed	(<u>865,000</u>)
 Amount outstanding, June 30, 2017	 980,000
 Less: current maturities	 <u>105,000</u>
 Long-term maturities	 \$ <u>875,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2018	\$ 105,000	\$ 44,056	\$ 149,056
2019	110,000	38,950	148,950
2020	115,000	33,606	148,606
2021	120,000	28,025	148,025
2022	125,000	22,206	147,206
2023 - 2025	<u>405,000</u>	<u>29,332</u>	<u>434,332</u>
 Totals	 \$ <u>980,000</u>	 \$ <u>196,175</u>	 \$ <u>1,176,175</u>

NOTES PAYABLE

<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$256,730, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$1,827, including interest, through January 1, 2021. This note was used for improvements to the City's utility system. 	\$ 80,521
<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$348,475, interest rate of 3.81%, secured by utility system improvements, payable in monthly installments of \$2,077, including interest, through April 1, 2032. This note was used for improvements to the City's utility system. 	<u>282,085</u>
 Total notes payable, June 30, 2017	 362,606
Less: current maturities	<u>34,300</u>
 Long-term maturities	 \$ <u>328,306</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

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 \$ 15,550

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2017, are as follows:

CAPITAL LEASES PAYABLE

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 54,405	\$ 2,466	\$ 50,310	\$ 9,723	\$ 116,904
2019	20,768	1,354	61,753	14,327	98,202
2020	20,487	498	74,656	20,654	116,295
2021	3,483	14	89,242	29,287	122,026
2022	-	-	105,443	40,888	146,331
2023-2027	-	-	1,715,244	1,134,212	2,849,456
2028-2032	-	-	1,708,166	1,964,429	3,672,595
2033-2037	-	-	1,270,985	2,382,973	3,653,958
2038-2041	-	-	777,690	2,127,928	2,905,618
Total	\$ <u>99,143</u>	\$ <u>4,332</u>	\$ <u>5,853,489</u>	\$ <u>7,724,421</u>	\$ <u>13,681,385</u>

NOTES PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 34,300	\$ 13,228	\$ 47,528
2019	35,632	11,896	47,528
2020	37,014	10,514	47,528
2021	34,724	9,081	43,805
2022	16,797	8,126	24,923
2023-2027	94,275	30,343	124,618
2028-2032	<u>109,864</u>	<u>10,600</u>	<u>120,464</u>
Total	\$ <u>362,606</u>	\$ <u>93,788</u>	\$ <u>456,394</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - LONG-TERM DEBT - Continued

ANNUAL DEBT SERVICE REQUIREMENTS – Continued

REVENUE BONDS PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 505,000	\$ 233,056	\$ 738,056
2019	530,000	203,350	733,350
2020	565,000	171,906	736,906
2021	595,000	138,575	733,575
2022	630,000	103,356	733,356
2023-2025	<u>1,505,000</u>	<u>96,232</u>	<u>1,601,232</u>
Total	\$ <u>4,330,000</u>	\$ <u>946,475</u>	\$ <u>5,276,475</u>

NOTE 8 - SALE-LEASEBACK TRANSACTION

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - INTERFUND TRANSACTIONS AND BALANCES

	Transfers In	Transfers Out
General Fund:		
Enterprise Fund	\$ 500,000	\$ -
Capital Grants Fund	-	118,868
Total General Fund	500,000	118,868
Capital Grants Fund:		
General Fund	118,868	-
Enterprise Fund	59,520	-
Total Capital Grants Fund	178,388	-
Other Governmental Funds:		
General Fund	-	-
Enterprise Fund	-	10,504
Total Other Governmental Funds	-	10,504
Enterprise Fund:		
General Fund	-	500,000
Capital Grants Fund	-	59,520
Other governmental Funds	10,504	-
Total Enterprise Fund	10,504	559,520
Totals	\$ 312,389	\$ 312,389

Transfers are primarily used to move funds from:

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

During the year ended June 30, 2017, the City made transfers of \$500,000 from the Enterprise Fund to the General Fund for assistance with General Fund operations and administration. The City also made transfers of \$118,868 from the General Fund to the Capital Grants Fund for grant matching support, transfers of \$59,520 from the Enterprise Fund to the Capital Grants Fund for grant matching support, and transfers of \$10,504 from Other Governmental Funds to the Enterprise Fund for beautification.

NOTE 10 - LIABILITIES AND DEFERRED INFLOWS OF RESOURCES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS:

Governmental activities

Liabilities payable from restricted assets are composed of the following at June 30, 2017:

Due to other funds	\$ 180
Unearned revenue	266,080
Total	\$ 266,260

Deferred inflows of resources payable from restricted assets are composed of the following at June 30, 2017:

Unavailable revenue – fines & forfeitures	\$ 5,966
Total	\$ 5,966

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - LIABILITIES AND DEFERRED INFLOWS OF RESOURCES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS - Continued

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2017:

Current Portion of 1993 Revenue Bonds Payable	\$ 400,000
Customer Deposits	262,401
Accrued Interest Payable on 1993 Revenue Bonds	<u>50,251</u>
Total	\$ <u>712,652</u>

NOTE 11 - RESTRICTED NET POSITION

Governmental Activities

Restricted net position is comprised of the following at June 30, 2017:

Restricted for:	
Capital projects	\$ 1,168,146
Public safety	<u>45,396</u>
Total net position restricted for governmental activities	\$ <u>1,213,542</u>

Business-type Activities

Restricted net position is comprised of the following at June 30, 2017:

Restricted for:	
Debt Service	\$ <u>520,608</u>
Total net position restricted for business-type activities	\$ <u>520,608</u>

NOTE 12 - CONFISCATED ASSETS SPECIAL REVENUE FUND

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

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

A summary of the Special Revenue Fund follows:

	<u>Confiscated Assets</u>
Balance July 1, 2016	\$ <u>49,909</u>
Revenues	
Forfeitures	<u>3,827</u>
Total revenues	<u>3,827</u>
Expenditures	
Public safety	<u>8,340</u>
Total expenditures	<u>8,340</u>
Balance June 30, 2017	\$ <u>45,396</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 - 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 14 - 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.

Membership of the plan

Retirees and beneficiaries receiving benefits	46
Terminated vested participants	13
Active plan members	<u>49</u>
 Total	 <u>108</u>

Funding Policy

HRP members are not required and do not contribute to HRP. HRP is a noncontributory plan. The City is required to contribute 100% of the amount necessary to fund HRP at an actuarially determined rate; the current rate is 6.02% of expected payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 - PENSION PLAN - Continued

Investment Data

The market value of assets is based on current values as of the three months preceding the valuation date (September 30, 2016) and is assumed to be current through that date. All asset data that was used in the actuarial valuation has been supplied by GMEBS. Net investment return is estimated at 7.75% on an on-going basis, based on long-term expected rate of return on pension plan investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. An inflation rate of 3.25% has been assumed. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	5.00%
Domestic fixed income	20%	1.75%
Cash	<u>0%</u>	
Total	<u>100%</u>	

NET PENSION LIABILITY

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

The City's net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

Net pension liability is calculated as follows:

Total pension liability	\$ 2,513,700
Fiduciary net position	(<u>2,120,610</u>)
Net pension liability	\$ <u>393,090</u>
Fiduciary net position as a percentage of total pension liability	84.4%

Total pension liability uses Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2017 are used to measure total pension liability as of September 30, 2016. The balances as of September 30, 2016 constitute measurements of the net pension liability for the fiscal year ending June 30, 2017.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 - PENSION PLAN - Continued

NET PENSION LIABILITY - Continued

The mortality and economic actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

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

Total pension liability, fiduciary net position, and net pension liability are based on a September 30, 2016 measurement date which would make them applicable to the fiscal year beginning July 1, 2016 and ending June 30, 2017.

Benefit Terms

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

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

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

Changes in Assumptions

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

Benefit Changes

There were no changes in benefit provisions in the last two fiscal years.

Discount Rate

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 - PENSION PLAN - Continued

NET PENSION LIABILITY - Continued

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2017, were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) – (b)</u>
Beginning balance	\$ 2,480,425	\$ 2,004,902	\$ 475,523
Changes for the year:			
Service cost	70,624	-	70,624
Interest	184,956	-	184,956
Differences between expected and actual experience	(34,518)	-	(34,518)
Contributions – employer	-	94,802	(94,802)
Contributions – employee	-	-	-
Net investment income	-	218,280	(218,280)
Benefit payments, including refunds of employee contributions	(187,787)	(187,787)	-
Administrative expense	-	(9,587)	9,587
Other changes	-	-	-
Ending balance	\$ <u>2,513,700</u>	\$ <u>2,120,610</u>	\$ <u>393,090</u>

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

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

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ <u>665,627</u>	\$ <u>393,090</u>	\$ <u>163,000</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2016 and the current sharing patten of costs between employer and employee.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 - PENSION PLAN - Continued

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

Pension expense for the year ended June 30, 2017 is \$139,294.

Deferred outflows/inflows of resource related to pensions:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,648	\$(26,732)
Changes in assumptions	8,104	-
Changes in benefit terms	-	-
Net difference between projected and actual earnings on pension plan Investments	-	(4,639)
City contributions subsequent to the measurement date	<u>60,747</u>	<u>-</u>
Total	\$ <u>126,499</u>	\$(<u>31,371</u>)

Employer contributions made subsequent to the measurement date of the net pension liability of \$60,747 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Projected recognition of deferred outflows/(inflows):

Year Ended	Recognition
June 30, 2018	\$ 25,530
June 30, 2019	18,268
June 30, 2020	3,958
June 30, 2021	(13,375)
June 30, 2022	-
Thereafter	-
Total	\$ <u>34,381</u>

At year end, the City had payables to the HRP in the amount of \$6,750, which was included in the accounts payable balance in the Governmental Activities. The payable comprised two months of the City's required contribution to HRP. The City is required to contribute to HRP monthly, and the City's contribution for the month of June was paid subsequent to year end.

NOTE 15 - HOTEL/MOTEL LODGING TAX

The City has levied an 8% hotel/motel lodging tax. The amount of total tax collected in excess of a rate of 3%, is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions for the year ending June 30, 2017 follows:

Total hotel/motel tax receipts	\$ 28,011
Less: hotel/motel tax collected at a rate of 3%	<u>10,504</u>
Hotel/motel tax collected to be expended for the promotion of tourism, conventions and trade shows	17,507
Expenses for promotion of tourism, conventions and trade shows	<u>17,507</u>
Balance of hotel/motel tax funds at June 30, 2017	<u>\$ -</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 - DEFICIT FUND BALANCES/NET POSITION

The City's General Fund had a deficit fund balance of \$426,919 at June 30, 2017. This deficit is a result of inadequate revenues to cover expenditures during prior fiscal years. The City will need to make increased transfers from its Utility Fund to the General Fund and/or reduce expenditures in order eliminate this deficit.

The City's Capital Grants Fund had a deficit fund balance of \$359,087 at June 30, 2017. This deficit is a result of unavailable intergovernmental grant revenues to cover expenditures for the current fiscal year. Intergovernmental grant revenues should become available and be collected to eliminate this deficit in the upcoming fiscal year.

NOTE 17 - LITIGATION

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

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default. The City was contingently liable for \$17,569,600 of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2017.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

Gas System. The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Gas Authority ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with the Gas Authority, the City is obligated to take from the Gas Authority, and the Gas Authority is obligated to provide, all of the City's natural gas requirements. The price paid by the City to the Gas Authority under its contracts is intended to cover the City's share of all the costs of the Gas Authority, including scheduled debt service of the Gas Authority. Such payments are required to be made by the City whether or not the Gas Authority's facilities or natural gas properties or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with the Gas Authority. To the extent the required payments are not made from the revenues of the System or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City was contingently liable for \$731,287 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2017.

Intergovernmental Natural Gas Sales Agreement

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

Intergovernmental Water Sales Agreement

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

Intergovernmental Water Sales Agreement

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

Intergovernmental Water Sales Agreement

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

United States Department of Agriculture Grant and Loan

The City has entered into an agreement with the United States Department of Agriculture for the construction of an addition to the City's water control pollution plant. The estimated cost of the project is \$6,681,000 with \$2,581,000 being funded by a Federal grant, \$2,500,000 being funded by a Federal loan, and \$1,600,000 being funded by Meriwether County. As of June 30, 2017, the City had expended \$314,530 of expenditures on the project.

Community Development Block Grant 2015

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to its Sewer System. \$500,000 is being funded by a Federal grant with the City providing \$107,400 in matching funds. As of June 30, 2017, the City had expended \$94,243 of matching and \$339,179 of reimbursable Federal expenditures on the project.

Community Development Block Grant 2017

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to its Sewer System. \$637,900 is being funded by a Federal grant with the City providing \$62,351 in matching funds. As of June 30, 2017, the City had expended \$16,355 of matching and \$0 of reimbursable Federal expenditures on the project.

FEMA and GEMA Grant Projects

The City has entered into agreements with the Georgia Emergency Management Agency and Homeland Security Agency to repair and reconstruct several infrastructure projects due to flood damage that occurred in December 2015. The estimated costs of the projects are \$1,290,554 with \$967,916 being funded by Federal grant awards, \$161,319 by the Georgia Emergency Management Agency, and \$161,319 by the City. As of June 30, 2017, the City had expended \$108,962 of matching, \$562,391 of Federal expenditures, and \$93,732 of State expenditures on the projects.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

EPD Consent Order

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

NOTE 19 - 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 20 - 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 \$23,178 in lieu of taxes from the Housing Authority for the year ended June 30, 2017.

NOTE 21 - JOINT VENTURE

Under Georgia law, the City is a member of the Three Rivers Regional Commission ("TRRC"). The City paid \$3,110 in dues to the TRRC for the year ended June 30, 2017. Membership in a Regional Commission ("RC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Three Rivers Regional Commission, 120 North Hill Street, P.O. Box 818 Griffin, GA 30224.

NOTE 22 - 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, 2017**

NOTE 23 - 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 24 - PRIOR PERIOD RESTATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City reclassified portions of its prior year pension related liabilities from its Governmental Activities to Business-type Activities. The results of these reclassifications follow:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position June 30, 2016 as previously reported	\$ 5,479,079	\$ 5,343,946	\$ 10,823,025
Adjustments:			
Deferred outflows of resources – pensions	(69,081)	69,081	-
Net pension liability	147,859	(147,859)	-
Deferred inflows of resources - pensions	<u>523</u>	<u>(523)</u>	<u>-</u>
Net position June 30, 2016 as restated	\$ <u>5,558,380</u>	\$ <u>5,264,645</u>	\$ <u>10,823,025</u>

REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	CITY OF HOGANSVILLE RETIREMENT PLAN									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Pension Liability										
Service cost	\$ 70,624	\$ 74,004	\$ 61,891							
Interest	184,956	171,241	164,297							
Differences between Expected and actual Experience	(34,518)	115,297	(3,369)							
Changes in assumptions	-	-	32,416							
Changes of benefit terms	-	-	-							
Benefit payments, including Refunds of employee Contributions	(187,787)	(179,356)	(151,911)							
Net change in total pension Liability	33,275	181,186	103,324							
Total pension liability – Beginning	<u>2,480,425</u>	<u>2,299,239</u>	<u>2,195,915</u>							
Total pension liability – Ending (a)	\$ <u>2,513,700</u>	\$ <u>2,480,425</u>	\$ <u>2,299,239</u>							
Plan Fiduciary Net Position										
Contributions – employer	\$ 94,802	\$ 57,300	\$ 89,216							
Contributions – employee	-	-	-							
Net Investment income	218,280	28,495	221,621							
Benefit payments, including Refunds of employee Contributions	(187,787)	(179,356)	(151,911)							
Administrative expense	(9,587)	(10,608)	(8,844)							
Other	-	-	-							
Net change in fiduciary Net position	115,708	(104,169)	150,082							
Plan fiduciary net position – Beginning	<u>2,004,902</u>	<u>2,109,071</u>	<u>1,958,989</u>							
Plan fiduciary net position – Ending (b)	\$ <u>2,120,610</u>	\$ <u>2,004,902</u>	\$ <u>2,109,071</u>							
Net Position Liability										
Net pension liability – Ending (a) – (b)	\$ <u>393,090</u>	\$ <u>475,523</u>	\$ <u>190,168</u>							
Plan's fiduciary net position As a percentage of the Total pension liability	84.36%	80.83%	91.73%							
Covered-employee payroll	\$ 1,352,157	\$ 1,242,111	\$ 1,282,094							
Net pension liability as a Percentage of covered- Employee payroll	29.07%	38.28%	14.83%							

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

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	CITY OF HOGANSVILLE RETIREMENT PLAN									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	*	\$ 78,907	\$ 70,647							
Contributions in relation to The actuarially determined Contribution	*	75,387	74,366				Historical information prior to implementation of GASB 67/68 is not required.			
Contribution deficiency (excess)	*	3,520	(3,719)							
Covered-employee payroll	*	\$ 1,242,311	\$ 1,282,094							
Contributions as a percentage Of covered-employee Payroll	*	6.07%	5.80%							

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

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - RECOMMENDED CONTRIBUTION

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

NOTE 2 – VALUATION DATE

The actuarially determined contribution rate was determined as of January 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2018.

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

Actuarial Cost Method – Entry Age Normal

Amortization Method – Closed level dollar for remaining unfunded liability

Remaining Amortization Period – Remaining amortization period varies for the bases, with a net effective amortization period of 11 years

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

Actuarial Assumptions:

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

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

The mortality and economic actuarial assumptions used in the January 1, 2017 valuation and later were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - CHANGES OF ASSUMPTIONS

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

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

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

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

NOTE 5 - BENEFIT CHANGES

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

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

OTHER CONTENTS OF THE FINANCIAL SECTION

NONMAJOR GOVERNMENTAL FUNDS

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

**CITY OF HOGANSVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Totals</u>
	<u>Confiscated Assets</u>	<u>Hotel/ Motel Tax</u>	<u>SPLOST III</u>	
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 48,006	\$ 48,006
Sales and other taxes Receivable	-	2,320	-	2,320
Restricted cash and cash equivalents	<u>51,542</u>	<u>-</u>	<u>-</u>	<u>51,542</u>
Total assets	\$ <u>51,542</u>	\$ <u>2,320</u>	\$ <u>48,006</u>	\$ <u>101,868</u>
LIABILITIES				
Due to other funds	\$ <u>180</u>	\$ <u>2,320</u>	\$ -	\$ <u>2,500</u>
Total liabilities	<u>180</u>	<u>2,320</u>	<u>-</u>	<u>2,500</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue – Fines & forfeitures	<u>5,966</u>	<u>-</u>	<u>-</u>	<u>5,966</u>
Total deferred inflows of Resources	<u>5,966</u>	<u>-</u>	<u>-</u>	<u>5,966</u>
FUND BALANCES				
Restricted for:				
Capital projects	-	-	48,006	48,006
Public safety	<u>45,396</u>	<u>-</u>	<u>-</u>	<u>45,396</u>
Total fund balance	<u>45,396</u>	<u>-</u>	<u>48,006</u>	<u>93,402</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>51,542</u>	\$ <u>2,320</u>	\$ <u>48,006</u>	\$ <u>101,868</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue		Capital Project	Totals
	Confiscated Assets	Hotel/ Motel Tax	SPLOST III	
REVENUES				
Taxes	\$ -	\$ 28,011	\$ -	\$ 28,011
Fines and forfeitures	3,827	-	-	3,827
Investment return	-	-	48	48
Total Revenues	3,827	28,011	48	31,886
EXPENDITURES				
Current operating				
Public safety	8,340	-	-	8,340
Tourism	-	17,507	-	17,507
Total Expenditures	8,340	17,507	-	25,847
Excess (deficiency) of revenues Over (under) expenditures	(4,513)	10,504	48	6,039
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(10,504)	-	(10,504)
Net other financing sources (uses)	-	(10,504)	-	(10,504)
Net changes in fund balances	(4,513)	-	48	(4,465)
Fund balance - beginning of year	49,909	-	47,958	97,867
Fund balance - end of year	\$ 45,396	\$ -	\$ 48,006	\$ 93,402

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, 2017

	<u>Confiscated Assets Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Fines and forfeitures	\$ <u>4,000</u>	\$ <u>3,827</u>	\$ <u>3,827</u>	\$ <u>-</u>
Total revenues	<u>4,000</u>	<u>3,827</u>	<u>3,827</u>	<u>-</u>
EXPENDITURES				
Current operating				
Public safety	<u>4,000</u>	<u>8,340</u>	<u>8,340</u>	<u>-</u>
Total expenditures	<u>4,000</u>	<u>8,340</u>	<u>8,340</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,513)	(4,513)	-
Fund balance - beginning of year	<u>49,909</u>	<u>49,909</u>	<u>49,909</u>	<u>-</u>
Fund balance - end of year	\$ <u><u>49,909</u></u>	\$ <u><u>45,396</u></u>	\$ <u><u>45,396</u></u>	\$ <u><u>-</u></u>

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Hotel/Motel Tax Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ <u>25,000</u>	\$ <u>28,011</u>	\$ <u>28,011</u>	\$ <u>-</u>
Total revenues	<u>25,000</u>	<u>28,011</u>	<u>28,011</u>	<u>-</u>
EXPENDITURES				
Current operating				
Tourism	<u>15,625</u>	<u>17,507</u>	<u>17,507</u>	<u>-</u>
Total expenditures	<u>15,625</u>	<u>17,507</u>	<u>17,507</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,375</u>	<u>10,504</u>	<u>10,504</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(<u>9,375</u>)	(<u>10,504</u>)	(<u>10,504</u>)	<u>-</u>
Net other financing sources (uses)	(<u>9,375</u>)	(<u>10,504</u>)	(<u>10,504</u>)	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPLOST III FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	SPLOST III Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 3,078,262	\$ -	\$ 3,078,262	\$ 3,400,000
Investment return	<u>24,273</u>	<u>48</u>	<u>24,321</u>	<u>-</u>
Total revenues	<u>3,102,535</u>	<u>48</u>	<u>3,102,583</u>	<u>3,400,000</u>
EXPENDITURES				
Capital outlay	<u>3,054,577</u>	<u>-</u>	<u>3,054,577</u>	<u>3,400,000</u>
Total expenditures	<u>3,054,577</u>	<u>-</u>	<u>3,054,577</u>	<u>3,400,000</u>
Net change in fund balance	\$ <u>47,958</u>	48	\$ <u>48,006</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>47,958</u>		
Fund balance - end of year		\$ <u>48,006</u>		

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

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

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPLOST IV FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	SPLOST IV Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 1,834,654	\$ 523,214	\$ 2,357,868	\$ 3,500,000
Investment return	<u>2,356</u>	<u>1,067</u>	<u>3,423</u>	<u>-</u>
Total revenues	<u>1,837,010</u>	<u>524,281</u>	<u>2,361,291</u>	<u>3,500,000</u>
EXPENDITURES				
Capital outlay	<u>762,045</u>	<u>479,106</u>	<u>1,241,151</u>	<u>3,500,000</u>
Total expenditures	<u>762,045</u>	<u>479,106</u>	<u>1,241,151</u>	<u>3,500,000</u>
Net change in fund balance	\$ <u>1,074,965</u>	45,175	\$ <u>1,120,140</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>1,074,965</u>		
Fund balance - end of year		\$ <u>1,120,140</u>		

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL GRANTS FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Capital Grants Fund</u>				
	<u>Prior Years</u>	<u>Current Year</u>	<u>Completed In Current Year</u>	<u>Total to Date</u>	<u>Original Amount Authorized</u>
REVENUES					
Intergovernmental Contributions	\$ 157,669	\$ 580,925	\$ -	\$ 738,594	\$ 9,129,135
	<u>49,905</u>	<u>-</u>	<u>-</u>	<u>49,905</u>	<u>-</u>
Total revenues	<u>207,574</u>	<u>580,925</u>	<u>-</u>	<u>788,499</u>	<u>9,129,135</u>
EXPENDITURES					
Capital outlay	<u>302,650</u>	<u>1,151,767</u>	<u>-</u>	<u>1,454,417</u>	<u>9,493,905</u>
Total expenditures	<u>302,650</u>	<u>1,151,767</u>	<u>-</u>	<u>1,454,417</u>	<u>9,493,905</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>95,076</u>)	(<u>570,842</u>)	<u>-</u>	(<u>665,918</u>)	(<u>364,770</u>)
OTHER FINANCING SOURCES (USES)					
Transfers in	128,443	178,388		306,831	364,770
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>128,443</u>	<u>178,388</u>	<u>-</u>	<u>306,831</u>	<u>364,770</u>
Net change in fund balance	\$ <u>33,367</u>	(392,454)	\$ <u>-</u>	\$ (<u>359,087</u>)	\$ <u>-</u>
Fund balance - beginning of year		<u>33,367</u>			
Fund balance - end of year		\$ (<u>359,087</u>)			

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

SINGLE AUDIT SECTION

WILCOX & BIVINGS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness noted as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hogansville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is disclosed in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003.

City of Hogansville, Georgia's Response to Findings

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

Purpose of this Report

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

Wilcox & Birings, P.C.

Suwanee, Georgia
December 22, 2017

WILCOX & BIVINGS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hogansville, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Hogansville, Georgia's major federal programs for the year ended June 30, 2017. The City of Hogansville, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hogansville, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hogansville, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hogansville, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hogansville, Georgia complied, in all materials respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

Report on Internal Control over Compliance

Management of the City of Hogansville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hogansville, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hogansville, Georgia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control of compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness over internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilcox & Birings, P.C.

Suwanee, Georgia
December 22, 2017

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program or Cluster Title/Pass-through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Homeland Security:</u>			
Federal Emergency Management Agency/ Disaster Grants – Public Assistance (Presidentially Declared Disasters)/			
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00119	\$ 17,402
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00137	3,825
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00147	6,832
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00154	240,154
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00159	72,181
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00171	217,509
Georgia Emergency Management Homeland Security Agency	97.036	PA-04-GA-4259-PW-00224	<u>4,488</u>
Total U.S. Department of Homeland Security			<u>562,391</u>
<u>U.S. Department of Housing and Urban Development:</u>			
State of Georgia Department of Community Affairs/ Georgia Community Development Block Grant Program/ States Program Non Entitlement Grants			
	14.228	14p-x-141-2-5738	<u>313,159</u>
Total U.S. Department of Housing and Urban Development			<u>313,159</u>
<u>U.S. Department of the Interior:</u>			
National Park Services State of Georgia Department of Natural Resources/ Historic Preservation Fund Grants-In-Aid			
	15.904	GA-16-014	<u>3,600</u>
Total U.S. Department of the Interior			<u>3,600</u>
<u>U.S. Department of Justice:</u>			
Criminal Division/ Equitable Sharing Program			
	16.922	N/A	<u>633</u>
Total U.S. Department of Justice			<u>633</u>
Total Expenditures of Federal Awards			\$ <u>879,783</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Hogansville, Georgia, under programs of the federal government for the fiscal year ending June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (The Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of, the basic financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - DE MINIMIS INDIRECT COST RATE

The 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance does not apply to the City's federal awards.

NOTE D - SUBRECIPIENTS

The City has no subrecipients under its federal awards.

**CITY OF HOGANSVILLE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued – unmodified opinion on primary government.

Internal control over financial reporting:

- **Material weakness identified – see finding 2017-001.**
- **No significant deficiencies identified.**
- **Noncompliance material to the financial statements - see findings 2017-002 and 2017-003.**

Federal Awards

Type of auditor's report issued on compliance for major programs – unmodified opinion.

Internal control over major programs:

- **No material weaknesses identified.**
- **No significant deficiencies identified.**

Audit findings:

No audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a).

Identification of major programs:

- **CFDA #97.036 - United States Department of Homeland Security Federal Emergency Management Agency/Disaster Grants-Public Assistance (Presidentially Declared Disasters)/Georgia Emergency Management Homeland Security Agency.**

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000

Auditee does not qualify as a low-risk auditee.

**CITY OF HOGANSVILLE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2017-001

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

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

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

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

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

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

Finding 2017-002

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

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2017-003

Criteria: The City inadvertently over reimbursed the General Fund for SPLOST expenditures made in a prior year resulting in the SPLOST IV Fund having an interfund receivable at year-end.

Condition: The General Fund had an interfund payable balance due to the SPLOST IV Fund at year-end.

Cause: The City's internal control did not provide sufficient review to discover this error prior to year-end.

Effect: The City was not in compliance with the Georgia SPLOST Law at year end as SPLOST monies were mistakenly used to over reimburse the General Fund.

Recommendation: It is recommended that the City reimburse the SPLOST IV Fund for the over reimbursement.

Auditee Response: The City concurs with this finding and recommendation. The City's General Fund reimbursed the SPLOST IV checking account for the interfund receivable balance prior to issuance of the audit report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- No matters reported.

**CITY OF HOGANSVILLE, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT FINDINGS

Finding 2016-001

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

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

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

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

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

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

Finding 2016-002

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

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

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

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

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

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

CITY OF HOGANSVILLE, GEORGIA
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HOGANSVILLE, GA 30230
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CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

Finding 2017-001

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

Recommendation

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

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

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

Finding 2017-002

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

Recommendation

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

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

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

Finding 2017-003

The City's SPLOST IV Fund inadvertently over reimbursed the General Fund for SPLOST expenditures made in a prior year resulting in the SPLOST IV Fund having an interfund receivable at year-end.

Recommendation

It is recommended that the City reimburse the SPOST IV Fund for the over reimbursement.

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

The City's General Fund reimbursed the SPLOST IV checking account for the interfund balance receivable prior to the issuance of the audit report.

SCHEDULES REQUIRED BY THE STATE OF GEORGIA

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST III
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Years</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
<i>PROJECTS</i>						
Water and Sewer System						
Improvements - Priority One	\$ 500,000	\$ 948,135	\$ 948,135	\$ -	\$ 948,135	100.0%
Road and Bridge Improvements -						
Priority Two	<u>2,900,000</u>	<u>2,154,448</u>	<u>2,106,442</u>	<u>-</u>	<u>2,106,442</u>	97.8%
Totals	<u>\$ 3,400,000</u>	<u>\$ 3,102,583</u>	<u>\$ 3,054,577</u>	<u>\$ -</u>	<u>\$ 3,054,577</u>	

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<i>PROJECTS</i>	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Years</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
Water and Sewer System Improvements - Priority One	\$ 600,000	\$ 615,009	\$ 488,383	\$ 126,626	\$ 615,009	100.0%
Neighborhood Stabilization: Purchase and Redevelopment of Abandoned or Foreclosed Homes or Other Residential Properties – Priority One	600,000	600,000	65,296	27,201	92,497	15.4%
Sidewalks & Paving – Priority One	600,000	600,000	188,459	196,220	384,679	64.1%
Hogansville Lake: Road System, Parking Lot, Restrooms, Picnic Area, and Security – Priority One	500,000	500,000	9,108	118,759	127,867	25.6%
Renovate Library for use as City Hall – Priority One	250,000	2,049	2,049	-	2,049	100.0%
Renovate Royal Theatre for use as Community Center – Priority One	700,000	700,000	8,750	10,300	19,050	2.7%
Amphitheater Improvements - Priority One	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
Totals	<u>\$ 3,500,000</u>	<u>\$ 3,267,058</u>	<u>\$ 762,045</u>	<u>\$ 479,106</u>	<u>\$ 1,241,151</u>	