

City of Hapeville, Georgia

ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED
JUNE 30, 2008**

**City of Hapeville, Georgia
Annual Financial Report
Year Ended June 30, 2008**

**City of Hapeville, Georgia
Annual Financial Report
For the Fiscal Year Ended
June 30, 2008**

**Prepared by
Department of Finance**

City of Hapeville, Georgia Annual Financial Report Year Ended June 30, 2008

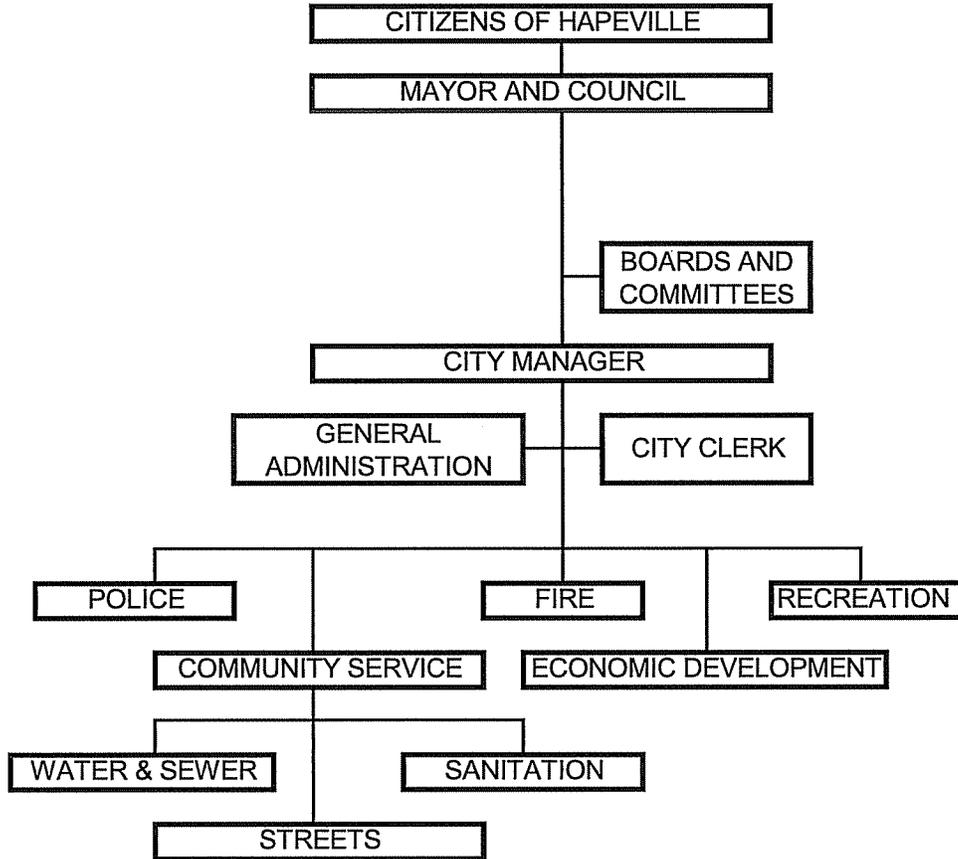
TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Organization Chart	2
List of Elected and Appointed Officials	3
FINANCIAL SECTION	
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16-17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Pension Trust Fund	26
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	27
Notes to the Financial Statements	29-44
Required Supplementary Information	
Retirement Plan - Schedule of Funding Progress	46
Other Supplementary Information	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Non-Major Governmental Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	50
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Government Funds	
Emergency Communications Fund	51
Asset Forfeiture Fund	52
Hotel-Motel Tax Fund	53
Rental Motor Excise Vehicle Tax Fund	54
STATISTICAL SECTION (UNAUDITED)	
Financial Trends Information	
Net Assets by Component	56
Changes in Net Assets	57-58
Fund Balances - Governmental Funds	59
Changes in Fund Balances - Governmental Funds	60-61
General Governmental Tax Revenues by Source	62

INTRODUCTORY SECTION



City of Hapeville, Georgia Organization Chart June 30, 2008



City of Hapeville, Georgia
List of Elected and Appointed Officials
June 30, 2008

ELECTED OFFICIALS

Mayor	Alan Hallman
Council Member	Ann Ray
Council Member	Richard Murray
Council Member	Susan Bailey
Council Member	Lew Valero

APPOINTED OFFICIALS

City Manager	Bill Werner
Director of Finance	Mike Clark
Interim Director of Community Services	Lee Sudduth
Chief of Police	Rick Glavosek
Fire Chief	Tom E. Morris
City Clerk	Alice Shepard
Manager of Planning and Zoning	Chris Montesinos
Manager of Recreation	Tod Nichols
City Attorney	Daly, Coster and LaValee, LLC
City Auditors	J.K. Boatwright & Co., P.C.

FINANCIAL SECTION



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J. K. BOATWRIGHT & CO., P. C.
CERTIFIED PUBLIC ACCOUNTANTS
PEACHTREE CITY, GEORGIA 30269

June 5, 2009

Independent Auditors' Report

Honorable Mayor and
Members of City Council
City of Hapeville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Hapeville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hapeville, Georgia, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2009 on our consideration of the City of Hapeville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress on pages 7 through 13 and 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hapeville, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Yours truly,

J. K. Boatwright & Co., P. C.

J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Introduction

As management of the City of Hapeville, we offer readers of the City of Hapeville's financial statements this narrative overview and analysis of the financial activities of the City of Hapeville for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Overview of the Annual Financial Report

The Annual Financial Report is presented in three distinct sections:

- An Introductory Section which includes the Organizational Chart and Listing of Elected and Appointed Officials;
- Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis, Government-wide and Fund Financial Statements, Required and Other Supplemental Information, along with Notes to these statements; and
- Statistical Section

Financial Highlights

Governmental Funds:

- Fund balances amounted to \$2,273,296 the close of the fiscal year; an increase of \$1,608,685
- Investment in capital assets increased by \$1,421,249
- The increase in capital assets included approximately \$1,078,000 for accounting and public safety software and computer equipment upgrades
- The millage rate increased by 4 mils to 16.61 mils
- Continued infrastructure improvements in Asbury Park for \$264,475 (including capitalized interest), using proceeds from Series-2007 bonds issued by the Hapeville Development Authority
- Began construction of the Wi-Fi Network under grant proceeds awarded by the Georgia Technology Authority
- The annual pension expense decreased by \$1,185,292 as a result of changes made to the Defined Benefit Plan.

Enterprise Funds:

- The Water and Sewer Fund's net assets were \$10,365,948; an increase of \$652,362
- Net assets-unrestricted of Water and Sewer Fund included in total net assets, amounted to \$2,843,501; an increase of \$962,937
- Increased capital assets and construction in progress by \$781,333
- Revenue bonds payable were reduced by \$495,000
- The Sanitation Fund's revenues exceeded expenses by \$41,075

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Hapeville.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Required Components of Annual Financial Report

Basic Financial Statements

The first two statements (**pages 15 through 17**) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (**pages 18 through 27**) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, community services, and general administration. Property taxes, other types of taxes, licenses, and permits finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer and sanitation services offered by the City.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 of Hapeville, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Hapeville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The City of Hapeville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the board, 2) the final budget as amended by the board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – City of Hapeville has 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. City of Hapeville uses enterprise funds to account for its water and sewer activity and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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 are on pages **29-44** of this report.

Government-Wide Financial Analysis

**City of Hapeville, Georgia
Statement of Net Assets – Primary Government**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 4,001,609	\$ 1,787,452	\$ 3,639,110	\$ 2,161,726	\$ 7,640,719	\$ 3,949,178
Capital Assets	<u>12,535,645</u>	<u>12,071,655</u>	<u>12,898,878</u>	<u>13,561,470</u>	<u>25,434,523</u>	<u>25,633,125</u>
Total Assets	<u>16,537,254</u>	<u>13,859,107</u>	<u>16,537,988</u>	<u>15,723,196</u>	<u>33,075,242</u>	<u>29,582,303</u>
Long-Term Liabilities Outstanding	1,010,373	115,039	6,116,380	4,085,000	7,126,753	4,200,039
Other Liabilities	<u>8,242,856</u>	<u>6,256,299</u>	<u>1,272,184</u>	<u>3,182,209</u>	<u>9,515,040</u>	<u>9,438,508</u>
Total Liabilities	<u>9,253,229</u>	<u>6,371,338</u>	<u>7,388,564</u>	<u>7,267,209</u>	<u>16,641,793</u>	<u>13,638,547</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	4,988,189	6,793,080	6,896,947	7,244,111	11,885,136	14,037,191
Restricted	-	-	651,970	617,611	651,970	617,611
Unrestricted	<u>2,295,836</u>	<u>694,689</u>	<u>1,600,507</u>	<u>594,265</u>	<u>3,896,343</u>	<u>1,288,954</u>
Total Net Assets	<u>\$ 7,284,025</u>	<u>\$ 7,487,769</u>	<u>\$ 9,149,424</u>	<u>\$ 8,455,987</u>	<u>\$ 16,433,449</u>	<u>\$ 15,943,756</u>

Net assets may serve over time as a useful indicator of a government's financial condition. The assets of the City, on a government-wide basis, exceeded liabilities by \$16,433,449 as of June 30, 2008. The net assets increased by \$489,693 for the fiscal year ended June 30, 2008, which included a prior period negative adjustment of \$279,086.

The largest portion of the net assets reflects the City's investment in capital assets (e.g. land, buildings, improvements, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Hapeville uses these capital assets to provide services to citizens and, therefore, these assets

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

are not available for future spending. Net assets include \$651,970 restricted for debt service. The remaining balance of unrestricted net assets of \$3,896,343 may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Hapeville, Georgia
Changes in Net Assets – Primary Government**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,939,215	\$ 1,370,694	\$ 3,123,013	\$ 3,472,504	\$ 5,062,228	\$ 4,843,198
Grants and Contributions	159,087	269,569	-	-	159,087	269,569
General Revenues:					-	-
Property Taxes	4,866,883	3,830,563	-	-	4,866,883	3,830,563
Other Taxes	4,337,834	4,695,857	-	-	4,337,834	4,695,857
Other	<u>77,466</u>	<u>90,843</u>	<u>275,021</u>	<u>341,004</u>	<u>352,487</u>	<u>431,847</u>
Total Revenues	<u>\$ 11,380,485</u>	<u>\$ 10,257,526</u>	<u>\$ 3,398,034</u>	<u>\$ 3,813,508</u>	<u>\$ 14,778,519</u>	<u>\$ 14,071,034</u>
Expenses:						
Administrative Government	\$ 1,788,672	\$ 1,280,910	\$ -	\$ -	\$ 1,788,672	\$ 1,280,910
Public Safety	5,486,095	6,424,365	-	-	5,486,095	6,424,365
Public Works	1,245,904	1,367,043	-	-	1,245,904	1,367,043
Culture and Recreation	566,842	777,705	-	-	566,842	777,705
Parks and Grounds	653,652	892,599	-	-	653,652	892,599
Planning and Zoning	566,481	677,387	-	-	566,481	677,387
Tourism	30,260	122,165	-	-	30,260	122,165
Interest	87,427	84,994	-	-	87,427	84,994
Other	7,780	-	-	-	7,780	-
Water, Sewer, Sanitation	-	-	<u>3,576,627</u>	<u>3,421,531</u>	<u>3,576,627</u>	<u>3,421,531</u>
Total Expenses	<u>\$ 10,433,113</u>	<u>\$ 11,627,168</u>	<u>\$ 3,576,627</u>	<u>\$ 3,421,531</u>	<u>\$ 14,009,740</u>	<u>\$ 15,048,699</u>
Transfers	<u>(872,030)</u>	<u>(497,052)</u>	<u>872,030</u>	<u>497,052</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	\$ 75,342	\$ (1,866,694)	\$ 693,437	\$ 889,029	\$ 768,779	\$ (977,665)
Prior Period Adjustment	(279,086)	-	-	-	(279,086)	-
Net Assets, July 1	<u>7,487,769</u>	<u>9,354,463</u>	<u>8,455,987</u>	<u>7,566,958</u>	<u>15,943,756</u>	<u>16,921,421</u>
Net Assets, June 30	<u>\$ 7,284,025</u>	<u>\$ 7,487,769</u>	<u>\$ 9,149,424</u>	<u>\$ 8,455,987</u>	<u>\$ 16,433,449</u>	<u>\$ 15,943,756</u>

Governmental Activities: Governmental activities decreased the City's net assets by \$203,744, after applying a prior period adjustment of \$279,086 to correct the carrying amounts of fixed assets from 2007.

Business-type Activities: Business-type activities increased the City's net assets by \$693,437.

Financial Analysis of the City's Funds

As noted earlier, the City of Hapeville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Governmental Funds. The focus of the City of Hapeville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Hapeville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Hapeville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,971,149. Fund balance reserved for prepaid expenses amounted to \$219,572. Total fund balance in the general fund increased by \$1,602,627. The increase was primarily due to a decrease in expenditures and an increase in tax revenues. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance represents 19.41 percent of total fund expenditures.

At June 30, 2008, the governmental funds of City of Hapeville reported a combined fund balance of \$2,273,296, a 242 percent increase over the previous year. Included in this change in fund balance are:

- Increase in tax revenues of \$678,297
- Proceeds from bonds and leases of \$1,888,559
- Capital outlay for infrastructure and equipment of \$1,634,076
- Payments on long-term debt of \$240,611
- Decrease in pension expense of \$1,185,292
- Decrease in expenditures including transfers out of \$819,077

General Fund Budgetary Highlights: During the fiscal year, the City revised its operating budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

- Budgeted revenues and other financing sources exceeded actual revenues by \$1,947,630
- Budgeted expenditures and other financing uses exceeded actual expenditures by \$4,089,606

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets (liabilities) of the Water Sewer Fund and the Sanitation Fund at the end of the fiscal year amounted to \$2,843,501 and \$(1,242,994), respectively. The increase in net assets (liabilities) of both funds amounted to \$652,362 and \$41,075, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Hapeville's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$25,965,082 (net of accumulated depreciation). These assets include buildings, equipment, land, improvements and infrastructure. Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

Autos, trucks and equipment	\$	1,368,036
Building and land improvements		92,907
Infrastructure		25,227
Construction in progress		387,385
Water and sewer system improvements		593,504
Total	\$	2,467,059

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

City of Hapeville's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	As Restated				As Restated	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land and Improvements	\$ 4,142,875	\$ 4,142,875	\$ -	\$ -	\$ 4,142,875	\$ 4,142,875
Construction in Progress	1,089,276	824,800	623,069	500,160	1,712,345	1,324,960
Buildings and Improvements	3,904,052	3,811,145	-	-	3,904,052	3,811,145
Vehicles and Equipment	7,682,118	6,379,002	627,855	562,935	8,309,973	6,941,937
Infrastructure	<u>17,536,983</u>	<u>17,511,756</u>	<u>16,107,007</u>	<u>15,513,503</u>	<u>33,643,990</u>	<u>33,025,259</u>
Totals	<u>\$ 34,355,304</u>	<u>\$ 32,669,578</u>	<u>\$ 17,357,931</u>	<u>\$ 16,576,598</u>	<u>\$ 51,713,235</u>	<u>\$ 49,246,176</u>

Additional information on the City's capital assets can be found in note 3-C of the Basic Financial Statements.

Long-term Debt. As of June 30, 2008, the City had total bonded debt outstanding in the Water Sewer Fund of \$4,085,000. This debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**City of Hapeville's Outstanding Debt
Capital Leases and Revenue Bonds**

	Governmental Activities		Business-Type Activities	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Certificates of participation	\$ 990,000	\$ -	\$ -	\$ -
Capital leases	76,919	150,674	-	-
Contingent Liability	-	-	2,540,000	2,250,000
Revenue bonds	<u>-</u>	<u>-</u>	<u>4,085,000</u>	<u>4,580,000</u>
Total	<u>\$ 1,066,919</u>	<u>\$ 150,674</u>	<u>\$ 6,625,000</u>	<u>\$ 6,830,000</u>

The City's total debt increased by \$711,245 (10.19%) during the past fiscal year, primarily due to computer related upgrades in administration and public safety.

The City has no general obligation bonds outstanding and therefore, does not have a bond rating from either Moody's Investor Service or Standard and Poor's Corporation and Fitch Ratings.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Georgia general statutes limit the amount of general obligation debt that a unit of government can issue to 10% percent of the total assessed value of taxable property (adjusted for bond-exemptions) located within that government's boundaries. The legal debt margin for City of Hapeville is approximately \$31,800,000. The City has \$0 in bonds authorized but un-issued at June 30, 2008.

Additional information regarding the City's long-term debt can be found in note 3-D.

Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: The City's millage rate will remain the same at 16.61 mils. Budgeted revenues for Fiscal Year 2008 decreased by 6.0 percent. Budgeted expenditures decreased by 21.0%. Budgeted revenues are expected to exceed budgeted expenditures by \$1,430,000.

Business – type Activities: The water rates in the City are expected to increase by 27.5%, in conjunction with an increase in the cost of water charged by its supplier.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Manager, City of Hapeville, P.O. Box 82311 Hapeville, Georgia 30354.

BASIC FINANCIAL STATEMENTS



City of Hapeville, Georgia
Statement of Net Assets
June 30, 2008

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Hapeville Development Authority</u>	<u>Hapeville Association for Trade and Tourism</u>
Assets					
Cash and Cash Equivalents	\$ 2,550,556	\$ 1,576,624	\$ 4,127,180	\$ 2,122,544	\$ 4,400
Investment in Joint Venture	230,545	-	230,545	-	-
Investments	34,069	-	34,069	-	-
Restricted Cash and Cash Equivalents	-	651,970	651,970	-	-
Receivables:					
Water and Sewer, Net	-	367,568	367,568	-	-
Property Tax	292,724	-	292,724	-	-
Other Taxes	269,610	-	269,610	-	-
Other Receivables	52,861	-	52,861	-	-
Due from Primary Government	-	-	-	6,411,381	1,018,657
Intergovernmental	420,828	-	420,828	-	-
Prepaid Assets	219,572	14,407	233,979	-	-
Unamortized Bond Costs	23,354	405,472	428,826	121,581	-
Investment Property - Long-Term	-	-	-	2,701,935	-
Capital Assets:					
Nondepreciable Capital Assets	2,396,791	623,069	3,019,860	-	-
Depreciable Capital Assets, Net	<u>10,046,344</u>	<u>12,898,878</u>	<u>22,945,222</u>	-	-
Total Assets	<u>16,537,254</u>	<u>16,537,988</u>	<u>33,075,242</u>	<u>11,357,441</u>	<u>1,023,057</u>
Liabilities					
Current Liabilities					
Accounts Payable	335,739	547,901	883,640	-	-
Accrued Liabilities	97,151	98,028	195,179	-	-
Compensated Absences	118,383	12,217	130,600	-	-
Customer Deposits	9,625	99,038	108,663	3,800	-
Due to Hapeville Development Authority	6,411,381	-	6,411,381	-	-
Due to Hapeville Association for Trade and Tourism	1,018,657	-	1,018,657	-	-
Bond Interest Payable	-	-	-	241,619	-
Current Portion of Long-Term Debt	<u>251,920</u>	<u>515,000</u>	<u>766,920</u>	<u>215,000</u>	-
Total Current Liabilities	<u>8,242,856</u>	<u>1,272,184</u>	<u>9,515,040</u>	<u>460,419</u>	-
Noncurrent Liabilities					
Compensated Absences	195,374	6,380	201,754	-	-
Noncurrent Portion of Long-Term Debt	814,999	3,570,000	4,384,999	11,545,000	-
Contingent Liability	-	2,540,000	2,540,000	-	-
Total Noncurrent Liabilities	<u>1,010,373</u>	<u>6,116,380</u>	<u>7,126,753</u>	<u>11,545,000</u>	-
Total Liabilities	<u>9,253,229</u>	<u>7,388,564</u>	<u>16,641,793</u>	<u>12,005,419</u>	-
Net Assets					
Invested in Capital Assets, Net of Related Debt	4,988,189	6,896,947	11,885,136	-	-
Restricted for Debt Service	-	651,970	651,970	-	-
Unrestricted	<u>2,295,836</u>	<u>1,600,507</u>	<u>3,896,343</u>	<u>(647,978)</u>	<u>1,023,057</u>
Total Net Assets	<u>\$ 7,284,025</u>	<u>\$ 9,149,424</u>	<u>\$ 16,433,449</u>	<u>\$ (647,978)</u>	<u>\$ 1,023,057</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Activities
For The Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Hapeville Development Authority	Hapeville Association for Trade and Tourism
Primary Government									
Governmental Activities									
General Government	\$ 1,788,672	\$ 139,393	\$ 13,162	\$ 145,148	\$ (1,490,969)	\$ -	\$ (1,490,969)	\$ -	\$ -
Public Safety	5,486,095	905,978	777	-	(4,579,340)	-	(4,579,340)	-	-
Public Works	1,245,904	-	-	-	(1,245,904)	-	(1,245,904)	-	-
Culture and Recreation	566,842	51,547	-	-	(515,295)	-	(515,295)	-	-
Parks and Grounds	653,652	-	-	-	(653,652)	-	(653,652)	-	-
Planning, Zoning and Development	566,481	357,046	-	-	(209,435)	-	(209,435)	-	-
Tourism	30,260	485,251	-	-	454,991	-	454,991	-	-
Interest Expense	95,207	-	-	-	(95,207)	-	(95,207)	-	-
Total Governmental Activities	10,433,113	1,939,215	13,939	145,148	(8,334,811)	-	(8,334,811)	-	-
Business-type Activities									
Water and Sewer Utilities	3,194,968	2,712,847	-	-	-	(482,121)	(482,121)	-	-
Sanitation Utilities	381,659	410,166	-	-	-	28,507	28,507	-	-
Total Business-type Activities	3,576,627	3,123,013	-	-	-	(453,614)	(453,614)	-	-
Total Primary Government	\$ 14,009,740	\$ 5,062,228	\$ 13,939	\$ 145,148	\$ (8,334,811)	\$ (453,614)	\$ (8,788,425)	\$ -	\$ -
Component Units									
Hapeville Development Authority									
General Government	164,439	-	-	-	-	-	-	(164,439)	-
Interest Expense	319,322	-	-	-	-	-	-	(319,322)	-
Hapeville Association for Trade and Tourism									
Trade and Tourism	485,252	1,296,520	-	-	-	-	-	-	811,268
Total Component Units	\$ 969,013	\$ 1,296,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (483,761)	\$ 811,268

(Continued)

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Activities
For The Year Ended June 30, 2008

(Continued)

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Hapeville Development Authority</u>	<u>Hapeville Association for Trade and Tourism</u>
Changes in Net Assets					
General Revenues					
Taxes					
Property Taxes	\$ 4,866,883	\$ -	\$ 4,866,883	\$ -	\$ -
Sales Taxes	1,664,596	-	1,664,596	-	-
Occupation Taxes	241,132	-	241,132	-	-
Franchise Taxes	622,223	-	622,223	-	-
Insurance Premium Tax	337,842	-	337,842	-	-
Tourism Development (Hotel/Motel) Taxes	896,036	-	896,036	-	-
Other Taxes	576,005	-	576,005	-	-
Total Taxes	9,204,717	-	9,204,717	-	-
Interest, Investment, and Penalties Revenues	48,684	35,119	83,803	37,273	-
Gain on Sale of Property	6,675	-	6,675	-	-
Other Revenues	22,107	239,902	262,009	9,650	-
Transfers	(872,030)	872,030	-	-	-
Total General Revenues	8,410,153	1,147,051	9,557,204	46,923	-
Change in Net Assets	75,342	693,437	768,779	(436,838)	811,268
Prior Period Adjustment	(279,086)	-	(279,086)	-	-
Net Assets/(Deficit) - Beginning	7,487,769	8,455,987	15,943,756	(211,140)	211,789
Net Assets/(Deficit) - Ending	\$ 7,284,025	\$ 9,149,424	\$ 16,433,449	\$ (647,978)	\$ 1,023,057

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 2,550,556	\$ -	\$ 2,550,556
Investments	34,069	-	34,069
Receivables			
Property Taxes	292,724	-	292,724
Other Taxes Receivable	187,035	82,575	269,610
Other Receivables	52,861	-	52,861
Component Units	161,389	-	161,389
Intergovernmental Receivables	420,828	-	420,828
Prepaid Assets	219,572	-	219,572
Total Assets	\$ 3,919,034	\$ 82,575	\$ 4,001,609
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 335,739	\$ -	\$ 335,739
Accrued Liabilities	97,151	-	97,151
Customer Deposits	9,625	-	9,625
Due to Component Units	1,018,657	-	1,018,657
Unearned Revenue	267,141	-	267,141
Total Liabilities	1,728,313	-	1,728,313
Fund Balance			
Reserved for			
Prepaid Items	219,572	-	219,572
Unreserved, Undesignated Reported in			
General Fund	1,971,149	-	1,971,149
Special Revenue Funds	-	82,575	82,575
Total Fund Balance	2,190,721	82,575	2,273,296
Total Liabilities and Fund Balance	\$ 3,919,034	\$ 82,575	\$ 4,001,609

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement Net Assets
June 30, 2008

Total Governmental Fund Balances	\$	2,273,296
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
 Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. However, in the statement of net assets, the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense:		
Cost of capital assets	\$ 34,355,303	
Less accumulated depreciation	<u>(21,912,168)</u>	12,443,135
 Notes payable and certificates of participation are not reported in the funds.		
		(1,066,919)
 Certain property taxes receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds but reported as revenue on the government-wide statement of activities.		
		267,141
 Bond issue costs are not financial resources and therefore not reported in the funds. However, the cost of these assets are capitalized and amortized over the life of the loan through the annual amortization expense.		
Bond Issue Costs	29,130	
Less Accumulated Amortization	<u>(5,776)</u>	23,354
 Equity interest in a joint venture is reported in the government-wide statement only		
		230,545
 Compensated absences are not due and payable in the current period from current financial resources, and therefore not reported in the funds.		
		(313,757)
 Transfer of portion of bond proceeds from component unit to pay off debt of governmental fund and reported as due to component unit on government-wide statement of net assets		
		<u>(6,572,770)</u>
Net Assets of Governmental Activities	\$	<u>7,284,025</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2008

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 4,783,070	\$ -	\$ 4,783,070
Sales	1,664,596	-	1,664,596
Occupation	241,132	-	241,132
Franchise	622,223	-	622,223
Insurance Premium	337,842	-	337,842
Hotel-Motel	-	896,036	896,036
Other Taxes	513,080	62,925	576,005
Licenses and Permits	481,863	-	481,863
Charges for Services	735,844	95,774	831,618
Fines and Forfeitures	543,826	7,744	551,570
Intergovernmental Revenues	145,925	-	145,925
Interest on Investments	48,684	-	48,684
Contributions and Donations	13,162	-	13,162
Other Local Revenue	22,107	-	22,107
Total Revenues	10,153,354	1,062,479	11,215,833
Expenditures			
General			
General Government	1,576,348	-	1,576,348
Public Safety	4,804,114	95,774	4,899,888
Public Works	530,255	-	530,255
Culture and Recreation	539,595	-	539,595
Parks and Grounds	631,359	-	631,359
Planning, Zoning and Development	547,960	-	547,960
Trade and Tourism	-	30,260	30,260
Capital Outlay	1,626,332	7,744	1,634,076
Debt Service			
Principal	93,755	-	93,755
Interest	146,856	-	146,856
Total Expenditures	10,496,574	133,778	10,630,352
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(343,220)	928,701	585,481
Other Financing Sources (Uses)			
Proceeds from Bonds	878,559	-	878,559
Proceeds from Certificates of Participation	1,010,000	-	1,010,000
Proceeds from Sale of Capital Assets	6,675	-	6,675
Transfers In	931,580	-	931,580
Transfers Out	(880,967)	(922,643)	(1,803,610)
Total Other Financing Sources (Uses)	1,945,847	(922,643)	1,023,204
Net Change in Fund Balances	1,602,627	6,058	1,608,685
Fund Balance, Beginning of Year	588,094	76,517	664,611
Fund Balance, End of Year	\$ 2,190,721	\$ 82,575	\$ 2,273,296

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 1,608,685

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

Increase in Investment in Joint Venture 74,164

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation	\$ (1,305,160)	
Capital Outlays	<u>1,685,724</u>	380,564

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes		
Deferred at June 30, 2008	267,141	
Deferred at June 30, 2007	<u>(183,329)</u>	83,812

The issuance of long-term debt (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect, however, on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(1,010,000)	
Principal payments of long-term debt	93,755	
Amortization of bond issue costs	<u>(1,444)</u>	(917,689)

Some expenses reported in the statement of activities such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences		(275,635)
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Construction expenditures paid out of bond proceeds by component unit are recorded as intergovernmental revenue on funds. However, these expenditures are reimbursable from governmental funds and therefore reported as a liability on the government-wide statement of net assets

		<u>(878,559)</u>
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Change in Net Assets of Governmental Activities		<u>\$ 75,342</u>
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The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For The year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 10,181,000	\$ 10,181,000	\$ 8,161,943	\$ (2,019,057)
Licenses and Permits	325,250	325,250	481,863	156,613
Charges for Services	279,500	279,500	735,844	456,344
Fines and Forfeitures	500,000	500,000	543,826	43,826
Intergovernmental Revenues	1,357,000	1,357,000	145,925	(1,211,075)
Interest Income	50,000	50,000	48,684	(1,316)
Contributions and Donations	10,000	10,000	13,162	3,162
Other Local Revenue	18,000	18,000	22,107	4,107
Total Revenues	<u>12,720,750</u>	<u>12,720,750</u>	<u>10,153,354</u>	<u>(2,567,396)</u>
Expenditures				
General				
General Government				
Administration	<u>1,774,378</u>	<u>1,694,433</u>	<u>1,576,348</u>	<u>118,085</u>
Public Safety				
Police Services	3,129,183	3,002,298	2,398,125	604,173
Fire Services	<u>2,719,927</u>	<u>2,593,428</u>	<u>2,405,989</u>	<u>187,439</u>
Total Public Safety	<u>5,849,110</u>	<u>5,595,726</u>	<u>4,804,114</u>	<u>791,612</u>
Public Works	<u>585,911</u>	<u>585,911</u>	<u>530,255</u>	<u>55,656</u>
Culture and Recreation	<u>574,520</u>	<u>574,520</u>	<u>539,595</u>	<u>34,925</u>
Parks and Grounds	<u>756,608</u>	<u>756,608</u>	<u>631,359</u>	<u>125,249</u>
Planning, Zoning and Development	<u>737,559</u>	<u>737,559</u>	<u>547,960</u>	<u>189,599</u>
Capital Outlays				
Infrastructure	<u>3,413,073</u>	<u>4,400,812</u>	<u>1,626,332</u>	<u>2,774,480</u>
Debt Service				
Principal	77,128	93,755	93,755	-
Interest	<u>77,280</u>	<u>146,856</u>	<u>146,856</u>	<u>-</u>
Total Debt Service	<u>154,408</u>	<u>240,611</u>	<u>240,611</u>	<u>-</u>
Total Expenditures	<u>13,845,567</u>	<u>14,586,180</u>	<u>10,496,574</u>	<u>4,089,606</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(1,124,817)</u>	<u>(1,865,430)</u>	<u>(343,220)</u>	<u>1,522,210</u>
Other Financing Sources (Uses)				
Proceeds from Bonds	1,500,000	1,500,000	878,559	621,441
Proceeds from Certificates of Participation	-	1,010,000	1,010,000	-
Sale of Capital Assets	5,000	5,000	6,675	(1,675)
Transfers in	320,000	931,580	931,580	-
Transfers out	<u>-</u>	<u>(880,967)</u>	<u>(880,967)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,825,000</u>	<u>2,565,613</u>	<u>1,945,847</u>	<u>619,766</u>
Net Change in Fund Balances	700,183	700,183	1,602,627	2,141,976
Fund Balance, Beginning of Year	<u>588,094</u>	<u>588,094</u>	<u>588,094</u>	<u>588,094</u>
Fund Balance, End of Year	<u>\$ 1,288,277</u>	<u>\$ 1,288,277</u>	<u>\$ 2,190,721</u>	<u>\$ 2,730,070</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,576,624	\$ -	\$ 1,576,624
Restricted Cash			
Revenue Bonds	651,970	-	651,970
Accounts Receivable, net	329,283	38,285	367,568
Due from Sanitation Fund	1,245,176	-	1,245,176
Prepaid Expenses	<u>7,972</u>	<u>6,435</u>	<u>14,407</u>
Total Current Assets	<u>3,811,025</u>	<u>44,720</u>	<u>3,855,745</u>
Noncurrent Assets			
Unamortized Bond Costs	405,472	-	405,472
Capital Assets (Net of Accumulated			
Depreciation)	12,872,408	26,470	12,898,878
Other Capital Assets - Construction			
in Progress	<u>623,069</u>	<u>-</u>	<u>623,069</u>
Total Noncurrent Assets	<u>13,900,949</u>	<u>26,470</u>	<u>13,927,419</u>
Total Assets	<u>17,711,974</u>	<u>71,190</u>	<u>17,783,164</u>
Liabilities			
Current liabilities			
Accounts Payable	512,736	35,165	547,901
Accrued Liabilities	8,928	3,519	12,447
Compensated Absences	8,363	3,854	12,217
Due to Water and Sewer Fund	-	1,245,176	1,245,176
Accrued Expenses Payable from Restricted Assets:			
Customer Deposits	99,038	-	99,038
Bond Interest Payable	85,581	-	85,581
Current Portion of Revenue Bonds Payable	<u>515,000</u>	<u>-</u>	<u>515,000</u>
Total Current Liabilities	1,229,646	1,287,714	2,517,360
Noncurrent Liabilities			
Compensated Absences	6,380	-	6,380
Revenue Bonds Payable	3,570,000	-	3,570,000
Contingent Liability	<u>2,540,000</u>	<u>-</u>	<u>2,540,000</u>
Total Liabilities	<u>7,346,026</u>	<u>1,287,714</u>	<u>8,633,740</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	6,870,477	26,470	6,896,947
Restricted for Debt Service	651,970	-	651,970
Unrestricted	<u>2,843,501</u>	<u>(1,242,994)</u>	<u>1,600,507</u>
Total Net Assets (Deficit)	<u>\$ 10,365,948</u>	<u>\$ (1,216,524)</u>	<u>\$ 9,149,424</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For The Year Ended June 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Operating Revenue			
Water Sales	\$ 1,418,887	\$ -	\$ 1,418,887
Sewer Charges	1,293,960	-	1,293,960
Sanitation Charges	-	410,166	410,166
Miscellaneous	<u>224,828</u>	<u>15,074</u>	<u>239,902</u>
Total Operating Revenue	<u>2,937,675</u>	<u>425,240</u>	<u>3,362,915</u>
Operating Expenses			
Water Purchased	1,365,647	-	1,365,647
Utilities	53,322	-	53,322
Salaries	436,980	169,442	606,422
Repairs and Maintenance	271,175	12,641	283,816
Depreciation	331,267	2,230	333,497
Amortization	61,867	-	61,867
Communications	-	952	952
Contracted Services	16,107	-	16,107
Insurance	141,207	39,314	180,521
Supplies and Miscellaneous	29,801	7,327	37,128
Pension Expenses	43,801	17,085	60,886
Payroll Taxes	33,651	9,564	43,215
Vehicle and Equipment Expenses	44,063	34,970	79,033
Professional Fees	39,420	88,134	127,554
Dues	<u>944</u>	<u>-</u>	<u>944</u>
Total Operating Expenses	<u>2,869,252</u>	<u>381,659</u>	<u>3,250,911</u>
Operating Income (Loss)	<u>68,423</u>	<u>43,581</u>	<u>112,004</u>
Non-Operating Revenue			
Interest Income	35,119	-	35,119
Interest Expense	<u>(325,716)</u>	<u>-</u>	<u>(325,716)</u>
Total Non-Operating Revenue	<u>(290,597)</u>	<u>-</u>	<u>(290,597)</u>
Income (Loss) Before Transfers	<u>(222,174)</u>	<u>43,581</u>	<u>(178,593)</u>
Transfers			
Transfers In	880,967	-	880,967
Transfers (Out)	<u>(6,431)</u>	<u>(2,506)</u>	<u>(8,937)</u>
Total Transfers	<u>874,536</u>	<u>(2,506)</u>	<u>872,030</u>
Change in Net Assets	652,362	41,075	693,437
Total Net Assets (Deficit), Beginning of Year	<u>9,713,586</u>	<u>(1,257,599)</u>	<u>8,455,987</u>
Total Net Assets (Deficit), End of Year	<u>\$ 10,365,948</u>	<u>\$ (1,216,524)</u>	<u>\$ 9,149,424</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2008

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 2,948,488	\$ 444,478	\$ 3,392,966
Payments to Suppliers	(1,626,814)	(259,231)	(1,886,045)
Payments to Employees	(427,591)	(182,741)	(610,332)
Net Cash Provided by Operating Activities	<u>894,083</u>	<u>2,506</u>	<u>896,589</u>
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In	880,967	-	880,967
Transfers Out	(6,431)	(2,506)	(8,937)
Net Cash Flows From (Used) by Non-Capital & Related Financing Activities	<u>874,536</u>	<u>(2,506)</u>	<u>872,030</u>
Cash Flows from Capital and Related Financing Activities			
Additions to Capital Assets	(491,334)	-	(491,334)
Principal Paid on Long-term Debt	(495,000)	-	(495,000)
Interest Paid on Long-term Debt	(336,086)	-	(336,086)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(1,322,420)</u>	<u>-</u>	<u>(1,322,420)</u>
Cash Flows From Investing Activities			
Interest on Investments and Interest Bearing Accounts	35,119	-	35,119
Net Increase (Decrease) in Cash	481,318	-	481,318
Cash, Beginning of Year	<u>1,747,276</u>	<u>-</u>	<u>1,747,276</u>
Cash, End of Year	<u>\$ 2,228,594</u>	<u>\$ -</u>	<u>\$ 2,228,594</u>
Classified As:			
Unrestricted - Cash and Cash Equivalents	\$ 1,576,624	\$ -	\$ 1,576,624
Restricted	651,970	-	651,970
	<u>\$ 2,228,594</u>	<u>\$ -</u>	<u>\$ 2,228,594</u>
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ 68,423	\$ 43,581	\$ 112,004
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation and Amortization	393,134	2,230	395,364
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	1,468	19,238	20,706
Decrease (Increase) in Prepaid Expense	34,746	(2,957)	31,789
Increase (Decrease) in Accounts Payable	377,578	(46,287)	331,291
Increase (Decrease) in Accrued Expenses	9,389	(13,299)	(3,910)
Increase (Decrease) in Customer Utility Deposits	9,345	-	9,345
Net Cash Provided (Used) by Operating Activities	<u>\$ 894,083</u>	<u>\$ 2,506</u>	<u>\$ 896,589</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Pension Trust Fund</u>
Assets	
Investments at Fair Value	
Pooled Separate Accounts	
Money Market Accounts	\$ 632,317
Bond Funds	6,097,427
Large Capital Funds	5,935,410
Mid Capital Funds	3,307,847
Small Capital Funds	922,709
International/Global Funds	2,257,269
Real Estate Fund	1,135,755
Total Return Fund	<u>2,880,805</u>
Total Investments	<u>23,169,539</u>
 Total Assets	 <u>23,169,539</u>
 Net Assets	
Held in Trust for Pension Benefits	 <u>\$ 23,169,539</u>

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Eleven Months Ended June 30, 2008

	<u>Pension Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 546,921
Total Contributions	<u>546,921</u>
Transfers from GMEBS - Multi-Employer Plan	<u>25,437,635</u>
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(919,538)</u>
Total Additions	25,065,018
Deductions	
Benefit Payments	<u>1,895,479</u>
Total Deductions	<u>1,895,479</u>
Change in Net Assets	23,169,539
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	<u>-</u>
End of Year	<u>\$ 23,169,539</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS



City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The City of Hapeville, Georgia (the "City"), was incorporated in 1891, under the provisions of the State of Georgia. The City operates under a council/manager form of government. The City's major operations include police and fire protection, public works, highways and streets, sanitation, culture, recreation, community development, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

1-A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-side financial statements to emphasize that it is legally separate from the City. There are no blended component units.

The Hapeville Development Authority has been included as a discretely presented component unit in the accompanying financial statements. The City appoints all of the members of the Hapeville Development Authority's Board. The Board has the authority to issue bonded debt, its debt issuance and operational budgets must be approved by the City Council. The Hapeville Development authority's debts are guaranteed by the City.

The Hapeville Association for Tourism and Trade, Inc. has also been included as a discretely presented component unit in the accompanying financial statements. The Association's purpose is to improve the availability of basic goods and services within the City of Hapeville, develop the educational, cultural and economic potential of the City, improve and maintain the appeal of the City and increase City revenues by stabilizing the tax base, enhancing property values and increasing retail sales in the City of Hapeville. The City appoints all directors and approves the budget.

Financial information for the component units is available from the City Finance Director's office, 3468 N. Fulton Avenue, Hapeville, Georgia 30297.

1-B. Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of net assets will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

not properly included among program revenues are reported instead as general revenues. Certain indirect costs have been included as part of the program expenses for various functional activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements – During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

Major individual governmental funds are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds

The **Water and Sewer Fund** is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt.

The **Sanitation Fund** is used to account for the collection of fees for garbage collection, disposal and recycling programs and related expenses.

The City also reports the following fund types:

The **Pension Trust Fund** accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by the City at rates determined by actuarial computations.

1-C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

the relationship between the government-wide statements and the governmental fund statements.

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. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses for enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-B) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, franchise taxes, licenses, and interest. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-D. Budgets and Budgetary Accounting

Prior to July 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. After revisions, if any, by the council, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding do not constitute expenditures or liabilities and are re-appropriated in the subsequent year. Unencumbered appropriations lapse at year-end.

The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund type budgets are adopted for management control purposes only.

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes all demand savings accounts and certificates of deposits of the City. For the purposes of the Proprietary Fund Statement of Cash Flows, "Cash and Cash Equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Investments are carried at fair value. Additional cash and investment disclosures are presented in Note 2-A and Note 3-A.

1-E-2 Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." All receivables are reported net of estimated uncollectible amounts.

1-E-3 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

1-E-4 Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statement for proprietary funds. The City's infrastructure consists of roads, curbs, and gutters, sidewalks, bridges, drainage, traffic signals, and water and sewer lines. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over two years of useful life. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. All reported capital assets are depreciated except for land and construction in progress. Depreciation has been calculated on each class of depreciable property, using the straight-line method.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

The estimated useful lives are as follows:

	<u>Years</u>
Infrastructure	10-20
Buildings	50
Improvements	20
Furniture and Equipment	10
Autos, Trucks, and Equipment	3-10
Water and Sewer System	25-50

1-E-5 Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

1-E-6 Long – Term Obligations

The accounting treatment of long-term obligations depends on whether the related assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of certificates of participation notes payable, bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

1-E-7 Fund Equity

Equity for government-wide and proprietary fund statements is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – consists of net assets designated internally and undesignated.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved.

1-E-8 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted). Transfers between funds reported in the governmental activities column are eliminated.

1-E-9 Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

By its nature as a local government unity, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2-A. Deposits and Investments Laws and Regulations

In accordance with state law, the City is required to obtain pledges of collateral from depository institutions for all uninsured deposits of municipal funds in financial institutions. As reflected in Note 3-A, all deposits of the City were fully insured or collateralized. However, deposits of the component units were not covered in full by collateral.

Investments of the City are limited by state law to obligations to this state (Georgia) or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of this state. For the year ended June 30, 2008, the City complied, in all material respects, with these investment restrictions.

2-B. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
E-911 Revenue	E-911 Emergency Services Purposes
Hotel/Motel Tax – 4%	Trade and Tourism
Water and Sewer Revenue	Debt Service and Utility Operations

For the year ended June 30, 2008, the City complied, in all material respects, with these revenue restrictions.

2-C. Debt Restrictions

General Obligation Debt – Article 9, Section 5 of the Georgia Constitution limits the amount of outstanding general obligation bonded debt of the municipality to no more than 10% of the assessed value of all taxable property in the City. For the year ended June 30, 2008, the City had no outstanding general obligation debt.

Note 3 – Detail Notes on Transaction Classes/Accounts

3-A. Cash and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Deposits in financial institutions, reported as

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

components of cash and cash equivalents had a bank balance of \$4,988,111 at June 30, 2008, that was fully insured by depository insurance or secured with collateral held by the City or by its agent in the City's name. At year end, the carrying amount of the Hapeville Development Authority's (a discretely presented component unit) bank balance was \$2,119,568, which was covered by \$200,000 of federal depository insurance and \$705,913 of collateral held by the Authority's agent in its name. The remainder was uncollateralized. Cash for Hapeville Association for Tourism and Trade, Inc. (a discretely presented component unit) was entirely covered by federal depository insurance.

Investments – Credit Risk

As of June 30, 2008, the City had the following investments:

	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Governmental Funds:			
Georgia Extended Asset Pool	\$ 34,069	varies	\$ 34,069

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the City to invest in obligations of the State of Georgia; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the Georgia Extended Asset Pool, established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The City has no investment policy that would further limit its investment choices.

Georgia Extended Asset Pool, created by the Official Code of Georgia Annotated ("OCGA") 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Extended Asset Pool operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The regulatory oversight agency for this pool is the Office of Treasury and Fiscal Services. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer.

3-B. Receivables

Accounts receivable for the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist primarily of franchise tax, property tax, occupation tax, hotel/motel tax and intergovernmental receivables arising from grants and due from the County from sales tax collections. An allowance for doubtful accounts was recorded for the utility receivables at \$35,000 for year ended June 30, 2008.

Property taxes are levied based on a calendar year (January 1 through December 31). The property tax assessment is formally levied on September 1, based on property values as of the previous January 1 (the lien date). Tax bills are mailed in September, and due forty-five days later. On the forty-sixth day after they are mailed out the bills become delinquent and penalties and interest are assessed by the City.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

3-C. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

Governmental activities	As Restated			Transfers and Reclassifications	Ending Balance
	Beginning Balance	Increases	Decreases		
Non-depreciable					
Land	\$ 1,307,515	\$ -	\$ -	\$ -	\$ 1,307,515
Construction in Progress	<u>824,800</u>	<u>264,476</u>	<u>-</u>	<u>-</u>	<u>1,089,276</u>
Total non-depreciable assets	<u>2,132,315</u>	<u>264,476</u>	<u>-</u>	<u>-</u>	<u>2,396,791</u>
Depreciable					
Buildings and Improvements	3,811,145	92,907	-	-	3,904,052
Land Improvements	2,835,360	-	-	-	2,835,360
Autos, Trucks and Equipment	6,379,002	1,303,116	-	-	7,682,118
Infrastructure	<u>17,511,756</u>	<u>25,227</u>	<u>-</u>	<u>-</u>	<u>17,536,983</u>
Total depreciable assets	<u>30,537,263</u>	<u>1,421,250</u>	<u>-</u>	<u>-</u>	<u>31,958,513</u>
Less accumulated depreciation					
Buildings and Improvements	(1,716,900)	(74,077)	-	-	(1,790,977)
Land Improvements	(1,526,842)	(92,940)	-	-	(1,619,782)
Autos, Trucks and Equipment	(4,662,607)	(409,759)	-	-	(5,072,366)
Infrastructure	<u>(12,700,660)</u>	<u>(728,384)</u>	<u>-</u>	<u>-</u>	<u>(13,429,044)</u>
Total accumulated depreciation	<u>(17,253,837)</u>	<u>(1,305,160)</u>	<u>-</u>	<u>-</u>	<u>(21,912,169)</u>
Net depreciable assets	<u>13,283,426</u>	<u>116,090</u>	<u>-</u>	<u>-</u>	<u>10,046,344</u>
Governmental activities capital assets, net	<u>\$ 15,415,741</u>	<u>\$ 380,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,443,135</u>
Business-type activities					
Non-depreciable					
Construction in Progress	\$ 500,160	\$ 122,909	\$ -	\$ -	\$ 623,069
Total non-depreciable assets	<u>500,160</u>	<u>122,909</u>	<u>-</u>	<u>-</u>	<u>623,069</u>
Depreciable					
Water and Sewer System	15,513,503	593,504	-	-	16,107,007
Autos, Trucks and Equipment	<u>562,935</u>	<u>64,920</u>	<u>-</u>	<u>-</u>	<u>627,855</u>
Total depreciable assets	<u>16,076,438</u>	<u>658,424</u>	<u>-</u>	<u>-</u>	<u>16,734,862</u>
Less accumulated depreciation					
Water and Sewer System	(3,053,462)	(306,570)	-	-	(3,360,032)
Autos, Trucks and Equipment	<u>(449,025)</u>	<u>(26,927)</u>	<u>-</u>	<u>-</u>	<u>(475,952)</u>
Total accumulated depreciation	<u>(3,502,487)</u>	<u>(333,497)</u>	<u>-</u>	<u>-</u>	<u>(3,835,984)</u>
Net depreciable assets	<u>12,573,951</u>	<u>324,927</u>	<u>-</u>	<u>-</u>	<u>12,898,878</u>
Business-type capital assets, net	<u>\$ 13,074,111</u>	<u>\$ 447,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,521,947</u>

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities depreciation expense

General Government	\$ 41,929
Public Safety	393,708
Public Works	705,554
Culture and Recreation	12,702
Parks and Grounds	8,770
Planning, Zoning and Development	<u>142,497</u>
Total Depreciation Expense	<u>\$ 1,305,160</u>

Business-type activities

Water and Sewer	\$ 331,267
Sanitation	<u>2,230</u>
	<u>\$ 333,497</u>

3-D. Long-Term Debt

Primary Government

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities					
Capital Lease	\$ 150,674	\$ -	\$ 73,754	\$ 76,920	\$ 76,920
Certificates of Participation	-	1,010,000	20,000	990,000	175,000
Compensated Absences	<u>190,600</u>	<u>275,637</u>	<u>152,480</u>	<u>313,757</u>	<u>118,383</u>
Total	<u>\$ 341,274</u>	<u>\$ 1,285,637</u>	<u>\$ 246,234</u>	<u>\$ 1,380,677</u>	<u>\$ 370,303</u>
Business-Type Activities					
Revenue Bonds Payable	\$ 4,580,000	\$ -	\$ 495,000	\$ 4,085,000	\$ 515,000
Compensated Absences	30,123	18,597	30,123	18,597	12,217
Contingent Liability	<u>2,250,000</u>	<u>290,000</u>	<u>-</u>	<u>2,540,000</u>	<u>-</u>
Total	<u>\$ 6,860,123</u>	<u>\$ 308,597</u>	<u>\$ 525,123</u>	<u>\$ 6,643,597</u>	<u>\$ 527,217</u>

For governmental funds, compensated absences are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the water and sewer fund and the sanitation fund. The contingent liability will be liquidated by the water and sewer fund.

Capital Lease. The City financed the purchase of six vehicles through GMA in 2006. The original amount of the lease was \$221,368 with payments to be made over 36 months for \$6,557 including interest at 4.21%. The remaining debt service requirement to maturity is \$78,685 with \$1,765 representing interest for a net present amount of \$76,920.

Certificates of Participation. In August 2007, the City entered into a lease purchase agreement with Government Capital Corporation (GCC). The funding of the lease was provided by the issuance of \$1,010,000 (Series 2007A for \$260,000 and Series 2007B for \$750,000) Certificates of Participation by GCC. The net proceeds were used to purchase law enforcement system software and hardware.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

With respect to the Series 2007A Certificate, payments are due quarterly on January 15, July 15, April 15 and October 15 of each year, commencing January 15, 2008 and for the Series 2007B Certificate, payments are due January 15 and July 15 of each year, Commencing July 15, 2008. The series 2007A Certificate bears interest at the rate of 4.60% per annum and matures on October 15, 2012. The series 2007B Certificate bears interest at the rate of 4.60% per annum and matures on January 15, 2013. Interest is paid on the payment dates for both Certificates.

The City's total certificates of participation debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ 175,000	\$ 45,751	\$ 220,751
2010	190,000	35,115	225,115
2011	210,000	25,990	235,990
2012	220,000	16,215	236,215
2013	195,000	6,268	201,268
	<u>\$ 990,000</u>	<u>\$ 129,339</u>	<u>\$ 1,119,339</u>

Revenue Bonds Payable. In December 2001, the City issued \$6,590,000 in Water and Sewer Authority Revenue Bonds with an average rate of 4.2% to advance refund \$5,080,000 of outstanding 1994 Series bonds with an average interest rate of 6.1% and to pay off \$682,000 of capital leases. The net proceeds of \$5.7 million (after payment of \$143,400 in underwriting fees, insurance, other issuance costs and capital lease payment) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds were considered to be defeased and the liability for those bonds was removed from the books. On July 1, 2004, the bonds were called and paid in full.

Series 2001 Revenue Bonds Payable currently outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ 515,000	\$ 160,372	\$ 675,372
2010	535,000	138,375	673,375
2011	560,000	115,434	675,434
2012	580,000	91,551	671,551
2013	605,000	66,726	671,726
2014-2015	1,290,000	27,026	1,317,026
	<u>\$ 4,085,000</u>	<u>\$ 599,484</u>	<u>\$ 4,684,484</u>

Contingent Liability. The City of Hapeville, Georgia is part of the Metro Atlanta Waste Water Treatment System, and as such entered into an agreement with the City of Atlanta to reimburse the City of Atlanta for Hapeville's proportionate share of costs to operate the system and to make capital improvements. This agreement is broken down into three areas:

1. The SB 500 Program, for capital improvement costs relating to phosphorous reductions
2. The Clean Water Atlanta Program, for strategic capital improvement costs relating to the Metropolitan Sewer System.
3. Operation and Maintenance Costs for Flint River Lift Station and South River WRC.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

Hapeville is not in agreement with the City of Atlanta about the method of assessment and their calculations for these charges. As of June 30, 2007, Hapeville has previously paid \$1 million to Atlanta against the SB500 assessment, recorded an additional \$2,250,000 as a payable and recorded capital assets of \$2,250,000.

During the year ending June 30, 2008, Hapeville's consultant in these matters has reassessed the potential liability and advised the City of Hapeville to increase the liability to \$2,540,000. Atlanta indicates an amount of \$4,118,000 should be paid. Negotiations are ongoing with Atlanta to settle. No settlement has been reached and no payments on the \$2,540,000 are being paid until an agreement is reached. Therefore the payable is classed as a noncurrent liability. Since Hapeville has some justification for not paying the entire \$4.1 million and it is unknown whether Atlanta will accept the \$2,540,000 as a final payment, Hapeville has not recorded any additional amounts.

Hapeville Development Authority

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Revenue Bonds Payable					
Series 2004A	\$ 4,855,000	\$ -	\$ 55,000	\$ 4,800,000	\$ 60,000
Series 2004B	4,435,000	-	145,000	4,290,000	155,000
Series 2007	2,180,000	-	-	2,180,000	-
Taxable Refunding Bond Payable					
Series 2006	490,000	-	-	490,000	-
	<u>\$ 11,960,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 11,760,000</u>	<u>\$ 215,000</u>

Series 2004A Revenue Bonds Payable. In June 2004, Hapeville Development Authority (the Authority) issued Tax Exempt Revenue Bonds – Series 2004A, in the amount of \$4,855,000 to be used for paying off capital leases held by the City in the amount of \$886,133 payable to Georgia Municipal Association, developing and maintaining a streetscape project, constructing improvements to the City's existing water and sewer system, paying capitalized interest and paying the costs of issuance of the bonds. \$3,550,043 was deposited into the 2004A Project Account to pay cost of the Project including cost of issuing the Series 2004A Bonds. Fees to the placement agent were \$48,550 and \$370,275 was deposited into the 2004A Capitalized Interest Account with the project fund. The bond rate is 4.80% with a maturity date of August 1, 2024. The bond payments are due on August 1st each year beginning on August 1, 2007. Interest is payable semi-annually beginning on February 1 and August 1 each year beginning on February 1, 2005.

Series 2004A Revenue Bonds currently outstanding are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 60,000	\$ 228,960	\$ 288,960
2010	60,000	226,080	286,080
2011	65,000	223,080	288,080
2012	65,000	219,960	284,960
2013	70,000	216,720	286,720
2014-2018	1,695,000	937,560	2,632,560
2019-2023	2,540,000	322,560	2,862,560
2024-2025	245,000	11,880	256,880
	<u>\$ 4,800,000</u>	<u>\$ 2,386,800</u>	<u>\$ 7,186,800</u>

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

Series 2004B Revenue Bonds Payable. In conjunction with the issuance of the Series 2004A bonds, the Authority also issued Taxable Revenue Bonds – Series 2004B, in the amount of \$4,435,000 dated June 29, 2004 and to mature on August 1, 2024 at a rate based on the Wall Street Journal LIBOR Daily Floating Rate plus 2.5%. The application of the Series 2004B Bond is as follows: \$3,296,417 deposited into the 2004B Project Account to pay costs of the 2004B project, including costs of issuance, \$682,000 to pay off the Authority's debt to the City, \$44,350 paid to the Placement Agent for its fee and \$412,233 to be deposited into the 2004B Capitalized Interest Account with the Project Fund. Interest is payable semi-annually on February 1 and August 1 each year beginning on February 1, 2005.

Series 2004B Revenue Bonds currently outstanding (with interest computed at 4%) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ 155,000	\$ 190,323	\$ 345,323
2010	165,000	162,100	327,100
2011	175,000	155,300	330,300
2012	185,000	148,100	333,100
2013	195,000	140,500	335,500
2014-2018	1,150,000	573,200	1,723,200
2019-2023	1,525,000	307,300	1,832,300
2024-2025	740,000	30,000	770,000
	<u>\$ 4,290,000</u>	<u>\$ 1,706,823</u>	<u>\$ 5,996,823</u>

Series 2007 Revenue Bonds Payable. In January 2007 the Hapeville Development Authority issued Tax Exempt Revenue Bonds, Series 2007, in the amount of \$2,180,000 to be used to finance all or a portion of the costs of certain public infrastructure projects of the City. The interest rate of the bonds is 4% through February 1, 2015, 4.25% from August 1, 2015 through February 1, 2023 and 4.275% from August 1, 2023 through February 1, 2027.

Series 2007 Revenue Bonds currently outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ -	\$ 92,082	\$ 92,082
2010	80,000	92,082	172,082
2011	85,000	88,882	173,882
2012	90,000	85,481	175,481
2013	90,000	81,882	171,882
2014-2018	535,000	349,808	884,808
2019-2023	665,000	226,458	891,458
2024-2025	635,000	70,869	705,869
	<u>\$ 2,180,000</u>	<u>\$ 1,087,544</u>	<u>\$ 3,267,544</u>

The Series 2004A, 2004B and 2007 Bonds are backed by intergovernmental contracts between the Authority and the City dated June 1, 2004 and January 4, 2007. The Authority appointed the City as its agent to acquire, construct and equip the 2004 and 2007 Projects. All real or tangible personal property acquired with the proceeds of the 2004 and 2007 Bonds shall be titled in the name of the City and be free of any liens and encumbrances and shall constitute part of the 2004 and 2007 Projects. The City shall make as necessary the contract payments with respect to the Series 2004 and 2007 Bonds to the Authority. The obligations of the City to make the contract payments when due under the Intergovernmental Agreement are absolute and unconditional general obligations of the City.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

Series 2006 Taxable Refunding Bond. On July 31, 2006, the Hapeville Development Authority by a contract with the City issued a Taxable Revenue Bond, Series 2006, for the purpose of refinancing the Series 2002 Bonds which were for the purchase of land for governmental purposes. The bond is for \$490,000 and has a 6.5% interest rate. The entire principal is due on August 1, 2009. Total payments due are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ -	\$ 31,850	\$ 31,850
2010	490,000	15,925	505,925
	\$ 490,000	\$ 47,775	\$ 537,775

3-E. Interfund Receivables, Payables and Transfers

The composition of interfund balances reported in the fund financial statements as of June 30, 2008, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water & Sewer Fund	Sanitation Fund	\$ 1,245,176

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Hapeville Association for Trade and Tourism	Primary government - General Fund	\$ 1,018,657

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 2,506
General Fund	Water and Sewer Fund	6,431
General Fund	Non-Major Governmental Funds	922,643
		\$ 931,580
Water and Sewer Fund	General Fund	\$ 880,967

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounts in other funds in accordance with budgetary authorizations.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

3-F. Pension Plan

Plan Description. City of Hapeville Retirement Plan (CHRP) is a single-employer defined benefit pension plan, provides retirement, disability benefits, and death benefits to plan members and beneficiaries. On June 30, 2007, the City terminated its affiliation with the Georgia Municipal Employees Benefit System (GMEBS), a state wide, agent multiple-employer pension plan administered by the Georgia Municipal Association. Effective July 1, 2007 MassMutual Financial Group ("successor group annuity contract") assumed from the GMEBS board of trustees fiduciary responsibility for investing plan assets and satisfying plan liabilities with respect to the pension funds. All assets held by GMEBS were transferred to MassMutual Life Insurance Company on August 7, 2007. All full time City employees and City Officials are eligible to participate in the plan. Benefits vest after ten years of service. Members may retire on reaching the age of 60 or 65, (55 for police or firefighters). Early retirement is possible on reaching the age 50 or 55, depending on the classification. Benefits are calculated at 1.00% to 2.50% of the average monthly earnings for the period of the five highest years prior to retirement, payable monthly for life. The City Council of Hapeville has the authority to amend the benefit provisions of the plan. The Plan does not issue a separate financial statement.

Funding Policy. The City's plan is non-contributory, under this plan and the City's policy is to contribute 100% of an actuarially determined rate; the current rate is 7.0% of annual covered payroll.

Annual Pension Cost. For 2008, the City's annual pension cost of \$546,923 for the CHRP was equal to the City's required and actual contributions. The actuarial assumptions included (a) 7.0% investment rate of return (net administrative expenses), and (b) projected salary increases of 4.5% per year. Both (a) and (b) included an inflation component of 4.0%. The actuarial value of the CHRP assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a ten year period. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the annual pension costs.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2006	1,735,216	100%
2007	1,587,630	100%
2008	546,923	100%

Funding Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the plan was 95.99 percent funded. The actuarial accrued liability for benefits was \$26.33 million, and the actuarial value of assets was \$25.27 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.18 million, and the ratio of the UAAL to the covered payroll was 20.41 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. In the January 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The UAAL is amortized over closed periods using level dollar payments. The amortization period is 15 years for gains and losses, 20 for Plan changes, and 30 for Assumption Changes. The UAAL was started anew as of January 1, 2007 and amortized over 15 years. The actuarial assumptions included (a) 7.0 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) included an inflation component of 4.0 percent. The Plan ceased having Cost of Living Adjustments (except discretionary ones) as of December 31, 2007.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

3-G. Prior Period Adjustment

An adjustment was made to the government-wide financial statements due to a prior year error in general fund capital assets. The result is a decrease in land of \$350,666 and an increase in equipment of \$71,580 for a net adjustment of \$279,096 to net assets.

Note 4 – Other Notes

4-A. 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; employee disability and natural disasters. The City maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City.

Workers' Compensation Insurance. The City is partially self-insured for workers' compensation claims. The City has purchased insurance for individual claims exceeding \$300,000 and aggregate claims per year exceeding \$1,000,000. The activity is recorded in the General Fund. The following describes the activity related to these claims based on actual claims presented after year-end and historical experience.

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2008	\$ 26,818	\$ 9,677	\$ 11,495	\$ 25,000
2007	-	43,212	16,394	26,818

4-B. Joint Ventures

Regional Development Center. Under Georgia law, the City, in conjunction with other cities and counties in the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, if assessed. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

Tri-Cities Narcotics Task Force. Under authorization of the Georgia state statutes, the City joined with the cities of College Park, Palmetto and Fairburn to establish and operate the Tri-Cities Narcotics Task Force (TCN) for the purpose of inter-jurisdictional enforcement of the criminal statutes related to narcotics and other illegal drugs and to administer grants received under drug control programs. Each government appoints six members of the board for the joint venture. The operating and capital budgets in excess of grant revenues are funded by equal contributions from each government. Each participating government's share of assets, liabilities, and fund equity is 20%. The City's investment in the Joint Venture at June 30, 2008 is \$230,545. The City of College Park serves as the lead agency and reports all grant funds received for the task force activities. Subsequent to June 30, 2008, the joint venture was dissolved with a final distribution to each participating city. Separate financial information may be obtained from Tri-Cities Narcotics Task Force, P.O. Box 87137, College Park, Georgia 30037.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2008

4-C. Hotel/Motel Lodging Tax

During the year ended June 30, 2008, the City levied a 3% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. Revenue of \$896,036 was received and transferred to the General Fund to fund general expenditures of the City. The remaining 4% of the total 7% tax levied was transferred to the City's Component Unit, Hapeville Association for Travel and Tourism to spend on salaries and other expenditures related to tourism.

REQUIRED SUPPLEMENTARY INFORMATION



City of Hapeville, Georgia
Required Supplementary Information
Retirement Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2008	25,271,778	26,328,510	1,056,732	95.99%	5,177,036	20.41%
6/30/2007	24,742,151	34,133,906	9,391,755	72.49%	5,314,639	176.71%
6/30/2006	23,273,947	33,691,472	10,417,525	69.08%	5,274,394	197.51%
6/30/2005	22,114,732	32,366,209	10,251,477	68.33%	5,272,521	194.43%

Note: See assumptions used for the Schedule of Funding Progress in Note 3-F to the financial statements.

OTHER SUPPLEMENTARY INFORMATION



City of Hapeville, Georgia

Non-Major Governmental Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Emergency Communication Fund is used to account for the funds billed to wireless telecommunication connection subscribers by various wireless communication providers and transferred to the City related expenditures for E-911 equipment, maintenance and other related expenditures.

Asset Forfeiture Fund is used to account for the funds received for seized assets by the Police Department and transferred to the General Fund to use as needed for expenditures approved by City Council.

Hotel-Motel Tax Fund is used to account for funds received and expended from excise tax levied on charges made for room, lodgings, or accommodations furnished by hotels, motels, inns, and other accommodations regularly furnished for value.

Rental Motor Vehicle Excise Tax Fund is used to account for excise taxes collected from vehicle rentals within the City. The excise taxes are used for improvements to recreation facilities, improvements to pedestrian walkways, improvements to right of way and all related repairs and maintenance.

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Special Revenue Funds				Total Non-Major Governmental Funds
	Emergency Communications	Asset Forfeiture	Hotel-Motel Tax	Rental Motor Vehicle Excise Tax	
Assets					
Other Taxes Receivable	\$ -	\$ -	\$ 82,575	\$ -	\$ 82,575
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,575</u>	<u>\$ -</u>	<u>\$ 82,575</u>
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Unreserved	-	-	82,575	-	82,575
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,575</u>	<u>\$ -</u>	<u>\$ 82,575</u>

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2008

	<u>Special Revenue Funds</u>				Total Non-Major Governmental Funds
	Emergency Communications	Asset Forfeiture	Hotel-Motel Tax	Rental Motor Vehicle Excise Tax	
Revenues					
Taxes	\$ -	\$ -	\$ 896,036	\$ 62,925	\$ 958,961
Fines and Forfeitures	-	7,744	-	-	7,744
Charges for Services	95,774	-	-	-	95,774
Total Revenue	<u>95,774</u>	<u>7,744</u>	<u>896,036</u>	<u>62,925</u>	<u>1,062,479</u>
Expenditures					
General					
Trade and Tourism	-	-	30,260	-	30,260
Public Safety	95,774	-	-	-	95,774
Capital Outlay					
Building and Improvements	-	7,744	-	-	7,744
Total Expenditures	<u>95,774</u>	<u>7,744</u>	<u>30,260</u>	<u>-</u>	<u>103,518</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>865,776</u>	<u>62,925</u>	<u>958,961</u>
Other Financing Sources (Uses)					
Transfer Out	-	-	(859,718)	(62,925)	(922,643)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(859,718)</u>	<u>(62,925)</u>	<u>(922,643)</u>
Net Change in Fund Balances	-	-	6,058	-	6,058
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>76,517</u>	<u>-</u>	<u>76,517</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,575</u>	<u>\$ -</u>	<u>\$ 82,575</u>

City of Hapeville, Georgia
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Emergency Communications Fund
For The Year Ended June 30, 2008

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenue			
Charges for Services	\$ 70,000	\$ 95,774	\$ 25,774
Total Revenue	<u>70,000</u>	<u>95,774</u>	<u>25,774</u>
Expenditures			
Public Safety	<u>45,000</u>	<u>95,774</u>	<u>50,774</u>
Total Expenditures	<u>45,000</u>	<u>95,774</u>	<u>50,774</u>
Excess of Revenues Over (Under) Expenditures	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net Change in Fund Balances	25,000	-	(25,000)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>

City of Hapeville, Georgia
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Asset Forfeiture Fund
For the Year Ended June 30, 2008

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Asset Forfeitures	\$ 7,744	\$ 7,744	\$ -
Total Revenue	<u>7,744</u>	<u>7,744</u>	<u>-</u>
Expenditures			
Capital Outlay			
Building and Improvements	7,744	7,744	-
Total Expenditures	<u>7,744</u>	<u>7,744</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hapeville, Georgia
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Hotel-Motel Tax Fund
For The Year Ended June 30, 2008

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenue			
Hotel-Motel Tax	\$ 900,000	\$ 896,036	\$ (3,964)
Expenditures			
Trade and Tourism	39,500	30,260	9,240
Excess of Revenues Over (Under) Expenditures	860,500	865,776	5,276
Other Financing Sources (Uses)			
Transfers out	(900,000)	(859,718)	40,282
Net Change in Fund Balances	(39,500)	6,058	45,558
Fund Balance, Beginning of Year	<u>-</u>	<u>76,517</u>	<u>76,517</u>
Fund Balance, End of Year	<u>\$ (39,500)</u>	<u>\$ 82,575</u>	<u>\$ 122,075</u>

City of Hapeville, Georgia
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Rental Motor Vehicle Excise Tax Fund
For The Year Ended June 30, 2008

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Other Taxes	\$ 62,925	\$ 62,925	\$ -
Expenditures			
Other Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	62,925	62,925	-
Other Financing Sources (Uses)			
Transfer Out	(62,925)	(62,925)	-
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

STATISTICAL SECTION
(UNAUDITED)



SM

CITY OF HAPEVILLE, GEORGIA
Net Assets by Component (Unaudited) ¹
Last Six Fiscal Years ²
(accrual basis of accounting)

	Fiscal Year Ended					
	2003	2004	2005	2006	2007	2008
Primary Government						
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 11,928,258	\$ 13,030,320	\$ 10,339,330	\$ 8,755,346	\$ 6,793,080	\$ 4,988,189
Restricted	-	-	-	-	-	-
Unrestricted	2,489,581	257,204	1,203,844	599,117	694,689	2,295,836
Total	<u>\$ 14,417,839</u>	<u>\$ 13,287,524</u>	<u>\$ 11,543,174</u>	<u>\$ 9,354,463</u>	<u>\$ 7,487,769</u>	<u>\$ 7,284,025</u>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 8,416,736	\$ 6,405,631	\$ 6,322,460	\$ 6,189,381	\$ 7,244,111	\$ 6,896,947
Restricted	378,401	598,139	574,791	595,179	617,611	651,970
Unrestricted	464,921	1,405,840	653,840	1,185,255	594,265	1,600,507
Total	<u>\$ 9,260,058</u>	<u>\$ 8,409,610</u>	<u>\$ 7,551,091</u>	<u>\$ 7,969,815</u>	<u>\$ 8,455,987</u>	<u>\$ 9,149,424</u>
Total Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 20,344,994	\$ 19,435,951	\$ 16,661,790	\$ 14,944,727	\$ 14,037,191	\$ 11,885,136
Restricted	378,401	598,139	574,791	595,179	617,611	651,970
Unrestricted	2,954,502	1,663,044	1,857,684	1,784,372	1,288,954	3,896,343
Total	<u>\$ 23,677,897</u>	<u>\$ 21,697,134</u>	<u>\$ 19,094,265</u>	<u>\$ 17,324,278</u>	<u>\$ 15,943,756</u>	<u>\$ 16,433,449</u>

Notes:

¹ Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Georgia or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County. There are no restrictions currently reported as a result of enabling legislation.

² The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, only six years of government-wide financial data is presented.

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA
Changes in Net Assets - (Unaudited)
Last Six Fiscal Years ¹
(accrual basis of accounting)

	For The Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental Activities						
General Government	\$ 1,402,311	\$ 1,189,439	\$ 1,240,899	\$ 1,400,815	\$ 1,280,910	\$ 1,788,672
Public Safety	5,897,245	6,042,863	6,510,744	7,008,144	6,424,365	5,486,095
Public Works	1,945,116	1,708,415	1,758,487	1,625,190	1,367,043	1,245,904
Culture and Recreation	653,700	725,703	634,886	447,121	777,705	566,842
Parks and Grounds	903,224	754,831	624,976	717,302	892,599	653,652
Planning, Zoning & Development	312,660	261,071	644,406	734,039	677,387	566,481
Tourism	118,207	52,174	59,039	67,786	122,165	30,260
Debt-Related Expenses	62,022	86,659	23,096	77,577	84,994	95,207
Business-Type Activities						
Water and Sewer Utilities	2,778,838	2,818,028	2,978,050	3,321,382	2,932,767	3,194,968
Sanitation	483,387	849,145	794,507	614,126	488,764	381,659
Total Primary Government Expenses	\$ 14,556,710	\$ 14,488,328	\$ 15,269,090	\$ 16,013,482	\$ 15,048,699	\$ 14,009,740
Program Revenues:						
Governmental Activities						
Charges for Services	\$ 815,814	\$ 951,499	\$ 1,156,888	\$ 1,099,399	\$ 1,370,694	\$ 1,939,215
Operating Grants and Contributions	146,632	22,084	17,272	26,147	57,318	13,939
Capital Grants and Contributions	-	-	4,715,261	705,254	212,251	145,148
Business-Type Activities						
Charges for Services	3,006,139	3,585,671	3,454,088	3,621,120	3,472,504	3,123,013
Total Primary Government Program Revenues	\$ 3,968,585	\$ 4,559,254	\$ 9,343,509	\$ 5,451,920	\$ 5,112,767	\$ 5,221,315
Total Primary Government Net (Expense)	\$ (10,588,125)	\$ (9,929,074)	\$ (5,925,581)	\$ (10,561,562)	\$ (9,935,932)	\$ (8,788,425)

(continued)

CITY OF HAPEVILLE, GEORGIA
Changes in Net Assets - (Unaudited)
Last Six Fiscal Years ¹
(accrual basis of accounting)

	For The Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
General Revenues:						
Governmental Activities						
Taxes ²	\$ 6,705,838	\$ 6,543,525				
Property			\$ 3,940,895	\$ 4,030,352	\$ 3,830,563	\$ 4,866,883
Sales			1,373,830	1,563,603	1,648,432	1,664,596
Occupation			296,011	333,616	313,062	241,132
Franchise			693,113	702,545	731,273	622,223
Insurance Premium			287,689	312,780	323,831	337,842
Hotel/Motel			754,101	847,323	1,042,157	896,036
Other			520,156	623,453	637,102	576,005
Other Local Revenue	740,588	131,205	44,843	21,887	40,158	28,782
Unrestricted Investment Earnings	117,602	53,524	108,071	98,780	50,685	48,684
Transfers	142,211	865,176	378,893	(475,876)	(497,052)	(872,030)
Business-Type Activities						
Unrestricted Investment Income	80,045	53,493	44,926	45,501	60,565	35,119
Other	132,035	79,233	148,584	211,735	280,439	239,902
Transfers	(142,211)	(865,176)	(378,893)	475,876	497,052	872,030
Total Primary Government General Revenues	\$ 7,776,108	\$ 6,860,980	\$ 8,212,219	\$ 8,791,575	\$ 8,958,267	\$ 9,557,204
Total Primary Government Change in Net Assets	\$ (2,812,017)	\$ (3,068,094)	\$ 2,286,638	\$ (1,769,987)	\$ (977,665)	\$ 768,779

Notes:

¹ The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, only six years of government-wide financial data is presented.

² The City did not breakdown the tax revenues in year 2003 and 2004. That data was not available

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA
Fund Balances - Governmental Funds (Unaudited)
Last Six Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 137,698	\$ 160,863	\$ 181,222	\$ 173,739	\$ 160,862	\$ 219,572
Unreserved	<u>2,855,768</u>	<u>1,284,956</u>	<u>1,008,076</u>	<u>20,956</u>	<u>427,231</u>	<u>1,971,149</u>
Total General Fund	<u>2,993,466</u>	<u>1,445,819</u>	<u>1,189,298</u>	<u>194,695</u>	<u>588,093</u>	<u>2,190,721</u>
All Other Governmental Funds						
Reserved	-	-	-	-	-	-
Unreserved, Reported in:						
Hotel-Motel Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,517</u>	<u>82,575</u>
Total All Other Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,517</u>	<u>82,575</u>
Total Governmental Funds	<u>\$ 2,993,466</u>	<u>\$ 1,445,819</u>	<u>\$ 1,189,298</u>	<u>\$ 194,695</u>	<u>\$ 664,610</u>	<u>\$ 2,273,296</u>

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA
Changes in Fund Balances - Governmental Funds (Unaudited)
Last Six Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008
Revenues:						
Taxes	\$ 6,705,838	\$ 6,547,728	\$ 7,820,204	\$ 8,098,236	\$ 8,758,540	9,120,904
Licenses and Permits	175,763	243,331	183,714	278,740	333,729	481,863
Charges for Services	207,271	260,547	311,387	302,493	428,531	831,618
Fines and Forfeitures	432,780	447,621	661,787	518,166	608,434	551,570
Intergovernmental Revenue	146,632	15,035	1,377,470	714,242	245,804	145,925
Contributions	-	7,049	4,570	17,159	23,765	13,162
Investment Earnings	117,602	53,524	108,071	98,780	50,685	48,684
Other Local Revenue	740,588	131,205	13,054	21,887	25,127	22,107
Total Revenues - All Governmental Funds	\$ 8,526,474	\$ 7,706,040	\$ 10,480,257	\$ 10,049,703	\$ 10,474,615	\$ 11,215,833
Expenditures:						
General Government	1,077,242	1,248,697	1,432,699	1,240,862	1,227,667	1,576,348
Public Safety	5,979,425	5,865,750	6,243,572	6,988,566	6,476,580	4,899,888
Public Works	1,002,002	764,593	821,330	1,070,878	1,444,407	530,255
Culture and recreation	732,003	716,721	637,908	760,103	654,730	539,595
Parks and Grounds	831,764	712,696	961,237	927,230	871,245	631,359
Planning and Zoning	313,232	261,071	639,980	732,567	675,915	547,960
Tourism	55,060	52,174	58,820	67,786	122,165	30,260
Other	63,147	-	-	-	-	-
Capital Outlay	-	-	-	-	-	1,634,076
Debt Service						
Principal	434,327	1,396,061	244,133	250,000	284,720	93,755
Interest, Fees, and Bond Issue Costs	62,022	52,849	23,096	77,577	109,874	146,856
Total Expenditures	10,550,224	11,070,612	11,062,775	12,115,569	11,867,303	\$ 10,630,352
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	\$ (2,023,750)	\$ (3,364,572)	\$ (582,518)	\$ (2,065,866)	\$ (1,392,688)	\$ 585,481

(continued)

CITY OF HAPEVILLE, GEORGIA
Changes in Fund Balances - Governmental Funds (Unaudited)
Last Six Fiscal Years
(modified accrual basis of accounting)

	<i>(continued)</i>					
	2003	2004	2005	2006	2007	2008
Other Financing Sources (Uses)						
Aid from Component Unit	-	951,750	-	-	2,089,792	878,559
Proceeds from Capital Leases	-	-	-	1,573,452	221,367	1,010,000
Sale of Capital Assets	-	-	-	-	14,411	6,675
Sale of Confiscated Goods	-	-	-	-	620	-
Transfers In	285,325	1,069,386	685,479	1,128,910	1,636,939	931,580
Transfers Out	(143,114)	(204,211)	(359,482)	(1,631,099)	(2,100,526)	(1,803,610)
Total Other Financing Sources (Uses)	<u>142,211</u>	<u>1,816,925</u>	<u>325,997</u>	<u>1,071,263</u>	<u>1,862,603</u>	<u>1,023,204</u>
Net Change in Fund Balances	(1,881,539)	(1,547,647)	(256,521)	(994,603)	469,915	1,608,685
Fund Balance Beginning of Year	<u>4,875,005</u>	<u>2,993,466</u>	<u>1,445,819</u>	<u>1,189,298</u>	<u>194,695</u>	<u>664,610</u>
Fund Balance End of Year	<u>\$ 2,993,466</u>	<u>\$ 1,445,819</u>	<u>\$ 1,189,298</u>	<u>\$ 194,695</u>	<u>\$ 664,610</u>	<u>\$ 2,273,295</u>

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA
General Governmental Tax Revenues by Source (Unaudited)
Last Six Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property	Sales & Use	Occupancy	Franchise	Insurance Premium	Hotel/Motel	Other	Total
2003	\$ 2,864,456	\$ 1,361,717	\$ 328,140	\$ 719,455	\$ 246,309	\$ 650,829	\$ 1,458,841	7,629,747
2004	2,880,594	1,303,929	308,092	668,055	265,463	616,710	1,377,513	7,420,356
2005	3,940,895	1,373,830	296,011	693,113	287,689	754,101	520,156	7,865,795
2006	4,030,352	1,563,603	333,616	702,545	312,780	847,323	623,453	8,413,672
2007	4,062,683	1,648,432	313,062	731,273	323,831	1,042,157	637,102	8,758,540
2008	4,783,070	1,664,596	241,132	622,223	337,842	2,192,556	576,005	10,417,424
Change 2003 - 2008	67.0%	22.2%	-26.5%	-13.5%	37.2%	236.9%	-60.5%	36.5%

Notes:

Includes Hapeville Association for Tourism & Trade Component Unit (4%)

Data Source:

Applicable years' annual financial report.