

CITY OF HAPEVILLE

ANNUAL AUDIT



Fiscal Year Ended June 30, 2010





**FISCAL YEAR ENDED
JUNE 30, 2010**

**City of Hapeville, Georgia
Annual Financial Report
For the Fiscal Year Ended
June 30, 2010**

**Prepared by
Department of Finance**

City of Hapeville, Georgia Annual Financial Report Year Ended June 30, 2010

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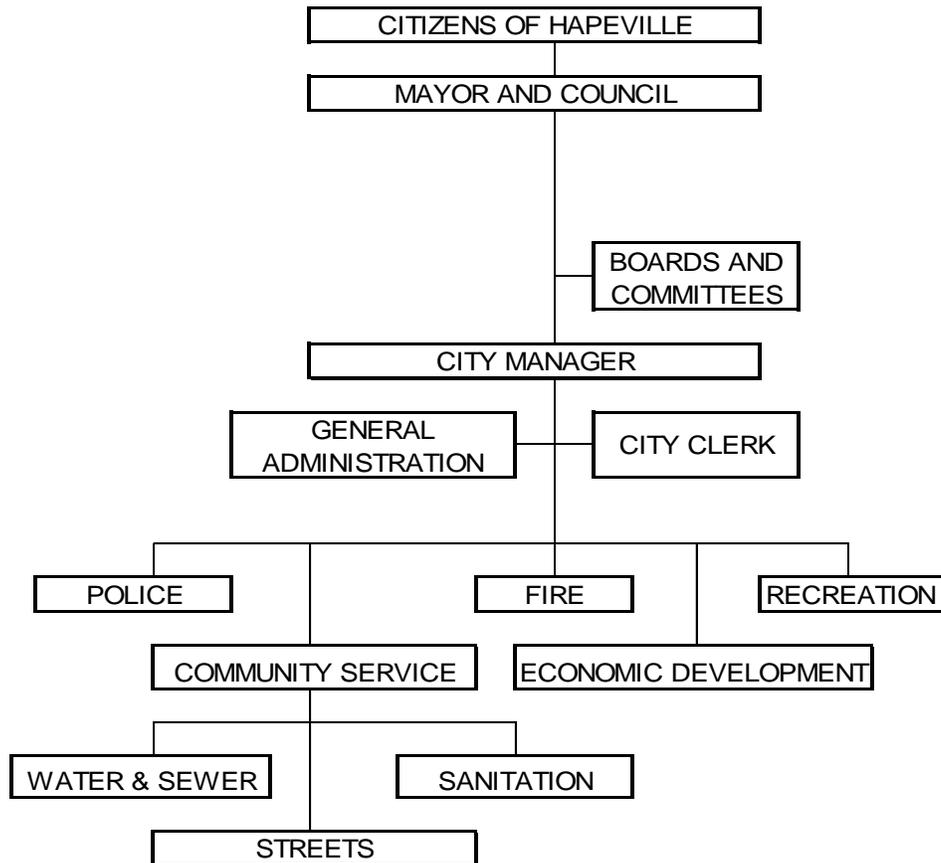
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INTRODUCTORY SECTION



City of Hapeville, Georgia Organization Chart June 30, 2010



City of Hapeville, Georgia
List of Elected and Appointed Officials
June 30, 2010

ELECTED OFFICIALS

Mayor	Alan Hallman
Council Member	Ann Ray
Council Member	Richard Murray
Council Member	Jimmy Lovern
Council Member	Lew Valero

APPOINTED OFFICIALS

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

FINANCIAL SECTION



J. K. BOATWRIGHT & CO., P. C.
CERTIFIED PUBLIC ACCOUNTANTS
LAGRANGE, GEORGIA 30240

February 19, 2011

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, 2010, 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, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund and the Hotel/Motel 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 February 19, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 7 through 14 and 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hapeville, Georgia's financial statements as a whole. 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 financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yours truly,

A handwritten signature in blue ink that reads "J.K. Boatwright & Co., P.C." in a cursive style.

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

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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:

- Total fund balance increased by \$175,550.
- Total fund balance at the close of the fiscal year amounted to \$4,099,270.
- Investment in capital assets increased by \$1,219,598.
- The increase in capital assets included approximately \$915,827 in construction in progress, \$26,155 in land and \$277,616 for building & infrastructure improvements and equipment.
- Construction in progress included infrastructure additions for Christ Church relocation and renovation of \$104,625, from Hapeville Association for Trade and Tourism and renovations to Hoyt Conference Center of \$25,753.
- Construction in progress included LCI, CDBG, TE and Federal stimulus projects amounting to \$608,153 during the year.
- Building improvements included improvements to City Hall Annex, Fire Department Renovations, and Police Department Building Improvements in the amount of \$67,492.
- The WiFi system was completed with expenditures in the amount of \$82,424.
- Expenditures for Infrastructure and Park Improvements for Elkins Street and Jess Lucas Park totaled \$27,381
- Reduced debt related to certificates of participation and leases by \$361,298.
- The property tax millage rate remained the same at 16.61 mils.

Proprietary Funds:

Enterprise Funds:

- Total net assets were \$9,407,430, a decrease of \$31,278.
- Net assets-unrestricted amounted to \$926,200, a decrease of \$117,101.
- Capital assets and construction in progress, net of accumulated depreciation, decreased by \$118,902.
- Principal payments on Water-Sewer Revenue Bonds payable were \$535,000.
- Contingent liabilities payable related to City of Atlanta projects increased by \$150,000.
- The Sanitation Fund's expenses exceeded revenues by \$46,703.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Internal Service funds:

- Revenues exceeded expenses by \$324,341 before transfer out. Net Assets amounted to \$196,505 at the close of the year.

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.

Required Components of Annual Financial Report

Basic Financial Statements

The first two statements (**pages 16 through 18**) 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 19 through 29**) 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

CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

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.

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 two types of proprietary funds. *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. *Internal Service Funds* are included with governmental activities in the government-wide financial statements. City of Hapeville uses internal service funds to account for workers' compensation activity and for its information technology operations. These funds are the same as those functions shown in the governmental 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 **31-51** of this report.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
	Current and Other Assets	\$ 6,220,295	\$ 6,837,794	\$ 2,335,133	\$ 3,534,833	\$ 8,555,428
Capital Assets	<u>12,359,337</u>	<u>12,383,230</u>	<u>14,232,522</u>	<u>13,504,882</u>	<u>26,591,859</u>	<u>25,888,112</u>
Total Assets	<u>18,579,632</u>	<u>19,221,024</u>	<u>16,567,655</u>	<u>17,039,715</u>	<u>35,147,287</u>	<u>36,260,739</u>
Long-Term Liabilities Outstanding	1,548,960	1,304,866	6,138,833	6,540,147	7,687,793	7,845,013
Other Liabilities	<u>8,948,120</u>	<u>9,745,362</u>	<u>1,021,392</u>	<u>1,011,403</u>	<u>9,969,512</u>	<u>10,756,765</u>
Total Liabilities	<u>10,497,080</u>	<u>11,050,228</u>	<u>7,160,225</u>	<u>7,551,550</u>	<u>17,657,305</u>	<u>18,601,778</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	5,316,912	4,340,118	7,829,260	7,625,029	13,146,172	11,965,147
Restricted	(21,950)	5,129	671,948	770,378	649,998	775,507
Unrestricted	<u>2,787,590</u>	<u>3,825,549</u>	<u>906,222</u>	<u>1,092,758</u>	<u>3,693,812</u>	<u>4,918,307</u>
Total Net Assets	<u>\$ 8,082,552</u>	<u>\$ 8,170,796</u>	<u>\$ 9,407,430</u>	<u>\$ 9,488,165</u>	<u>\$ 17,489,982</u>	<u>\$ 17,658,961</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 \$17,489,982 as of June 30, 2010. The net assets decreased by \$168,581 for the fiscal year ended June 30, 2010.

The largest portion of the net assets, \$13,146,172, 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 are not available for future spending. Net assets include \$671,948 restricted for debt service. The remaining balance of unrestricted net assets of \$3,671,862 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,543,971	\$ 1,862,404	\$ 3,242,115	\$ 3,180,364	\$ 4,786,086	\$ 5,042,768
Operating Grants	20,100	20,570	-	-	20,100	20,570
Capital Grants	590,972	284,917	-	-	590,972	284,917
General Revenues:						
Property Taxes	4,785,375	5,001,623	-	-	4,785,375	5,001,623
Other Taxes	4,971,415	5,628,241	-	-	4,971,415	5,628,241
Other	318,371	33,197	147,757	122,462	466,128	155,659
Total Revenues	<u>\$ 12,230,204</u>	<u>\$ 12,830,952</u>	<u>\$ 3,389,872</u>	<u>\$ 3,302,826</u>	<u>\$ 15,620,076</u>	<u>\$ 16,133,778</u>
Expenses:						
General Government	\$ 1,485,410	\$ 1,989,413	\$ -	\$ -	\$ 1,485,410	\$ 1,989,413
Public Safety	6,203,308	5,484,335	-	-	6,203,308	5,484,335
Public Works	1,393,790	1,258,880	-	-	1,393,790	1,258,880
Culture and Recreation	501,631	398,171	-	-	501,631	398,171
Parks and Grounds	735,937	716,252	-	-	735,937	716,252
Planning and Zoning	944,020	649,217	-	-	944,020	649,217
Trade and Tourism	927,722	1,115,853	-	-	927,722	1,115,853
Interest	175,689	144,944	-	-	175,689	144,944
Water, Sewer, Sanitation	-	-	3,421,150	3,154,504	3,421,150	3,154,504
Total Expenses	<u>\$ 12,367,507</u>	<u>\$ 11,757,065</u>	<u>\$ 3,421,150</u>	<u>\$ 3,154,504</u>	<u>\$ 15,788,657</u>	<u>\$ 14,911,569</u>
Transfers	-	(190,419)	-	190,419	-	-
Increase (Decrease) in Net Assets	\$ (137,303)	\$ 883,468	\$ (31,278)	\$ 338,741	\$ (168,581)	\$ 1,222,209
Prior Period Adjustment	49,059	3,303	(49,457)	-	(398)	3,303
Net Assets, July 1	<u>8,170,796</u>	<u>7,284,025</u>	<u>9,488,165</u>	<u>9,149,424</u>	<u>17,658,961</u>	<u>16,433,449</u>
Net Assets, June 30	<u>\$ 8,082,552</u>	<u>\$ 8,170,796</u>	<u>\$ 9,407,430</u>	<u>\$ 9,488,165</u>	<u>\$ 17,489,982</u>	<u>\$ 17,658,961</u>

Governmental Activities: Governmental activities decreased the City's net assets by \$137,303.

Business-type Activities: Business-type activities decreased the City's net assets by \$31,278.

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, 2010

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 \$3,935,568. Fund balance reserved for prepaid expenses amounted to \$176,165. Total fund balance in the general fund increased by \$190,112. The increase fund balance was primarily due to strong conservative management promulgated by the Mayor and Council resulting in a decrease in expenditures. 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 41.02 percent of total fund expenditures.

At June 30, 2010, the governmental funds of City of Hapeville reported a combined fund balance of \$4,099,270, a 4.47 percent increase over the previous year. Included in this change in fund balance are:

- Proceeds from grants of \$565,633.
- Capital outlay for infrastructure and equipment of \$1,219,598.
- Payments on long-term debt of \$446,534.

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 revenues exceeded actual revenues by \$659,852.
- Budgeted expenditures exceeded actual expenditures and other financing uses by \$718,044.

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 \$2,171,275 and (\$1,245,045), respectively. The increase (decrease) in net assets (liabilities) of both funds amounted to \$15,425 and \$(46,703), respectively. The unrestricted net assets of the internal service funds amounted to \$196,505. Internal Service Funds include the Workers' Compensation Fund and the Information Technology Fund. The net assets of the Internal Service Funds increased by \$100,474 during the year ended June 30, 2010. 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, 2010, totals \$26,591,859 (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):

Land	\$	26,155
Autos, trucks and equipment		347,227
Building and land improvements		18,000
Construction in progress		917,703
Water and sewer system improvements		150,000
Total	\$	<u>1,459,085</u>

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

City of Hapeville's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land and Improvements	\$ 4,025,292	\$ 4,142,875	\$ -	\$ -	\$ 4,025,292	\$ 4,142,875
Construction in Progress	755,223	1,596,579	-	846,542	755,223	2,443,121
Buildings and Improvements	4,228,035	4,207,204	-	-	4,228,035	4,207,204
Vehicles and Equipment	8,408,229	8,184,064	715,466	627,855	9,123,695	8,811,919
Infrastructure	<u>19,476,925</u>	<u>17,543,383</u>	<u>18,065,425</u>	<u>17,067,007</u>	<u>37,542,350</u>	<u>34,610,390</u>
Totals	<u>\$ 36,893,704</u>	<u>\$ 35,674,105</u>	<u>\$ 18,780,891</u>	<u>\$ 18,541,404</u>	<u>\$ 55,674,595</u>	<u>\$ 54,215,509</u>

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

Long-term Debt. As of June 30, 2010, the City had total bonded debt outstanding in the Water Sewer Fund of \$3,035,000. 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	
	2010	2009	2010	2009
Certificates of participation	\$ 515,000	\$ 815,000	\$ -	\$ -
Capital leases	61,669	122,967	-	-
Contingent Liability	-	-	3,650,000	3,500,000
Revenue bonds	<u>-</u>	<u>-</u>	<u>3,035,000</u>	<u>3,570,000</u>
Total	<u>\$ 576,669</u>	<u>\$ 937,967</u>	<u>\$ 6,685,000</u>	<u>\$ 7,070,000</u>

The City's total debt decreased by \$746,297 (9.32%) during the past fiscal year, partly due to the additional payment received on the certificates of participation overpayment and partly due to principal instead of just interest now being paid on the bonds.

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.

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 \$31,100,000. The City has \$0 in bonds authorized but un-issued at June 30, 2010.

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

**CITY OF HAPEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ended June 30, 2011

Governmental Activities: The City's millage rate will remain the same at 16.61 mills. Budgeted revenues for FY 2010-2011 decreased by 8.96%. Budgeted expenditures decreased by 5.99%. Budgeted revenues are expected to equal budgeted expenditures.

Business – type Activities: The water rates in the City are expected to increase by 12.5%, 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, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hapeville Development Authority	Hapeville Association for Trade and Tourism
Assets					
Cash and Cash Equivalents	\$ 4,785,551	\$ 950,603	\$ 5,736,154	\$ 674,301	\$ 4,215
Investment in Joint Venture	17,440	-	17,440	-	-
Investments	36,006	-	36,006	-	-
Restricted Cash and Cash Equivalents	-	671,948	671,948	-	-
Receivables:					
Water and Sewer, Net	-	417,336	417,336	-	-
Property Tax	400,806	-	400,806	-	-
Other Taxes	193,202	-	193,202	-	-
Other Receivables	311,017	-	311,017	-	-
Due from Primary Government	-	-	-	6,500,673	1,286,962
Intergovernmental	243,831	-	243,831	-	-
Prepaid Assets	197,525	13,508	211,033	-	-
Unamortized Bond Costs	34,917	281,738	316,655	101,103	-
Investment Property - Long-Term	-	-	-	2,667,810	-
Capital Assets:					
Nondepreciable Capital Assets	2,088,893	-	2,088,893	-	-
Depreciable Capital Assets, Net	10,270,444	14,232,522	24,502,966	-	-
Total Assets	<u>18,579,632</u>	<u>16,567,655</u>	<u>35,147,287</u>	<u>9,943,887</u>	<u>1,291,177</u>
Liabilities					
Current Liabilities					
Accounts Payable	597,932	209,215	807,147	-	-
Accrued Liabilities	156,979	15,921	172,900	-	-
Compensated Absences	152,449	27,667	180,116	-	-
Customer Deposits	9,625	145,006	154,631	1,750	-
Due to Hapeville Development Authority	6,500,673	-	6,500,673	-	-
Due to Hapeville Association for Trade and Tourism	1,286,962	-	1,286,962	-	-
Accrued Interest Payable	9,487	63,583	73,070	178,377	-
Current Portion of Long-Term Debt	234,013	560,000	794,013	325,000	-
Total Current Liabilities	<u>8,948,120</u>	<u>1,021,392</u>	<u>9,969,512</u>	<u>505,127</u>	<u>-</u>
Noncurrent Liabilities					
Compensated Absences	301,987	13,833	315,820	-	-
Noncurrent Portion of Long-Term Debt	342,656	2,475,000	2,817,656	10,425,000	-
Net OPEB Liability	904,317	-	904,317	-	-
Contingent Liability	-	3,650,000	3,650,000	-	-
Total Noncurrent Liabilities	<u>1,548,960</u>	<u>6,138,833</u>	<u>7,687,793</u>	<u>10,425,000</u>	<u>-</u>
Total Liabilities	<u>10,497,080</u>	<u>7,160,225</u>	<u>17,657,305</u>	<u>10,930,127</u>	<u>-</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	5,316,912	7,829,260	13,146,172	-	-
Restricted for:			-		
Tourism Expenditures	12,152	-	12,152	-	-
Public Safety Expenditures	18,452	-	18,452	-	-
Debt Service	(52,554)	671,948	619,394	-	-
Unrestricted	<u>2,787,590</u>	<u>906,222</u>	<u>3,693,812</u>	<u>(986,240)</u>	<u>1,291,177</u>
Total Net Assets (Deficit)	<u>\$ 8,082,552</u>	<u>\$ 9,407,430</u>	<u>\$ 17,489,982</u>	<u>\$ (986,240)</u>	<u>\$ 1,291,177</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, 2010

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	\$ 1,485,410	\$ 132,890	\$ 20,100	\$ 590,972	\$ (741,448)	\$ -	\$ (741,448)	\$ -	\$ -
Public Safety	6,203,308	506,762	-	-	(5,696,546)	-	(5,696,546)	-	-
Public Works	1,393,790	-	-	-	(1,393,790)	-	(1,393,790)	-	-
Culture and Recreation	501,631	34,856	-	-	(466,775)	-	(466,775)	-	-
Parks and Grounds	735,937	-	-	-	(735,937)	-	(735,937)	-	-
Planning, Zoning and Development	944,020	63,259	-	-	(880,761)	-	(880,761)	-	-
Trade and Tourism	927,722	806,204	-	-	(121,518)	-	(121,518)	-	-
Interest Expense	175,689	-	-	-	(175,689)	-	(175,689)	-	-
Total Governmental Activities	12,367,507	1,543,971	20,100	590,972	(10,212,464)	-	(10,212,464)	-	-
Business-type Activities									
Water and Sewer Utilities	2,915,006	2,798,082	-	-	-	(116,924)	(116,924)	-	-
Sanitation Utilities	506,144	444,033	-	-	-	(62,111)	(62,111)	-	-
Total Business-type Activities	3,421,150	3,242,115	-	-	-	(179,035)	(179,035)	-	-
Total Primary Government	\$ 15,788,657	\$ 4,786,086	\$ 20,100	\$ 590,972	\$ (10,212,464)	\$ (179,035)	\$ (10,391,499)	\$ -	\$ -
Component Units									
Hapeville Development Authority									
General Government	\$ 25,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,318)	\$ -
Interest Expense	114,845	-	-	-	-	-	-	(114,845)	-
Hapeville Association for Trade and Tourism									
Trade and Tourism	979,320	915,243	-	-	-	-	-	-	(64,077)
Total Component Units	\$ 1,119,482	\$ 915,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (140,163)	\$ (64,077)

(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, 2009

(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	\$ 4,785,375	\$ -	\$ 4,785,375	\$ -	\$ -
Sales Taxes	1,492,207	-	1,492,207	-	-
Occupation Taxes	280,330	-	280,330	-	-
Franchise Taxes	661,534	-	661,534	-	-
Insurance Premium Tax	350,546	-	350,546	-	-
Tourism Development (Hotel/Motel) Taxes	1,613,809	-	1,613,809	-	-
Other Taxes	<u>572,989</u>	<u>-</u>	<u>572,989</u>	<u>-</u>	<u>-</u>
Total Taxes	9,756,790	-	9,756,790	-	-
Interest, Investment, and Penalties Revenues	5,354	-	5,354	1,647	-
Other Revenues	<u>313,017</u>	<u>147,757</u>	<u>460,774</u>	<u>11,875</u>	<u>-</u>
Total General Revenues	<u>10,075,161</u>	<u>147,757</u>	<u>10,222,918</u>	<u>13,522</u>	<u>-</u>
Change in Net Assets	(137,303)	(31,278)	(168,581)	(126,641)	(64,077)
Prior Period Adjustment	49,059	(49,457)	(398)	-	-
Net Assets/(Deficit) - Beginning	<u>8,170,796</u>	<u>9,488,165</u>	<u>17,658,961</u>	<u>(859,599)</u>	<u>1,355,254</u>
Net Assets/(Deficit) - Ending	<u>\$ 8,082,552</u>	<u>\$ 9,407,430</u>	<u>\$ 17,489,982</u>	<u>\$ (986,240)</u>	<u>\$ 1,291,177</u>

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

City of Hapeville, Georgia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Hotel/ Motel Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 4,564,613	\$ -	\$ 20,977	\$ 4,585,590
Investments	36,006	-	-	36,006
Receivables				
Property Taxes	400,806	-	-	400,806
Other Taxes Receivable	40,093	153,100	243,016	436,209
Other Receivables	68,011	-	-	68,011
Intergovernmental Receivables	243,831	-	-	243,831
Prepaid Assets	<u>176,165</u>	<u>-</u>	<u>-</u>	<u>176,165</u>
Total Assets	<u>\$ 5,529,525</u>	<u>\$ 153,100</u>	<u>\$ 263,993</u>	<u>\$ 5,946,618</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 149,864	140,948	\$ 288,608	\$ 579,420
Accrued Liabilities	153,585	-	-	153,585
Customer Deposits	9,625	-	-	9,625
Due to Component Units	741,449	-	-	741,449
Unearned Revenue	<u>363,269</u>	<u>-</u>	<u>-</u>	<u>363,269</u>
Total Liabilities	<u>1,417,792</u>	<u>140,948</u>	<u>288,608</u>	<u>1,847,348</u>
Fund Balance				
Reserved for				
Prepaid Items	176,165	-	-	176,165
Special Revenue Funds	-	12,152	18,452	30,604
Debt Service Fund	-	-	(43,067)	(43,067)
Unreserved, Undesignated Reported in				
General Fund	<u>3,935,568</u>	<u>-</u>	<u>-</u>	<u>3,935,568</u>
Total Fund Balance (Deficit)	<u>4,111,733</u>	<u>12,152</u>	<u>(24,615)</u>	<u>4,099,270</u>
Total Liabilities and Fund Balance	<u>\$ 5,529,525</u>	<u>\$ 153,100</u>	<u>\$ 263,993</u>	<u>\$ 5,946,618</u>

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 of Net Assets
June 30, 2010

Total Governmental Fund Balances	\$	4,099,270
 <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.		
Cost of capital assets	\$ 36,893,704	
Less accumulated depreciation	<u>(24,534,367)</u>	12,359,337
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property taxes		363,269
Equity interest in a joint ventures		17,440
 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.		
Debt issue costs	60,097	
Less accumulated amortization	<u>(25,180)</u>	34,917
 Internal service funds are used by management to charge the costs of certain activities such as health insurance, worker's compensation and information technology to individual funds. Governmental activities net assets have been increased by the effect of the internal service funds net assets.		
		196,505
 Plus accrued compensated absences payable included in Internal Service Funds		
		2,910
 Liabilities not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences payable		(454,436)
Accrued interest		(9,487)
Capital leases payable		(61,669)
Certificate of participation		(515,000)
Net OPEB obligation		(904,317)
 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>(7,046,187)</u>
Net Assets of Governmental Activities	\$	<u>8,082,552</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, 2010

	<u>General Fund</u>	<u>Hotel/ Motel Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Property	\$ 4,947,989	\$ -	\$ -	\$ 4,947,989
Sales	1,492,207	-	-	1,492,207
Occupation	280,330	-	-	280,330
Franchise	661,534	-	-	661,534
Insurance Premium	350,546	-	-	350,546
Hotel-Motel	-	1,613,808	-	1,613,808
Other Taxes	521,662	-	51,327	572,989
Licenses and Permits	184,368	-	-	184,368
Charges for Services	914,947	-	112,084	1,027,031
Fines and Forfeitures	310,794	-	25,339	336,133
Intergovernmental Revenues	28,707	-	-	28,707
Interest on Investments	804	-	-	804
Contributions and Donations	20,100	-	-	20,100
Grant Revenue	-	-	565,633	565,633
Other Revenue	23,259	-	292,030	315,289
Total Revenues	<u>9,737,247</u>	<u>1,613,808</u>	<u>1,046,413</u>	<u>12,397,468</u>
Expenditures				
General				
General Government	1,558,009	-	-	1,558,009
Public Safety	5,815,447	-	179,809	5,995,256
Public Works	747,055	-	-	747,055
Culture and Recreation	459,633	-	-	459,633
Parks and Grounds	716,645	-	-	716,645
Planning, Zoning and Development	696,950	-	-	696,950
Trade and Tourism	30,315	915,243	16,644	962,202
Capital Outlay	-	-	804,119	804,119
Debt Service				
Principal	-	-	446,534	446,534
Interest	-	-	169,382	169,382
Total Expenditures	<u>10,024,054</u>	<u>915,243</u>	<u>1,616,488</u>	<u>12,555,785</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(286,807)</u>	<u>698,565</u>	<u>(570,075)</u>	<u>(158,317)</u>
Other Financing Sources (Uses)				
Transfers In	746,383	-	603,330	1,349,713
Transfers Out	<u>(269,463)</u>	<u>(686,512)</u>	<u>(59,871)</u>	<u>(1,015,846)</u>
Total Other Financing Sources (Uses)	<u>476,920</u>	<u>(686,512)</u>	<u>543,459</u>	<u>333,867</u>
Net Change in Fund Balances	190,113	12,053	(26,616)	175,550
Fund Balance, Beginning of Year	<u>3,921,620</u>	<u>99</u>	<u>2,001</u>	<u>3,923,720</u>
Fund Balance (Deficit), End of Year	<u>\$ 4,111,733</u>	<u>\$ 12,152</u>	<u>\$ (24,615)</u>	<u>\$ 4,099,270</u>

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 of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$	175,550
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Decrease in Investment in Joint Venture		(12,915)
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 exceeded capital outlay in the current period.		
Depreciation expense	\$ (1,243,491)	
Capital outlay	<u>1,219,598</u>	(23,893)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Deferred at June 30, 2010	363,269	
Deferred at June 30, 2009	<u>(522,167)</u>	(158,898)
Repayment of the capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		61,298
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal payments of long-term debt	300,000	
Amortization of debt issue costs	<u>(7,638)</u>	292,362
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 (including a portion included in IT Fund)		(114,585)
Prior year Government-Wide receivable used to reduce long-term debt in debt service fund by transfer		
		(110,000)
Interest earned on note receivable recorded on Government-Wide Statements in prior year		
		4,547
The repayment of principal of long-term debt of component unit (HATT) by governmental funds was recorded as an adjustment to the amount due to the component unit		
		140,000
Net OPEB Obligation in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(496,999)
Interest on long-term debt in the government-wide statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of financial resources. In the government-wide statement of activities interest expense is recognized as the interest accrues, regardless of when it is due. This year interest accrued exceeded the interest paid by this amount.		
		5,500
The net revenue (expense) of the internal service fund is included in the Government-Wide Statement of Activities and Changes in Net Assets.		
		<u>100,730</u>
Change in Net Assets of Governmental Activities	\$	<u>(137,303)</u>

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 8,285,500	\$ 8,227,500	\$ 8,254,268	\$ 26,768
Licenses and Permits	225,000	225,000	184,368	(40,632)
Charges for Services	1,369,915	1,369,915	914,947	(454,968)
Fines and Forfeitures	500,000	500,000	310,794	(189,206)
Intergovernmental Revenues	-	-	28,707	28,707
Interest Income	50,000	50,000	804	(49,196)
Contributions and Donations	13,500	13,500	20,100	6,600
Other Local Revenue	<u>20,200</u>	<u>20,200</u>	<u>23,259</u>	<u>3,059</u>
Total Revenues	<u>10,464,115</u>	<u>10,406,115</u>	<u>9,737,247</u>	<u>(668,868)</u>
Expenditures				
General				
General Government				
Administration	<u>1,644,133</u>	<u>1,644,133</u>	<u>1,558,009</u>	<u>86,124</u>
Public Safety				
Police Services	3,038,331	3,014,281	2,999,329	14,952
Fire Services	<u>2,893,703</u>	<u>2,816,603</u>	<u>2,816,118</u>	<u>485</u>
Total Public Safety	<u>5,932,034</u>	<u>5,830,884</u>	<u>5,815,447</u>	<u>15,437</u>
Public Works	<u>700,282</u>	<u>775,282</u>	<u>747,055</u>	<u>28,227</u>
Culture and Recreation	<u>471,728</u>	<u>471,728</u>	<u>459,633</u>	<u>12,095</u>
Parks and Grounds	<u>771,889</u>	<u>771,889</u>	<u>716,645</u>	<u>55,244</u>
Planning, Zoning and Development	<u>1,250,182</u>	<u>1,208,182</u>	<u>696,950</u>	<u>511,232</u>
Trade and Tourism	<u>40,000</u>	<u>40,000</u>	<u>30,315</u>	<u>9,685</u>
Total Expenditures	<u>10,810,248</u>	<u>10,742,098</u>	<u>10,024,054</u>	<u>718,044</u>
Excess (Deficit) of Revenues				
Over (Under) Expenditures	<u>(346,133)</u>	<u>(335,983)</u>	<u>(286,807)</u>	<u>49,176</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	5,000	5,000	-	5,000
Transfers in	917,000	773,710	746,383	27,327
Transfers out	<u>(215,664)</u>	<u>(292,774)</u>	<u>(269,463)</u>	<u>(23,311)</u>
Total Other Financing Sources (Uses)	<u>706,336</u>	<u>485,936</u>	<u>476,920</u>	<u>9,016</u>
Net Change in Fund Balances	360,203	149,953	190,113	58,192
Fund Balance, Beginning of Year	<u>3,921,620</u>	<u>3,921,620</u>	<u>3,921,620</u>	<u>3,921,620</u>
Fund Balance, End of Year	<u>\$ 4,281,823</u>	<u>\$ 4,071,573</u>	<u>\$ 4,111,733</u>	<u>\$ 3,979,812</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
Budget and Actual
Hotel/Motel Fund
For The Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Hotel-Motel Tax	\$ 1,872,000	\$ 1,872,000	\$ 1,613,808	\$ (258,192)
Expenditures				
Trade and Tourism	<u>1,070,000</u>	<u>1,070,000</u>	<u>915,243</u>	<u>154,757</u>
Excess of Revenues Over (Under) Expenditures	802,000	802,000	698,565	(103,435)
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(802,000)</u>	<u>(686,512)</u>	<u>115,488</u>
Net Change in Fund Balances	802,000	-	12,053	12,053
Fund Balance, Beginning of Year	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>
Fund Balance, End of Year	<u>\$ 802,099</u>	<u>\$ 99</u>	<u>\$ 12,152</u>	<u>\$ 12,152</u>

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

City of Hapeville, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>	Activities - Internal Service Funds
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 950,603	\$ -	\$ 950,603	\$ 199,961
Accounts Receivable, net	376,890	40,446	417,336	-
Due from Sanitation Fund	1,245,176	-	1,245,176	-
Prepaid Expenses	<u>9,783</u>	<u>3,725</u>	<u>13,508</u>	<u>21,360</u>
Total Current Assets	<u>2,582,452</u>	<u>44,171</u>	<u>2,626,623</u>	<u>221,321</u>
Noncurrent Assets				
Restricted Cash - Revenue Bonds	671,948	-	671,948	-
Unamortized Bond Costs	281,738	-	281,738	-
Capital Assets (Net of Accumulated Depreciation)	<u>14,210,512</u>	<u>22,010</u>	<u>14,232,522</u>	<u>-</u>
Total Noncurrent Assets	<u>15,164,198</u>	<u>22,010</u>	<u>15,186,208</u>	<u>-</u>
Total Assets	<u>17,746,650</u>	<u>66,181</u>	<u>17,812,831</u>	<u>221,321</u>
Liabilities				
Current liabilities				
Accounts Payable	192,557	16,658	209,215	17,312
Accrued Liabilities	9,353	6,568	15,921	4,594
Compensated Absences	13,771	13,896	27,667	1,940
Due to Water and Sewer Fund	-	1,245,176	1,245,176	-
Accrued Expenses Payable from Restricted Assets:				
Customer Deposits	145,006	-	145,006	-
Bond Interest Payable	63,583	-	63,583	-
Current Portion of Revenue Bonds Payable	<u>560,000</u>	<u>-</u>	<u>560,000</u>	<u>-</u>
Total Current Liabilities	984,270	1,282,298	2,266,568	23,846
Noncurrent Liabilities				
Compensated Absences	6,885	6,948	13,833	970
Revenue Bonds Payable	2,475,000	-	2,475,000	-
Contingent Liability	<u>3,650,000</u>	<u>-</u>	<u>3,650,000</u>	<u>-</u>
Total Liabilities	<u>7,116,155</u>	<u>1,289,246</u>	<u>8,405,401</u>	<u>24,816</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	7,807,250	22,010	7,829,260	-
Restricted for:				
Debt Service	671,948	-	671,948	-
Unrestricted	<u>2,151,297</u>	<u>(1,245,075)</u>	<u>906,222</u>	<u>196,505</u>
Total Net Assets (Deficit)	<u>\$ 10,630,495</u>	<u>\$ (1,223,065)</u>	<u>9,407,430</u>	<u>\$ 196,505</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, 2010

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Sanitation Fund	Totals	Activities - Internal Service Funds
Operating Revenue				
Water Sales	\$ 1,684,377	\$ -	\$ 1,684,377	\$ -
Sewer Charges	1,113,706	-	1,113,706	-
Sanitation Charges	-	444,033	444,033	-
Other Services or Charges	125,690	15,408	141,098	838,707
Total Operating Revenue	<u>2,923,773</u>	<u>459,441</u>	<u>3,383,214</u>	<u>838,707</u>
Operating Expenses				
Amortization	61,867	-	61,867	-
Depreciation	356,159	2,230	358,389	-
Water Purchased	1,240,926	-	1,240,926	-
Salaries	320,155	227,289	547,444	89,696
Repairs and Maintenance	91,048	28,227	119,275	1,455
Communications	-	-	-	132,565
Contracted Services	10,765	-	10,765	-
Dues	1,441	-	1,441	-
Education and Training	-	-	-	4,229
Insurance	107,503	44,920	152,423	51,601
Payroll Taxes	20,389	17,889	38,278	25,623
Pension Expenses	63,567	34,501	98,068	-
Professional Fees	203,921	106,204	310,125	4,830
Supplies and Miscellaneous	26,858	8,980	35,838	6,528
Utilities	31,742	-	31,742	-
Vehicle and Equipment Expenses	70,014	35,904	105,918	197,839
Total Operating Expenses	<u>2,606,355</u>	<u>506,144</u>	<u>3,112,499</u>	<u>514,366</u>
Operating Income (Loss)	317,418	(46,703)	270,715	324,341
Non-Operating Revenue (Expense)				
Interest Income	6,658	-	6,658	-
Interest Expense	(308,651)	-	(308,651)	-
Income (Loss) Before Transfers	15,425	(46,703)	(31,278)	324,341
Other Financing Sources (Uses)				
Transfers In/(Out)	-	-	-	(223,867)
Change in Net Assets	15,425	(46,703)	(31,278)	100,474
Total Net Assets (Deficit), Beginning of Year	<u>10,615,070</u>	<u>(1,176,362)</u>	<u>9,438,708</u>	<u>96,031</u>
Total Net Assets (Deficit), End of Year	<u>\$ 10,630,495</u>	<u>\$ (1,223,065)</u>	<u>\$ 9,407,430</u>	<u>\$ 196,505</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, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>	Activities - Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 2,918,083	\$ 461,462	\$ 3,379,545	\$ 838,708
Payments to Suppliers	(1,937,017)	(266,841)	(2,203,858)	(392,323)
Payments to Employees	(307,616)	(211,321)	(518,937)	(115,064)
Net Cash Provided by Operating Activities	<u>673,450</u>	<u>(16,700)</u>	<u>656,750</u>	<u>331,321</u>
Cash Flows from Non-Capital and Related Financing Activities				
Interest Income	6,658	-	6,658	-
Transfers Out	-	-	-	(223,867)
Net Cash Flows From (Used) by Non-Capital and Related Financing Activities	<u>6,658</u>	<u>-</u>	<u>6,658</u>	<u>(223,867)</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Capital Assets	(89,488)	-	(89,488)	-
Principal Paid on Long-term Debt	(535,000)	-	(535,000)	-
Interest Paid on Long-term Debt	(319,860)	-	(319,860)	-
Net Cash Flows Used by Capital and Related Financing Activities	<u>(944,348)</u>	<u>-</u>	<u>(944,348)</u>	<u>-</u>
Net Increase (Decrease) in Cash	(264,240)	(16,700)	(280,940)	107,454
Cash, Beginning of Year	<u>1,886,791</u>	<u>16,700</u>	<u>1,903,491</u>	<u>92,507</u>
Cash, End of Year	<u>\$ 1,622,551</u>	<u>\$ -</u>	<u>\$ 1,622,551</u>	<u>\$ 199,961</u>
Classified As:				
Unrestricted - Cash and Cash Equivalents	\$ 950,603	\$ -	\$ 950,603	\$ 199,961
Restricted	<u>671,948</u>	<u>-</u>	<u>671,948</u>	<u>-</u>
	<u>\$ 1,622,551</u>	<u>\$ -</u>	<u>\$ 1,622,551</u>	<u>\$ 199,961</u>
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ 317,418	\$ (46,703)	\$ 270,715	\$ 324,342
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation and Amortization	418,026	2,230	420,256	-
Changes in Assets and Liabilities				
Decrease (Increase) in Net Accounts Receivable	(37,607)	2,022	(35,585)	-
Decrease (Increase) in Prepaid Expense	(4,256)	735	(3,521)	(707)
Increase (Decrease) in Accounts Payable	(64,587)	9,048	(55,539)	7,999
Increase (Decrease) in Accrued Expenses	12,539	15,968	28,507	(313)
Increase (Decrease) in Customer Utility Deposits	<u>31,917</u>	<u>-</u>	<u>31,917</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 673,450</u>	<u>\$ (16,700)</u>	<u>\$ 656,750</u>	<u>\$ 331,321</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, 2010

	Pension Trust Fund
Assets	
Investments at Fair Value	
Pooled Separate Accounts	
Money Market Accounts	456,832
Bond Funds	5,269,791
Large Capital Funds	3,673,321
Mid Capital Funds	2,049,089
Small Capital Funds	606,376
International/Global Funds	3,570,509
Real Estate Fund	784,208
Total Return Fund	<u>2,532,177</u>
Total Investments	<u>18,942,303</u>
 Total Assets	 <u>18,942,303</u>
 Net Assets	
Held in Trust for Pension Benefits	 <u>\$ 18,942,303</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
Year Ended June 30, 2010

	<u>Pension Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 1,060,046
Total Contributions	1,060,046
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>2,538,605</u>
Total Additions	<u>3,598,651</u>
Deductions	
Benefit Payments	<u>2,195,849</u>
Total Deductions	<u>2,195,849</u>
Change in Net Assets	1,402,802
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	<u>17,539,501</u>
End of Year	<u>\$ 18,942,303</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, 2010

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 private-sector standards of accounting and financial reporting issued on or before November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to follow subsequent private-sector guidance for 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, 2010

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 **Hotel/Motel Fund** accounts for the collection of hotel/motel tax proceeds and related expenses.

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.

Additionally, the City also reports the following fund types:

Internal service funds account for workers' compensation services and information technology services provided to other departments or agencies of the City on a cost-reimbursement basis.

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds account for construction projects over one year in length financed either by Federal or state grants or funded by the City.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

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 by the City at rates determined by actuarial computations.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

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 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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

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. 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, Special Revenue Funds, Capital Projects Funds and Debt Service Fund 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, 2010, 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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

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.

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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

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 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.

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, 2010, the City complied, in all material respects, with these investment restrictions.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

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, 2010, 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, 2010, 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 components of cash and cash equivalents had a bank balance of \$6,198,750 at June 30, 2010, that was completely secured with depository insurance or 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 \$674,301, which was fully secured with federal depository insurance. Cash for Hapeville Association for Tourism and Trade, Inc. (a discretely presented component unit) was also entirely covered by federal depository insurance.

Investments – Credit Risk

As of June 30, 2010, the City had the following investments:

	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Governmental Funds:			
Georgia Extended Asset Pool	\$ 36,006	varies	\$ 36,006

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.

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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 \$33,100 for year ended June 30, 2010.

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.

3-C. Deficit Fund Equity

The debt service fund had a deficit fund balance of \$43,067 as of June 30, 2010. The City plans to transfer funds from the General Fund to cover the payments on debt that exceeded transfers during the year.

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3-D. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

Governmental activities	Beginning Balance	Increases	Decreases	Transfers and Reclassifications	Ending Balance
Non-depreciable					
Land	\$ 1,307,515	\$ 26,155	\$ -	\$ -	\$ 1,333,670
Construction in Progress	<u>1,596,579</u>	<u>915,827</u>	<u>-</u>	<u>(1,757,183)</u>	<u>755,223</u>
Total non-depreciable assets	<u>2,904,094</u>	<u>941,982</u>	<u>-</u>	<u>(1,757,183)</u>	<u>2,088,893</u>
Depreciable					
Buildings and Improvements	4,207,205	18,000	-	2,830	4,228,035
Land Improvements	2,835,360	-	-	(143,738)	2,691,622
Autos, Trucks and Equipment	8,184,064	259,616	-	(35,451)	8,408,229
Infrastructure	<u>17,543,383</u>	<u>-</u>	<u>-</u>	<u>1,933,542</u>	<u>19,476,925</u>
Total depreciable assets	<u>32,770,012</u>	<u>277,616</u>	<u>-</u>	<u>1,757,183</u>	<u>34,804,811</u>
Less accumulated depreciation					
Buildings and Improvements	(1,891,581)	(84,790)	-	(1,674)	(1,978,045)
Land Improvements	(1,659,333)	(77,660)	-	(29,545)	(1,766,538)
Autos, Trucks and Equipment	(5,675,154)	(450,705)	-	(4,012)	(6,129,871)
Infrastructure	<u>(14,064,808)</u>	<u>(630,336)</u>	<u>-</u>	<u>35,231</u>	<u>(14,659,913)</u>
Total accumulated depreciation	<u>(23,290,876)</u>	<u>(1,243,491)</u>	<u>-</u>	<u>-</u>	<u>(24,534,367)</u>
Net depreciable assets	<u>9,479,136</u>	<u>(965,875)</u>	<u>-</u>	<u>1,757,183</u>	<u>10,270,444</u>
Governmental activities capital assets, net	<u>\$ 12,383,230</u>	<u>\$ (23,893)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,359,337</u>
Business-type activities	Beginning Balance	Increases	Decreases	Transfers and Reclassifications	Ending Balance
Non-depreciable					
Construction in Progress	\$ 846,542	\$ 1,876	\$ -	\$ (848,418)	\$ -
Total non-depreciable assets	<u>846,542</u>	<u>1,876</u>	<u>-</u>	<u>(848,418)</u>	<u>-</u>
Depreciable					
Water and Sewer System	17,067,007	150,000	-	848,418	18,065,425
Autos, Trucks and Equipment	<u>627,855</u>	<u>87,611</u>	<u>-</u>	<u>-</u>	<u>715,466</u>
Total depreciable assets	<u>17,694,862</u>	<u>237,611</u>	<u>-</u>	<u>848,418</u>	<u>18,780,891</u>
Less accumulated depreciation					
Water and Sewer System	(3,668,436)	(322,544)	-	-	(3,990,980)
Autos, Trucks and Equipment	<u>(521,544)</u>	<u>(35,845)</u>	<u>-</u>	<u>-</u>	<u>(557,389)</u>
Total accumulated depreciation	<u>(4,189,980)</u>	<u>(358,389)</u>	<u>-</u>	<u>-</u>	<u>(4,548,369)</u>
Net depreciable assets	<u>13,504,882</u>	<u>(120,778)</u>	<u>-</u>	<u>848,418</u>	<u>14,232,522</u>
Business-type capital assets, net	<u>\$ 14,351,424</u>	<u>\$ (118,902)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,232,522</u>

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

Governmental activities depreciation expense

General Government and Administration	\$ 28,088
Community Service	159,006
Culture and Recreation	13,122
Economic Development	51,507
Information Technology	59,539
Parks and Grounds	10,715
Public Safety	364,387
Public Works	557,127
Total Depreciation Expense	<u>\$ 1,243,491</u>

Business-type activities

Water and Sewer	\$ 356,159
Sanitation	2,230
	<u>\$ 358,389</u>

3-E. Long-Term Debt

Primary Government

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital Lease - Vehicles	\$ 6,534	\$ -	\$ 6,534	\$ -	\$ -
Capital Lease - Telephone Equipment	28,445	-	9,422	19,023	9,763
Capital Lease - Computer Equipment	13,680	-	12,287	1,393	1,393
Capital Lease - Servers	555	-	555	-	-
Capital Lease - Computers	779	-	779	-	-
Capital Lease - Telecommunications	72,974	-	31,721	41,253	32,857
Certificates of Participation	815,000	-	300,000	515,000	190,000
Compensated Absences	339,851	386,514	271,929	454,436	152,449
Total	<u>\$ 1,277,818</u>	<u>\$ 386,514</u>	<u>\$ 633,227</u>	<u>\$ 1,031,105</u>	<u>\$ 386,462</u>
Business-Type Activities					
Revenue Bonds Payable	\$ 3,570,000	\$ -	\$ 535,000	\$ 3,035,000	\$ 560,000
Compensated Absences	14,974	53,024	26,498	41,500	27,667
Contingent Liability	3,500,000	150,000	-	3,650,000	-
Total	<u>\$ 7,084,974</u>	<u>\$ 203,024</u>	<u>\$ 561,498</u>	<u>\$ 6,726,500</u>	<u>\$ 587,667</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 Leases. 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%. This lease was paid off during the year ended June 30, 2010,

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The City financed the purchase of telecommunications equipment through Key Government Finance, Inc. in 2006. The original amount of the lease was \$154,673 with payments to be made over 60 months for \$2,815 including interest at 3.52%. The remaining debt service requirement to maturity is \$42,228 with \$975 representing interest for a net present amount of \$41,253.

The City financed the purchase of telephone equipment through Key Government Finance, Inc. in 2007. The original amount of the lease was \$47,078 with payments to be made over 60 months for \$857 including interest at 3.56%. The remaining debt service requirement to maturity is \$19,708 with \$685 representing interest for a net present amount of \$19,023.

The City financed the purchase of computer equipment through Key Government Finance, Inc. in 2008. The original amount of the lease was \$36,062 with payments to be made over 36 months for \$1,180 including interest at 2.84%. The remaining debt service requirement to maturity is \$1,401 with \$8 representing interest for a net present amount of \$1,393.

The City financed the purchase of new servers, software and other information technology equipment through Key Government Finance, Inc. in 2006. The original amount of the lease was \$17,756 with payments to be made over 36 months for \$588 including interest at 2.98%. This debt was paid off during the fiscal year.

The City financed the purchase of computers and other information technology equipment through Key Government Finance, Inc. in 2006. The original amount of the lease was \$21,138 with payments to be made over 36 months for \$695, changing to \$196 in May, 2009 for remainder of period, including interest at 2.99%. This debt was paid off during the fiscal year.

The future minimum lease obligations and the net present value of the minimum lease payments for the leases are as follows:

Year Ending June 30,	Amount
2011	45,466
2012	17,871
Total	63,337
Less: amount representing interest	(1,668)
Present value of minimum lease payments	\$ 61,669

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. See note on prior period adjustment.

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:

City of Hapeville, Georgia
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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2011	\$ 190,000	\$ 20,988	\$ 210,988
2012	160,000	13,110	173,110
2013	165,000	5,750	170,750
	\$ 515,000	\$ 39,848	\$ 554,848

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,			
2011	\$ 560,000	\$ 115,434	\$ 675,434
2012	580,000	91,551	671,551
2013	605,000	66,726	671,726
2014	630,000	40,853	670,853
2015	660,000	13,827	673,827
	\$ 3,035,000	\$ 328,391	\$ 3,363,391

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.

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, 2009, Hapeville's consultant in these matters has reassessed the potential liability and advised the City of Hapeville to increase the liability to \$3,500,000. Atlanta indicates an amount of \$6,000,000 should be paid. Negotiations are ongoing with Atlanta to settle. No settlement has been reached and no payments on the \$3,500,000 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 \$6 million and it is unknown whether Atlanta will accept the \$3,500,000 as a final payment, During the year ended June 30, 2010, Hapeville recorded an additional \$150,000 in liability amount to increase the contingent liability to \$3,650,000.

City of Hapeville, Georgia
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Hapeville Development Authority

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Revenue Bonds Payable					
Series 2004A	\$ 4,740,000	\$ -	\$ 60,000	\$ 4,680,000	\$ 65,000
Series 2004B	4,135,000	-	165,000	3,970,000	175,000
Series 2007	2,180,000	-	80,000	2,100,000	85,000
Taxable Refunding Bond Payable					
Series 2006	490,000	-	490,000	-	-
	<u>\$ 11,545,000</u>	<u>\$ -</u>	<u>\$ 795,000</u>	<u>\$ 10,750,000</u>	<u>\$ 325,000</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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2011	\$ 65,000	\$ 223,080	\$ 288,080
2012	65,000	219,960	284,960
2013	70,000	216,720	286,720
2014	75,000	213,240	288,240
2015	75,000	209,640	284,640
2016-2020	2,705,000	727,080	3,432,080
2021-2025	<u>1,625,000</u>	<u>122,040</u>	<u>1,747,040</u>
	<u>\$ 4,680,000</u>	<u>\$ 1,931,760</u>	<u>\$ 6,611,760</u>

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.

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Series 2004B Revenue Bonds currently outstanding (with interest computed at 2.92%) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2011	\$ 175,000	\$ 109,163	\$ 284,163
2012	185,000	104,335	289,335
2013	195,000	98,981	293,981
2014	205,000	93,345	298,345
2015	215,000	87,428	302,428
2016-2020	1,290,000	335,198	1,625,198
2021-2025	<u>1,705,000</u>	<u>125,470</u>	<u>1,830,470</u>
	<u>\$ 3,970,000</u>	<u>\$ 953,920</u>	<u>\$ 4,923,920</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,			
2011	\$ 85,000	\$ 88,881	\$ 173,881
2012	90,000	85,481	175,481
2013	90,000	81,881	171,881
2014	100,000	78,281	178,281
2015	100,000	74,281	174,281
2016-2020	580,000	304,231	884,231
2021-2025	725,000	168,469	893,469
2026-2027	<u>330,000</u>	<u>21,875</u>	<u>351,875</u>
	<u>\$ 2,100,000</u>	<u>\$ 903,380</u>	<u>\$ 3,003,380</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.

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 was for \$490,000 and had a 6.5% interest rate. The entire principal was paid off in August 1, 2009.

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3-F. Interfund Receivables, Payables and Transfers

The composition of interfund balances reported in the fund financial statements as of June 30, 2010, is as follows:

Due to/from other funds:

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

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	<u>\$ 1,286,962</u>
Component unit - Hapeville Development Authority	Primary government - General Fund	<u>\$ 6,500,673</u>

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	Hotel-Motel Fund	\$ 686,512
General Fund	Capital Projects Fund	<u>59,871</u>
		<u>\$ 746,383</u>
Special Revenue Funds	General Fund	<u>\$ 32,482</u>
Debt Service Fund	General Fund	\$ 236,981
Debt Service Fund	General Fund - Government-Wide	110,000
Debt Service Fund	Internal Service Funds	<u>223,867</u>
		<u>\$ 570,848</u>

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.

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3-G. Pension Plan

Plan Description. City of Hapeville Retirement Plan (CHRP), a single-employer defined benefit pension plan, provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The Plan is administered by a Board of Trustees, who executed a trust agreement with MassMutual Financial Group to hold, manage, invest, and distribute contributions in accordance with the provisions of the Plan. 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 2010, the City's annual pension cost of \$1,060,044 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.

As of January 1, 2009, employee membership data related to the CHRP was as follows:

Retirees and beneficiaries currently receiving benefits	88
Terminated members entitled to but not yet receiving benefits	23
Active plan participants	<u>114</u>
Total	<u><u>225</u></u>

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2008	\$ 546,923	102%
2009	408,502	103%
2010	1,060,044	103%

Funding Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the plan was 84.41 percent funded. The actuarial accrued liability for benefits was \$26.62 million, and the actuarial value of assets was \$22.47 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.80 million, and the ratio of the UAAL to the covered payroll was 86.38 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 is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Hapeville, Georgia
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Actuarial Methods and Assumptions. In the January 1, 2009, 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.

3-H. Prior Period Adjustments and Reclassifications

The City has determined the need for a prior period adjustment for the consolidation of the Internal Service Funds from prior year. As a result of this adjustment, there was a positive adjustment to Governmental activities in the amount of \$49,059 and a negative adjustment to Business-Type activities in the amount of \$49,457, for a net effect of \$398 for current fiscal year.

The City elected to reclassify certain Special Revenue Funds as Capital Projects Funds. The funds affected were: Virginia Avenue Streetscape; North Central Avenue Streetscape; and Depot and Park Restoration. The Wireless Construction Grant portion of the Arts and Wireless Grants Special Revenue Fund was also separated for better accountability. The Arts Grant Fund now includes other minor grants.

3-I. Net Assets

	Governmental Activities
Invested in capital assets, net of related debt:	
Cost of capital assets	\$ 36,893,704
Plus unamortized bond costs	34,917
Less related debt	(576,669)
Less payable to component unit for debt	(6,500,673)
Less accumulated depreciation	(24,534,367)
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 5,316,912

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 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
2010	\$ 3,584	\$ 16,359	\$ 18,743	\$ 1,200
2009	25,000	(19,085)	2,331	3,584

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

4-B. Post Employment Healthcare Plan

A. Plan Description

The City maintains a single-employer defined benefit post-retirement health care plan, "The City of Hapeville Health Retirement Plan" ("OPEB Plan") to provide medical, dental and life insurance benefits to its eligible retirees. The benefits are provided in accordance with City ordinances and policies.

Eligible retirees are offered the same health and prescription drug coverage as active employees. Each fiscal year, the City determines the plan benefits and the premium rate for participants (active and retirees). However, dependant coverage which is not available for active employees has a co-pay of 50% of the active premium cost. The City also provides retiree life insurance with a face value of \$19,500. Medical coverage changes to a Medicare supplement at age 65. All full-time employees who are also eligible to retire and receive unreduced benefits under the Defined Benefit Pension Plans are eligible for participation in the Plan.

As of July 1, 2007, employee membership data related to the OPEB plan was as follows:

Retirees and beneficiaries currently receiving benefits	65
Active plan participants	<u>85</u>
Total	<u><u>150</u></u>

The benefits provided are not guaranteed and are subject to change at any time. In addition, the benefits provisions are subject to annual appropriation of funds by the City's Mayor and Council members. The Plan does not provide for automatic or ad hoc postretirement benefit increases; however the benefits provisions provided by the Plan may be amended, established or terminated at any time by a vote of the City's Mayor and Council members. The Plan does not issue a stand-alone financial report.

B. Funding Policy

The plan is not funded but rather operated on a "pay-as-you-go" basis. The required contributions are based on projected "pay-as-you-go" financing requirements as determined annually by the City.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

	Medical and <u>Dental</u>	Life <u>Insurance</u>	<u>Total</u>
Determination of Annual Required Contribution			
Normal Cost at year end	\$ 175,647	\$ 5,150	\$ 180,797
Amortization of UAAL	521,986	28,752	550,738
Interest	<u>47,616</u>	<u>2,314</u>	<u>49,930</u>
Annual Required Contribution (ARC)	<u>\$ 745,249</u>	<u>\$ 36,216</u>	<u>\$ 781,465</u>
Determination of Net OPEB Obligation			
Annual Required Contributions	\$ 745,249	\$ 36,216	\$ 781,465
Interest on net OPEB obligations	<u>8,149</u>	<u>815</u>	<u>8,964</u>
Annual OPEB cost	\$ 753,398	\$ 37,031	\$ 790,429
Contributions made:			
Employer *	<u>(289,146)</u>	<u>(4,284)</u>	<u>(293,430)</u>
Increase in net OPEB obligation	464,252	32,747	496,999
Net OPEB obligation - beginning of year	<u>370,287</u>	<u>37,031</u>	<u>407,318</u>
Net OPEB obligation - end of year	<u>\$ 834,539</u>	<u>\$ 69,778</u>	<u>\$ 904,317</u>

* Employer contributions will be equal to the net expected employer benefits payments (gross benefit cost offset by the retiree's contributions) during the 2010 fiscal year plus any additional funds the City will place in a GASB 45 qualifying trust. GASB 45 defines contributions for this purpose to be actual benefit payments during the year plus contributions, if any, to a separate, irrevocable trust.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2009 and June 30, 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Medical and Dental Benefits			
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 753,398	50.85%	\$ 370,287
6/30/2010	\$ 753,398	38.38%	\$ 464,252
Life Insurance			
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 37,031	0.00%	\$ 37,031
6/30/2010	\$ 37,031	11.57%	\$ 32,747

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

D. Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$8,885,190. The City's funding includes employer and participant contributions. This amount is also the unfunded actuarial accrued liability (UAAL).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shows multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculators.

In the actuarial valuation dated January 2009, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50 percent discount rate for unfunded and 7 percent for funded. The interest rate used for return on assets is 7.0 percent. Other actuarial assumptions include mortality rates (using the 1983 GAM), withdrawal rates based on the age of the employee, disability rates, retirement rates and an annual healthcare cost trend rate of 5.0 percent. The UAAL is being amortized over closed periods using level dollar payments. The maximum permissible amortization period of thirty years is used for assumption changes, twenty years for plan changes and fifteen years for gains and losses.

4-C. Deferred Compensation and Other Employee Benefit Plans

The City provides an opportunity for employees to participate in a deferred compensation plan, commonly referred to as a 457 Plan. The City does not make contributions to the plan. Employee elected contributions are maintained in separate accounts for each employee by the third party administrator.

The City also provides an opportunity for one employee to participate in a money-purchase pension plan whereby the City contributes 25% of the employee's salary. Pension expense contributions under this plan for the year ended June 30, 2010 was \$31,250.

4-D. 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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2010

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%. During the fiscal year ended June 30, 2009, the joint venture was partially dissolved with a distribution to each participating city. The City received \$200,190. However, the intent is to issue a final distribution in the following year. The final distribution was issued in August of 2010. Therefore the City's investment in the Joint Venture at June 30, 2010 is \$17,440. The City of College Park serves as the lead agency and reports all grant funds received for the task force activities. Separate financial information may be obtained from Tri-Cities Narcotics Task Force, P.O. Box 87137, College Park, Georgia 30037.

4-E. Hotel/Motel Lodging Tax

During the year ended June 30, 2010, the City levied a 7% 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. Total revenues of \$1,613,808 were received. The three percent portion (\$686,512) was transferred to the General Fund to fund general expenditures of the City. The remaining four percent (\$915,243) was transferred to the City's Component Unit, Hapeville Association for Travel and Tourism to spend on salaries and other expenditures related to tourism. Expenditures of \$979,320 in the component unit exceeded the total revenues transferred in from the City during the year ended June 30, 2010.

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]
1/1/2009	\$ 22,473,567	\$ 26,624,143	\$ 4,150,576	84.41%	\$ 4,804,760	86.38%
1/1/2008	25,440,801	25,696,305	255,504	99.01%	3,892,946	6.56%
1/1/2007	25,271,778	26,328,510	1,056,732	95.99%	5,177,036	20.41%
1/1/2006	24,742,151	34,133,906	9,391,755	72.49%	5,314,639	176.71%
1/1/2005	23,273,947	33,691,472	10,417,525	69.08%	5,274,394	197.51%
1/1/2004	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.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liabilities (AAL) (1)	Unfunded Actuarial Liabilities (UAAL) (2)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Medical and Dental Portion:						
July 1, 2006	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2008	\$	- \$	\$ 8,885,190	\$ 8,885,190	0%	\$ 3,892,946 228%
Life Insurance Portion:						
July 1, 2006	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2008	\$	- \$	\$ 489,413	\$ 489,413	0%	\$ 3,892,946 13%
Total:						
July 1, 2006	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2008	\$	- \$	\$ 9,374,603	\$ 9,374,603	0%	\$ 3,892,946 241%

(1) Actuarial liability determined under the unit credit cost method.

(2) Actuarial liability less actuarial value of assets, if any.

(3) July 1, 2008 is the latest valuation date.

OTHER SUPPLEMENTARY INFORMATION



City of Hapeville, Georgia

Non-Major Governmental Funds

Special Revenue Funds

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

Arts and Other Minor Grants Fund is used to account for the annual grant they receive to provide for Economic Development festival and related activities.

Asset Forfeitures 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.

Emergency Communications 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.

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.

Capital Projects Funds

Depot Museum and Tourist Information Center Fund is used to account for the revenues and expenditures of grant funds that are restricted to use for construction and restoration, restoration and expansion of the Depot Museum and Tourist Information Center.

Loop Access Road Fund is used to account for the revenues and expenditures of grant funds that are restricted to use in the construction project for the completion of the Loop Road.

Master Park Modernization Fund is used to account for the revenues and expenditures of grant funds that are restricted to the improvements and construction of the numerous parks throughout the City.

North Central Avenue Streetscape Fund is used to account for the revenues and expenditures of grant funds that are restricted to the construction project for North Central Avenue.

Other Capital Projects Fund is used to account for the Hoyt Smith Recreation Center construction, Christ Church Renovation projects and other shorter-term construction projects.

South Central CDBG Fund is used to account for the revenues and expenditures of grant funds that are restricted to the improvements to South Central Avenue.

Virginia Avenue Streetscape Fund is used to account for revenues and expenditures of grant funds that are restricted to the construction project for Virginia Avenue.

Wireless Grant Fund is used to account for revenues and expenditures of grant funds that are restricted to the Wireless network completed during the fiscal year.

Debt Service Funds

Debt service funds are used to account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Debt Service Fund is used to account for Series 2004A bonds, Series 2007 bonds and Certificates of Participation debt.

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Governmental Funds
6/30/2010

	<u>Special Revenue Funds</u>				<u>Capital Projects Funds</u>		
	Arts and Other Minor Grants	Asset Forfeitures	Emergency Communications	Rental Motor Vehicle Excise Tax	Depot Museum and Tourist Information Center	Loop Access Road	Master Park Modernization
Assets							
Cash and Cash Equivalents	\$ -	\$ 18,452	\$ -	\$ -	\$ -	\$ -	\$ -
Other Receivables	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,216</u>	<u>13,768</u>	<u>7,198</u>
Total Assets	<u><u>2,250</u></u>	<u><u>18,452</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>75,216</u></u>	<u><u>13,768</u></u>	<u><u>7,198</u></u>
Liabilities							
Accounts Payable	\$ 2,250	\$ -	\$ -	\$ -	\$ 75,216	\$ 13,768	\$ 7,198
Total Liabilities	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,216</u>	<u>13,768</u>	<u>7,198</u>
Fund Balance							
Restricted	<u>-</u>	<u>18,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,250</u></u>	<u><u>\$ 18,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 75,216</u></u>	<u><u>\$ 13,768</u></u>	<u><u>\$ 7,198</u></u>

(Continued)

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Governmental Funds
6/30/2010

	<u>Capital Projects Funds</u>					<u>Debt Service Funds</u>	<i>(Continued)</i>
	North Central Avenue Streetscape	Other Capital Projects	South Central CDBG	Virginia Avenue Streetscape	Wireless Grant	Debt Service	Total Non-Major Governmental Funds
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ 2,125	\$ 400	\$ -	\$ -	\$ 20,977
Other Receivables	<u>5,624</u>	<u>137,360</u>	<u>-</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>243,016</u>
Total Assets	<u><u>5,624</u></u>	<u><u>137,360</u></u>	<u><u>2,125</u></u>	<u><u>2,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>263,993</u></u>
Liabilities							
Accounts Payable	\$ 5,624	\$ 137,360	\$ 2,125	\$ 2,000	\$ -	\$ 43,067	\$ 288,608
Total Liabilities	<u>5,624</u>	<u>137,360</u>	<u>2,125</u>	<u>2,000</u>	<u>-</u>	<u>43,067</u>	<u>288,608</u>
Fund Balance							
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,067)</u>	<u>(24,615)</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,624</u></u>	<u><u>\$ 137,360</u></u>	<u><u>\$ 2,125</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 263,993</u></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, 2010

	Special Revenue Funds				Capital Projects Funds		
	Arts and Other Minor Grants	Asset Forfeitures	Emergency Communications	Rental Motor Vehicle Excise Tax	Depot Museum and Tourist Information Center	Loop Access Road	Master Park Modernization
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ 51,327	\$ -	\$ -	\$ -
Grant Revenues	18,089	-	-	-	75,216	73,344	7,198
Fines and Forfeitures	-	25,339	-	-	-	-	-
Charges for Services	-	-	112,084	-	-	-	-
Other Revenues	-	-	-	-	38,454	18,336	57,301
Total Revenue	<u>18,089</u>	<u>25,339</u>	<u>112,084</u>	<u>51,327</u>	<u>113,670</u>	<u>91,680</u>	<u>64,499</u>
Expenditures							
Trade and Tourism	16,644	-	-	-	-	-	-
Public Safety	-	-	128,482	51,327	-	-	-
Capital Outlay	3,554	6,887	13,975	-	113,670	91,680	64,499
Debt Service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total Expenditures	<u>20,198</u>	<u>6,887</u>	<u>142,457</u>	<u>51,327</u>	<u>113,670</u>	<u>91,680</u>	<u>64,499</u>
Excess Revenues Over (Under) Expenditures	<u>(2,109)</u>	<u>18,452</u>	<u>(30,373)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)							
Transfers In	2,109	-	30,373	-	-	-	-
Transfers (Out)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,109</u>	<u>-</u>	<u>30,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	18,452	-	-	-	-	-
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 18,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2010

	<u>Capital Projects Funds</u>					Debt Service Funds	<i>(Continued)</i>
	North Central Avenue Streetscape	Other Capital Projects	South Central CDBG	Virginia Avenue Streetscape	Wireless Grant	Debt Service	Total Non-Major Governmental Funds
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,327
Grant Revenues	78,896	-	137,360	21,324	154,206	-	565,633
Fines and Forfeitures	-	-	-	-	-	-	25,339
Charges for Services	-	-	-	-	-	-	112,084
Other Revenues	18,554	130,378	-	-	29,007	-	292,030
Total Revenue	<u>97,450</u>	<u>130,378</u>	<u>137,360</u>	<u>21,324</u>	<u>183,213</u>	<u>-</u>	<u>1,046,413</u>
Expenditures							
Trade and Tourism							16,644
Public Safety							179,809
Capital Outlay	97,450	130,378	137,360	21,324	123,342		804,119
Debt Service							-
Principal	-	-	-	-	-	446,534	446,534
Interest	-	-	-	-	-	169,382	169,382
Total Expenditures	<u>97,450</u>	<u>130,378</u>	<u>137,360</u>	<u>21,324</u>	<u>123,342</u>	<u>615,916</u>	<u>1,616,488</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,871</u>	<u>(615,916)</u>	<u>(570,075)</u>
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	-	570,848	603,330
Transfers (Out)	-	-	-	-	(59,871)	-	(59,871)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,871)</u>	<u>570,848</u>	<u>543,459</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,068)</u>	<u>(26,616)</u>
Fund Balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,001</u>	<u>2,001</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,067)</u>	<u>\$ (24,615)</u>

City of Hapeville, Georgia
Arts and Other Minor Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2010

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Grant Revenues			
Art Grant	\$ 7,500	\$ 7,500	\$ -
Economic Development Grant	9,200	9,144	(56)
EMS Grant	<u>2,000</u>	<u>1,445</u>	<u>(555)</u>
Total Grant Revenues	<u>18,700</u>	<u>18,089</u>	<u>(611)</u>
Expenditures			
Trade and Tourism	18,700	16,644	(2,056)
Capital Outlay - Fire Department	<u>3,600</u>	<u>3,554</u>	<u>(46)</u>
Total Expenditures	<u>22,300</u>	<u>20,198</u>	<u>(2,102)</u>
Excess of Revenues Over (Under)			
Expenditures	(3,600)	(2,109)	1,491
Other Financing Sources (Uses)			
Transfer In	<u>2,110</u>	<u>2,109</u>	<u>(1)</u>
Total Other Financing Sources (Uses)	<u>2,110</u>	<u>2,109</u>	<u>(1)</u>
Net Change in Fund Balance	(1,490)	-	1,490
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (1,490)</u>	<u>\$ -</u>	<u>\$ 1,490</u>

City of Hapeville, Georgia
Asset Forfeiture Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2010

	Final		
	Budgeted	Actual	Variance with
	Amounts	Amounts	Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Asset Fines and Forfeitures	\$ 25,339	\$ 25,339	\$ -
Expenditures			
Capital Outlay	<u>25,339</u>	<u>6,887</u>	<u>(18,452)</u>
Excess of Revenues Over (Under)			
Expenditures	-	18,452	18,452
Other Financing Sources (Uses)			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	18,452	18,452
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 18,452</u>	<u>\$ 18,452</u>

City of Hapeville, Georgia
Emergency Communications Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2010

	Final		
	Budgeted	Actual	Variance with
	Amounts	Amounts	Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Charges for Services	\$ 142,500	\$ 112,084	\$ (30,416)
Expenditures			
Public Safety	128,500	128,482	(18)
Capital Outlay	<u>14,000</u>	<u>13,975</u>	<u>(25)</u>
Total Expenditures	<u>142,500</u>	<u>142,457</u>	<u>(43)</u>
Excess of Revenues Over (Under)			
Expenditures	-	(30,373)	(30,373)
Other Financing Sources (Uses)			
Transfers In	<u>30,400</u>	<u>30,373</u>	<u>(27)</u>
Net Change in Fund Balances	30,400	-	(30,400)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 30,400</u>	<u>\$ -</u>	<u>\$ (30,400)</u>

City of Hapeville, Georgia
Rental Motor Vehicle Excise Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2010

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Taxes	\$ 58,000	\$ 51,327	\$ (6,673)
Expenditures			
Public Safety Expenditures	<u>58,000</u>	<u>51,327</u>	<u>(6,673)</u>
Excess of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfer Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
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
Depot Museum and Tourist Information Center Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - Transportation				
Enhancement (TE) Grant	\$ 186,399	\$ 75,216	\$ 261,615	\$ 641,460
Other Revenues	46,600	38,454	85,054	180,014
Total Revenues	232,999	113,670	346,669	821,474
Expenditures:				
Capital Outlay - Depot Museum	232,999	113,670	346,669	821,474
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
Loop Access Road Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Phase	\$ -	\$ 73,344	\$ 73,344	\$ 600,000
Other Revenues	-	18,336	18,336	150,000
Total Revenues	-	91,680	91,680	750,000
Expenditures:				
Capital Outlay - Loop Road Preliminary Engineering	-	91,680	91,680	750,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
Master Park Modernization Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - County				
CDBG Grant	\$ 232,899	\$ 7,198	\$ 240,097	\$ 250,000
Other Revenues	117,501	57,301	174,802	-
Total Revenues	350,400	64,499	414,899	250,000
Expenditures:				
Capital Outlay - Other Parks	350,400	64,499	414,899	250,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
North Central Avenue Streetscape Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Project</u>
	<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>Authorization</u>
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Phase	\$ -	\$ 78,896	\$ 78,896	\$ 138,400
Other Revenues	-	<u>18,554</u>	<u>18,554</u>	<u>34,600</u>
Total Revenues	-	<u>97,450</u>	<u>97,450</u>	<u>173,000</u>
Expenditures:				
Capital Outlay - North Central Renovations	-	<u>97,450</u>	<u>97,450</u>	<u>173,000</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		<u>\$ -</u>		

City of Hapeville, Georgia
Other Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Other Revenues	\$ -	\$ 130,378	\$ 130,378	\$ -
Expenditures:				
Capital Outlay - Hoyt Smith Recreation Center	-	25,753	25,753	
Capital Outlay - Christ Church Relocation	-	104,625	104,625	-
Total Expenditures	-	130,378	130,378	-
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
South Central CDBG Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - Federal				
Stimulus CDBG Grant	\$ -	\$ 137,360	\$ 137,360	\$ 150,000
Expenditures:				
Capital Outlay - South Central Infrastructure	-	137,360	137,360	150,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
Virginia Avenue Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	Prior Years	Current Year	Total to Date	Project Authorization
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Engineering	\$ 250,475	\$ 21,324	\$ 271,799	\$ 297,000
Expenditures:				
Capital Outlay - South Central Preliminary Expenses	250,475	21,324	271,799	297,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		<u>\$ -</u>		

City of Hapeville, Georgia
Wireless Construction Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2010

	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Project</u> <u>Authorization</u>
Revenues:				
Intergovernmental - State Grant				
Wireless Communities	\$ 145,148	\$ 154,206	\$ 299,354	\$ 299,354
Other Revenues	<u>71,490</u>	<u>29,007</u>	<u>100,497</u>	<u>149,677</u>
Total Revenues	<u>216,638</u>	<u>183,213</u>	<u>399,851</u>	<u>449,031</u>
Expenditures:				
Capital Outlay - Wireless Network	<u>216,638</u>	<u>123,342</u>	<u>339,980</u>	<u>449,031</u>
Excess of Revenues Over (Under)				
Expenditures	-	59,871	59,871	-
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>(59,871)</u>	<u>(59,871)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

City of Hapeville, Georgia
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2010

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenue	\$ -	\$ -	\$ -
Expenditures			
Debt Service:			
Principal	469,302	446,534	22,768
Interest	<u>225,132</u>	<u>169,382</u>	<u>55,750</u>
Total Expenditures	<u>694,434</u>	<u>615,916</u>	<u>78,518</u>
Excess of Revenues Over (Under) Expenditures	<u>(694,434)</u>	<u>(615,916)</u>	<u>78,518</u>
Other Financing Sources (Uses)			
Transfers In	<u>694,434</u>	<u>570,848</u>	<u>(123,586)</u>
Net Change in Fund Balances	-	(45,068)	(45,068)
Fund Balance, Beginning of Year	<u>-</u>	<u>2,001</u>	<u>2,001</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (43,067)</u>	<u>\$ (43,067)</u>

City of Hapeville, Georgia

Non-Major Governmental Funds

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost-reimbursement basis.

Workers Compensation Fund - This fund is used to account for the cost of workers' compensation insurance to other departments and such related costs.

Information Technology Fund - This fund is used to account for the cost of new information technology equipment, leases, software and related costs for maintenance and upgrades.

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Net Assets
June 30, 2010

	<u>Workers'</u> <u>Compensation</u> <u>Fund</u>	<u>Information</u> <u>Technology</u> <u>Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 177,768	\$ 22,193	\$ 199,961
Prepaid Expenses	<u>20,936</u>	<u>424</u>	<u>21,360</u>
Total Assets	<u>198,704</u>	<u>22,617</u>	<u>221,321</u>
Liabilities			
Current Liabilities			
Accounts Payable	660	16,652	17,312
Accrued Liabilities	1,200	3,394	4,594
Compensated Absences	<u>-</u>	<u>1,940</u>	<u>1,940</u>
Total Current Liabilities	1,860	21,986	23,846
Noncurrent Liabilities			
Compensated Absences	<u>-</u>	<u>970</u>	<u>970</u>
Total Liabilities	<u>1,860</u>	<u>22,956</u>	<u>24,816</u>
Net Assets			
Unrestricted	<u>196,844</u>	<u>(339)</u>	<u>196,505</u>
Total Net Assets (Deficit)	<u>\$ 196,844</u>	<u>\$ (339)</u>	<u>\$ 196,505</u>

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For The Year Ended June 30, 2010

	Workers' Compensation Fund	Information Technology Fund	Total
Operating Revenues			
Service Charges	\$ 157,881	\$ 680,826	\$ 838,707
Total Operating Revenues	<u>157,881</u>	<u>680,826</u>	<u>838,707</u>
Operating Expenditures			
Salaries	-	89,696	89,696
Payroll Taxes and Employee Benefits	-	25,623	25,623
Communications	-	132,565	132,565
Education and Training	-	4,229	4,229
General and Administrative Expenses	-	-	-
Insurance	51,601	-	51,601
Minor Equipment Purchases	-	197,839	197,839
Professional Fees	-	4,830	4,830
Repairs and Maintenance	-	1,455	1,455
Supplies and Miscellaneous	5,938	590	6,528
Travel	-	-	-
Total Expenses	<u>57,539</u>	<u>456,827</u>	<u>514,366</u>
Operating Income	100,342	223,999	324,341
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	(223,867)	(223,867)
Net Change in Fund Net Assets	100,342	132	100,474
Net Assets, Beginning of Year	<u>96,502</u>	<u>(471)</u>	<u>96,031</u>
Net Assets (Deficit), End of Year	<u>\$ 196,844</u>	<u>\$ (339)</u>	<u>\$ 196,505</u>

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2010

	Workers' Compensation Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 157,882	\$ 680,826	\$ 838,708
Payments to Suppliers	(60,950)	(331,373)	(392,323)
Payments to Employees	-	(115,064)	(115,064)
Net Cash Provided by Operating Activities	96,932	234,389	331,321
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	-	(223,867)	(223,867)
Net Cash Flows (Used by) Non-Capital & Related Financing Activities	-	(223,867)	(223,867)
Net Increase in Cash	96,932	10,522	107,454
Cash, Beginning of Year	80,836	11,671	92,507
Cash, End of Year	\$ 177,768	\$ 22,193	\$ 199,961
Cash Flows from Operating Activities			
Operating Income	\$ 100,343	\$ 223,999	\$ 324,342
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
Decrease (Increase) in Prepaid Expense	(1,253)	546	(707)
Increase (Decrease) in Accounts Payable	243	7,756	7,999
Increase (Decrease) in Accrued Expenses	(2,401)	2,088	(313)
Net Cash Provided by Operating Activities	\$ 96,932	\$ 234,389	\$ 331,321

STATISTICAL SECTION
(UNAUDITED)



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

	June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 4,340,118	\$ 5,316,912
Restricted	-	-	-	-	-	-	-	(21,950)
Unrestricted	<u>2,489,581</u>	<u>257,204</u>	<u>1,203,844</u>	<u>599,117</u>	<u>694,689</u>	<u>2,295,836</u>	<u>3,830,678</u>	<u>2,787,590</u>
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>	<u>\$ 8,170,796</u>	<u>\$ 8,082,552</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	\$ 7,625,029	\$ 7,829,260
Restricted	378,401	598,139	574,791	595,179	617,611	651,970	681,498	671,948
Unrestricted	<u>464,921</u>	<u>1,405,840</u>	<u>653,840</u>	<u>1,185,255</u>	<u>594,265</u>	<u>1,600,507</u>	<u>1,211,638</u>	<u>906,222</u>
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>	<u>\$ 9,518,165</u>	<u>\$ 9,407,430</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	\$ 11,965,147	\$ 13,146,172
Restricted	378,401	598,139	574,791	595,179	617,611	651,970	681,498	649,998
Unrestricted	<u>2,954,502</u>	<u>1,663,044</u>	<u>1,857,684</u>	<u>1,784,372</u>	<u>1,288,954</u>	<u>3,896,343</u>	<u>5,042,316</u>	<u>3,693,812</u>
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>	<u>\$ 17,688,961</u>	<u>\$ 17,489,982</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 City. 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 eight years of government-wide financial data is presented.

Data Source:

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

For The Fiscal Year Ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental Activities								
General Government	\$ 1,402,311	\$ 1,189,439	\$ 1,240,899	\$ 1,400,815	\$ 1,280,910	\$ 1,788,672	\$ 1,989,413	\$ 1,485,410
Public Safety	5,897,245	6,042,863	6,510,744	7,008,144	6,424,365	5,486,095	5,484,335	6,203,308
Public Works	1,945,116	1,708,415	1,758,487	1,625,190	1,367,043	1,245,904	1,258,880	1,393,790
Culture and Recreation	653,700	725,703	634,886	447,121	777,705	566,842	398,171	501,631
Parks and Grounds	903,224	754,831	624,976	717,302	892,599	653,652	716,252	735,937
Planning, Zoning & Development	312,660	261,071	644,406	734,039	677,387	566,481	649,217	944,020
Tourism	118,207	52,174	59,039	67,786	122,165	30,260	1,115,853	927,722
Debt-Related Expenses	62,022	86,659	23,096	77,577	84,994	95,207	144,944	175,689
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	2,743,568	2,915,006
Sanitation	483,387	849,145	794,507	614,126	488,764	381,659	410,936	506,144
Total Primary Government Expenses	\$ 14,556,710	\$ 14,488,328	\$ 15,269,090	\$ 16,013,482	\$ 15,048,699	\$ 14,009,740	\$ 14,911,569	\$ 15,788,657
Program Revenues:								
Governmental Activities								
Charges for Services	\$ 815,814	\$ 951,499	\$ 1,156,888	\$ 1,099,399	\$ 1,370,694	\$ 1,939,215	\$ 1,862,404	\$ 1,543,971
Operating Grants and Contributions	146,632	22,084	17,272	26,147	57,318	13,939	20,570	20,100
Capital Grants and Contributions	-	-	4,715,261	705,254	212,251	145,148	284,917	590,972
Business-Type Activities								
Charges for Services	3,006,139	3,585,671	3,454,088	3,621,120	3,472,504	3,123,013	3,180,364	3,242,115
Total Primary Government Program Revenues	\$ 3,968,585	\$ 4,559,254	\$ 9,343,509	\$ 5,451,920	\$ 5,112,767	\$ 5,221,315	\$ 5,348,255	\$ 5,397,158
Total Primary Government Net (Expense)	\$ (10,588,125)	\$ (9,929,074)	\$ (5,925,581)	\$ (10,561,562)	\$ (9,935,932)	\$ (8,788,425)	\$ (9,563,314)	\$ (10,391,499)

(continued)

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

(continued)

For The Fiscal Year Ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 5,001,623	\$ 4,785,375
Sales			1,373,830	1,563,603	1,648,432	1,664,596	1,487,305	1,492,207
Occupation			296,011	333,616	313,062	241,132	320,264	280,330
Franchise			693,113	702,545	731,273	622,223	678,640	661,534
Insurance Premium			287,689	312,780	323,831	337,842	355,584	350,546
Hotel/Motel			754,101	847,323	1,042,157	896,036	1,838,555	1,613,809
Other			520,156	623,453	637,102	576,005	947,893	572,989
Other Local Revenue	740,588	131,205	44,843	21,887	40,158	28,782	22,938	313,017
Unrestricted Investment Earnings	117,602	53,524	108,071	98,780	50,685	48,684	10,259	5,354
Transfers	142,211	865,176	378,893	(475,876)	(497,052)	(872,030)	(190,419)	-
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	122,462	147,757
Transfers	(142,211)	(865,176)	(378,893)	475,876	497,052	872,030	190,419	-
Total Primary Government General Revenues	<u>\$ 7,776,108</u>	<u>\$ 6,860,980</u>	<u>\$ 8,212,219</u>	<u>\$ 8,791,575</u>	<u>\$ 8,958,267</u>	<u>\$ 9,557,204</u>	<u>\$ 10,785,523</u>	<u>\$ 10,222,918</u>
Total Primary Government Change in Net Assets	<u>\$ (2,812,017)</u>	<u>\$ (3,068,094)</u>	<u>\$ 2,286,638</u>	<u>\$ (1,769,987)</u>	<u>\$ (977,665)</u>	<u>\$ 768,779</u>	<u>\$ 1,222,209</u>	<u>\$ (168,581)</u>

Notes:

¹ The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, only eight 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 Eight Fiscal Years
(modified accrual basis of accounting)

	June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 137,698	\$ 160,863	\$ 181,222	\$ 173,739	\$ 160,862	\$ 219,572	\$ 167,317	\$ 176,165
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>	<u>3,754,303</u>	<u>3,935,568</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>	<u>3,921,620</u>	<u>4,111,733</u>
All Other Governmental Funds								
Reserved, Reported in:								
Hotel-Motel Fund	-	-	-	-	76,517	82,575	2,100	12,152
Asset Forfeiture Fund	-	-	-	-	-	-	-	18,452
Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,067)</u>
Total All Other Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,517</u>	<u>82,575</u>	<u>2,100</u>	<u>(12,463)</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>	<u>\$ 3,923,720</u>	<u>\$ 4,099,270</u>

Data Source:
Applicable years' annual financial report.

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

	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Taxes	\$ 6,705,838	\$ 6,547,728	\$ 7,820,204	\$ 8,098,236	\$ 8,758,540	\$ 9,120,904	\$ 10,374,440	\$ 9,919,404
Licenses and Permits	175,763	243,331	183,714	278,740	333,729	481,863	211,765	184,368
Charges for Services	207,271	260,547	311,387	302,493	428,531	831,618	1,138,522	1,027,030
Fines and Forfeitures	432,780	447,621	661,787	518,166	608,434	551,570	488,274	336,133
Intergovernmental Revenue	146,632	15,035	1,377,470	714,242	245,804	145,925	198,372	28,707
Contributions	-	7,049	4,570	17,159	23,765	13,162	20,570	20,100
Investment Earnings	117,602	53,524	108,071	98,780	50,685	48,684	6,981	804
Other Local Revenue	740,588	131,205	13,054	21,887	25,127	22,107	306,685	880,922
Total Revenues - All Governmental Funds	\$ 8,526,474	\$ 7,706,040	\$ 10,480,257	\$ 10,049,703	\$ 10,474,615	\$ 11,215,833	\$ 12,745,609	\$ 12,397,468
Expenditures:								
General Government	1,077,242	1,248,697	1,432,699	1,240,862	1,227,667	1,576,348	1,662,792	1,558,009
Public Safety	5,979,425	5,865,750	6,243,572	6,988,566	6,476,580	4,899,888	5,146,535	5,995,256
Public Works	1,002,002	764,593	821,330	1,070,878	1,444,407	530,255	604,873	747,055
Culture and recreation	732,003	716,721	637,908	760,103	654,730	539,595	411,293	459,633
Parks and Grounds	831,764	712,696	961,237	927,230	871,245	631,359	707,962	716,645
Planning and Zoning	313,232	261,071	639,980	732,567	675,915	547,960	534,349	696,950
Tourism	55,060	52,174	58,820	67,786	122,165	30,260	1,115,853	962,202
Other	63,147	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	1,634,076	1,190,398	804,119
Debt Service								
Principal	434,327	1,396,061	244,133	250,000	284,720	93,755	305,386	446,534
Interest, Fees, and Bond Issue Costs	62,022	52,849	23,096	77,577	109,874	146,856	124,782	169,382
Total Expenditures	\$ 10,550,224	\$ 11,070,612	\$ 11,062,775	\$ 12,115,569	\$ 11,867,303	\$ 10,630,352	\$ 11,804,223	\$ 12,555,785
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	\$ (2,023,750)	\$ (3,364,572)	\$ (582,518)	\$ (2,065,866)	\$ (1,392,688)	\$ 585,481	\$ 941,386	\$ (158,317)

(continued)

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

(continued)

	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses)								
Aid from Component Unit	\$ -	\$ 951,750	\$ -	\$ -	\$ 2,089,792	\$ 878,559	\$ 677,537	\$ -
Proceeds from Capital Leases	-	-	-	1,573,452	221,367	1,010,000	-	-
Sale of Capital Assets	-	-	-	-	14,411	6,675	1,170	-
Sale of Confiscated Goods	-	-	-	-	620	-	-	-
Transfers In	285,325	1,069,386	685,479	1,128,910	1,636,939	931,580	2,335,876	1,349,713
Transfers Out	(143,114)	(204,211)	(359,482)	(1,631,099)	(2,100,526)	(1,803,610)	(2,305,544)	(1,015,846)
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>	<u>709,039</u>	<u>333,867</u>
Net Change in Fund Balances	(1,881,539)	(1,547,647)	(256,521)	(994,603)	469,915	1,608,685	1,650,425	175,550
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>	<u>2,273,295</u>	<u>3,923,720</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>	<u>\$ 3,923,720</u>	<u>\$ 4,099,270</u>

Data Source:

Applicable years' annual financial report.

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

Fiscal Year	Property	Sales & Use	Occupancy	Franchise	Insurance Premium	Hotel/Motel¹	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
2009	4,746,199	1,487,305	320,264	678,640	355,584	1,838,555	947,893	10,374,440
2010	4,947,989	1,492,207	280,330	661,534	350,546	1,613,808	572,989	9,919,403
Change 2003 - 2010	72.7%	9.6%	-14.6%	-8.1%	42.3%	148.0%	-60.7%	30.0%

Notes:

¹ Includes Hapeville Association for Tourism & Trade Component Unit (4%)

Data Source:

Applicable years' annual financial report.