

CITY OF HAPEVILLE, GEORGIA



Annual Financial Report Fiscal Year Ended June 30, 2013





**CITY OF HAPEVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2013**

**City of Hapeville, Georgia
Annual Financial Report
Year Ended June 30, 2013**

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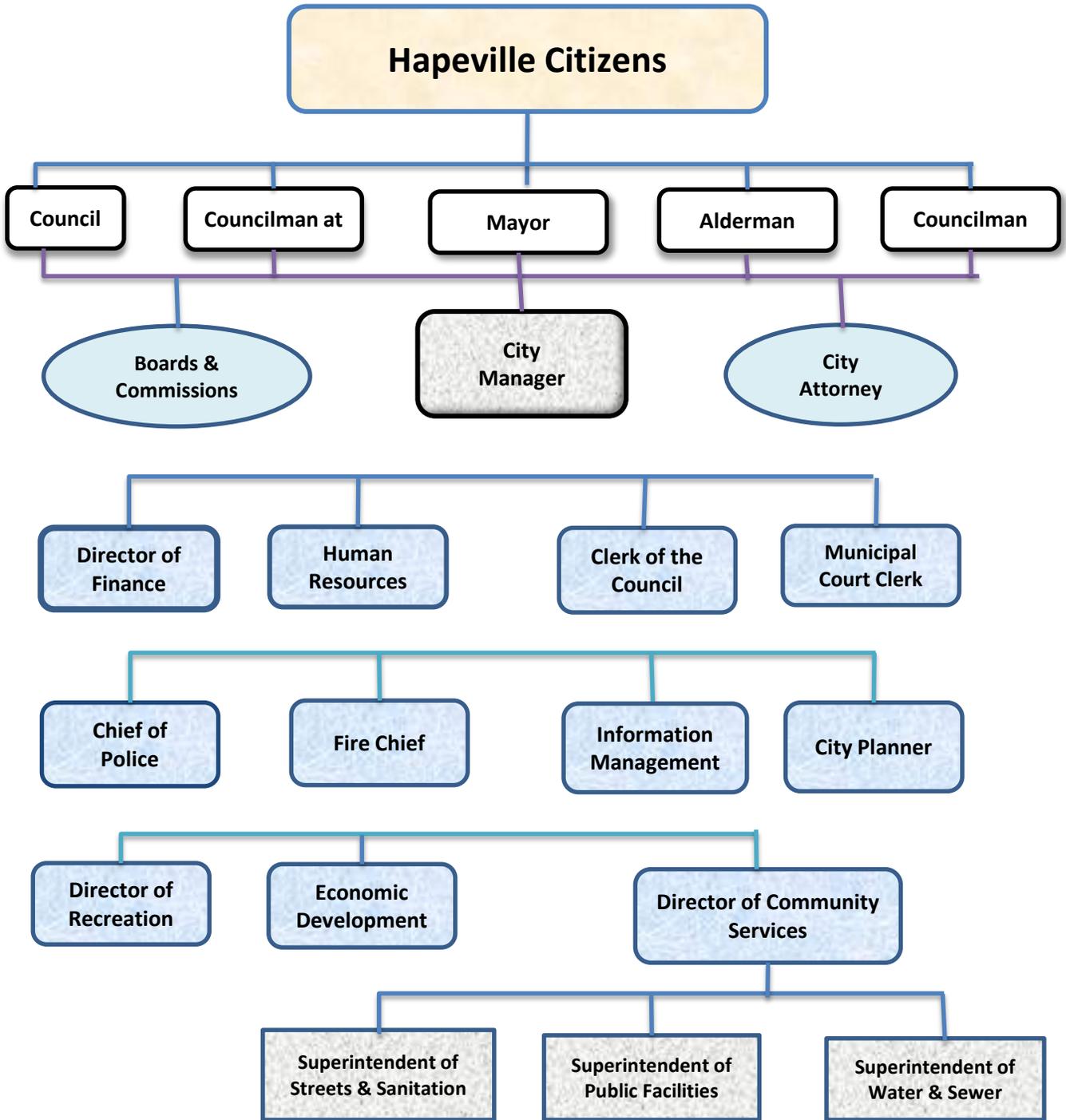
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INTRODUCTORY SECTION



**City of Hapeville, Georgia
Organization Chart
June 30, 2013**



City of Hapeville, Georgia
List of Elected and Appointed Officials
June 30, 2013

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	Jim Schuster
Director of Community Services	Lee Sudduth
Chief of Police	Rick Glavosek
Fire Chief	Tom E. Morris, Jr.
City Clerk	Jennifer Elkins
Court of Clerk	Jenny Coley
Manager of Information Technology	Corey Daniel
Manager of Planning and Zoning	Bill Johnston (contracted position)
Manager of Recreation	Tod Nichols
City Attorney	Daley, Koster and LaVallee, LLC
City Auditor	J. K. Boatwright & Co., P. C.

FINANCIAL SECTION





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December 27, 2013

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hapeville, Georgia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Hotel/Motel Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The City of Hapeville, Georgia has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hapeville, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 section has 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 it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013 on our consideration of 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.

Yours truly,



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

BASIC FINANCIAL STATEMENTS



City of Hapeville, Georgia
Statement of Net Position
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hapeville Development Authority	Hapeville Association for Trade and Tourism
Assets					
Cash and Cash Equivalents	\$ 1,453,412	\$ 1,252,769	\$ 2,706,181	\$ 12,715	\$ 4,145
Investments	36,571	-	36,571	-	-
Receivables:					
Water and Sewer, Net	-	513,814	513,814	-	-
Property Tax	356,703	-	356,703	-	-
Other Taxes	152,074	-	152,074	-	-
Other Receivables	316,917	-	316,917	-	-
Due from Hapeville Association for Trade and Tourism	4,145	-	4,145	-	-
Due from Primary Government	-	-	-	5,749,688	-
Internal Balance	(28,204)	28,204	-	-	-
Intergovernmental	263,488	-	263,488	-	-
Prepaid Assets	130,734	-	130,734	-	-
Restricted Cash and Cash Equivalents	-	695,907	695,907	-	-
Notes Receivable	-	-	-	146,326	-
Investment Property - Long-Term	-	-	-	2,686,002	-
Intangible Assets, Net	-	4,204,114	4,204,114	-	-
Capital Assets:					
Nondepreciable Capital Assets	3,055,078	-	3,055,078	-	-
Depreciable Capital Assets, Net	12,446,005	9,356,581	21,802,586	-	-
Total Assets	<u>18,186,923</u>	<u>16,051,389</u>	<u>34,238,312</u>	<u>8,594,731</u>	<u>4,145</u>
Liabilities					
Accounts Payable	217,485	5,040,163	5,257,648	-	-
Accrued Liabilities	225,922	17,218	243,140	1,503	-
Net Pension Obligation	193,196	21,695	214,891	-	-
Compensated Absences	255,552	23,422	278,974	-	-
Customer Deposits	194,169	183,343	377,512	-	-
Due to Hapeville Development Authority	5,749,688	-	5,749,688	-	-
Due to Primary Government	-	-	-	-	4,145
Accrued Interest Payable	-	27,025	27,025	160,817	-
Current Portion of Long-Term Debt	170,893	630,000	800,893	380,000	-
Noncurrent Liabilities					
Compensated Absences	179,763	44,615	224,378	-	-
Noncurrent Portion of Long-Term Debt	564,361	660,000	1,224,361	9,350,000	-
Net OPEB Liability	1,509,731	183,157	1,692,888	-	-
Total Liabilities	<u>9,260,760</u>	<u>6,830,638</u>	<u>16,091,398</u>	<u>9,892,320</u>	<u>4,145</u>
Net Position					
Net Investment in Capital Assets	9,016,141	8,066,581	17,082,722	-	-
Restricted for:					
Capital Outlay	11,518	-	11,518	-	-
Program Purposes	6,192	-	6,192	-	-
Debt Service	-	695,907	695,907	-	-
Unrestricted (Deficit)	(107,688)	458,263	350,575	(1,297,589)	-
Total Net Position	<u>\$ 8,926,163</u>	<u>\$ 9,220,751</u>	<u>\$ 18,146,914</u>	<u>\$ (1,297,589)</u>	<u>\$ -</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	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	\$ 1,753,542	\$ 143,815	\$ 31,815	\$ 1,150,331	\$ (427,581)	\$ -	\$ (427,581)	\$ -	\$ -
Public Safety	6,239,602	662,269	-	-	(5,577,333)	-	(5,577,333)	-	-
Public Works	1,263,217	-	45,419	-	(1,217,798)	-	(1,217,798)	-	-
Culture and Recreation	603,976	65,671	-	-	(538,305)	-	(538,305)	-	-
Parks and Grounds	1,012,004	-	-	-	(1,012,004)	-	(1,012,004)	-	-
Planning, Zoning and Development	893,210	107,546	-	-	(785,664)	-	(785,664)	-	-
Trade and Tourism	1,002,938	979,369	-	261,559	237,990	-	237,990	-	-
Interest Expense	314,830	-	-	-	(314,830)	-	(314,830)	-	-
Total Governmental Activities	13,083,319	1,958,670	77,234	1,411,890	(9,635,525)	-	(9,635,525)	-	-
Business-type Activities									
Water and Sewer Utilities	2,898,013	3,835,422	-	-	-	937,409	937,409	-	-
Sanitation Utilities	563,392	475,920	-	-	-	(87,472)	(87,472)	-	-
Total Business-type Activities	3,461,405	4,311,342	-	-	-	849,937	849,937	-	-
Total Primary Government	\$ 16,544,724	\$ 6,270,012	\$ 77,234	\$ 1,411,890	\$ (9,635,525)	\$ 849,937	\$ (8,785,588)	\$ -	\$ -
Component Units									
Hapeville Development Authority									
General Government	\$ 26,060	\$ -	\$ 8,500	\$ -	\$ -	\$ -	\$ -	\$ (17,560)	\$ -
Interest Expense	94,366	-	-	-	-	-	-	(94,366)	-
Hapeville Association for Trade and Tourism	1,177,619	992,875	2,400	-	-	-	-	-	(182,344)
Total Component Units	\$ 1,298,045	\$ 992,875	\$ 10,900	\$ -	\$ -	\$ -	\$ -	\$ (111,926)	\$ (182,344)

(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, 2013

(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 Position					
General Revenues					
Taxes					
Property Taxes	\$ 4,185,266	\$ -	\$ 4,185,266	\$ -	\$ -
Sales Taxes	1,596,392	-	1,596,392	-	-
Occupation Taxes	231,405	-	231,405	-	-
Franchise Taxes	549,260	-	549,260	-	-
Insurance Premium Tax	327,079	-	327,079	-	-
Tourism Development (Hotel/Motel) Taxes	1,732,001	-	1,732,001	-	-
Other Taxes	<u>592,961</u>	<u>-</u>	<u>592,961</u>	<u>-</u>	<u>-</u>
Total Taxes	9,214,364	-	9,214,364	-	-
Interest, Investment, and Penalties Revenues	979	-	979	9,645	-
Gain on Sale of Capital Assets	124	-	124	-	-
Other Revenues	25,894	-	25,894	800	-
Transfers	<u>258,899</u>	<u>(258,899)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total General Revenues and Transfers	 <u>9,500,260</u>	 <u>(258,899)</u>	 <u>9,241,361</u>	 <u>10,445</u>	 <u>-</u>
 Change in Net Position	 (135,265)	 591,038	 455,773	 (101,481)	 (182,344)
Net Position - Beginning of Year	8,918,429	8,957,995	17,876,424	(1,108,505)	182,344
Prior Period Adjustments	<u>142,999</u>	<u>(328,282)</u>	<u>(185,283)</u>	<u>(87,603)</u>	<u>-</u>
Net Position - End of Year	<u>\$ 8,926,163</u>	<u>\$ 9,220,751</u>	<u>\$ 18,146,914</u>	<u>\$ (1,297,589)</u>	<u>\$ -</u>

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

City of Hapeville, Georgia
Balance Sheet
Governmental Funds
June 30, 2013

	<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	\$ 1,425,368	\$ -	\$ 8,787	\$ 1,434,155
Investments	36,571	-	-	36,571
Receivables				
Property Taxes	356,703	-	-	356,703
Other Taxes Receivable	623	151,451	-	152,074
Other Receivables	36,058	-	280,859	316,917
Intergovernmental Receivables	263,488	-	-	263,488
Interfund	304,826	-	-	304,826
Due from Component Units	825,893	-	-	825,893
Prepaid Assets	106,164	-	-	106,164
Total Assets	<u>\$ 3,355,694</u>	<u>\$ 151,451</u>	<u>\$ 289,646</u>	<u>\$ 3,796,791</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 86,127	\$ -	\$ 130,079	\$ 216,206
Accrued Liabilities	211,233	-	-	211,233
Net Pension Obligation	193,196	-	-	193,196
Customer Deposits	194,169	-	-	194,169
Interfund Payable	-	151,451	153,375	304,826
Total Liabilities	<u>684,725</u>	<u>151,451</u>	<u>283,454</u>	<u>1,119,630</u>
Deferred Inflows of Resources				
Unavailable Revenue	<u>327,726</u>	-	-	<u>327,726</u>
Fund Balance				
Nonspendable:				
Prepaid Items	106,164	-	-	106,164
Restricted for:				
Capital Outlay	11,518	-	-	11,518
Program Purposes	-	-	6,192	6,192
Unassigned	<u>2,225,561</u>	-	-	<u>2,225,561</u>
Total Fund Balance	<u>2,343,243</u>	-	<u>6,192</u>	<u>2,349,435</u>
Total Liabilities and Fund Balance	<u>\$ 3,355,694</u>	<u>\$ 151,451</u>	<u>\$ 289,646</u>	<u>\$ 3,796,791</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 Position
June 30, 2013

Total Governmental Fund Balances	\$	2,349,435
 <i>Amounts reported for governmental activities in the statement of net position 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	42,147,188	
Less accumulated depreciation	<u>(26,646,105)</u>	15,501,083
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property taxes		327,726
 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 position have been increased by the effect of the internal service funds net position.		
		27,859
 Interfund payable to Enterprise Funds from eliminating entries of Internal Service Funds		
		(28,204)
 Liabilities not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences payable		(435,315)
Notes payable		(735,254)
Net OPEB obligation		(1,509,731)
 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 position.		
		<u>(6,571,436)</u>
Net Position of Governmental Activities	\$	<u>8,926,163</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, 2013

	<u>General Fund</u>	<u>Hotel/ Motel Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Property	\$ 4,214,405	\$ -	\$ -	\$ 4,214,405
Sales	1,596,392	-	-	1,596,392
Occupation	231,405	-	-	231,405
Franchise	549,260	-	-	549,260
Insurance Premium	327,079	-	-	327,079
Hotel-Motel	-	1,732,001	-	1,732,001
Other Taxes	566,294	-	26,667	592,961
Licenses and Permits	235,481	-	-	235,481
Charges for Services	1,158,535	-	65,709	1,224,244
Fines and Forfeitures	494,250	-	-	494,250
Interest on Investments	979	-	-	979
Contributions and Donations	20,945	-	-	20,945
Grant Revenue	45,419	-	1,159,850	1,205,269
Other Revenue	30,588	-	262,909	293,497
Total Revenues	<u>9,471,032</u>	<u>1,732,001</u>	<u>1,515,135</u>	<u>12,718,168</u>
Expenditures				
General				
General Government	1,683,984	-	-	1,683,984
Public Safety	5,994,256	-	199,282	6,193,538
Public Works	720,074	-	-	720,074
Culture and Recreation	541,801	-	11,972	553,773
Parks and Grounds	885,678	-	-	885,678
Planning, Zoning and Development	832,085	-	-	832,085
Trade and Tourism	42,220	989,715	-	1,031,935
Capital Outlay	-	-	1,413,254	1,413,254
Debt Service				
Principal	482,944	-	-	482,944
Interest	280,102	-	-	280,102
Total Expenditures	<u>11,463,144</u>	<u>989,715</u>	<u>1,624,508</u>	<u>14,077,367</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,992,112)</u>	<u>742,286</u>	<u>(109,373)</u>	<u>(1,359,199)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	124	-	-	124
Proceeds from Capital Leases	303,455	-	-	303,455
Transfers In	1,027,774	-	97,902	1,125,676
Transfers Out	<u>(97,902)</u>	<u>(742,286)</u>	<u>-</u>	<u>(840,188)</u>
Total Other Financing Sources (Uses)	<u>1,233,451</u>	<u>(742,286)</u>	<u>97,902</u>	<u>589,067</u>
Net Change in Fund Balances	(758,661)	-	(11,471)	(770,132)
Fund Balance, Beginning of Year	<u>3,101,904</u>	<u>-</u>	<u>17,663</u>	<u>3,119,567</u>
Fund Balance, End of Year	<u>\$ 2,343,243</u>	<u>\$ -</u>	<u>\$ 6,192</u>	<u>\$ 2,349,435</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	(770,132)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	\$ (1,109,684)	
Capital outlay	<u>1,752,410</u>	642,726
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, 2013	327,726	
Deferred at June 30, 2012	<u>(356,865)</u>	(29,139)
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 position.		
		170,750
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 position.		
		155,506
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Proceeds from Capital Lease		(303,455)
Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in Compensated Absences		21,795
The repayment of principal and interest of long-term debt of component unit by governmental funds was recorded as an adjustment to the amount due to the component unit		
		121,960
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.		
		(143,780)
Increase in internal balances due to elimination of internal service funds that were generated in business activities		
		(2,764)
The net revenue (expense) of the internal service fund is included in the Government-Wide Statement of Activities and Changes in Net Assets.		
		<u>1,268</u>
Change in Net Position of Governmental Activities	\$	<u>(135,265)</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
General Fund
For The Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,580,900	\$ 7,875,400	\$ 7,484,835	\$ (390,565)
Licenses and Permits	222,900	222,900	235,481	12,581
Charges for Services	1,326,935	1,326,935	1,158,535	(168,400)
Fines and Forfeitures	400,000	400,000	494,250	94,250
Interest Income	-	-	979	979
Contributions and Donations	18,200	18,200	20,945	2,745
Grant Revenue	-	-	45,419	45,419
Other Local Revenue	<u>218,000</u>	<u>218,000</u>	<u>30,588</u>	<u>(187,412)</u>
Total Revenues	<u>10,766,935</u>	<u>10,061,435</u>	<u>9,471,032</u>	<u>(590,403)</u>
Expenditures				
General				
General Government				
Administration	<u>1,947,431</u>	<u>1,852,804</u>	<u>1,683,984</u>	<u>168,820</u>
Public Safety				
Police Services	3,206,091	3,150,758	3,180,786	(30,028)
Fire Services	<u>2,705,172</u>	<u>2,829,172</u>	<u>2,813,470</u>	<u>15,702</u>
Total Public Safety	<u>5,911,263</u>	<u>5,979,930</u>	<u>5,994,256</u>	<u>(14,326)</u>
Public Works	<u>739,355</u>	<u>739,355</u>	<u>720,074</u>	<u>19,281</u>
Culture and Recreation	<u>563,890</u>	<u>594,769</u>	<u>541,801</u>	<u>52,968</u>
Parks and Grounds	<u>866,139</u>	<u>866,139</u>	<u>885,678</u>	<u>(19,539)</u>
Planning, Zoning and Development	<u>929,549</u>	<u>929,549</u>	<u>832,085</u>	<u>97,464</u>
Trade and Tourism	<u>40,000</u>	<u>42,220</u>	<u>42,220</u>	<u>-</u>
Debt Service	<u>-</u>	<u>836,092</u>	<u>763,046</u>	<u>73,046</u>
Total Expenditures	<u>10,997,627</u>	<u>11,840,858</u>	<u>11,463,144</u>	<u>377,714</u>
Excess of Revenues Over Expenditures				
	<u>(230,692)</u>	<u>(1,779,423)</u>	<u>(1,992,112)</u>	<u>(212,689)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	124	124
Proceeds from Capital Leases	280,455	303,455	303,455	-
Transfers In	987,500	968,199	1,027,774	59,575
Transfers Out	<u>(733,613)</u>	<u>(62,410)</u>	<u>(97,902)</u>	<u>(35,492)</u>
Total Other Financing Sources (Uses)	<u>534,342</u>	<u>1,209,244</u>	<u>1,233,451</u>	<u>24,207</u>
Net Change in Fund Balances	303,650	(570,179)	(758,661)	(188,482)
Fund Balance, Beginning of Year	<u>3,101,904</u>	<u>3,101,904</u>	<u>3,101,904</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,405,554</u>	<u>\$ 2,531,725</u>	<u>\$ 2,343,243</u>	<u>\$ (188,482)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Hotel/Motel Tax	\$ 900,000	\$ 1,732,001	\$ 1,732,001	\$ -
Expenditures				
General				
Trade and Tourism	<u>900,000</u>	<u>989,715</u>	<u>989,715</u>	<u>-</u>
Excess of Revenues Over Expenditures	\$ -	\$ 742,286	\$ 742,286	\$ -
Other Financing Uses				
Transfers Out	<u>-</u>	<u>(742,286)</u>	<u>(742,286)</u>	<u>-</u>
Total Other Financing Uses	<u>-</u>	<u>(742,286)</u>	<u>(742,286)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Hapeville, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Sanitation Fund	Totals	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 1,194,612	\$ 58,157	\$ 1,252,769	\$ 19,257
Accounts Receivable, net	469,136	44,678	513,814	-
Prepaid Expenses	-	-	-	24,570
Restricted Cash - Revenue Bonds	<u>670,853</u>	<u>-</u>	<u>670,853</u>	<u>-</u>
Total Current Assets	<u>2,334,601</u>	<u>102,835</u>	<u>2,437,436</u>	<u>43,827</u>
Noncurrent Assets				
Restricted Cash - Revenue Bonds	25,054	-	25,054	-
Intangible Assets, net	4,204,114	-	4,204,114	-
Capital Assets (Net of Accumulated Depreciation)	<u>9,225,642</u>	<u>130,939</u>	<u>9,356,581</u>	<u>-</u>
Total Noncurrent Assets	<u>13,454,810</u>	<u>130,939</u>	<u>13,585,749</u>	<u>-</u>
Total Assets	<u>15,789,411</u>	<u>233,774</u>	<u>16,023,185</u>	<u>43,827</u>
Liabilities				
Current liabilities				
Accounts Payable	5,033,636	6,527	5,040,163	1,279
Accrued Liabilities	8,680	8,538	17,218	14,689
Net Pension Obligation	12,337	9,358	21,695	-
Compensated Absences	10,716	12,706	23,422	-
Customer Deposits	183,343	-	183,343	-
Accrued Expenses Payable from Restricted Assets:				
Bond Interest Payable	27,025	-	27,025	-
Current Portion of Revenue Bonds Payable	<u>630,000</u>	<u>-</u>	<u>630,000</u>	<u>-</u>
Total Current Liabilities	5,905,737	37,129	5,942,866	15,968
Noncurrent Liabilities				
Compensated Absences	15,428	29,187	44,615	-
OPEB Liability	129,646	53,511	183,157	-
Revenue Bonds Payable	<u>660,000</u>	<u>-</u>	<u>660,000</u>	<u>-</u>
Total Liabilities	<u>6,710,811</u>	<u>119,827</u>	<u>6,830,638</u>	<u>15,968</u>
Net Position				
Net Investment in Capital Assets	7,935,642	130,939	8,066,581	-
Restricted for:				
Debt Service	695,907	-	695,907	-
Unrestricted	<u>447,051</u>	<u>(16,992)</u>	<u>430,059</u>	<u>27,859</u>
Net Position	<u>\$ 9,078,600</u>	<u>\$ 113,947</u>	<u>\$ 9,192,547</u>	<u>\$ 27,859</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>28,204</u>	
Net Position of Business-type Activities			<u>\$ 9,220,751</u>	

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

City of Hapeville, Georgia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2013

	<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
Operating Revenues				
Water Sales	\$ 2,557,488	\$ -	\$ 2,557,488	\$ -
Sewer Charges	1,177,476	-	1,177,476	-
Sanitation Charges	-	454,788	454,788	-
Other Services or Charges	<u>98,961</u>	<u>21,132</u>	<u>120,093</u>	<u>206,502</u>
Total Operating Revenue	<u>3,833,925</u>	<u>475,920</u>	<u>4,309,845</u>	<u>206,502</u>
Operating Expenses				
Salaries	236,055	240,365	476,420	-
Payroll Taxes and Employee Benefits	98,654	76,989	175,643	-
Water Purchased	1,776,484	-	1,776,484	-
Insurance and Claims	55,403	53,388	108,791	178,085
Utilities	24,504	-	24,504	-
Repairs and Maintenance	101,890	19,493	121,383	-
Contracted Services	21,966	-	21,966	-
Supplies and Miscellaneous	38,277	7,038	45,315	560
Vehicle and Equipment Expenses	46,050	45,554	91,604	-
Professional Fees	67,028	106,456	173,484	-
Dues	2,271	-	2,271	-
Depreciation	279,332	15,292	294,624	-
Amortization	<u>97,629</u>	<u>-</u>	<u>97,629</u>	<u>-</u>
Total Operating Expenses	<u>2,845,543</u>	<u>564,575</u>	<u>3,410,118</u>	<u>178,645</u>
Operating Income (Loss)	988,382	(88,655)	899,727	27,857
Non-Operating Revenues (Expenses)				
Increase in Fair Market Value of Investments	1,497	-	1,497	-
Interest Expense	<u>(54,051)</u>	<u>-</u>	<u>(54,051)</u>	<u>-</u>
Income (Loss) Before Transfers	935,828	(88,655)	847,173	27,857
Transfers				
Transfers In	-	1,596,779	1,596,779	-
Transfers Out	<u>(1,833,153)</u>	<u>(22,525)</u>	<u>(1,855,678)</u>	<u>(26,589)</u>
Change in Net Assets	<u>(897,325)</u>	<u>1,485,599</u>	<u>588,274</u>	<u>1,268</u>
Net Position, Beginning of Year (Original)	10,257,205	(1,324,650)		26,591
Prior Period Adjustments	<u>(281,280)</u>	<u>(47,002)</u>		<u>-</u>
Net Position, Beginning of Year (Restated)	<u>9,975,925</u>	<u>(1,371,652)</u>		<u>26,591</u>
Net Position, End of Year	<u>\$ 9,078,600</u>	<u>\$ 113,947</u>		<u>\$ 27,859</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>2,764</u>	
Change in Net Position of Business-Type Activities			<u>\$ 591,038</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 3,985,983	\$ 468,407	\$ 4,454,390	\$ 206,502
Payments to Suppliers	(1,879,917)	(228,210)	(2,108,127)	(276,710)
Payments to Employees	(316,754)	(295,179)	(611,933)	(6,612)
Net Cash Provided (Used) by Operating Activities	<u>1,789,312</u>	<u>(54,982)</u>	<u>1,734,330</u>	<u>(76,820)</u>
Cash Flows from Non-Capital and Related Financing Activities				
Loan to Sanitation Fund	1,461,115	(1,461,115)	-	-
Transfers In (Out)	(1,833,153)	1,574,254	(258,899)	(26,589)
Net Cash Flows Provided (Used) by Non-Capital and Related Financing Activities	<u>(372,038)</u>	<u>113,139</u>	<u>(258,899)</u>	<u>(26,589)</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Capital Assets	(24,685)	-	(24,685)	-
Additions to Intangibles	(231,436)	-	(231,436)	-
Principal Paid on Long-term Debt	(605,000)	-	(605,000)	-
Interest Paid on Long-term Debt	(66,725)	-	(66,725)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(927,846)</u>	<u>-</u>	<u>(927,846)</u>	<u>-</u>
Net Increase (Decrease) in Cash	489,428	58,157	547,585	(103,409)
Cash, Beginning of Year	1,401,091	-	1,401,091	122,666
Cash, End of Year	<u>\$ 1,890,519</u>	<u>\$ 58,157</u>	<u>\$ 1,948,676</u>	<u>\$ 19,257</u>
Classified As:				
Unrestricted - Cash and Cash Equivalents	\$ 1,194,612	\$ 58,157	\$ 1,252,769	\$ 19,257
Restricted	695,907	-	695,907	-
	<u>\$ 1,890,519</u>	<u>\$ 58,157</u>	<u>\$ 1,948,676</u>	<u>\$ 19,257</u>
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ 988,382	\$ (88,655)	\$ 899,727	\$ 27,857
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation and Amortization	376,961	15,292	392,253	-
Changes in Assets and Liabilities				
Decrease (Increase) in Net Accounts Receivable	136,811	(7,513)	129,298	-
Decrease (Increase) in Prepaid Expenses	2,038	3,684	5,722	(4,105)
Increase (Decrease) in Accounts Payable	251,918	35	251,953	(12,849)
Increase (Decrease) in Accrued Expenses	17,955	22,175	40,130	(87,723)
Increase (Decrease) in Customer Utility Deposits	15,247	-	15,247	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,789,312</u>	<u>\$ (54,982)</u>	<u>\$ 1,734,330</u>	<u>\$ (76,820)</u>

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

City of Hapeville, Georgia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Pension Trust Fund</u>
Assets	
Employer Contribution Receivable	\$ 214,891
Investments at Fair Value	
Pooled Separate Accounts	
Money Market and Fixed Income Funds	9,183,071
Large Capital and Growth Funds	7,949,930
Mid Capital and Growth funds	3,713,342
Small Capital Funds	<u>1,205,755</u>
Total Assets	<u>22,052,098</u>
Net Position	
Held in Trust for Pension Benefits	\$ <u>22,266,989</u>

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

City of Hapeville, Georgia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	<u>Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 1,408,978
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	<u>2,630,659</u>
Total Additions	<u>4,039,637</u>
Deductions	
Benefit Payments	<u>2,219,457</u>
Total Deductions	<u>2,219,457</u>
Change in Net Position	1,820,180
Net Position Held in Trust for Pension Benefits	
Beginning of Year	<u>20,446,809</u>
End of Year	<u>\$ 22,266,989</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, 2013

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Hapeville, Georgia (the “City”) have been prepared in accordance with generally accepted accounting principles in the United State of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the city are described below.

1-A. Reporting Entity

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

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-wide 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

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within 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 not properly included among program revenues are reported instead as general revenues.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

Discretely presented component units are presented separately within the government-wide financial statements. Fiduciary activities are not included at the government-wide reporting level. The operating activity of the internal service funds is also eliminated to avoid duplicating revenues and expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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.

1-C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City reports the following major governmental funds:

- The **general fund** is the primary operating fund of the City. It accounts for all financial resources of the City 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 on the following major proprietary funds:

- The **water and sewer fund** is used to account for water and sewer service operations 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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

The City reports the following fiduciary fund:

- 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.

Additionally, the City reports the following fund types:

- The ***special revenue funds*** account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.
- The ***capital projects funds*** account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (excluding capital-related outflows financed by proprietary funds).
- The ***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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 water and sewer and sanitation funds and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer and sanitation funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-D. Assets, Liabilities and Fund Equity

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

1-D-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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are reported net of estimated uncollectible amounts.

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

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

1-D-3 Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

1-D-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 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. In the case of the initial capitalization of general infrastructure items (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date. 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	10-30
Buildings and Building Improvements	15-50
Land Improvements	10-20
Furniture and Equipment	10-15
Autos, Trucks, and Equipment	5-10
Water and Sewer System	50

1-D-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-D-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, 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, 2013

1-D-7 Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and Statement No. 65, "Items Previously Reported as Assets and Liabilities," as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflow – unavailable revenue, which arise only under a modified accrual basis of accounting and qualifies for reporting in this category on the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

1-D-8 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund Balances are classified as follows:

- ***Nonspendable*** – amounts that are not in a spendable form or are required to be maintained intact.
- ***Restricted*** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- ***Committed*** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- ***Assigned*** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. City Council has the authority to assign fund balance through ordinance.
- ***Unassigned*** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: Committed, Assigned, Unassigned.

City of Hapeville, Georgia
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Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflow of resources in government-wide financial statements and proprietary fund financial statements, which utilize the economic resources measurement focus. Net position in the statement of net position is distinguished between amounts as follows:

- **Net investment in capital assets** – 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 position** – consists of net position 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 position designated internally and undesignated.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

1-D-9 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. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

1-D-10 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. 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.

City of Hapeville, Georgia
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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.

2-B. 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. Deposits for Hapeville Development Authority, as noted in Note 3-A were also fully insured.

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, 2013, the City complied, in all material respects, with these investment restrictions.

2-C. 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	Trade and Tourism
Water and Sewer Revenue	Debt Service and Utility Operations

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

2-D. 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, 2013, 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 \$3,951,641 at June 30, 2013, 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 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.

City of Hapeville, Georgia
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Investments – Credit Risk

As of June 30, 2013, the City had the following investments:

	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Governmental Funds:			
Georgia Extended Asset Pool	\$ 36,571	varies	\$ 36,571

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

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

Georgia Extended Asset Pool, created by the Official Code of Georgia Annotated ("OCGA") 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Extended Asset Pool operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The regulatory oversight agency for this pool is the Office of State Treasurer. 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 \$30,300 for year ended June 30, 2013.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

3-C. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers and Reclassifications</u>	<u>Ending Balance</u>
Non-depreciable					
Land	\$ 1,367,730	\$ -	\$ -	\$ -	\$ 1,367,730
Construction in Progress	<u>1,092,946</u>	<u>1,413,254</u>	<u>-</u>	<u>(818,852)</u>	<u>1,687,348</u>
Total non-depreciable assets	<u>2,460,676</u>	<u>1,413,254</u>	<u>-</u>	<u>(818,852)</u>	<u>3,055,078</u>
Depreciable					
Buildings and Improvements	5,215,994	34,401	-	118,459	5,368,854
Land Improvements	2,991,897	-	-	700,393	3,692,290
Autos, Trucks and Equipment	7,912,049	282,655	(167,684)	-	8,027,020
Infrastructure	<u>21,981,846</u>	<u>22,100</u>	<u>-</u>	<u>-</u>	<u>22,003,946</u>
Total depreciable assets	<u>38,101,786</u>	<u>339,156</u>	<u>(167,684)</u>	<u>818,852</u>	<u>39,092,110</u>
Less accumulated depreciation					
Buildings and Improvements	(2,187,871)	(118,759)	-	-	(2,306,630)
Land Improvements	(1,976,898)	(104,219)	-	-	(2,081,117)
Autos, Trucks and Equipment	(5,730,853)	(331,777)	167,684	-	(5,894,946)
Infrastructure	<u>(15,808,483)</u>	<u>(554,929)</u>	<u>-</u>	<u>-</u>	<u>(16,363,412)</u>
Total accumulated depreciation	<u>(25,704,105)</u>	<u>(1,109,684)</u>	<u>167,684</u>	<u>-</u>	<u>(26,646,105)</u>
Net depreciable assets	<u>12,397,681</u>	<u>(770,528)</u>	<u>-</u>	<u>818,852</u>	<u>12,446,005</u>
Governmental activities capital assets, net	<u>\$ 14,858,357</u>	<u>\$ 642,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,501,083</u>
Business- type activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers and Reclassifications</u>	<u>Ending Balance</u>
Intangible Assets					
Right to Capacity	\$ -	\$ 231,436	\$ -	\$ 4,650,000	\$ 4,881,436
Less Accumulated Amortization	<u>-</u>	<u>(97,629)</u>	<u>-</u>	<u>(579,693)</u>	<u>(677,322)</u>
Intangible Assets, Net	<u>\$ -</u>	<u>\$ 133,807</u>	<u>\$ -</u>	<u>\$ 4,070,307</u>	<u>\$ 4,204,114</u>
Capital Assets					
Water and Sewer System	\$ 18,065,425	\$ -	\$ -	\$ (4,650,000)	\$ 13,415,425
Autos, Trucks and Equipment	<u>820,851</u>	<u>24,685</u>	<u>-</u>	<u>-</u>	<u>845,536</u>
Total depreciable assets	<u>18,886,276</u>	<u>24,685</u>	<u>-</u>	<u>(4,650,000)</u>	<u>14,260,961</u>
Less accumulated depreciation					
Water and Sewer System	(4,590,802)	(259,795)	-	579,693	(4,270,904)
Autos, Trucks and Equipment	<u>(598,647)</u>	<u>(34,829)</u>	<u>-</u>	<u>-</u>	<u>(633,476)</u>
Total accumulated depreciation	<u>(5,189,449)</u>	<u>(294,624)</u>	<u>-</u>	<u>579,693</u>	<u>(4,904,380)</u>
Capital Assets, Net	<u>\$ 13,696,827</u>	<u>\$ (269,939)</u>	<u>\$ -</u>	<u>\$ (4,070,307)</u>	<u>\$ 9,356,581</u>

City of Hapeville, Georgia
Notes to Financial Statements
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Depreciation/Amortization expense was charged to functions of the primary government as follows:

Governmental activities

General Government	\$ 50,868
Public Safety	280,425
Public Works	535,145
Culture and Recreation	42,492
Parks and Grounds	124,091
Planning, Zoning and Development	25,755
Trade and Tourism	<u>50,908</u>
Total Depreciation Expense	<u>\$ 1,109,684</u>

Business-type activities

Water and Sewer	\$ 376,961
Sanitation	<u>15,292</u>
	<u>\$ 392,253</u>

3-D. Long-Term Debt

Primary Government

Long-term liability activity for the year ended June 30, 2013, 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					
Certificates of Participation	\$ 165,000	\$ -	\$ 165,000	\$ -	\$ -
Note Payable I - Vehicles	589,743	-	133,733	456,010	112,006
Note Payable II - Vehicles/Equipment	-	303,455	24,211	279,244	58,887
Compensated Absences	<u>453,564</u>	<u>602,275</u>	<u>620,524</u>	<u>435,315</u>	<u>255,552</u>
Total	<u>\$ 1,208,307</u>	<u>\$ 905,730</u>	<u>\$ 943,468</u>	<u>\$ 1,170,569</u>	<u>\$ 426,445</u>
Business-Type Activities					
Revenue Bonds Payable	\$ 1,895,000	\$ -	\$ 605,000	\$ 1,290,000	\$ 630,000
Compensated Absences	<u>60,003</u>	<u>48,191</u>	<u>40,157</u>	<u>68,037</u>	<u>23,422</u>
Total	<u>\$ 5,605,003</u>	<u>\$ 48,191</u>	<u>\$ 645,157</u>	<u>\$ 1,358,037</u>	<u>\$ 653,422</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.

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.

With respect to the Series 2007A Certificate, the debt was paid in full as of June 30, 2011. For the Series 2007B Certificate the debt was paid in full as of June 30, 2013.

City of Hapeville, Georgia
Notes to Financial Statements
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Note Payable I

In December 2010, the City financed the purchase of vehicles through SunTrust Bank. The original amount of the note was \$825,477 with payments to be made over 120 months ranging from \$13,372 through December 2013, \$7,111 through December 2015, \$5,063 through December 2017 and \$3,363 through June 2018 per month including interest at 2.75%. The remaining note payable currently outstanding is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 112,006	\$ 10,889	\$ 122,895
2015	76,825	8,506	85,331
2016	66,610	6,435	73,045
2017	55,939	4,819	60,758
2018	47,239	3,318	50,557
2018-2021	97,391	3,501	100,892
	<u>\$ 456,010</u>	<u>\$ 37,468</u>	<u>\$ 493,478</u>

Note Payable II

In January 2013, the City financed the purchase of vehicles and equipment through SunTrust Bank. The original amount of the note was \$303,455 with payments to be made over 36 months for \$5,303 per month including interest at 1.885%. The remaining note payable currently outstanding is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 58,887	\$ 4,757	\$ 63,644
2015	60,007	3,637	63,644
2016	61,148	2,496	63,644
2017	62,310	1,334	63,644
2018	36,892	232	37,124
	<u>\$ 279,244</u>	<u>\$ 12,456</u>	<u>\$ 291,700</u>

Revenue Bonds Payable

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 630,000	\$ 40,853	\$ 670,853
2015	660,000	13,827	673,827
	<u>\$ 1,290,000</u>	<u>\$ 54,680</u>	<u>\$ 1,344,680</u>

City of Hapeville, Georgia
Notes to Financial Statements
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Hapeville Development Authority

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Revenue Bonds Payable					
Series 2004A	\$ 4,550,000	\$ -	\$ 70,000	\$ 4,480,000	\$ 75,000
Series 2004B	3,610,000	-	195,000	3,415,000	205,000
Series 2007	1,925,000	-	90,000	1,835,000	100,000
	<u>\$ 10,085,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$ 9,730,000</u>	<u>\$ 380,000</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 principal payments are due on August 1 each year. Interest is payable semi-annually on February 1 and August 1 each year. Series 2004A Revenue Bonds currently outstanding are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 75,000	\$ 213,240	\$ 288,240
2015	75,000	209,640	284,640
2016	490,000	196,080	686,080
2017	515,000	171,960	686,960
2018	540,000	146,640	686,640
2019-2023	2,540,000	322,560	2,862,560
2024-2025	245,000	11,880	256,880
	<u>\$ 4,480,000</u>	<u>\$ 1,272,000</u>	<u>\$ 5,752,000</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. The bond principal payments are due on August 1 each year. Interest is payable semi-annually on February 1 and August 1 each year. Series 2004B Revenue Bonds currently outstanding (with interest computed at 2.75%) are as follows:

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2014	\$ 205,000	\$ 90,308	\$ 295,308
2015	215,000	84,308	299,308
2016	230,000	78,259	308,259
2017	245,000	72,008	317,008
2018	255,000	65,004	320,004
2019-2023	1,525,000	208,782	1,733,782
2024-2025	<u>740,000</u>	<u>20,331</u>	<u>760,331</u>
	<u>\$ 3,415,000</u>	<u>\$ 619,000</u>	<u>\$ 4,034,000</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,			
2014	\$ 100,000	\$ 78,281	\$ 178,281
2015	100,000	74,281	174,281
2016	105,000	70,281	175,281
2017	110,000	65,819	175,819
2018	120,000	61,144	181,144
2018-2022	665,000	226,456	891,456
2023-2027	<u>635,000</u>	<u>70,875</u>	<u>705,875</u>
	<u>\$ 1,835,000</u>	<u>\$ 647,137</u>	<u>\$ 2,482,137</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 an absolute and unconditional general obligation of the City.

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June 30, 2013

3-E. Interfund Receivables, Payables and Transfers

The composition of interfund balances reported in the fund financial statements as of June 30, 2013, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Hotel/Motel	\$ 151,451
	<u>Non-Major Governmental</u>	
General Fund	Special Revenue	961
General Fund	Capital Projects	152,414
		<u>\$ 304,826</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - Hapeville Association for Trade and Tourism	<u>\$ 4,145</u>
Component unit - Hapeville Development Authority	Primary government - General Fund	<u>\$ 5,749,688</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>Total</u>
	<u>General</u>	<u>Hotel/ Motel</u>	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Internal Service</u>	
General Fund	\$ -	\$ 742,286	\$ 236,374	\$ 22,525	\$ 26,589	\$ 1,027,774
<u>Non-Major Governmental</u>						
Special Revenue	95,187	-	-	-	-	95,187
Capital Projects	2,715	-	-	-	-	2,715
Sanitation	-	-	1,596,779	-	-	1,596,779
Total	<u>\$ 97,902</u>	<u>\$ 742,286</u>	<u>\$ 1,833,153</u>	<u>\$ 22,525</u>	<u>\$ 26,589</u>	<u>\$ 2,722,455</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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

3-F. Pension Plan

Plan Description. City of Hapeville Retirement Plan (the "Plan"), 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 establish or amend all Plan provisions. The Plan does not issue a separate financial statement. Current membership in the plan (as of January 1, 2012) is as follows:

Retirees and beneficiaries currently receiving benefits	92
Terminated members entitled to but not yet receiving benefits	27
Active plan participants	109
Total	228

Funding Policy. The contribution requirements of the City are established and may be amended by City Council. The City is required to contribute at an actuarially determined rate. The City Council provides for the benefits and funding through a City ordinance and maintains the authority to change the 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 approximates 28% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation. The net pension obligation was computed as part of an actuarial valuation performed as of January 1, 2012. Significant actuarial assumptions used in the valuation include:

Rate of return on investments of present and future assets compounded annually	7.125%
Projected salary increases:	
Salary scale	3.00%
Inflation	2.50%
Life expectancy before and after retirement (Group Annuity Mortality table)	1983

The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The actuarial value of assets (AVA) includes the discounted value of the remaining employer contributions due for the preceding fiscal year. AVA is also smoothed over 5 years taking 1/5 of the difference between the expected and actual asset values. The unfunded actuarially accrued liability (UAAL) is amortized over closed periods using level dollar payments. The amortization period is 15 years for gains and losses, 20 years for plan changes and 30 years for assumption changes. The UAAL for the recommended contribution was fresh started as of 1/1/2007 and amortized over 15 years. The UAAL for the minimum contribution was fresh started as of 1/1/2009 and amortized over 15 years.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

The City's annual pension cost and net pension obligations for the current year were as follows:

Annual pension cost	\$ 1,408,978
Contributions made	<u>1,194,087</u>
Increase in net pension obligations	214,891
Net pension obligation - beginning of year	<u>-</u>
Net pension obligation - end of year	<u>\$ 214,891</u>

The net pension obligation at the end of the year has been classified as a current liability. The liability was required to be paid and was paid subsequent to year end.

Funding Status and Funding Progress. As of January 1, 2012, the most recent actuarial valuation date, the plan was 89.56 percent funded. The actuarial accrued liability for benefits was \$23.33 million, and the actuarial value of assets was \$19.08 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.25 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.88 million, and the ratio of the UAAL to the covered payroll was 49.90 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.

3-G. Restatement of 2012 Net Position – Prior Period Adjustments

In conformity with GAAP, as set forth in GASB Statement No. 65, "Items Previously Recognized as Assets and Liabilities," 2012 government-wide net position has been restated for the City's governmental activities and propriety activities and for the Component Unit – Hapeville Development Authority, to record the effect of removing unamortized bond issuance costs from the statement of net position and treating the issuance costs as if they had been expensed in the year incurred.

Also the City has corrected an error in recording its OPEB Liability in prior years. A portion of the liability should have been recorded in the proprietary activities instead of being recorded 100% in the governmental activities.

A summary of the prior period adjustments are as follows:

	Governmental Activities	Business-type Activities			Component Unit Hapeville Development Authority
		Water & Sewer	Sanitation	Total	
Effect of Removing Unamortized Bond Costs from the Statement of Position	\$ (27,279)	\$ (158,004)	\$ -	\$ (158,004)	\$ (87,603)
Adjustment of OPEB Liability Between Activities	<u>170,278</u>	<u>(123,276)</u>	<u>(47,002)</u>	<u>(170,278)</u>	<u>-</u>
Total Prior Period Adjustments	<u>\$ 142,999</u>	<u>\$ (281,280)</u>	<u>\$ (47,002)</u>	<u>\$ (328,282)</u>	<u>\$ (87,603)</u>

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

Note 3 – Budgetary Overages

Expenditures exceeded appropriations at the department level for the year ended June 30, 2013 as follows:

Major Funds:

General Fund:

Public Safety - Police Services	\$	30,028
Parks and Grounds		19,539

The excess of actual expenditures over appropriations was funded by available fund balance of the General Fund.

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
2013	\$ 95,800	\$ 45,030	\$ 126,141	\$ 14,689
2012	55,272	169,253	128,725	95,800
2011	1,200	94,360	40,288	55,272

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, dependent 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, 2012, employee membership data related to the OPEB plan was as follows:

Retirees and beneficiaries currently receiving benefits	63
Active plan participants	<u>109</u>
Total	<u>172</u>

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

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. The premiums are paid by the City for retirees at 100%. Any spouses included contribute 50% of the premium.

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. 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	\$ 206,034	\$ 14,196	\$ 220,230
Amortization of UAAL	<u>375,667</u>	<u>34,890</u>	<u>410,557</u>
Annual Required Contribution (ARC)	<u>\$ 581,701</u>	<u>\$ 49,086</u>	<u>\$ 630,787</u>
Determination of Net OPEB Obligation			
Annual Required Contributions	\$ 581,701	\$ 49,086	\$ 630,787
Interest on net OPEB obligations	69,661	4,211	73,872
Adjustment to ARC	<u>(88,036)</u>	<u>(4,386)</u>	<u>(92,422)</u>
Annual OPEB cost	563,326	48,911	612,237
Contributions made: Employer *	<u>(430,896)</u>	<u>(24,683)</u>	<u>(455,579)</u>
Increase (Decrease) in net OPEB obligation	132,430	24,228	156,658
Net OPEB obligation - beginning of year	<u>1,463,319</u>	<u>72,911</u>	<u>1,536,230</u>
Net OPEB obligation - end of year	<u>\$ 1,595,749</u>	<u>\$ 97,139</u>	<u>\$ 1,692,888</u>

*Employer contributions will be equal to the net expected employer benefits payments (gross benefit cost offset by the retiree's contributions) during the 2013 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 past three years are as follows:

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Medical and Dental Benefits			
6/30/2011	\$ 735,624	53.05%	\$ 1,179,887
6/30/2012	\$ 640,032	55.36%	\$ 1,463,319
6/30/2013	\$ 563,327	76.49%	\$ 1,595,750
Life Insurance			
6/30/2011	\$ 36,125	53.98%	\$ 86,403
6/30/2012	\$ 45,008	116.78%	\$ 72,911
6/30/2013	\$ 48,911	50.47%	\$ 97,139

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$8,360,858. 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 July 1, 2012, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent discount rate for unfunded. 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 open periods using level dollar payments. The amortization period is currently 26 years and will grade down to 15 years.

4-C. Deferred Compensation and Other Employee Benefit Plans

The City provides an opportunity for employees to participate in a deferred compensation plan. The Plan was created under Internal Revenue Code Sections 457 and 401(a). The Plan is administered by Mass Mutual. All employees who work at least 30 hours per week are eligible to participate in the Plan.

Under the terms of the Plan, employees may defer a portion of their salary through voluntary contributions to the Plan, up to the maximum allowable by federal law. The City does not make contributions to the Plan. During the year, Plan members made voluntary contributions of \$48,190 to the plan.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2013

The City also provides an opportunity for one employee to participate in a defined contribution money-purchase pension plan, known as City of Hapeville/City Manager Plan, administered by ICMA Retirement Corporation, whereby the City contributes 25% of the employee's salary. Mandatory participant contributions are required to be eligible for the employer contribution. There is no vesting period. Loans are not permitted under the Plan. Pension expense contributions made by the City under this plan for the year ended June 30, 2013 were \$32,347.

The City has no fiduciary relationship with the plans, and plan assets are not available to the City or its general creditors. The Plans assets are held in trust by the administrator for the exclusive benefit of the participants of the Plans.

4-D. Joint Ventures

Regional Commissions. 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.

4-E. Hotel/Motel Lodging Tax

The City has levied a 7% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(4.5). The City is required to spend an amount equal to 28.58 percent of the total taxes collected at the rate of 7 percent for the purpose of promoting tourism, conventions, and trade shows, or for facilities used for these purposes. Total revenues of \$1,732,001 were received. Of this amount, \$989,715 was expended for tourism by the City of Hapeville and the remaining \$742,286 was sent to Hapeville Association for Travel and Tourism where all funds were spent on salaries and other expenditures related to tourism.

REQUIRED SUPPLEMENTARY INFORMATION



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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2012	\$ 20,894,095	\$ 23,329,058	\$ 2,434,963	89.56%	\$ 4,879,805	49.90%
1/1/2011	20,612,085	23,469,080	2,856,995	87.83%	4,913,117	58.15%
1/1/2010	21,464,632	21,499,692	35,060	99.84%	4,691,586	0.75%
1/1/2009	22,473,567	21,223,571	(1,249,996)	105.89%	4,804,760	-26.02%
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.

OTHER SUPPLEMENTARY INFORMATION



City of Hapeville, Georgia

Non-Major Governmental Funds

Special Revenue Funds

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.

Other Special Revenues Fund is used to account for various other small projects funded with restricted funds.

Capital Projects Funds

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

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

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.

Dogwood Drive/North Avenue Streetscape Fund is used to account for the Federal and local revenues and expenditures for the Transportation Improvement Program/State Transportation Improvement Program (TIP/STIP) for scoping, preliminary engineering and construction phases of Dogwood Drive improvements.

North Fulton Streetscape Fund is used to account for the Federal and local revenues and expenditures from the Transportation Enhancement Program to construct streetscape improvements to five corridors in Hapeville, beginning at North Central Avenue and ending at King Arnold Street.

Rail Facilities and Corridor Fund is used to account for the Federal revenues and expenditures for Transportation Facility Improvements along the railroad track side of North and South Central Avenues including any necessary infrastructure changes as agreed to in coordination with the Norfolk Southern Railroad and GDOT. The project locations run from Sunset Avenue to Dogwood Drive and I-75 to Perkins Court.

MARTA Bus Stops Fund is used to account for revenues and expenditures related to the Intergovernmental Agreement between the City and Metropolitan Atlanta Rapid Transit Authority (MARTA) to install up to twenty-five (25) bus shelters throughout the City.

I-75 Logo Fund is used to account for Grant funds received and expended to landscape the I-75 at State Route 3 and Central Avenue Interchange.

Other Capital Projects Fund is used to account for various other long-term and shorter-term projects. The projects included for this fiscal year consist of: the Pedestrian and Bike Pathway Study grant, MARTA Bus Stops Grant and improvements to buildings purchased for renovation and enhancement of City property.

City of Hapeville, Georgia
Combining Balance Sheet - Summary
Non-Major Governmental Funds
June 30, 2013

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 5,107	\$ 3,680	\$ 8,787
Other Receivables	<u>2,046</u>	<u>278,813</u>	<u>280,859</u>
Total Assets	<u>\$ 7,153</u>	<u>\$ 282,493</u>	<u>\$ 289,646</u>
Liabilities			
Accounts Payable	\$ -	\$ 130,079	\$ 130,079
Due to Other Funds	<u>961</u>	<u>152,414</u>	<u>153,375</u>
Total Liabilities	<u>961</u>	<u>282,493</u>	<u>283,454</u>
Fund Balance			
Restricted for:			
Program Purposes	<u>6,192</u>	<u>-</u>	<u>6,192</u>
Total Fund Balance	<u>6,192</u>	<u>-</u>	<u>6,192</u>
Total Liabilities and Fund Balance	<u>\$ 7,153</u>	<u>\$ 282,493</u>	<u>\$ 289,646</u>

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2013

	Non-Major Special Revenue Funds				Total Non-Major Special Revenue Funds
	Asset Forfeiture	Emergency Communications	Rental Motor Vehicle Excise Tax	Other Special Revenues	
Assets					
Cash and Cash Equivalents	\$ 2,494	\$ -	\$ -	\$ 2,613	\$ 5,107
Other Receivables	-	-	-	2,046	2,046
Total Assets	<u>\$ 2,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,659</u>	<u>\$ 7,153</u>
Liabilities					
Due to General Fund	\$ -	\$ -	\$ -	\$ 961	\$ 961
Total Liabilities	-	-	-	961	961
Fund Balance					
Restricted for Program Purposes	<u>2,494</u>	<u>-</u>	<u>-</u>	<u>3,698</u>	<u>6,192</u>
Total Liabilities and Fund Balance	<u>\$ 2,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,659</u>	<u>\$ 7,153</u>

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2013

	Non-Major Capital Projects Funds									Total Non-Major Capital Projects Funds
	Depot Museum and Tourist Information Center	Loop Access Road	North Central Ave Streetscape	Dogwood/ North Ave Streetscape	North Fulton Streetscape	Rail Facilities and Corridor	MARTA Bus Stops	I-75 Logo	Other Capital Projects	
Assets										
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 600	\$ -	\$ -	\$ -	\$ 3,080	\$ 3,680
Other Receivables	<u>139,169</u>	<u>57,413</u>	<u>9,436</u>	<u>1,848</u>	<u>-</u>	<u>30,020</u>	<u>-</u>	<u>-</u>	<u>40,927</u>	<u>278,813</u>
Total Assets	<u>\$ 139,169</u>	<u>\$ 57,413</u>	<u>\$ 9,436</u>	<u>\$ 1,848</u>	<u>\$ 600</u>	<u>\$ 30,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,007</u>	<u>\$ 282,493</u>
Liabilities										
Accounts Payable	\$ 63,474	\$ 25,250	\$ 7,655	\$ -	\$ 600	\$ 30,020	\$ -	\$ -	\$ 3,080	\$ 130,079
Due to General Fund	<u>75,695</u>	<u>32,163</u>	<u>1,781</u>	<u>1,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,927</u>	<u>152,414</u>
Total Liabilities	139,169	57,413	9,436	1,848	600	30,020	-	-	44,007	282,493
Fund Balance										
Restricted for Construction of Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 139,169</u>	<u>\$ 57,413</u>	<u>\$ 9,436</u>	<u>\$ 1,848</u>	<u>\$ 600</u>	<u>\$ 30,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,007</u>	<u>\$ 282,493</u>

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and changes in Fund Balances - Summary
Non-Major Governmental Funds
For The Year Ended June 30, 2013

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues			
Other Taxes	\$ 26,667	\$ -	\$ 26,667
Charges for Services	65,709	-	65,709
Grant Revenues	10,870	1,148,980	1,159,850
Other Revenues	1,350	261,559	262,909
Total Revenue	<u>104,596</u>	<u>1,410,539</u>	<u>1,515,135</u>
Expenditures			
Current:			
Public Safety	199,282	-	199,282
Culture and Recreation	11,972	-	11,972
Capital Outlay	-	1,413,254	1,413,254
Total Expenditures	<u>211,254</u>	<u>1,413,254</u>	<u>1,624,508</u>
Excess Revenues Over (Under) Expenditures	(106,658)	(2,715)	(109,373)
Other Financing Sources (Uses)			
Transfers In (Out)	<u>95,187</u>	<u>2,715</u>	<u>97,902</u>
Net Change in Fund Balances	(11,471)	-	(11,471)
Fund Balance, Beginning of Year	<u>17,663</u>	<u>-</u>	<u>17,663</u>
Fund Balance, End of Year	<u>\$ 6,192</u>	<u>\$ -</u>	<u>\$ 6,192</u>

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
June 30, 2013

	Non-Major Special Revenue Funds				Total Non-Major Special Revenue Funds
	Asset Forfeiture	Emergency Communications	Rental Motor Vehicle Excise Tax	Other Special Revenues	
Revenues					
Taxes	\$ -	\$ -	\$ 26,667	\$ -	\$ 26,667
Charges for Services	-	65,709	-	-	65,709
Grant Revenues	-	-	-	10,870	10,870
Other Revenues	-	-	-	<u>1,350</u>	<u>1,350</u>
Total Revenue	<u>-</u>	<u>65,709</u>	<u>26,667</u>	<u>12,220</u>	<u>104,596</u>
Expenditures					
Public Safety	14,467	158,148	26,667	-	199,282
Culture and Recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,972</u>	<u>11,972</u>
Total Expenditures	<u>14,467</u>	<u>158,148</u>	<u>26,667</u>	<u>11,972</u>	<u>211,254</u>
Excess Revenues Over (Under) Expenditures	(14,467)	(92,439)	-	248	(106,658)
Other Financing Sources (Uses)					
Transfers In (Out)	<u>-</u>	<u>92,439</u>	<u>-</u>	<u>2,748</u>	<u>95,187</u>
Net Change in Fund Balances	(14,467)	-	-	2,996	(11,471)
Fund Balance, Beginning of year					
	<u>16,961</u>	<u>-</u>	<u>-</u>	<u>702</u>	<u>17,663</u>
Fund Balance, End of Year	<u>\$ 2,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,698</u>	<u>\$ 6,192</u>

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Projects Funds
For The Year Ended June 30, 2013

	Non-Major Capital Projects Funds									
	Depot Museum and Tourist Information Center	Loop Access Road	North Central Ave Streetscape	Dogwood/ North Ave Streetscape	North Fulton Streetscape	Rail Facilities and Corridor	MARTA Bus Stops	I-75 Logo	Other Capital Projects	Total Non-Major Capital Projects Funds
Revenues										
Grant Revenues	\$ 197,399	\$ 170,540	\$ 35,498	\$ 54,592	\$ -	\$ 130,670	\$ 160,281	\$ 400,000	\$ -	\$ 1,148,980
Other Revenues	<u>57,855</u>	<u>42,635</u>	<u>8,874</u>	<u>13,648</u>	<u>55,670</u>	<u>-</u>	<u>27,351</u>	<u>24,478</u>	<u>31,048</u>	<u>261,559</u>
Total Revenue	<u>255,254</u>	<u>213,175</u>	<u>44,372</u>	<u>68,240</u>	<u>55,670</u>	<u>130,670</u>	<u>187,632</u>	<u>424,478</u>	<u>31,048</u>	<u>1,410,539</u>
Expenditures										
Capital Outlay	<u>255,254</u>	<u>213,175</u>	<u>44,372</u>	<u>68,240</u>	<u>55,670</u>	<u>130,670</u>	<u>187,632</u>	<u>424,478</u>	<u>33,763</u>	<u>1,413,254</u>
Excess Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	(2,715)	(2,715)
Other Financing Sources (Uses)										
Transfers In (Out)	-	-	-	-	-	-	-	-	2,715	2,715
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Fines and Forfeitures	\$ 39,127	\$ -	\$ (39,127)
Expenditures			
Public Safety	<u>14,467</u>	<u>14,467</u>	<u>-</u>
Excess of Revenues Over (Under)			
Expenditures	24,660	(14,467)	(39,127)
Other Financing Sources (Uses)			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	24,660	(14,467)	(39,127)
Fund Balance, Beginning of Year	<u>16,961</u>	<u>16,961</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 41,621</u>	<u>\$ 2,494</u>	<u>\$ (39,127)</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, 2013

	Final		Variance with
	Budgeted	Actual	Final Budget
	Amounts	Amounts	Final Budget
Revenue			
Charges for Services	\$ 95,000	\$ 65,709	\$ (29,291)
Expenditures			
Public Safety	<u>158,148</u>	<u>158,148</u>	<u>-</u>
Excess of Revenues Over (Under)			
Expenditures	(63,148)	(92,439)	(29,291)
Other Financing Sources (Uses)			
Transfers In	<u>38,240</u>	<u>92,439</u>	<u>54,199</u>
Net Change in Fund Balances	(24,908)	-	24,908
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (24,908)</u>	<u>\$ -</u>	<u>\$ 24,908</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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Taxes	\$ 26,667	\$ 26,667	\$ -
Expenditures			
Public Safety	<u>26,667</u>	<u>26,667</u>	<u>-</u>
Excess of Revenues Over (Under)			
Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers In	<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
Other Special Revenues Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2013

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenue			
Grant Revenues			
Bright Start Grant Revenue	\$ 10,870	\$ 10,870	\$ -
Donations for Park Fountain	<u>1,350</u>	<u>1,350</u>	<u>-</u>
Total Revenue	12,220	12,220	-
Expenditures			
Culture and Recreation:			
Bright Start	11,572	11,572	-
Park Fountain	<u>400</u>	<u>400</u>	<u>-</u>
Total Expenditures	<u>11,972</u>	<u>11,972</u>	<u>-</u>
Excess of Revenues Over (Under)			
Expenditures	248	248	-
Other Financing Sources (Uses)			
Transfer In from General Fund to Bright Start Program	<u>-</u>	<u>2,748</u>	<u>2,748</u>
Net Change in Fund Balance	248	2,996	2,748
Fund Balance, Beginning of Year	<u>-</u>	<u>702</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 248</u>	<u>\$ 3,698</u>	<u>\$ 2,748</u>

City of Hapeville, Georgia
Depot Museum and Tourist Information Center Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Transportation				
Enhancement (TE) Grant	\$ 97,736	197,399	\$ 295,135	\$ 641,460
Other Revenues - Local Match	69,686	57,855	127,541	160,365
Total Revenues	167,422	255,254	422,676	801,825
Expenditures:				
Capital Outlay - Depot Museum	167,422	255,254	422,676	821,474
Net Change in Fund Balances	-	-	-	(19,649)
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
Loop Access Road Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Engineering	\$ 270,839	\$ 170,540	\$ 441,379	\$ 600,000
Other Revenues - Local Match	64,252	42,635	106,887	150,000
Total Revenues	335,091	213,175	548,266	750,000
Expenditures:				
Capital Outlay - Preliminary Engineering	335,091	213,175	548,266	750,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
North Central Avenue Streetscape Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Phase	\$ 124,768	\$ 35,498	\$ 160,266	\$ 218,400
Other Revenues	31,192	8,874	40,066	54,600
Total Revenues	155,960	44,372	200,332	273,000
Expenditures:				
Capital Outlay - North Central Renovations	155,960	44,372	200,332	173,000
Net Change in Fund Balances	-	-	-	100,000
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
Dogwood Drive/North Avenue Streetscape Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
DOT Grant - Construction Phase	\$ 103,896	\$ 54,592	\$ 158,488	\$ 200,000
Other Revenues - Local Match	31,019	13,648	44,667	55,000
Total Revenues	134,915	68,240	203,155	255,000
Expenditures:				
Capital Outlay - Scoping Phase	5,045	-	5,045	5,000
Capital Outlay - Construction Infrastructure	129,870	68,240	198,110	250,000
Total Expenditures	134,915	68,240	203,155	255,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
North Fulton Streetscape Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Budget</u>
Revenues:				
Intergovernmental Agreement - Transportation				
North Fulton (TE) Grant	\$ -	\$ -	\$ -	\$ 455,000
Other Revenues - Local Match	<u>18,710</u>	<u>55,670</u>	<u>74,380</u>	<u>113,750</u>
Total Revenues	<u>18,710</u>	<u>55,670</u>	<u>74,380</u>	<u>568,750</u>
Expenditures:				
Capital Outlay - Infrastructure	<u>18,710</u>	<u>55,670</u>	<u>74,380</u>	<u>568,750</u>
Total Expenditures	<u>18,710</u>	<u>55,670</u>	<u>74,380</u>	<u>568,750</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>		

City of Hapeville, Georgia
Rail Facilities and Corridor Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - DOT Grant				
DOT Grant for Railroad	\$ -	\$ 130,670	\$ 130,670	\$ 425,000
Total Revenues	-	130,670	130,670	425,000
Expenditures:				
Capital Outlay - Preliminary Expenses	-	130,670	130,670	425,000
Total Expenditures	-	130,670	130,670	425,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
MARTA Bus Stops Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - MARTA				
Grant Revenues	\$ -	\$ 160,281	\$ 160,281	\$ 164,000
Other Revenues - Local	-	27,351	27,351	27,351
Total Revenues	-	187,632	187,632	191,351
Expenditures:				
Capital Outlay	-	187,632	187,632	164,000
Total Expenditures	-	187,632	187,632	164,000
Net Change in Fund Balances	-	-	-	27,351
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

City of Hapeville, Georgia
I-75 Logo Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2013

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
Logo Landscape Project - DOT Grant	\$ -	\$ 400,000	\$ 400,000	\$ 400,000
Other Revenues - Local	55,064	24,478	79,542	4,500
Total Revenues	55,064	424,478	479,542	404,500
Expenditures:				
Capital Outlay	55,064	424,478	479,542	404,500
Total Expenditures	55,064	424,478	479,542	404,500
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		\$ -		

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, 2013

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Budget</u>
Revenues:				
Grant Revenues - Pedestrian & Bike Path	\$ 9,750	\$ -	\$ 9,750	\$ 9,750
Other Revenues - Local	<u>228,340</u>	<u>31,048</u>	<u>259,388</u>	<u>269,139</u>
Total Revenues	<u>238,090</u>	<u>31,048</u>	<u>269,138</u>	<u>278,889</u>
Expenditures:				
Capital Outlay - Pedestrian & Bike Pathway	9,750	12,714	22,464	29,500
Capital Outlay - Land, Buildings and Improvements - North Central	<u>228,340</u>	<u>21,049</u>	<u>249,389</u>	<u>249,389</u>
Total Expenditures	<u>238,090</u>	<u>33,763</u>	<u>271,853</u>	<u>278,889</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,715)</u>	<u>(2,715)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>2,715</u>	<u>2,715</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u>\$ -</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. The fund was closed during year ended June 30, 2013.

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Net Position
June 30, 2013

	<u>Workers'</u>	<u>Information</u>	
	<u>Compensation</u>	<u>Technology</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 19,257	\$ -	\$ 19,257
Prepaid Expenses	<u>24,570</u>	<u>-</u>	<u>24,570</u>
			-
Total Assets	<u>43,827</u>	<u>-</u>	<u>43,827</u>
Liabilities			
Current Liabilities			
Accounts Payable	1,279	-	1,279
Accrued Liabilities	<u>14,689</u>	<u>-</u>	<u>14,689</u>
Total Current Liabilities	<u>15,968</u>	<u>-</u>	<u>15,968</u>
Net Position			
Unrestricted	<u>27,859</u>	<u>-</u>	<u>27,859</u>
Total Net Position	<u>\$ 27,859</u>	<u>\$ -</u>	<u>\$ 27,859</u>

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For The Year Ended June 30, 2013

	Workers' Compensation Fund	Information Technology Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues			
Charges for Services	\$ 206,502	\$ -	\$ 206,502
Total Operating Revenues	<u>206,502</u>	<u>-</u>	<u>206,502</u>
Operating Expenditures			
Insurance and Claims	178,085	-	178,085
Supplies and Miscellaneous	<u>560</u>	<u>-</u>	<u>560</u>
Total Expenses	<u>178,645</u>	<u>-</u>	<u>178,645</u>
Operating Income (Loss)	27,857	-	27,857
Other Financing Uses			
Transfers Out	<u>-</u>	<u>(26,589)</u>	<u>(26,589)</u>
Net Change in Fund Net Assets	27,857	(26,589)	1,268
Net Position, Beginning of Year	<u>2</u>	<u>26,589</u>	<u>26,591</u>
Net Position, End of Year	<u>\$ 27,859</u>	<u>\$ -</u>	<u>\$ 27,859</u>

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2013

	Workers' Compensation Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 206,502	\$ -	\$ 206,502
Payments to Suppliers	(263,428)	(13,282)	(276,710)
Payments to Employees	-	(6,612)	(6,612)
Net Cash Used by Operating Activities	(56,926)	(19,894)	(76,820)
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	-	(26,589)	(26,589)
Net Cash Flows Used by Non-Capital & Related Financing Activities	-	(26,589)	(26,589)
Net Decrease in Cash	(56,926)	(46,483)	(103,409)
Cash, Beginning of Year	76,183	46,483	122,666
Cash, End of Year	\$ 19,257	\$ -	\$ 19,257
Cash Flows from Operating Activities			
Operating Income	\$ 27,857	\$ -	\$ 27,857
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
Decrease (Increase) in Prepaid	(4,885)	780	(4,105)
Increase (Decrease) in Accounts Payable	1,213	(14,062)	(12,849)
Increase (Decrease) in Accrued Expenses	(81,111)	(6,612)	(87,723)
Net Cash Used by Operating Activities	\$ (56,926)	\$ (19,894)	\$ (76,820)

COMPLIANCE SECTION



December 27, 2013

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Hapeville, Georgia's basic financial statements and have issued our report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2013-001).

Compliance and Other Matters

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

City of Hapeville, Georgia's Response to Findings

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

Purpose of this Report

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

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

December 27, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited City of Hapeville, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hapeville, Georgia's major federal programs for the year ended June 30, 2013. City of Hapeville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Hapeville, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about City of Hapeville, Georgia's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Hapeville, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of City of Hapeville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Hapeville, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we

do not express an opinion on the effectiveness of City of Hapeville, Georgia's internal control over compliance.

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

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<u>U. S. Department of Justice</u>			
Direct			
Equitable Sharing of Federally Forfeited Property	16.922	2012	\$ <u>14,467</u>
<u>U. S. Department of Transportation</u>			
Passed through Georgia Department of Transportation:			
Earmark - Airport Loop Access Road	20.205	CSHPP-007-00(532)	170,540
Streetscape-LCI - N Central Ave	20.205	CSSTP-0008-00(903)	35,498
Streetscape-LCI - Dogwood Drive	20.205	PI# 0010329	54,592
TE Depost and Tourism Information Center	20.205	CSTEE-0009-00(052)	197,399
Landscaping - 1-75 Logo Project	20.205	PI#0010404	400,000
Transportation Facility Improvements - Rail Facilities and Corridor	20.205	PI#0007949	<u>130,670</u>
Total for U.S. Department of Transportation			<u>988,699</u>
<u>U. S. Department of Agriculture</u>			
Passed through Georgia Department of Early Care and Learning (Bright from the Start)			
Summer Food Service Program	10.559	8398	<u>10,870</u>
Total Federal Financial Awards			<u>\$ 1,014,036</u>

Note 1 - Basis of Presentation

This schedule of expenditures of federal awards includes the federal grant activity of City of Hapeville, Georgia, and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

City of Hapeville, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued	Unqualified
Internal control over financial reporting: Material Weakness(es) identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	None reported

Federal Awards

Internal Control over major programs: Material Weakness(es) identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .501(a)?	None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Earmark
20.205	Streetscape - LCI
20.205	Transportation Enhancement

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

City of Hapeville, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding 2013-001

Criteria – There is lack of adequate segregation of duties and oversight, thus subjecting the financial information to errors, omissions and potential fraud.

Condition – There is a shortage of employees in the accounting functions thereby making the separation of duties difficult. The responsibility for authorizing transactions, recording transactions, and maintaining custody of assets is not always assigned to different personnel. Financial information reporting is also not timely.

Cause – The lack of segregation of duties and timeliness of reports is due to the limited number of employees in the finance department.

Effect – Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected. Timeliness of financial information also impacts the year-end close resulting in an untimely audit.

Recommendation –The City should place a priority on hiring an additional qualified staff person in the finance department. Separation of duties is a basic internal control measure. No one person should have complete control over the financial records. This finding was noted in the prior year.

Response – *Cause* – The City has experienced declines in its financial position since the recession. Consequently most hiring has been frozen, including new finance staff. *Efforts* – However, the department has made some changes in its internal controls by improving documentation, speeding up the reconciliation process, having existing staff sign off on each other's work, clarifying the chain of command, requiring authorization and review of transactions by department heads, etc. The City is intending to fill a vacant position in the last quarter of the current fiscal year. This will allow further division of duties. *Constraints* – However, the City will remain a relatively small city with a correspondingly small staff, an inherent constraint on internal controls. The finance department will continue to implement techniques with better utilization of existing resources, and will work with the auditors to identify and prioritize opportunities to improve controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reported.

**City of Hapeville, Georgia
Schedule of Prior Year Findings
For the Year Ended June 30, 2013**

Finding 2012-1

Criteria – There is lack of adequate segregation of duties and oversight, thus subjecting the financial information to errors, omissions and potential fraud.

Condition – There is a shortage of employees in the accounting functions thereby making the separation of duties difficult. The responsibility for authorizing transactions, recording transactions, and maintaining custody of assets is not always assigned to different personnel.

Cause – The lack of segregation of duties is due to the limited number of employees in the finance department.

Effect – Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected. Timeliness of financial information also impacts the year-end close resulting in an untimely audit.

Recommendation – The City should place a priority on hiring an additional qualified staff person in the finance department. Separation of duties is a basic internal control measure. No one person should have complete control over the financial records.

Status of Corrective Action – While improvements have been made, there is still a lack of adequate segregation of duties. Repeat finding. See page 77 for City of Hapeville's response.