# CITY OF HAPEVILLE
## ANNUAL AUDIT

*Photos by staff and community volunteer Alicia Pitts.*

Fiscal Year Ending June 30, 2011

1891

Hapeville

GEORGIA

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# FISCAL YEAR ENDED
# JUNE 30, 2011

# City of Hapeville, Georgia
# Annual Financial Report
# For the Fiscal Year Ended
# June 30, 2011

**Prepared by**
**Department of Finance**

# City of Hapeville, Georgia
# Annual Financial Report
# Year Ended June 30, 2011

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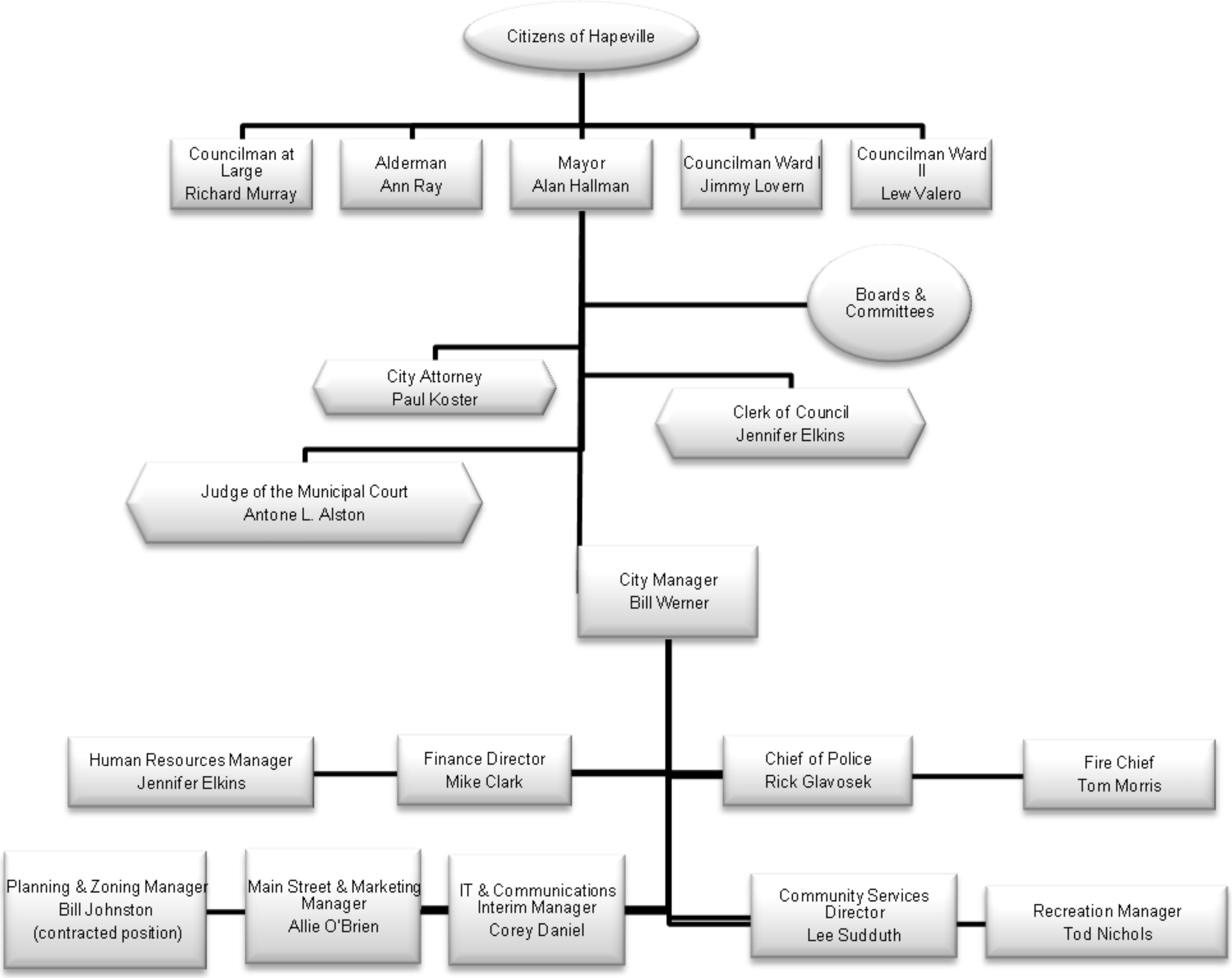

# City of Hapeville, Georgia
# List of Elected and Appointed Officials
# June 30, 2011

## ELECTED OFFICIALS

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

## APPOINTED OFFICIALS

| | |
|---|---|
| City Manager | Bill Werner |
| Director of Finance | Mike Clark |
| Director of Community Services | Lee Sudduth |
| Chief of Police | Rick Glavosek |
| Fire Chief | Tom E. Morris, Jr. |
| City Clerk | 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

BOATWRIGHT
CERTIFIED PUBLIC ACCOUNTANTS
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February 21, 2012

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Hapeville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 7 through 14 and 52 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hapeville, Georgia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and budgetary schedules, and statistical section 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yours truly,

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

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

## Introduction

As management of the City of Hapeville, we offer readers of the City of Hapeville's financial statements this narrative overview and analysis of the financial activities of the City of Hapeville for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

## Overview of the Annual Financial Report

The Annual Financial Report is presented in three distinct sections:

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

## Financial Highlights

### Governmental Funds:

- Total fund balance decreased by $46,113.
- Total fund balance at the close of the fiscal year amounted to $4,053,157.
- Investment in capital assets increased by $2,741,518.
- The increase in capital assets includes $1,392,122 in construction in progress, $296,943 in land and improvements, $437,848 in vehicles and $614,605 for building and infrastructure improvements.
- Two buildings on North Central Avenue were purchased for $170,950 during the year and are under renovation and improvements were made to the HVAC system in City Hall for $95,800 with grant funds received. The Christ Church relocation and renovation project was also completed for a total cost of approximately $276,000.
- Construction in progress at year end includes renovations to Hoyt Smith Conference Center of $250,438, Carriage House costs of approximately $148,000 and LCI, CDBG, TE and Federal stimulus projects amounting to over $1,000,000 during the year.
- Land and Improvements included expenditures for Master Park totaling $262,883.
- New debt was incurred to purchased fire and police vehicles in the amount of $812,942.
- Debt was reduced by $303,450 related to payments on certificates of participation notes, leases, and the new debt.
- The property tax millage rate remained the same at 16.61 mils.

### Proprietary Funds:

### Enterprise Funds:

- Total net assets were $8,558,162, a decrease of $849,268, which included a prior period adjustment of $423,654. See note 3G on page 46.
- Net assets-unrestricted (deficit) was $(217,562), a decrease of $1,123,784.
- Capital assets and construction in progress, net of accumulated depreciation, decreased by $220,531.
- Principal payments on Water-Sewer Revenue Bonds payable were $560,000.
- Contingent liabilities payable related to City of Atlanta projects remained at $3,650,000.
- The Sanitation Fund's expenses exceeded revenues by $79,366. A transfer from Water & Sewer Fund in the amount of $114,604 was done to improve the net assets of the Sanitation Fund.

## Internal Service funds:

- Revenues exceeded expenses by $116,290 before transfer out. Net Assets amounted to $101,806 at the close of the year.

## Overview of the Financial Statements

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

## Required Components of Annual Financial Report

### Basic Financial Statements

The first two statements (**pages 16 through 18**) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (**pages 19 through 28**) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

### Government-wide Financial Statements

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

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

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

## Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hapeville, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Hapeville can be divided into two categories: governmental funds and proprietary funds.

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

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

**Proprietary Funds** – City of Hapeville has two types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Hapeville uses enterprise funds to account for its water and sewer activity and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are included with governmental activities in the government-wide financial statements. City of Hapeville uses internal service funds to account for workers' compensation activity and for its information technology operations. These funds are the same as those functions shown in the governmental activities in the Statement of Net Assets and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages **30-50** of this report.

## Government-Wide Financial Analysis

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and Other Assets | $ 4,880,186 | $ 6,220,295 | $ 1,966,031 | $ 2,335,133 | $ 6,846,217 | $ 8,555,428 |
| Capital Assets | 13,856,338 | 12,359,337 | 14,011,991 | 14,232,522 | 27,868,329 | 26,591,859 |
| Total Assets | 18,736,524 | 18,579,632 | 15,978,022 | 16,567,655 | 34,714,546 | 35,147,287 |
| Long-Term Liabilities Outstanding | 2,135,860 | 1,548,960 | 5,558,122 | 6,138,833 | 7,693,982 | 7,687,793 |
| Other Liabilities | 7,707,388 | 8,948,120 | 1,846,382 | 1,021,392 | 9,553,770 | 9,969,512 |
| Total Liabilities | 9,843,248 | 10,497,080 | 7,404,504 | 7,160,225 | 17,247,752 | 17,657,305 |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 6,735,028 | 5,316,912 | 8,106,862 | 7,829,260 | 14,841,890 | 13,146,172 |
| Restricted | 47,232 | - | 668,862 | 671,948 | 716,094 | 671,948 |
| Unrestricted | 2,111,016 | 2,765,640 | (202,206) | 906,222 | 1,908,810 | 3,671,862 |
| Total Net Assets | $ 8,893,276 | $ 8,082,552 | $ 8,573,518 | $ 9,407,430 | $ 17,466,794 | $ 17,489,982 |

Net assets may serve over time as a useful indicator of a government's financial condition. The assets of the City, on a government-wide basis, exceeded liabilities by $17,466,794 as of June 30, 2011. The net assets decreased by $23,188 for the fiscal year ended June 30, 2011

The largest portion of the net assets, $14,841,890, reflects the City's investment in capital assets (e.g. land, buildings, improvements, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Hapeville uses these capital assets to provide services to citizens and, therefore, these assets are not available for future spending. Net assets include $668,862 restricted for debt service. The remaining balance of unrestricted net assets of $1,908,810 may be used to meet the government's ongoing obligations to citizens and creditors.

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,740,491 | $ 1,543,971 | $ 3,604,871 | $ 3,242,115 | $ 5,345,362 | $ 4,786,086 |
| Operating Grants | 29,354 | 20,100 | - | - | 29,354 | 20,100 |
| Capital Grants | 2,236,472 | 590,972 | - | - | 2,236,472 | 590,972 |
| General Revenues: | | | | | | |
| Property Taxes | 4,521,462 | 4,785,375 | - | - | 4,521,462 | 4,785,375 |
| Other Taxes | 4,826,683 | 4,971,415 | - | - | 4,826,683 | 4,971,415 |
| Other | 25,589 | 318,371 | - | 147,757 | 25,589 | 466,128 |
| Transfers | 141,143 | - | (141,143) | - | - | - |
| Total Revenues | $ 13,521,194 | $ 12,230,204 | $ 3,463,728 | $ 3,389,872 | $ 16,984,922 | $ 15,620,076 |
| Expenses: | | | | | | |
| General Government | $ 1,656,739 | $ 1,485,410 | $ - | $ - | $ 1,656,739 | $ 1,485,410 |
| Public Safety | 6,352,891 | 6,203,308 | - | - | 6,352,891 | 6,203,308 |
| Public Works | 1,221,317 | 1,393,790 | - | - | 1,221,317 | 1,393,790 |
| Culture and Recreation | 505,923 | 501,631 | - | - | 505,923 | 501,631 |
| Parks and Grounds | 806,653 | 735,937 | - | - | 806,653 | 735,937 |
| Planning and Zoning | 997,670 | 944,020 | - | - | 997,670 | 944,020 |
| Trade and Tourism | 966,864 | 927,722 | - | - | 966,864 | 927,722 |
| Interest | 336,976 | 175,689 | - | - | 336,976 | 175,689 |
| Water, Sewer, Sanitation | - | - | 3,873,986 | 3,421,150 | 3,873,986 | 3,421,150 |
| Total Expenses | $ 12,845,033 | $ 12,367,507 | $ 3,873,986 | $ 3,421,150 | $ 16,719,019 | $ 15,788,657 |
| Transfers | - | - | - | - | - | - |
| Increase (Decrease) in Net Assets | $ 676,161 | $ (137,303) | $ (410,258) | $ (31,278) | $ 265,903 | $ (168,581) |
| Prior Period Adjustment | 134,563 | 49,059 | (423,654) | (49,457) | (289,091) | (398) |
| Net Assets, July 1 | 8,082,552 | 8,170,796 | 9,407,430 | 9,488,165 | 17,489,982 | 17,658,961 |
| Net Assets, June 30 | $ 8,893,276 | $ 8,082,552 | $ 8,573,518 | $ 9,407,430 | $ 17,466,794 | $ 17,489,982 |

**Governmental Activities:** Governmental activities increased the City’s net assets by $676,161.

**Business-type Activities**: Business-type activities decreased the City’s net assets by $410,258.

**Prior Period Adjustment**: Prior Period Adjustments of $134,563 in the governmental activities and $(432,654) in the business-type activities resulted in a net decrease to the City's net assets by $(289,091).

## Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Hapeville. At the end of the current fiscal year, unassigned fund balance of the General Fund was $3,479,760. Fund balance nonspendable for prepaid expenses amounted to $176,165 and assigned for vehicle purchase amounted to $350,000. Total fund balance in the general fund decreased by $105,808. The decrease in fund balance was primarily due to continued decrease in property values within Fulton County. The decrease was limited by strong conservation management promulgated by the Major and Council over budgeted expenditures. The total fund balance represents 38.62 percent of total fund expenditures.

At June 30, 2011, the governmental funds of City of Hapeville reported a combined fund balance of $4,053,157, a 1.12 percent decrease over the previous year. Included in this change in fund balance are:

- Proceeds from grants of $1,226,856.
- Capital outlay for infrastructure and equipment of $2,276,910.
- Payments on long-term debt (principal and interest) of $753,136.

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

- Budgeted revenues and other financing sources revenues exceeded actual revenues by $102,711.
- Budgeted expenditures exceeded actual expenditures and other financing uses by $435,575.

**Proprietary Funds**. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets (liabilities) of the Water Sewer Fund and the Sanitation Fund at the end of the fiscal year amounted to $1,103,802 and ($1,321,364), respectively. The increase (decrease) in net assets (liabilities) of both funds amounted to $(460,852) and $35,328, respectively. The unrestricted net assets of the internal service funds amounted to $101,806. Internal Service Funds include the Workers' Compensation Fund and the Information Technology Fund. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Hapeville's business-type activities.

## Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business–type activities as of June 30, 2011, totals $27,868,329 (net of accumulated depreciation). These assets include buildings, equipment, land, improvements and infrastructure. Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

| | | |
|---|---|---|
| Land | $ | 34,060 |
| Autos, trucks and equipment | | 437,848 |
| Building and land improvements | | 33,440 |
| Construction in progress | | 2,211,886 |
| Water and sewer system improvements | | 24,284 |
| Total | $ | 2,741,518 |

### City of Hapeville's Capital Assets

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land and Improvements | $ 4,322,235 | $ 4,025,292 | $ - | $ - | $ 4,322,235 | $ 4,025,292 |
| Construction in Progress | 2,281,908 | 755,223 | - | - | 2,281,908 | 755,223 |
| Buildings and Improvements | 4,702,039 | 4,228,035 | - | - | 4,702,039 | 4,228,035 |
| Vehicles and Equipment | 8,846,077 | 8,408,229 | 830,071 | 715,466 | 9,676,148 | 9,123,695 |
| Infrastructure | 19,617,526 | 19,476,925 | 18,065,425 | 18,065,425 | 37,682,951 | 37,542,350 |
| Totals | $ 39,769,785 | $ 36,893,704 | $ 18,895,496 | $ 18,780,891 | $ 58,665,281 | $ 55,674,595 |

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

**Long-term Debt**. As of June 30, 2011, the City had total bonded debt outstanding in the Water Sewer Fund of $2,475,000. This debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

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

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Certificates of participation | $ 325,000 | $ 515,000 | $ - | $ - |
| Capital leases | 17,656 | 61,669 | - | - |
| Note payable - vehicles | 743,505 | - | - | - |
| Contingent Liability | - | - | 3,650,000 | 3,650,000 |
| Revenue bonds | - | - | 2,475,000 | 3,035,000 |
| Total | $ 1,086,161 | $ 576,669 | $ 6,125,000 | $ 6,685,000 |

The City's total debt decreased by $50,508, (.70%) during the past fiscal year, due to principal, instead of just interest, now being paid on the bonds.

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

Georgia general statutes limit the amount of general obligation debt that a unit of government can issue to 10% percent of the total assessed value of taxable property (adjusted for bond-exemptions) located within that government's boundaries. The legal debt margin for City of Hapeville is approximately $30,600,000. The City has $0 in bonds authorized but un-issued at June 30, 2011.

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

## Next Year's Budgets and Rates

### Budget Highlights for the Fiscal Year Ended June 30, 2012

**Governmental Activities:** The City's millage rate will remain the same at 16.61 mils. Budgeted revenues for FY 2011-2012 decreased by 2.78%. Budgeted expenditures increased by 1.65%. Budgeted revenues are expected to equal budged expenditures.

**Business – type Activities:** The water rates in the City are expected to increase by 12%, in conjunction with an increase in the cost of water charged by its supplier.

## Requests for Information

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

# BASIC FINANCIAL STATEMENTS

# City of Hapeville, Georgia

## Statement of Net Assets

### June 30, 2011

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Hapeville Development Authority | Hapeville Association for Trade and Tourism |
| **Assets** | | | | | |
| Cash and Cash Equivalents | $ 2,959,088 | $ 620,286 | $ 3,579,374 | $ 658,356 | $ 4,215 |
| Investments | 36,201 | - | 36,201 | - | - |
| Restricted Cash and Cash Equivalents | - | 668,862 | 668,862 | - | - |
| Receivables: | | | | | |
| Water and Sewer, Net | - | 428,149 | 428,149 | - | - |
| Property Tax | 558,292 | - | 558,292 | - | - |
| Other Taxes | 232,750 | - | 232,750 | - | - |
| Other Receivables | 628,456 | - | 628,456 | - | - |
| Due from Primary Government | - | - | - | 6,062,429 | 509,744 |
| Internal Balance | (15,356) | 15,356 | - | - | - |
| Intergovernmental | 255,950 | - | 255,950 | - | - |
| Prepaid Assets | 197,525 | 13,507 | 211,032 | - | - |
| Notes Receivable | - | - | - | 155,479 | - |
| Unamortized Bond Costs | 27,280 | 219,871 | 247,151 | 94,353 | - |
| Investment Property - Long-Term | - | - | - | 2,630,202 | - |
| Capital Assets: | | | | | |
| Nondepreciable Capital Assets | 3,649,638 | - | 3,649,638 | - | - |
| Depreciable Capital Assets, Net | 10,206,700 | 14,011,991 | 24,218,691 | - | - |
| Total Assets | 18,736,524 | 15,978,022 | 34,714,546 | 9,600,819 | 513,959 |
| **Liabilities** | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 427,798 | 1,018,887 | 1,446,685 | - | - |
| Accrued Liabilities | 165,846 | 16,138 | 181,984 | - | - |
| Compensated Absences | 205,669 | 26,244 | 231,913 | - | - |
| Customer Deposits | 9,625 | 153,262 | 162,887 | - | - |
| Due to Hapeville Development Authority | 6,062,429 | - | 6,062,429 | - | - |
| Due to Hapeville Association for Trade and Tourism | 509,744 | - | 509,744 | - | - |
| Accrued Interest Payable | 6,850 | 51,851 | 58,701 | 171,108 | - |
| Current Portion of Long-Term Debt | 319,427 | 580,000 | 899,427 | 340,000 | - |
| Total Current Liabilities | 7,707,388 | 1,846,382 | 9,553,770 | 511,108 | - |
| Noncurrent Liabilities | | | | | |
| Compensated Absences | 102,836 | 13,122 | 115,958 | - | - |
| Noncurrent Portion of Long-Term Debt | 766,734 | 1,895,000 | 2,661,734 | 10,085,000 | - |
| Net OPEB Liability | 1,266,290 | - | 1,266,290 | - | - |
| Contingent Liability | - | 3,650,000 | 3,650,000 | - | - |
| Total Noncurrent Liabilities | 2,135,860 | 5,558,122 | 7,693,982 | 10,085,000 | - |
| Total Liabilities | 9,843,248 | 7,404,504 | 17,247,752 | 10,596,108 | - |
| **Net Assets** | | | | | |
| Invested in Capital Assets, Net of Related Debt | 6,735,028 | 8,106,862 | 14,841,890 | - | - |
| Restricted for: | | | | | |
| Program Purposes | 47,232 | - | 47,232 | - | - |
| Debt Service | - | 668,862 | 668,862 | - | - |
| Unrestricted | 2,111,016 | (202,206) | 1,908,810 | (995,289) | 513,959 |
| Total Net Assets | $ 8,893,276 | $ 8,573,518 | $ 17,466,794 | $ (995,289) | $ 513,959 |

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

# City of Hapeville, Georgia
## Statement of Activities
### For The Year Ended June 30, 2011

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | Component Units | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** | **Hapeville Development Authority** | **Hapeville Association for Trade and Tourism** |
| **Primary Government** | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| General Government | $ 1,656,739 | $ 141,315 | $ 29,354 | $ 1,219,789 | $ (266,281) | $ - | $ (266,281) | $ - | $ - |
| Public Safety | 6,352,891 | 681,422 | - | - | (5,671,469) | - | (5,671,469) | - | - |
| Public Works | 1,221,317 | - | - | - | (1,221,317) | - | (1,221,317) | - | - |
| Culture and Recreation | 505,923 | 50,632 | - | - | (455,291) | - | (455,291) | - | - |
| Parks and Grounds | 806,653 | - | - | - | (806,653) | - | (806,653) | - | - |
| Planning, Zoning and | | | | | - | | - | | |
| Development | 997,670 | 85,109 | - | - | (912,561) | - | (912,561) | - | - |
| Tourism | 966,864 | 782,013 | - | 1,016,683 | 831,832 | - | 831,832 | - | - |
| Interest Expense | 336,976 | - | - | - | (336,976) | - | (336,976) | - | - |
| Total Governmental Activities | 12,845,033 | 1,740,491 | 29,354 | 2,236,472 | (8,838,716) | - | (8,838,716) | - | - |
| Business-type Activities | | | | | | | | | |
| Water and Sewer Utilities | 3,335,691 | 3,141,780 | - | - | - | (193,911) | (193,911) | - | - |
| Sanitation Utilities | 538,295 | 463,091 | - | - | - | (75,204) | (75,204) | - | - |
| Total Business-type Activities | 3,873,986 | 3,604,871 | - | - | - | (269,115) | (269,115) | - | - |
| Total Primary Government | $ 16,719,019 | $ 5,345,362 | $ 29,354 | $ 2,236,472 | $ (8,838,716) | $ (269,115) | $ (9,107,831) | $ - | $ - |
| **Component Units** | | | | | | | | | |
| Hapeville Development Authority | | | | | | | | | |
| General Government | 38,910 | $ - | $ - | $ - | $ - | $ - | $ - | $ (38,910) | $ - |
| Interest Expense | 105,975 | - | - | - | - | - | - | (105,975) | - |
| Hapeville Association for Trade and Tourism | 1,718,227 | 939,209 | 1,800 | - | - | - | - | - | (777,218) |
| Total Component Units | $ 1,863,112 | $ 939,209 | $ 1,800 | $ - | $ - | $ - | $ - | $ (144,885) | $ (777,218) |

*(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, 2011

*(Continued)*

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Hapeville Development Authority | Hapeville Association for Trade and Tourism |
| **Changes in Net Assets** | | | | | |
| General Revenues | | | | | |
| Taxes | | | | | |
| Property Taxes | $ 4,521,462 | $ - | $ 4,521,462 | $ - | $ - |
| Sales Taxes | 1,503,326 | - | 1,503,326 | - | - |
| Occupation Taxes | 251,795 | - | 251,795 | - | - |
| Franchise Taxes | 682,581 | - | 682,581 | - | - |
| Insurance Premium Tax | 344,731 | - | 344,731 | - | - |
| Tourism Development (Hotel/Motel) Taxes | 1,622,430 | - | 1,622,430 | - | - |
| Other Taxes | 421,820 | - | 421,820 | - | - |
| Total Taxes | 9,348,145 | - | 9,348,145 | - | - |
| Interest, Investment, and Penalties Revenues | 861 | - | 861 | 8,461 | - |
| Gain on Sale of Capital Assets | 223 | - | 223 | 119,725 | - |
| Other Revenues | 24,505 | - | 24,505 | 7,650 | - |
| Transfers | 141,143 | (141,143) | - | - | - |
| Total General Revenues and Transfers | 9,514,877 | (141,143) | 9,373,734 | 135,836 | - |
| Change in Net Assets | 676,161 | (410,258) | 265,903 | (9,049) | (777,218) |
| Prior Period Adjustment | 134,563 | (423,654) | (289,091) | - | - |
| Net Assets/(Deficit) - Beginning | 8,082,552 | 9,407,430 | 17,489,982 | (986,240) | 1,291,177 |
| Net Assets/(Deficit) - Ending | $ 8,893,276 | $ 8,573,518 | $ 17,466,794 | $ (995,289) | $ 513,959 |

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

# City of Hapeville, Georgia
## Balance Sheet
## Governmental Funds
### June 30, 2011

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | $ 2,765,703 | $ 49,662 | $ 2,815,365 |
| Investments | 36,201 | - | 36,201 |
| Receivables | | | |
| Property Taxes | 558,292 | - | 558,292 |
| Other Taxes Receivable | 137,806 | 94,944 | 232,750 |
| Other Receivables | 30,339 | 598,117 | 628,456 |
| Intergovernmental Receivables | 255,950 | - | 255,950 |
| Interfund | 540,067 | 32,956 | 573,023 |
| Due from Component Units | 319,928 | - | 319,928 |
| Prepaid Assets | 176,165 | - | 176,165 |
| Total Assets | $ 4,820,451 | $ 775,679 | $ 5,596,130 |
| **Liabilities and Fund Balance** | | | |
| **Liabilities** | | | |
| Accounts Payable | $ 180,074 | $ 188,380 | $ 368,454 |
| Accrued Liabilities | 163,920 | - | 163,920 |
| Customer Deposits | 9,625 | - | 9,625 |
| Unearned Revenue | 427,951 | - | 427,951 |
| Due to Other Funds | 32,956 | 540,067 | 573,023 |
| Total Liabilities | 814,526 | 728,447 | 1,542,973 |
| **Fund Balance** | | | |
| Nonspendable: | | | |
| Prepaid Items | 176,165 | - | 176,165 |
| Restricted for: | | | |
| Program Purposes | - | 47,232 | 47,232 |
| Assigned - Vehicle Purchase | 350,000 | - | 350,000 |
| Unassigned | 3,479,760 | - | 3,479,760 |
| Total Fund Balance | 4,005,925 | 47,232 | 4,053,157 |
| Total Liabilities and Fund Balance | $ 4,820,451 | $ 775,679 | $ 5,596,130 |

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

# City of Hapeville, Georgia
## Reconciliation of the Balance Sheet of Governmental Funds
## to the Statement of Net Assets
### June 30, 2011

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $ 4,053,157 |
| *Amounts reported for governmental activities in the statement of net assets are different because:* | | |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. | | |
| Cost of capital assets | $ 39,769,785 | |
| Less accumulated depreciation | (25,913,447) | 13,856,338 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds: | | |
| Property taxes | | 427,951 |
| Bond issue costs are not financial resources and therefore not reported in the funds. However, the cost of these assets are capitalized and amortized over the life of the loan through the annual amortization expense. | | |
| Debt issue costs | 60,097 | |
| Less accumulated amortization | (32,817) | 27,280 |
| Internal service funds are used by management to charge the costs of certain activities such as health insurance, worker's compensation and information technology to individual funds. Governmental activities net assets have been increased by the effect of the internal service funds net assets. | | 101,806 |
| Plus accrued compensated absences payable included in Internal Service Funds | | 2,007 |
| Less interfund payable to Enterprise Funds from eliminating entries of Internal Service Funds | | (15,356) |
| Liabilities not due and payable in the current period and therefore are not reported in the funds: | | |
| Compensated absences payable | | (308,505) |
| Accrued interest | | (6,850) |
| Capital leases payable | | (17,656) |
| Certificate of participation | | (325,000) |
| Notes payable | | (743,505) |
| Net OPEB obligation | | (1,266,290) |
| Transfer of portion of bond proceeds from component unit to pay off debt of governmental fund and reported as due to component unit on government-wide statement of net assets | | (6,892,101) |
| Net Assets of Governmental Activities | | $ 8,893,276 |

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, 2011

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | | | |
| Property | $ 4,456,779 | $ - | $ 4,456,779 |
| Sales | 1,503,326 | - | 1,503,326 |
| Occupation | 251,795 | - | 251,795 |
| Franchise | 682,581 | - | 682,581 |
| Insurance Premium | 344,731 | - | 344,731 |
| Hotel-Motel | 695,373 | - | 695,373 |
| Other Taxes | 387,058 | 961,818 | 1,348,876 |
| Licenses and Permits | 217,233 | - | 217,233 |
| Charges for Services | 906,591 | 100,182 | 1,006,773 |
| Fines and Forfeitures | 454,218 | 75,218 | 529,436 |
| Interest on Investments | 861 | - | 861 |
| Contributions and Donations | 22,288 | - | 22,288 |
| Grant Revenue | - | 1,226,856 | 1,226,856 |
| Other Revenue | 28,993 | 1,016,682 | 1,045,675 |
| Total Revenues | 9,951,827 | 3,380,756 | 13,332,583 |
| **Expenditures** | | | |
| General | | | |
| General Government | 1,527,387 | 6,000 | 1,533,387 |
| Public Safety | 6,009,964 | 189,791 | 6,199,755 |
| Public Works | 686,546 | - | 686,546 |
| Culture and Recreation | 503,580 | 7,066 | 510,646 |
| Parks and Grounds | 819,179 | - | 819,179 |
| Planning, Zoning and Development | 782,569 | - | 782,569 |
| Trade and Tourism | 42,655 | 939,209 | 981,864 |
| Capital Outlay | - | 2,276,910 | 2,276,910 |
| Debt Service | | | |
| Principal | - | 409,437 | 409,437 |
| Interest | - | 343,699 | 343,699 |
| Total Expenditures | 10,371,880 | 4,172,112 | 14,543,992 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (420,053) | (791,356) | (1,211,409) |
| **Other Financing Sources (Uses)** | | | |
| Note Proceeds | 812,942 | - | 812,942 |
| Sale of Capital Assets | 223 | - | 223 |
| Transfers In | - | 851,051 | 851,051 |
| Transfers Out | (498,920) | - | (498,920) |
| Total Other Financing Sources (Uses) | 314,245 | 851,051 | 1,165,296 |
| Net Change in Fund Balances | (105,808) | 59,695 | (46,113) |
| **Fund Balance, Beginning of Year** | 4,111,733 | (12,463) | 4,099,270 |
| **Fund Balance, End of Year** | $ 4,005,925 | $ 47,232 | $ 4,053,157 |

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, 2011

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ (46,113) |
| ***Amounts reported for governmental activities in the statement of activities are different because:*** | | |
| Decrease in Investment in Joint Venture | | (17,440) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | | |
| Depreciation expense | $ (1,379,080) | |
| Capital outlay | 2,741,517 | 1,362,437 |
| 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, 2011 | 427,951 | |
| Deferred at June 30, 2010 | (363,269) | 64,682 |
| Repayment of the capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 44,013 |
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| Principal payments of long-term debt | 259,437 | |
| Amortization of debt issue costs | (7,638) | 251,799 |
| 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. | | |
| Compensated absences (including a portion included in IT fund) | | 145,027 |
| Interest earned on note receivable recorded on Government-Wide Statements in prior year. | | 4,085 |
| New note reported as proceeds from debt in governmental funds increases long-term debt for Government-Wide Statement and reduces revenues. | | (812,942) |
| The repayment of principal of long-term debt of component unit (HATT) by governmental funds was recorded as an adjustment to the amount due to the component unit | | 150,000 |
| Net OPEB Obligation in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | (361,973) |
| Increase in internal balances due to elimination of internal service funds that were generated in business activities | | (15,356) |
| Interest on long-term debt in the government-wide statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of financial resources. In the government-wide statement of activities interest expense is recognized as the interest accrues, regardless of when it is due. This year interest accrued exceeded the interest paid by this amount. | | 2,640 |
| The net revenue (expense) of the internal service fund is included in the Government-Wide Statement of Activities and Changes in Net Assets. | | (94,698) |
| **Change in Net Assets of Governmental Activities** | | $ 676,161 |

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, 2011

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 8,504,025 | $ 8,504,025 | $ 8,321,643 | $ (182,382) |
| Licenses and Permits | 287,000 | 287,000 | 217,233 | (69,767) |
| Charges for Services | 881,149 | 913,136 | 906,591 | (6,545) |
| Fines and Forfeitures | 315,000 | 315,000 | 454,218 | 139,218 |
| Interest Income | - | - | 861 | 861 |
| Contributions and Donations | 13,800 | 13,800 | 22,288 | 8,488 |
| Other Local Revenue | 21,800 | 21,800 | 28,993 | 7,193 |
| Total Revenues | 10,022,774 | 10,054,761 | 9,951,827 | (102,934) |
| **Expenditures** | | | | |
| General | | | | |
| General Government | | | | |
| Administration | 1,504,627 | 1,533,959 | 1,527,387 | 6,572 |
| Public Safety | | | | |
| Police Services | 3,013,645 | 3,220,245 | 3,160,610 | 59,635 |
| Fire Services | 2,742,037 | 3,220,979 | 2,849,354 | 371,625 |
| Total Public Safety | 5,755,682 | 6,441,224 | 6,009,964 | 431,260 |
| Public Works | 702,587 | 702,587 | 686,546 | 16,041 |
| Culture and Recreation | 497,833 | 497,833 | 503,580 | (5,747) |
| Parks and Grounds | 768,246 | 819,246 | 819,179 | 67 |
| Planning, Zoning and Development | 817,058 | 849,045 | 782,569 | 66,476 |
| Trade and Tourism | 40,000 | 40,000 | 42,655 | (2,655) |
| Total Expenditures | 10,086,033 | 10,883,894 | 10,371,880 | 512,014 |
| Excess of Revenues Over Expenditures | (63,259) | (829,133) | (420,053) | 409,080 |
| **Other Financing Sources (Uses)** | | | | |
| Note Proceeds | - | 812,942 | 812,942 | - |
| Sale of Capital Assets | - | - | 223 | 223 |
| Transfers Out | (229,481) | (422,481) | (498,920) | (76,439) |
| Total Other Financing Sources (Uses) | (229,481) | 390,461 | 314,245 | (76,216) |
| Net Change in Fund Balances | (292,740) | (438,672) | (105,808) | 332,864 |
| **Fund Balance, Beginning of Year** | 4,111,733 | 4,111,733 | 4,111,733 | - |
| **Fund Balance, End of Year** | $ 3,818,993 | $ 3,673,061 | $ 4,005,925 | $ 332,864 |

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

# City of Hapeville, Georgia
## Statement of Net Assets
## Proprietary Funds
## June 30, 2011

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|---|---|---|---|
| | Water and Sewer Fund | Sanitation Fund | Totals | |
| **Assets** | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | $ 620,286 | $ - | $ 620,286 | $ 143,723 |
| Accounts Receivable, net | 375,918 | 52,230 | 428,148 | - |
| Due from Sanitation Fund | 1,336,919 | - | 1,336,919 | - |
| Prepaid Expenses | 9,783 | 3,725 | 13,508 | 21,360 |
| Total Current Assets | 2,342,906 | 55,955 | 2,398,861 | 165,083 |
| Noncurrent Assets | | | | |
| Restricted Cash - Revenue Bonds | 668,862 | - | 668,862 | - |
| Unamortized Bond Costs | 219,871 | - | 219,871 | - |
| Capital Assets (Net of Accumulated Depreciation) | 13,878,454 | 133,537 | 14,011,991 | - |
| Total Noncurrent Assets | 14,767,187 | 133,537 | 14,900,724 | - |
| Total Assets | 17,110,093 | 189,492 | 17,299,585 | 165,083 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts Payable | 1,011,769 | 7,118 | 1,018,887 | 4,148 |
| Accrued Liabilities | 7,734 | 8,404 | 16,138 | 57,123 |
| Compensated Absences | 9,659 | 16,585 | 26,244 | 1,337 |
| Due to Water and Sewer Fund | - | 1,336,919 | 1,336,919 | - |
| Accrued Expenses Payable from Restricted Assets: | | | | |
| Customer Deposits | 153,262 | - | 153,262 | - |
| Bond Interest Payable | 51,851 | - | 51,851 | - |
| Current Portion of Revenue Bonds Payable | 580,000 | - | 580,000 | - |
| Total Current Liabilities | 1,814,275 | 1,369,026 | 3,183,301 | 62,608 |
| Noncurrent Liabilities | | | | |
| Compensated Absences | 4,829 | 8,293 | 13,122 | 669 |
| Revenue Bonds Payable | 1,895,000 | - | 1,895,000 | - |
| Contingent Liability | 3,650,000 | - | 3,650,000 | - |
| Total Liabilities | 7,364,104 | 1,377,319 | 8,741,423 | 63,277 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 7,973,325 | 133,537 | 8,106,862 | - |
| Restricted for: | | | | |
| Debt Service | 668,862 | - | 668,862 | - |
| Unrestricted | 1,103,802 | (1,321,364) | (217,562) | 101,806 |
| Total Net Assets (Deficit) | $ 9,745,989 | $ (1,187,827) | $ 8,558,162 | $ 101,806 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 15,356 | |
| Net Assets of Business-type Activities | | | $ 8,573,518 | |

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

# City of Hapeville, Georgia
## Statement of Revenues, Expenses and Changes in Net Assets
## Proprietary Funds
## For The Year Ended June 30, 2011

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|---|---|---|---|
| | Water and Sewer Fund | Sanitation Fund | Totals | |
| **Operating Revenue** | | | | |
| Water Sales | $ 1,922,738 | $ - | $ 1,922,738 | $ - |
| Sewer Charges | 1,132,448 | - | 1,132,448 | - |
| Sanitation Charges | - | 452,828 | 452,828 | - |
| Other Services or Charges | 99,847 | 10,262 | 110,109 | 794,149 |
| Total Operating Revenue | 3,155,033 | 463,090 | 3,618,123 | 794,149 |
| **Operating Expenses** | | | | |
| Salaries | 286,266 | 233,886 | 520,152 | 100,343 |
| Payroll Taxes and Employee Benefits | 87,843 | 62,360 | 150,203 | 43,989 |
| Water Purchased | 2,000,270 | - | 2,000,270 | - |
| Insurance | 100,295 | 50,955 | 151,250 | 137,062 |
| Utilities | 29,769 | - | 29,769 | - |
| Repairs and Maintenance | 105,723 | 20,810 | 126,533 | 4,081 |
| Communications | - | - | - | 138,558 |
| Contracted Services | 16,959 | - | 16,959 | - |
| Supplies and Miscellaneous | 13,166 | 10,634 | 23,800 | 3,295 |
| Vehicle and Equipment Expenses | 66,251 | 53,127 | 119,378 | 237,609 |
| Professional Fees | 71,081 | 107,606 | 178,687 | 8,047 |
| Dues | 1,634 | - | 1,634 | - |
| Education and Training | - | - | - | 3,090 |
| Travel | - | - | - | 1,785 |
| Depreciation | 332,058 | 3,078 | 335,136 | - |
| Amortization | 61,867 | - | 61,867 | - |
| Bad Debt Expense | 70,000 | - | 70,000 | - |
| Total Operating Expenses | 3,243,182 | 542,456 | 3,785,638 | 677,859 |
| Operating Income (Loss) | (88,149) | (79,366) | (167,515) | 116,290 |
| **Non-Operating Revenue (Expense)** | | | | |
| Investment Expenses | (13,253) | - | (13,253) | - |
| Interest Expense | (103,703) | - | (103,703) | - |
| Income (Loss) Before Transfers | (205,105) | (79,366) | (284,471) | 116,290 |
| Transfers | | | | |
| Transfers In/(Out) | (255,747) | 114,604 | (141,143) | (210,988) |
| Change in Net Assets | (460,852) | 35,238 | (425,614) | (94,698) |
| Prior Period Adjustment | (423,654) | - | (423,654) | - |
| **Total Net Assets (Deficit), Beginning of Year** | 10,630,495 | (1,223,065) | 9,407,430 | 196,504 |
| **Total Net Assets (Deficit), End of Year** | $ 9,745,989 | $ (1,187,827) | $ 8,558,162 | $ 101,806 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 15,356 | |
| Net Assets of Business-type Activities | | | $ 8,573,518 | |

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, 2011

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - |
|---|---|---|---|---|
| | Water and Sewer Fund | Sanitation Fund | Totals | Internal Service Funds |
| **Cash Flows from Operating Activities** | | | | |
| Receipts from Customers and Users | $ 3,094,261 | $ 451,306 | $ 3,545,567 | $ 794,150 |
| Payments to Suppliers | (2,009,590) | (315,032) | (2,324,622) | (494,164) |
| Payments to Employees | (381,896) | (228,016) | (609,912) | (145,236) |
| Net Cash Provided by Operating Activities | 702,775 | (91,742) | 611,033 | 154,750 |
| **Cash Flows from Non-Capital and Related Financing Activities** | | | | |
| Investment Expenses | (13,253) | - | (13,253) | - |
| Loan to Sanitation Fund | (91,743) | 91,743 | - | - |
| Transfers In (Out) | (255,747) | 114,604 | (141,143) | (210,988) |
| Net Cash Flows From (Used) by Non-Capital and Related Financing Activities | (360,743) | 206,347 | (154,396) | (210,988) |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Additions to Capital Assets | - | (114,604) | (114,604) | - |
| Principal Paid on Long-term Debt | (560,000) | - | (560,000) | - |
| Interest Paid on Long-term Debt | (115,435) | - | (115,435) | - |
| Net Cash Flows Used by Capital and Related Financing Activities | (675,435) | (114,604) | (790,039) | - |
| Net Increase (Decrease) in Cash | (333,403) | 1 | (333,402) | (56,238) |
| Cash, Beginning of Year | 1,622,551 | - | 1,622,551 | 199,961 |
| Cash, End of Year | $ 1,289,148 | $ 1 | $ 1,289,149 | $ 143,723 |
| Classified As: | | | | |
| Unrestricted - Cash and Cash Equivalents | $ 620,286 | $ - | $ 620,286 | $ 143,723 |
| Restricted | 668,862 | - | 668,862 | - |
| | $ 1,289,148 | $ - | $ 1,289,148 | $ 143,723 |
| **Cash Flows from Operating Activities** | | | | |
| Operating Income (Loss) | $ (88,149) | $ (79,366) | $ (167,515) | $ 116,290 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | | | | |
| Depreciation and Amortization | 393,925 | 3,078 | 397,003 | - |
| Changes in Assets and Liabilities | | | | |
| Decrease (Increase) in Net Accounts Receivable | 972 | (11,784) | (10,812) | - |
| Increase (Decrease) in Accounts Payable | 395,558 | (9,540) | 386,018 | (13,165) |
| Increase (Decrease) in Accrued Expenses | (7,787) | 5,870 | (1,917) | 51,625 |
| Increase (Decrease) in Customer Utility Deposits | 8,256 | - | 8,256 | - |
| Net Cash Provided (Used) by Operating Activities | $ 702,775 | $ (91,742) | $ 611,033 | $ 154,750 |

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

# City of Hapeville, Georgia
## Statement of Fiduciary Net Assets
## Fiduciary Funds
## June 30, 2011

| | Pension Trust Fund |
|---|---|
| **Assets** | |
| Employer contribution Receivable | $ 98,900 |
| Investments at Fair Value | |
| Pooled Separate Accounts | |
| Money Market and Fixed Income Funds | 8,635,149 |
| Large Capital and Growth Funds | 8,093,579 |
| Mid Capital and Growth funds | 3,654,299 |
| Small Capital Funds | 1,185,145 |
| Total Investments | 21,568,172 |
| Total Assets | 21,667,072 |
| **Net Assets** | |
| Held in Trust for Pension Benefits | $ 21,667,072 |

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

# City of Hapeville, Georgia
# Statement of Changes in Fiduciary Net Assets
## Fiduciary Funds
## Year Ended June 30, 2011

| | Pension Trust Fund |
|---|---|
| **Additions** | |
| Contributions: | |
| Employer | $ 1,147,023 |
| Total Contributions | 1,147,023 |
| Investment Income | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 3,774,113 |
| Total Additions | 4,921,136 |
| **Deductions** | |
| Benefit Payments | 2,196,367 |
| Total Deductions | 2,196,367 |
| Change in Net Assets | 2,724,769 |
| **Net Assets Held in Trust for Pension Benefits** | |
| Beginning of Year | 18,942,303 |
| End of Year | $ 21,667,072 |

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

# NOTES TO FINANCIAL STATEMENTS

## *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-side financial statements to emphasize that it is legally separate from the City. There are no blended component units.

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

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

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

### *1-B. Basis of Presentation*

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 Assets, 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.

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 thought 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 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.

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 specific revenues that are legally restricted to expenditure for particular purposes.

- The ***capital projects funds*** account for construction projects over one year in length financed either by Federal or state grants or funded by the City.

- The ***debt service fund*** accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental 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.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

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

The estimated useful lives are as follows:

| | **Years** |
|---|---|
| Infrastructure | 10-20 |
| Buildings | 40-50 |
| Land and Building 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 certificates of participation notes payable, bonds payable and accrued compensated absences.

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

### *1-D-7 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 assets”.

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

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

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

- ***Unrestricted*** – consists of net assets designated internally and undesignated.

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

The following fund balance classifications describe the relative strength of the spending constraints place on the purposes for which resources can be used:

- ***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.

- ***Unassigned*** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

### *1-D-8 Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted). Transfers between funds reported in the governmental activities column are eliminated.

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

### *1-D-9 Estimates*

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

## *Note 2 – Stewardship, Compliance and Accountability*

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

### *2-A. Budgets and Budgetary Accounting*

Prior to July 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. After revisions, if any, by the council, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council.
Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding do not constitute expenditures or liabilities and are re-appropriated in the subsequent year. Unencumbered appropriations lapse at year-end.

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

For the year ended June 30, 2011, expenditures exceeded appropriations in the Parks and Grounds department by $5,747 and in the Trade and Tourism department by $2,655 within the General Fund. These over expenditures were funded by available fund balance.

### *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 not 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, 2011, 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:

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

For the year ended June 30, 2011, 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, 2011, 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 $3,759,050 at June 30, 2011, 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 $657,317, which was $250,000 was fully secured with federal depository insurance and $407,317 was unsecured. Cash for Hapeville Association for Tourism and Trade, Inc. (a discretely presented component unit) was also entirely covered by federal depository insurance.

### *Investments – Credit Risk*

As of June 30, 2011, the City had the following investments:

| | Investment | Maturities | Fair Value |
|---|---|---|---|
| **Governmental Funds:** | | | |
| Georgia Extended Asset Pool | $ 36,201 | varies | $ 36,201 |

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

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

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

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

### *3-B. Receivables*

Accounts receivable for the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist primarily of franchise tax, property tax, occupation tax, hotel/motel tax and intergovernmental receivables arising from grants and due from the County from sales tax collections. An allowance for doubtful accounts was recorded for the utility receivables at $33,100 for year ended June 30, 2011.

### *3-C. Capital Assets*

Capital asset activity for the year ended June 30, 2011, was as follows:

| **Governmental activities** | **Beginning Balance** | **Increases** | **Prior Period Adjustment** | **Transfers and Reclassifications** | **Ending Balance** |
|---|---|---|---|---|---|
| Non-depreciable | | | | | |
| Land | $ 1,333,670 | $ 34,060 | $ - | $ - | $ 1,367,730 |
| Construction in Progress | 755,223 | 2,211,886 | 134,563 | (819,764) | 2,281,908 |
| Total non-depreciable assets | 2,088,893 | 2,245,946 | 134,563 | (819,764) | 3,649,638 |
| Depreciable | | | | | |
| Buildings and Improvements | 4,228,035 | 33,440 | - | 440,564 | 4,702,039 |
| Land Improvements | 2,691,622 | - | - | 262,883 | 2,954,505 |
| Autos, Trucks and Equipment | 8,408,229 | 437,848 | - | - | 8,846,077 |
| Infrastructure | 19,476,925 | 24,284 | - | 116,317 | 19,617,526 |
| Total depreciable assets | 34,804,811 | 495,572 | - | 819,764 | 36,120,147 |
| Less accumulated depreciation | | | | | |
| Buildings and Improvements | (1,978,045) | (96,944) | - | - | (2,074,989) |
| Land Improvements | (1,766,538) | (99,818) | - | - | (1,866,356) |
| Autos, Trucks and Equipment | (6,129,871) | (573,346) | - | - | (6,703,217) |
| Infrastructure | (14,659,913) | (608,972) | - | - | (15,268,885) |
| Total accumulated depreciation | (24,534,367) | (1,379,080) | - | - | (25,913,447) |
| Net depreciable assets | 10,270,444 | (883,508) | - | 819,764 | 10,206,700 |
| Governmental activities capital assets, net | $ 12,359,337 | $ 1,362,438 | $ 134,563 | $ - | $ 13,856,338 |

| **Business- type activities** | **Beginning Balance** | **Increases** | **Decreases** | **Transfers and Reclassifications** | **Ending Balance** |
|---|---|---|---|---|---|
| Non-depreciable | | | | | |
| Construction in Progress | $ - | $ - | $ - | $ - | $ - |
| Total non-depreciable assets | - | - | - | - | - |
| Depreciable | | | | | |
| Water and Sewer System | 18,065,425 | - | - | - | 18,065,425 |
| Autos, Trucks and Equipment | 715,466 | 114,605 | - | - | 830,071 |
| Total depreciable assets | 18,780,891 | 114,605 | - | - | 18,895,496 |
| Less accumulated depreciation | | | | | |
| Water and Sewer System | (3,990,980) | (300,067) | - | - | (4,291,047) |
| Autos, Trucks and Equipment | (557,389) | (35,069) | - | - | (592,458) |
| Total accumulated depreciation | (4,548,369) | (335,136) | - | - | (4,883,505) |
| Net depreciable assets | 14,232,522 | (220,531) | - | - | 14,011,991 |
| Business-type capital assets, net | $ 14,232,522 | $ (220,531) | $ - | $ - | $ 14,011,991 |

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

| | |
|---|---|
| **Governmental activities depreciation expense** | |
| General Government and Administration | $ 125,242 |
| Community Service | 181,550 |
| Culture and Recreation | 7,592 |
| Planning, Zoning and Development | 94,791 |
| Parks and Grounds | 11,467 |
| Public Safety | 435,931 |
| Public Works | 522,507 |
| Total Depreciation Expense | $ 1,379,080 |
| | |
| **Business-type activities** | |
| Water and Sewer | $ 332,058 |
| Sanitation | 3,078 |
| | $ 335,136 |

### *3-D. Long-Term Debt*

### Primary Government

Long-term liability activity for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Capital Lease - Telephone Equipment | $ 19,023 | $ - | $ 9,763 | $ 9,260 | $ 9,260 |
| Capital Lease - Computer Equipment | 1,393 | - | 1,393 | - | - |
| Capital Lease - Telecommunications | 41,253 | - | 32,857 | 8,396 | 8,396 |
| Note Payable - Vehicles Purchased | - | 812,942 | 69,437 | 743,505 | 141,771 |
| Certificates of Participation | 515,000 | - | 190,000 | 325,000 | 160,000 |
| Compensated Absences | 454,436 | 714,097 | 860,028 | 308,505 | 205,669 |
| Total | $ 1,031,105 | $ 1,527,039 | $ 1,163,478 | $ 1,394,666 | $ 525,096 |
| **Business-Type Activities** | | | | | |
| Revenue Bonds Payable | $ 3,035,000 | $ - | $ 560,000 | $ 2,475,000 | $ 580,000 |
| Compensated Absences | 41,500 | 47,723 | 49,857 | 39,366 | 26,244 |
| Contingent Liability | 3,500,000 | 150,000 | - | 3,650,000 | - |
| Total | $ 6,576,500 | $ 197,723 | $ 609,857 | $ 6,164,366 | $ 606,244 |

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

**Capital Leases.** The City financed the purchase of telephone equipment through Key Government Finance, Inc. in 2007. The original amount of the lease was $47,078 with payments to be made over 60 months for $857 including interest at 3.56%. The remaining debt service requirement to maturity is $9,425 with $166 representing interest for a net present amount of $9,260.

The City financed the purchase of computer equipment through Key Government Finance, Inc. in 2008. The original amount of the lease was $36,062 with payments to be made over 36 months for $1,180 including interest at 2.84%. This debt was paid off during the fiscal year.

The City financed the purchase of telecommunications equipment through Key Government Finance, Inc. in 2006. The original amount of the lease was $154,673 with payments to be made over 60 months for $2,815 including interest at 3.52%. The remaining debt service requirement to maturity is $8,445 with $49 representing interest for a net present amount of $8,396.

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

| | Total |
|---|---|
| Year Ending June 30, 2012 | $ 17,656 |
| Less amount representing interest | (215) |
| Present value of minimum lease payments | $ 17,441 |

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

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

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30, | | | |
| 2012 | $ 160,000 | $ 13,110 | $ 173,110 |
| 2013 | 165,000 | 5,750 | 170,750 |
| | $ 325,000 | $ 18,860 | $ 343,860 |

**Note Payable.** 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 for $13,372 including interest at 2.75%.

The remaining note payable currently outstanding is as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30, | | | |
| 2012 | $ 141,771 | $ 18,689 | $ 160,460 |
| 2013 | 145,724 | 14,736 | 160,460 |
| 2014 | 112,006 | 10,890 | 122,896 |
| 2015 | 76,825 | 8,506 | 85,331 |
| 2016 | 66,610 | 6,435 | 73,045 |
| 2017-2021 | 200,569 | 11,639 | 212,208 |
| | $ 743,505 | $ 70,895 | $ 814,400 |

**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:

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30, | | | |
| 2012 | $ 580,000 | $ 91,551 | $ 675,434 |
| 2013 | 605,000 | 66,726 | 671,726 |
| 2014 | 630,000 | 40,853 | 670,853 |
| 2015 | 660,000 | 13,827 | 673,827 |
| | $ 2,475,000 | $ 212,957 | $ 2,691,840 |

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

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

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

During the year ending June 30, 2009, Hapeville's consultant in these matters reassessed the potential liability and advised the City of Hapeville to increase the liability to $3,500,000. Atlanta indicates an amount of $6,000,000 should be paid. Negotiations are ongoing with Atlanta to settle. No settlement has been reached and no payments on the $3,500,000 are being paid until an agreement is reached. Therefore the payable is classed as a noncurrent liability. Since Hapeville has some justification for not paying the entire $6 million and it is unknown whether Atlanta will accept the $3,500,000 as a final payment. During year ended June 30, 2010, the City recorded an additional $150,000 liability amount to increase the contingent liability to $3,650,000. No additional increase was warranted for the year ended June 30, 2011.

## Hapeville Development Authority

Long-term liability activity for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities** | | | | | |
| Revenue Bonds Payable | | | | | |
| Series 2004A | $ 4,680,000 | $ - | $ 65,000 | $ 4,615,000 | $ 65,000 |
| Series 2004B | 3,970,000 | - | 175,000 | 3,795,000 | 185,000 |
| Series 2007 | 2,100,000 | - | 85,000 | 2,015,000 | 90,000 |
| | $ 10,750,000 | $ - | $ 325,000 | $ 10,425,000 | $ 340,000 |

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

Series 2004A Revenue Bonds currently outstanding are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30, | | | |
| 2012 | $ 65,000 | $ 219,960 | $ 284,960 |
| 2013 | 70,000 | 216,720 | 286,720 |
| 2014 | 75,000 | 213,240 | 288,240 |
| 2015 | 75,000 | 209,640 | 284,640 |
| 2016 | 490,000 | 196,080 | 686,080 |
| 2017-2021 | 2,835,000 | 594,120 | 3,429,120 |
| 2022-2025 | 1,005,000 | 58,920 | 1,063,920 |
| | $ 4,615,000 | $ 1,708,680 | $ 6,323,680 |

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

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

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30, | | | |
| 2012 | $ 185,000 | $ 99,968 | $ 284,968 |
| 2013 | 195,000 | 94,838 | 289,838 |
| 2014 | 205,000 | 89,438 | 294,438 |
| 2015 | 215,000 | 83,768 | 298,768 |
| 2016 | 230,000 | 77,760 | 307,760 |
| 2017-2021 | 1,365,000 | 285,323 | 1,650,323 |
| 2022-2025 | 1,400,000 | 78,300 | 1,478,300 |
| | $ 3,795,000 | $ 809,395 | $ 4,604,395 |

**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:

| | Principal | Interest | Total |
|---|---|---|---|
| Year Ending June 30, | | | |
| 2012 | $ 90,000 | $ 85,481 | $ 175,481 |
| 2013 | 90,000 | 81,881 | 171,881 |
| 2014 | 100,000 | 78,281 | 178,281 |
| 2015 | 100,000 | 74,281 | 174,281 |
| 2016 | 105,000 | 70,281 | 175,281 |
| 2017-2021 | 610,000 | 279,581 | 889,581 |
| 2022-2025 | 750,000 | 137,275 | 887,275 |
| 2026-2027 | 170,000 | 7,438 | 177,438 |
| | $ 2,015,000 | $ 814,499 | $ 2,829,499 |

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

### *3-E. Interfund Receivables, Payables and Transfers*

The composition of interfund balances reported in the fund financial statements as of June 30, 2011, is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Water & Sewer Fund | Sanitation Fund | $ 1,336,919 |
| Capital Project Funds | General Fund | 32,956 |
| General Fund | Capital Project Funds | 445,123 |
| General Fund | Special Revenue Funds | 94,944 |
| | | $ 573,023 |

Due to/from primary government and component units:

| Receivable Entity | Payable Entity | Amount |
|---|---|---|
| Component unit - Hapeville Association for Trade and Tourism | Primary government - General Fund | $ 509,744 |
| Component unit - Hapeville Development Authority | Primary government - General Fund | $ 6,062,429 |

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:

| | Transfers Out | | | |
|---|---|---|---|---|
| Transfers In | General | Water & Sewer | Internal Service | Toal |
| Non-Major Governmental: | | | | |
| Special Revenue | $ 54,848 | $ - | $ - | $ 54,848 |
| Debt Service | 329,468 | 255,747 | 210,988 | 796,203 |
| Total | 384,316 | 255,747 | 210,988 | 851,051 |
| Sanitation | 114,604 | - | - | 114,604 |
| Total | $ 498,920 | $ 255,747 | $ 210,988 | $ 965,655 |

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.

### *3-F. Pension Plan*

**Plan Description**. City of Hapeville Retirement Plan (CHRP), a single-employer defined benefit pension plan, provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The Plan is administered by a Board of Trustees, who executed a trust agreement with MassMutual Financial Group to hold, manage, invest, and distribute contributions in accordance with the provisions of the Plan. All full time City employees and City Officials are eligible to participate in the plan. Benefits vest after ten years of service. Members may retire on reaching the age of 60 or 65, (55 for police or firefighters). Early retirement is possible on reaching the age 50 or 55, depending on the classification. Benefits are calculated at 1.00% to 2.50% of the average monthly earnings for the period of the five highest years prior to retirement, payable monthly for life. The City Council of Hapeville has the authority to amend the benefit provisions of the plan. The Plan does not issue a separate financial statement.

**Funding Policy**. The City's plan is non-contributory, under this plan and the City's policy is to contribute 100% of an actuarially determined rate; the current rate approximates 24% of annual covered payroll.

**Annual Pension Cost**. For 2011, the City's annual pension cost of $1,147,023 for the CHRP was equal to the City's required and actual contributions.

As of January 1, 2010, employee membership data related to the CHRP was as follows:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 90 |
| Terminated members entitled to but not yet receiving benefits | 25 |
| Active plan participants | 102 |
| Total | 217 |

**Trend Information**

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|
| 2009 | $ 408,502 | 100% |
| 2010 | 1,060,044 | 100% |
| 2011 | 1,147,023 | 100% |

**Funding Status and Funding Progress.** As of January 1, 2010, the most recent actuarial valuation date, the plan was 81.27 percent funded. The actuarial accrued liability for benefits was $26.41 million, and the actuarial value of assets was $21.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.96 million. The covered payroll (annual payroll of active employees covered by the plan) was $4.69 million, and the ratio of the UAAL to the covered payroll was 105.44 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.

**Actuarial Methods and Assumptions.** In the January 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The UAAL is amortized over closed periods using level dollar payments. The amortization period is 15 years for gains and losses, 20 for Plan changes, and 30 for Assumption Changes. The UAAL was started anew as of January 1, 2007 and amortized over 15 years. The actuarial assumptions included (a) 7.125 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) included an inflation component of 4.0 percent. The Plan ceased having Cost of Living Adjustments (except discretionary ones) as of December 31, 2007. The actuarial value of the CHRP assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a ten year period. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the annual pension costs.

### *3-G. Prior Period Adjustments*

The City has determined the need for a prior period adjustment to increase the beginning balance of construction in progress for governmental fund assets by $134,563 for inadvertent omissions. Also, as a result of invoicing in November 2011 by the City of Atlanta for Sewerage charges back to September 2009 the City is recognizing $423,654 in additional costs related to the prior year. As a result of these adjustments, there was a positive adjustment to Governmental activities in the amount of $134,563 and a negative adjustment to Business-Type activities in the amount of $423,654, for a net effect of $298,091 reduction in Net Assets for current fiscal year.

### *3-H. Net Assets*

| | Governmental Activities |
|---|---|
| Invested in capital assets, net of related debt: | |
| Cost of capital assets | $ 39,769,785 |
| Plus unamortized bond costs | 27,280 |
| Less related debt | (1,086,161) |
| Less payable to component unit for debt | (6,062,429) |
| Less accumulated depreciation | (25,913,447) |
| Total Net Assets Invested in Capital Assets, Net of Related Debt | $ 6,735,028 |

## *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 |
|---|---|---|---|---|
| 2011 | $ 1,200 | $ 94,360 | $ 40,288 | $ 55,272 |
| 2010 | 3,584 | 16,359 | 18,743 | 1,200 |
| 2009 | 25,000 | (19,085) | 2,331 | 3,584 |

### *4-B. Post Employment Healthcare Plan*

### *A. Plan Description*

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

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

As of January 1, 2010, employee membership data related to the OPEB plan was as follows:

| | |
|---|---:|
| Retirees and beneficiaries currently receiving benefits | 65 |
| Active plan participants | 85 |
| Total | 150 |

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

### *B. Funding Policy*

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

### *C. Annual OPEB Cost and Net OPEB Obligation*

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents the level of finding 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 Dental | Life Insurance | Total |
|---|---|---|---|
| Determination of Annual Required Contribution | | | |
| Normal Cost at year end | $ 189,284 | $ 5,570 | $ 194,854 |
| Amortization of UAAL | 467,478 | 25,655 | 493,133 |
| Interest | 39,797 | 1,892 | 41,689 |
| Annual Required Contribution (ARC) | $ 696,559 | $ 33,117 | $ 729,676 |
| Determination of Net OPEB Obligation | | | |
| Annual Required Contributions | $ 696,559 | $ 33,117 | $ 729,676 |
| Interest on net OPEB obligations | 39,065 | 3,008 | 42,073 |
| Annual OPEB cost | 735,624 | 36,125 | 771,749 |
| Contributions made: | | | |
| Employer ***** | (390,276) | (19,500) | (409,776) |
| Increase in net OPEB obligation | 345,348 | 16,625 | 361,973 |
| Net OPEB obligation - beginning of year | 834,539 | 69,778 | 904,317 |
| Net OPEB obligation - end of year | $ 1,179,887 | $ 86,403 | $ 1,266,290 |

*****Employer contributions will be equal to the net expected employer benefits payments (gross benefit cost offset by the retiree's contributions) during the 2011 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:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| Medical and Dental Benefits | | | |
| 6/30/2009 | $ 753,398 | 50.85% | $ 370,287 |
| 6/30/2010 | $ 753,398 | 38.38% | $ 834,539 |
| 6/30/2011 | $ 735,624 | 53.05% | $ 1,179,887 |
| Life Insurance | | | |
| 6/30/2009 | $ 37,031 | 0.00% | $ 37,031 |
| 6/30/2010 | $ 37,031 | 11.57% | $ 69,778 |
| 6/30/2011 | $ 36,125 | 53.98% | $ 86,403 |

### *D. Funded Status and Funding Progress*

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $9,241,537. The City's funding includes employer and participant contributions. This amount is also the unfunded actuarial accrued liability (UAAL).

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

### *E. Actuarial Methods and Assumptions*

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

In the actuarial valuation dated January 2010, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent discount rate for unfunded and 7 percent for funded. The interest rate used for return on assets is 7.0 percent. Other actuarial assumptions include mortality rates (using the 1983 GAM), withdrawal rates based on the age of the employee, disability rates, retirement rates and an annual healthcare cost trend rate of 5.0 percent. The UAAL is being amortized over closed periods using level dollar payments. The maximum permissible amortization period of thirty years is used for assumption changes, twenty years for plan changes and fifteen years for gains and losses.

### *4-C. Deferred Compensation and Other Employee Benefit Plans*

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

The City also provides an opportunity for one employee to participate in a 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, 2011 were $36,732.

### *4-D. Joint Ventures*

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

### *4-E. Hotel/Motel Lodging Tax*

During the year ended June 30, 2011, the City levied a 7% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. Total revenues of $1,622,430 were received. The three percent portion of $695,373 is reported as revenues in the General Fund. The remaining four percent of $927,057 was reported in the special revenue fund and then sent to the City's Component Unit, Hapeville Association for Travel and Tourism to spend on salaries and other expenditures related to tourism. Expenditures of $1,718,227 in the component unit exceeded the total revenues transferred in from the City during the year ended June 30, 2011.

### *4-F. Construction Commitments*

The City has active construction projects as of June 30, 2011. At year end the City's commitments with contractors approximates $1,006,000. These projects are being funded with federal and local grants.

# REQUIRED SUPPLEMENTARY INFORMATION

1891
Hapeville
GEORGIA
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# 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] |
|---|---|---|---|---|---|---|
| 1/1/2010 | $ 21,464,632 | $ 26,411,274 | $ 4,946,642 | 81.27% | $ 4,691,586 | 105.44% |
| 1/1/2009 | 22,473,567 | 26,624,143 | 4,150,576 | 84.41% | 4,804,760 | 86.38% |
| 1/1/2008 | 25,440,801 | 25,696,305 | 255,504 | 99.01% | 3,892,946 | 6.56% |
| 1/1/2007 | 25,271,778 | 26,328,510 | 1,056,732 | 95.99% | 5,177,036 | 20.41% |
| 1/1/2006 | 24,742,151 | 34,133,906 | 9,391,755 | 72.49% | 5,314,639 | 176.71% |
| 1/1/2005 | 23,273,947 | 33,691,472 | 10,417,525 | 69.08% | 5,274,394 | 197.51% |
| 1/1/2004 | 22,114,732 | 32,366,209 | 10,251,477 | 68.33% | 5,272,521 | 194.43% |

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

# OTHER SUPPLEMENTARY INFORMATION

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## Special Revenue Funds

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

*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.

*Hotel-Motel Tax Fund* is used to account for the legally restricted portion (4%) of funds received and expended from the excise tax levied on charges made for room, lodgings, or accommodations furnished by hotels, motels, inns, and other accommodations regularly furnished for value.

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

*Other Miscellaneous Grants Fund* is used to account for the annual grant they receive to provide for Economic Development festivals and related activities.

## 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.

*Master Park Modernization Fund* is used to account for the revenues and expenditures of grant funds that are restricted for improvements and construction of the Master park in the City.

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

*Virginia Avenue/Doug Davis Drive Fund* is used to account for the Federal and local revenues and expenditures for the Virginia Avenue/Doug Davis Drive Streetscape grant project.

*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.

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

*GEFA Energy Grant Fund* is used to account for Hapeville's portion of the revenues and expenditures generated through an Intergovernmental Agreement with College Park and Union City to improve the energy efficiency of its facilities by replacing, retrofitting or improving the heating and air-conditioning systems of various buildings.

*I-85 Gateway Grant Fund* is used to account for Grant funds received to improve the landscaping of medians along interstate freeway I-85.

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

## Debt Service Funds

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

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

# City of Hapeville, Georgia
# Combining Balance sheet - Summary
# Non-Major Governmental Funds
## June 30, 2011

| | Special Revenue Funds | Debt Service Fund | Capital Project Funds | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ 49,662 | $ - | $ - | $ 49,662 |
| Other Taxes Receivable | 94,944 | - | - | 94,944 |
| Other Receivables | 2,853 | - | 595,264 | 598,117 |
| Due from Other Funds | - | - | 32,956 | 32,956 |
| Total Assets | $ 147,459 | $ - | $ 628,220 | $ 775,679 |
| **Liabilities** | | | | |
| Accounts Payable | $ 5,283 | $ - | $ 183,097 | $ 188,380 |
| Due to Other Funds | 94,944 | - | 445,123 | 540,067 |
| Total Liabilities | 100,227 | - | 628,220 | 728,447 |
| **Fund Balance** | | | | |
| Restricted for: | | | | |
| Program Purposes | 47,232 | - | - | 47,232 |
| Total Fund Balance | 47,232 | - | - | 47,232 |
| Total Liabilities and Fund Balance | $ 147,459 | $ - | $ 628,220 | $ 775,679 |

# City of Hapeville, Georgia
# Combining Balance Sheet
# Non-Major Special Revenue Funds
# June 30, 2011

| | Non-Major Special Revenue Funds | | | | | Total Non-Major Special Revenue Funds |
|---|---|---|---|---|---|---|
| | Asset Forfeiture | Emergency Communications | Hotel/ Motel Tax | Rental Motor Vehicle Excise Tax | Other Grants | |
| **Assets** | | | | | | |
| Cash and Cash Equivalents | $ 47,232 | $ - | $ - | $ - | $ 2,430 | $ 49,662 |
| Other Taxes Receivable | - | - | 94,944 | - | - | 94,944 |
| Other Receivables | - | - | - | - | 2,853 | 2,853 |
| Total Assets | $ 47,232 | $ - | $ 94,944 | $ - | $ 5,283 | $ 147,459 |
| **Liabilities** | | | | | | |
| Accounts Payable | $ - | $ - | $ - | $ - | $ 5,283 | $ 5,283 |
| Due to General Fund | - | - | 94,944 | - | - | 94,944 |
| Total Liabilities | - | - | 94,944 | - | 5,283 | 100,227 |
| **Fund Balance** | | | | | | |
| Restricted for Program Purposes | 47,232 | - | - | - | - | 47,232 |
| Total Liabilities and Fund Balance | $ 47,232 | $ - | $ 94,944 | $ - | $ 5,283 | $ 147,459 |

# City of Hapeville, Georgia
# Combining Balance Sheet
# Non-Major Capital Projects Funds
## June 30, 2011

| | Non-Major Capital Projects Funds | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Depot Museum and Tourist Information Center** | **Loop Access Road** | **Master Park Modern-ization** | **North Central Ave Streetscape** | **Virginia Ave/ Doug Davis** | **Dogwood/ North Ave Streetscape** | **Virginia Ave Streetscape** | **GEFA Energy Project** | **I-85 Gateway Grant** | **Other Capital Projects** | **Total Non-Major Capital Projects Funds** |
| **Assets** | | | | | | | | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Other Receivables | 75,216 | 38,592 | 250,000 | 11,072 | 9,949 | 21,456 | 87,179 | 101,800 | - | - | 595,264 |
| Due from General Fund | - | - | - | - | - | - | 19,382 | - | - | 13,574 | 32,956 |
| Total Assets | $ 75,216 | $ 38,592 | $ 250,000 | $ 11,072 | $ 9,949 | $ 21,456 | $ 106,561 | $101,800 | $ - | $ 13,574 | $ 628,220 |
| **Liabilities** | | | | | | | | | | | |
| Accounts Payable | $ 282 | $ 37,040 | $ 70 | $ - | $ 1,620 | $ 17,950 | $ 106,561 | $ 6,000 | $ - | $ 13,574 | $ 183,097 |
| Due to General Fund | 74,934 | 1,552 | 249,930 | 11,072 | 8,329 | 3,506 | - | 95,800 | - | - | 445,123 |
| Total Liabilities | 75,216 | 38,592 | 250,000 | 11,072 | 9,949 | 21,456 | 106,561 | 101,800 | - | 13,574 | 628,220 |
| **Fund Balance** | | | | | | | | | | | |
| Restricted for Construction of Capital Assets | - | - | - | - | - | - | - | - | - | - | - |
| Total Liabilities and Fund Balance | $ 75,216 | $ 38,592 | $ 250,000 | $ 11,072 | $ 9,949 | $ 21,456 | $ 106,561 | $101,800 | $ - | $ 13,574 | $ 628,220 |

# 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, 2011

| | Special Revenue Funds | Debt Service Fund | Capital Project Funds | Total Non-Major Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Other Taxes | $ 961,818 | $ - | $ - | $ 961,818 |
| Charges for Services | 100,182 | - | - | 100,182 |
| Fines and Forfeitures | 75,218 | - | - | 75,218 |
| Grant Revenues | 7,066 | - | 1,219,790 | 1,226,856 |
| Other Revenues | - | - | 1,016,682 | 1,016,682 |
| Total Revenue | 1,144,284 | - | 2,236,472 | 3,380,756 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | - | - | 6,000 | 6,000 |
| Public Safety | 189,791 | - | - | 189,791 |
| Culture and Recreation | 7,066 | - | - | 7,066 |
| Trade and Tourism | 939,209 | - | - | 939,209 |
| Capital Outlay | 46,438 | - | 2,230,472 | 2,276,910 |
| Debt Service: | | | | |
| Principal | - | 409,437 | - | 409,437 |
| Interest | - | 343,699 | - | 343,699 |
| Total Expenditures | 1,182,504 | 753,136 | 2,236,472 | 4,172,112 |
| Excess Revenues Over (Under) Expenditures | (38,220) | (753,136) | - | (791,356) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In (Out) | 54,848 | 796,203 | - | 851,051 |
| Net Change in Fund Balances | 16,628 | 43,067 | - | 59,695 |
| **Fund Balance, Beginning of year** | 30,604 | (43,067) | - | (12,463) |
| **Fund Balance, End of Year** | $ 47,232 | $ - | $ - | $ 47,232 |

# City of Hapeville, Georgia
## Combining Statement of Revenues, Expenditures and Changes in Fund Balances
## Non-Major Special Revenue Funds
## June 30, 2011

|  | Non-Major Special Revenue Funds |  |  |  |  | Total |
|---|---|---|---|---|---|---|
|  | Asset Forfeiture | Emergency Communications | Hotel/ Motel Tax | Rental Motor Vehicle Excise Tax | Other Grants | Non-Major Special Revenue Funds |
| **Revenues** |  |  |  |  |  |  |
| Taxes | $ - | $ - | $ 927,057 | $ 34,761 | $ - | $ 961,818 |
| Grant Revenues | - | - | - | - | 7,066 | 7,066 |
| Fines and Forfeitures | 75,218 | - | - | - | - | 75,218 |
| Charges for Services | - | 100,182 | - | - | - | 100,182 |
| Total Revenue | 75,218 | 100,182 | 927,057 | 34,761 | 7,066 | 1,144,284 |
| **Expenditures** |  |  |  |  |  |  |
| Public Safety | - | 155,030 | - | 34,761 | - | 189,791 |
| Culture and Recreation | - | - | - | - | 7,066 | 7,066 |
| Trade and Tourism | - | - | 939,209 | - | - | 939,209 |
| Capital Outlay | 46,438 | - | - | - | - | 46,438 |
| Total Expenditures | 46,438 | 155,030 | 939,209 | 34,761 | 7,066 | 1,182,504 |
| Excess Revenues Over (Under) Expenditures | 28,780 | (54,848) | (12,152) | - | - | (38,220) |
| **Other Financing Sources (Uses)** |  |  |  |  |  |  |
| Transfers In (Out) | - | 54,848 | - | - | - | 54,848 |
| Net Change in Fund Balances | 28,780 | - | (12,152) | - | - | 16,628 |
| **Fund Balance, Beginning of year** | 18,452 | - | 12,152 | - | - | 30,604 |
| **Fund Balance, End of Year** | $ 47,232 | $ - | $ - | $ - | $ - | $ 47,232 |

# 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, 2011

| | Non-Major Capital Projects Funds | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Depot Museum and Tourist Information Center | Loop Access Road | Master Park Modern-ization | North Central Ave Streetscape | Virginia Ave/ Doug Davis | Dogwood/ North Ave Streetscape | Virginia Ave Streetscape | GEFA Energy Project | I-85 Gateway Grant | Other Capital Projects | Total Non-Major Capital Projects Funds |
| **Revenues** | | | | | | | | | | | |
| Grant Revenues | $ - | $ 122,318 | $ 242,802 | $ 14,472 | $ 9,949 | $ 21,456 | $ 664,260 | $ 101,800 | $ 42,733 | $ - | $ 1,219,790 |
| Other Revenues | 35,512 | 30,621 | 12,883 | 4,788 | 2,531 | 10,409 | 166,065 | - | 1,355 | 752,518 | 1,016,682 |
| Total Revenue | 35,512 | 152,939 | 255,685 | 19,260 | 12,480 | 31,865 | 830,325 | 101,800 | 44,088 | 752,518 | 2,236,472 |
| **Expenditures** | | | | | | | | | | | |
| General Government | - | - | - | - | - | - | - | 6,000 | - | - | 6,000 |
| Capital Outlay | 35,512 | 152,939 | 255,685 | 19,260 | 12,480 | 31,865 | 830,325 | 95,800 | 44,088 | 752,518 | 2,230,472 |
| Total Expenditures | 35,512 | 152,939 | 255,685 | 19,260 | 12,480 | 31,865 | 830,325 | 101,800 | 44,088 | 752,518 | 2,236,472 |
| Excess Revenues Over (Under) Expenditures | - | - | - | - | - | - | - | - | - | - | - |
| **Fund Balance, Beginning of year** | - | - | - | - | - | - | - | - | - | - | - |
| **Fund Balance, End of Year** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

# 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, 2011

| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **Revenue** | | | |
| Fines and Forfeitures | $ 81,225 | $ 75,218 | $ (6,007) |
| **Expenditures** | | | |
| Capital Outlay | 81,225 | 46,438 | (34,787) |
| Excess of Revenues Over (Under) Expenditures | - | 28,780 | 28,780 |
| **Other Financing Sources (Uses)** | | | |
| Transfers In (Out) | - | - | - |
| Net Change in Fund Balances | - | 28,780 | 28,780 |
| **Fund Balance, Beginning of Year** | - | - | - |
| **Fund Balance, End of Year** | $ - | $ 28,780 | $ 28,780 |

# 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, 2011

| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **Revenue** | | | |
| Charges for Services | $ 100,200 | $ 100,182 | $ (18) |
| **Expenditures** | | | |
| Public Safety | 155,200 | 155,030 | (170) |
| Excess of Revenues Over (Under) Expenditures | (55,000) | (54,848) | 152 |
| **Other Financing Sources (Uses)** | | | |
| Transfers In (Out) | 55,000 | 54,848 | (152) |
| Net Change in Fund Balances | - | - | - |
| **Fund Balance, Beginning of Year** | - | - | - |
| **Fund Balance, End of Year** | $ - | $ - | $ - |

# City of Hapeville, Georgia
## Hotel-Motel Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
### For The Year Ended June 30, 2011

| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **Revenue** | | | |
| Taxes | $ 917,100 | $ 927,057 | $ 9,957 |
| **Expenditures** | | | |
| Trade and Tourism | 917,100 | 939,209 | 22,109 |
| Excess of Revenues Over (Under) Expenditures | - | (12,152) | (12,152) |
| **Other Financing Sources (Uses)** | | | |
| Transfers In (Out) | - | - | - |
| Net Change in Fund Balances | - | (12,152) | (12,152) |
| **Fund Balance, Beginning of Year** | - | 12,152 | - |
| **Fund Balance, End of Year** | $ - | $ - | $ (12,152) |

# 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, 2011

| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **Revenue** | | | |
| Taxes | $ 50,000 | $ 34,761 | $ (15,239) |
| **Expenditures** | | | |
| Public Safety | 50,000 | 34,761 | (15,239) |
| Excess of Revenues Over (Under) Expenditures | - | - | - |
| **Other Financing Sources (Uses)** | | | |
| Transfer In (Out) | - | - | - |
| Net Change in Fund Balance | - | - | - |
| **Fund Balance, Beginning of Year** | - | - | - |
| **Fund Balance, End of Year** | $ - | $ - | $ - |

# City of Hapeville, Georgia
## Other Grants Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
### For The Year Ended June 30, 2011

| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **Revenue** | | | |
| Grant Revenues | | | |
| Bright Start Grant Revenue | $ 16,000 | $ 7,066 | $ (8,934) |
| **Expenditures** | | | |
| Culture and Recreation | 16,000 | 7,066 | (8,934) |
| Excess of Revenues Over (Under) Expenditures | - | - | - |
| **Other Financing Sources (Uses)** | | | |
| Transfer In (Out) | - | - | - |
| Net Change in Fund Balance | - | - | - |
| **Fund Balance, Beginning of Year** | - | - | - |
| **Fund Balance, End of Year** | $ - | $ - | $ - |

## 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, 2011

| | Prior Years Restated | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Transportation | | | | |
| Enhancement (TE) Grant | $ 97,736 | $ - | $ 97,736 | $ 641,460 |
| Other Revenues - Local Match | 24,434 | 35,512 | 59,946 | 180,014 |
| Total Revenues | 122,170 | 35,512 | 157,682 | 821,474 |
| **Expenditures:** | | | | |
| Capital Outlay - Depot Museum | 122,170 | 35,512 | 157,682 | 821,474 |
| Net Change in Fund Balances | - | - | - | - |
| **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, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Living Centers | | | | |
| Initiative (LCI) Grant - Preliminary Engineering | $ 73,344 | $ 122,318 | $ 195,662 | $ 600,000 |
| Other Revenues - Local Match | 18,336 | 30,621 | 48,957 | 150,000 |
| Total Revenues | 91,680 | 152,939 | 244,619 | 750,000 |
| **Expenditures:** | | | | |
| Capital Outlay - Loop Road Preliminary Engineering | 91,680 | 152,939 | 244,619 | 750,000 |
| Net Change in Fund Balances | - | - | - | - |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

# City of Hapeville, Georgia
## Master Park Modernization Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
### From Inception and for the Year Ended June 30, 2011

| | Prior Years Restated | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - County | | | | |
| CDBG Grant - Master Park | $ 7,198 | $ 242,802 | $ 250,000 | $ 250,000 |
| Other Revenues - Local Match | - | 12,883 | 12,883 | 59,101 |
| Total Revenues | 7,198 | 255,685 | 262,883 | 309,101 |
| **Expenditures:** | | | | |
| Capital Outlay - Master Park | 7,198 | 255,685 | 262,883 | 250,000 |
| Total Expenditures | 7,198 | 255,685 | 262,883 | 250,000 |
| Net Change in Fund Balances | - | - | - | 59,101 |
| **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, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Living Centers | | | | |
| Initiative (LCI) Grant - Preliminary Phase | $ 78,896 | $ 14,472 | $ 93,368 | $ 138,400 |
| Other Revenues | 18,554 | 4,788 | 23,342 | 34,600 |
| Total Revenues | 97,450 | 19,260 | 116,710 | 173,000 |
| **Expenditures:** | | | | |
| Capital Outlay - North Central Renovations | 97,450 | 19,260 | 116,710 | 173,000 |
| Net Change in Fund Balances | - | - | - | - |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

# City of Hapeville, Georgia
## Virginia Avenue/Doug Davis Drive Streetscape Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balances -
## Budget and Actual
### From Inception and for the Year Ended June 30, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Living Centers | | | | |
| DOT Grant - Construction Phase | $ 40,270 | 9,949 | $ 50,219 | $ 487,200 |
| Other Revenues - Local Match | 10,067 | 2,531 | 12,598 | 121,800 |
| Total Revenues | 50,337 | 12,480 | 62,817 | 609,000 |
| **Expenditures:** | | | | |
| Capital Outlay | 50,337 | 12,480 | 62,817 | 609,000 |
| Total Expenditures | 50,337 | 12,480 | 62,817 | 609,000 |
| Net Change in Fund Balances | - | - | 50,219 | 487,200 |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

# City of Hapeville, Georgia
## Dogwood/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, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Living Centers | | | | |
| DOT Grant - Construction Phase | | 21,456 | $ 21,456 | $ 200,000 |
| Other Revenues - Local Match | - | 10,409 | 10,409 | 55,000 |
| Total Revenues | - | 31,865 | 31,865 | 255,000 |
| **Expenditures:** | | | | |
| Capital Outlay - Scoping Phase | | 5,045 | 5,045 | 5,000 |
| Capital Outlay - Construction Infrastructure | - | 26,820 | 26,820 | 250,000 |
| Total Expenditures | - | 31,865 | 31,865 | 255,000 |
| Net Change in Fund Balances | - | - | - | - |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

## City of Hapeville, Georgia
## Virginia Avenue Streetscape Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
### From Inception and for the Year Ended June 30, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Living Centers | | | | |
| Initiative (LCI) Grant - Preliminary Engineering | $ 221,704 | $ - | $ 221,704 | $ 237,600 |
| Initiative (LCI) Grant - Construction Phase | - | 664,260 | 664,260 | 1,346,400 |
| Other Revenues - Local Share | 55,426 | 166,065 | 221,491 | 396,000 |
| Total Revenues | 277,130 | 830,325 | 1,107,455 | 1,980,000 |
| **Expenditures:** | | | | |
| Capital Outlay - Virginia Avenue Prelliminary Expenses | 277,130 | - | 277,130 | 297,000 |
| Capital Outlay - Virginia Avenue Construction Expenses | - | 830,325 | 830,325 | 1,683,000 |
| Total Expenditures | 277,130 | 830,325 | 1,107,455 | 1,980,000 |
| Net Change in Fund Balances | - | - | - | - |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

## City of Hapeville, Georgia
## GEFA Energy Grant Fund
## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
### From Inception and for the Year Ended June 30, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental Agreement - CSD Grant | | | | |
| Grant for Retrofit of HVAC/Lighting | $ - | $ 101,800 | $ 101,800 | $ 105,000 |
| Total Revenues | - | 101,800 | 101,800 | 105,000 |
| **Expenditures:** | | | | |
| General Government | - | 6,000 | 6,000 | 6,000 |
| Capital Outlay - Infrastructure - HVAC | - | 95,800 | 95,800 | 99,000 |
| Total Expenditures | - | 101,800 | 101,800 | 105,000 |
| Excess of Revenues Over (Under) Expenditures | - | - | - | - |
| **Other Financing Sources (Uses)** | | | | |
| Transfers out | - | - | - | - |
| Net Change in Fund Balances | - | - | - | - |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

# City of Hapeville, Georgia
## I-85 Gateway Grant
## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
### From Inception and for the Year Ended June 30, 2011

| | Prior Years | Current Year | Total to Date | Project Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Intergovernmental - Living Centers | | | | |
| Gateway DOT Grant | $ - | $ 42,733 | $ 42,733 | $ 50,000 |
| Other Revenues | - | 1,355 | 1,355 | - |
| Total Revenues | - | 44,088 | 44,088 | 50,000 |
| **Expenditures:** | | | | |
| Expenditures - Landscaping Highway Medians | - | 44,088 | 44,088 | 50,000 |
| Total Expenditures | - | 44,088 | 44,088 | 50,000 |
| 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, 2011

| | Prior Years | Current Year | Total to Date | Project Budgets |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Other Revenues - Local | $ 130,378 | $ 752,518 | $ 882,896 | $ 725,440 |
| **Expenditures:** | | | | |
| Capital Outlay - Buildings and Land on North Central | - | 170,950 | 170,950 | 174,312 |
| Capital Outlay - Hoyt Smith Recreation Center | 25,753 | 250,438 | 276,191 | 226,550 |
| Capital Outlay - Christ Church and Carriage House | 104,625 | 319,376 | 424,001 | 318,578 |
| Capital Outlay - Fire Department Conference Center | - | 11,754 | 11,754 | 6,000 |
| Total Expenditures | 130,378 | 752,518 | 882,896 | 725,440 |
| Net Change in Fund Balances | - | - | - | - |
| **Fund Balance, Beginning of Year** | | - | | |
| **Fund Balance, End of Year** | | $ - | | |

# City of Hapeville, Georgia

## Debt Service Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### For the Year Ended June 30, 2011

| | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|---|---|---|
| **Revenue** | $ - | $ - | $ - |
| **Expenditures** | | | |
| Debt Service | | | |
| Principal | 419,500 | 409,437 | 10,063 |
| Interest | 333,758 | 343,699 | (9,941) |
| Total Expenditures | 753,258 | 753,136 | 122 |
| Excess of Revenues Over (Under) Expenditures | (753,258) | (753,136) | 122 |
| **Other Financing Sources (Uses)** | | | |
| Transfers In (Out) | 753,258 | 796,203 | 42,945 |
| Net Change in Fund Balances | - | 43,067 | 43,067 |
| **Fund Balance, Beginning of Year** | - | (43,067) | (43,067) |
| **Fund Balance, End of Year** | $ - | $ - | $ - |

## Internal Service Funds

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

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

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

# City of Hapeville, Georgia
# Internal Service Funds
## Combining Statement of Net Assets
### June 30, 2011

| | Workers' Compensation Fund | Information Technology Fund | Total |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | $ 137,525 | $ 6,198 | $ 143,723 |
| Prepaid Expenses | 20,936 | 424 | 21,360 |
| | | | - |
| Total Assets | 158,461 | 6,622 | 165,083 |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Accounts Payable | 1,042 | 3,106 | 4,148 |
| Accrued Liabilities | 55,272 | 1,851 | 57,123 |
| Compensated Absences | - | 1,337 | 1,337 |
| Total Current Liabilities | 56,314 | 6,294 | 62,608 |
| Noncurrent Liabilities | | | |
| Compensated Absences | - | 669 | 669 |
| Total Liabilities | 56,314 | 6,963 | 63,277 |
| **Net Assets (Deficit)** | | | |
| Unrestricted | 102,147 | (341) | 101,806 |
| Total Net Assets (Deficit) | $ 102,147 | $ (341) | $ 101,806 |

## City of Hapeville, Georgia
## Internal Service Funds
## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
## For The Year Ended June 30, 2011

| | Workers' Compensation Fund | Information Technology Fund | Total |
|---|---|---|---|
| **Operating Revenues** | | | |
| Service Charges | $ 44,635 | $ 749,514 | $ 794,149 |
| Total Operating Revenues | 44,635 | 749,514 | 794,149 |
| **Operating Expenditures** | | | |
| Salaries | - | 100,343 | 100,343 |
| Payroll Taxes and Employee Benefits | - | 43,989 | 43,989 |
| Communications | - | 138,558 | 138,558 |
| Education and Training | - | 3,090 | 3,090 |
| Insurance and Claims | 137,062 | - | 137,062 |
| Vehicle and Equipment Expenses | - | 237,609 | 237,609 |
| Professional Fees | - | 8,047 | 8,047 |
| Repairs and Maintenance | - | 4,081 | 4,081 |
| Supplies and Miscellaneous | 2,271 | 1,024 | 3,295 |
| Travel | - | 1,785 | 1,785 |
| Total Expenses | 139,333 | 538,526 | 677,859 |
| Operating Income (Loss) | (94,698) | 210,988 | 116,290 |
| **Other Financing Sources (Uses)** | | | |
| Transfers Out | - | (210,988) | (210,988) |
| Net Change in Fund Net Assets | (94,698) | - | (94,698) |
| **Net Assets (Deficit), Beginning of Year** | 196,845 | (341) | 196,504 |
| **Net Assets (Deficit), End of Year** | $ 102,147 | $ (341) | $ 101,806 |

# City of Hapeville, Georgia
# Internal Service Funds
# Combining Statement of Cash Flows
# For The Year Ended June 30, 2011

| | Workers' Compensation Fund | Information Technology Fund | Total |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from Customers and Users | $ 44,636 | $ 749,514 | $ 794,150 |
| Payments to Suppliers | (84,879) | (409,285) | (494,164) |
| Payments to Employees | - | (145,236) | (145,236) |
| Net Cash (Used by) Provided by Operating Activities | (40,243) | 194,993 | 154,750 |
| **Cash Flows from Non-Capital and Related Financing Activities** | | | |
| Transfers Out | - | (210,988) | (210,988) |
| Net Cash Flows (Used by) Non-Capital & Related Financing Activities | - | (210,988) | (210,988) |
| Net Decrease in Cash | (40,243) | (15,995) | (56,238) |
| Cash, Beginning of Year | 177,768 | 22,193 | 199,961 |
| Cash, End of Year | $ 137,525 | $ 6,198 | $ 143,723 |

| | Workers' Compensation Fund | Information Technology Fund | Total |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Operating Income (Loss) | $ (94,698) | $ 210,988 | $ 116,290 |
| Adjustments to Reconcile Operating Income to Net | | | |
| Cash Provided by Operating Activities | | | |
| Changes in Assets and Liabilities | | | |
| Increase (Decrease) in Accounts Payable | 383 | (13,548) | (13,165) |
| Increase (Decrease) in Accrued Expenses | 54,072 | (2,447) | 51,625 |
| Net Cash (Used by) Provided by Operating Activities | $ (40,243) | $ 194,993 | $ 154,750 |

# STATISTICAL SECTION
(UNAUDITED)

# CITY OF HAPEVILLE, GEORGIA
## *Net Assets by Component (Unaudited)* [1]
### *Last Nine Fiscal Years* [2]
### *(accrual basis of accounting)*

| | At June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Primary Government** | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | $ 11,928,258 | $ 13,030,320 | $ 10,339,330 | $ 8,755,346 | $ 6,793,080 | $ 4,988,189 | $ 4,340,118 | $ 5,316,912 | $ 6,735,028 |
| Restricted | - | - | - | - | - | - | - | - | 47,232 |
| Unrestricted | 2,489,581 | 257,204 | 1,203,844 | 599,117 | 694,689 | 2,295,836 | 3,830,678 | 2,765,640 | 2,111,016 |
| Total | $ 14,417,839 | $ 13,287,524 | $ 11,543,174 | $ 9,354,463 | $ 7,487,769 | $ 7,284,025 | $ 8,170,796 | $ 8,082,552 | $ 8,893,276 |
| Business-Type Activities | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | $ 8,416,736 | $ 6,405,631 | $ 6,322,460 | $ 6,189,381 | $ 7,244,111 | $ 6,896,947 | $ 7,625,029 | $ 7,829,260 | $ 8,106,862 |
| Restricted | 378,401 | 598,139 | 574,791 | 595,179 | 617,611 | 651,970 | 681,498 | 271,948 | 668,862 |
| Unrestricted | 464,921 | 1,405,840 | 653,840 | 1,185,255 | 594,265 | 1,600,507 | 1,211,638 | 906,222 | (202,206) |
| Total | $ 9,260,058 | $ 8,409,610 | $ 7,551,091 | $ 7,969,815 | $ 8,455,987 | $ 9,149,424 | $ 9,518,165 | $ 9,007,430 | $ 8,573,518 |
| **Total Primary Government** | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | $ 20,344,994 | $ 19,435,951 | $ 16,661,790 | $ 14,944,727 | $ 14,037,191 | $ 11,885,136 | $ 11,965,147 | $ 13,146,172 | $ 14,841,890 |
| Restricted | 378,401 | 598,139 | 574,791 | 595,179 | 617,611 | 651,970 | 681,498 | 649,998 | 716,094 |
| Unrestricted | 2,954,502 | 1,663,044 | 1,857,684 | 1,784,372 | 1,288,954 | 3,896,343 | 5,042,316 | 3,693,812 | 1,908,810 |
| Total | $ 23,677,897 | $ 21,697,134 | $ 19,094,265 | $ 17,324,278 | $ 15,943,756 | $ 16,433,449 | $ 17,688,961 | $ 17,489,982 | $ 17,466,794 |

***Notes:***

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

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

***Data Source:***

Applicable years' annual financial report.

# CITY OF HAPEVILLE, GEORGIA

## *Changes in Net Assets - (Unaudited)*

## *Last Nine Fiscal Years* [1]

## *(accrual basis of accounting)*

| | For The Fiscal Year Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **Expenses:** | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| General Government | $ 1,402,311 | $ 1,189,439 | $ 1,240,899 | $ 1,400,815 | $ 1,280,910 | $ 1,788,672 | $ 1,989,413 | $ 1,485,410 | $ 1,656,739 |
| Public Safety | 5,897,245 | 6,042,863 | 6,510,744 | 7,008,144 | 6,424,365 | 5,486,095 | 5,484,335 | 6,203,308 | 6,352,891 |
| Public Works | 1,945,116 | 1,708,415 | 1,758,487 | 1,625,190 | 1,367,043 | 1,245,904 | 1,258,880 | 1,393,790 | 1,221,317 |
| Culture and Recreation | 653,700 | 725,703 | 634,886 | 447,121 | 777,705 | 566,842 | 398,171 | 501,631 | 505,923 |
| Parks and Grounds | 903,224 | 754,831 | 624,976 | 717,302 | 892,599 | 653,652 | 716,252 | 735,937 | 806,653 |
| Planning, Zoning & Development | 312,660 | 261,071 | 644,406 | 734,039 | 677,387 | 566,481 | 649,217 | 944,020 | 997,670 |
| Tourism | 118,207 | 52,174 | 59,039 | 67,786 | 122,165 | 30,260 | 1,115,853 | 927,722 | 966,864 |
| Debt-Related Expenses | 62,022 | 86,659 | 23,096 | 77,577 | 84,994 | 95,207 | 144,944 | 175,689 | 336,976 |
| Business-Type Activities | | | | | | | | | |
| Water and Sewer Utilities | 2,778,838 | 2,818,028 | 2,978,050 | 3,321,382 | 2,932,767 | 3,194,968 | 2,743,568 | 2,915,006 | 3,329,691 |
| Sanitation | 483,387 | 849,145 | 794,507 | 614,126 | 488,764 | 381,659 | 410,936 | 506,144 | 538,295 |
| **Total Primary Government Expenses** | $ 14,556,710 | $ 14,488,328 | $ 15,269,090 | $ 16,013,482 | $ 15,048,699 | $ 14,009,740 | $ 14,911,569 | $ 15,788,657 | $ 16,713,019 |
| **Program Revenues:** | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| Charges for Services | $ 815,814 | $ 951,499 | $ 1,156,888 | $ 1,099,399 | $ 1,370,694 | $ 1,939,215 | $ 1,862,404 | $ 1,543,971 | $ 1,740,491 |
| Operating Grants and Contributions | 146,632 | 22,084 | 17,272 | 26,147 | 57,318 | 13,939 | 20,570 | 20,100 | 29,354 |
| Capital Grants and Contributions | - | - | 4,715,261 | 705,254 | 212,251 | 145,148 | 284,917 | 590,972 | 2,236,472 |
| Business-Type Activities | | | | | | | | | |
| Charges for Services | 3,006,139 | 3,585,671 | 3,454,088 | 3,621,120 | 3,472,504 | 3,123,013 | 3,180,364 | 3,242,115 | 3,604,871 |
| **Total Primary Government Program Revenues** | $ 3,968,585 | $ 4,559,254 | $ 9,343,509 | $ 5,451,920 | $ 5,112,767 | $ 5,221,315 | $ 5,348,255 | $ 5,397,158 | $ 7,611,188 |
| **Total Primary Government Net (Expense)** | $ (10,588,125) | $ (9,929,074) | $ (5,925,581) | $ (10,561,562) | $ (9,935,932) | $ (8,788,425) | $ (9,563,314) | $ (10,391,499) | $ (9,107,831) |

*(continued)*

# CITY OF HAPEVILLE, GEORGIA

## *Changes in Net Assets - (Unaudited)*

## *Last Nine Fiscal Years [1]*

## *(accrual basis of accounting)*

*(continued)*

| | For The Fiscal Year Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** |
| **General Revenues:** | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| Taxes [2] | $ 6,705,838 | $ 6,543,525 | | | | | | | |
| Property | | | $ 3,940,895 | $ 4,030,352 | $ 3,830,563 | $ 4,866,883 | $ 5,001,623 | $ 4,785,375 | $ 4,521,462 |
| Sales | | | 1,373,830 | 1,563,603 | 1,648,432 | 1,664,596 | 1,487,305 | 1,492,207 | 1,503,326 |
| Occupation | | | 296,011 | 333,616 | 313,062 | 241,132 | 320,264 | 280,330 | 251,795 |
| Franchise | | | 693,113 | 702,545 | 731,273 | 622,223 | 678,640 | 661,534 | 682,581 |
| Insurance Premium | | | 287,689 | 312,780 | 323,831 | 337,842 | 355,584 | 350,546 | 344,731 |
| Hotel/Motel | | | 754,101 | 847,323 | 1,042,157 | 896,036 | 1,838,555 | 1,613,809 | 1,622,430 |
| Other | | | 520,156 | 623,453 | 637,102 | 576,005 | 947,893 | 572,989 | 421,820 |
| Other Local Revenue | 740,588 | 131,205 | 44,843 | 21,887 | 40,158 | 28,782 | 22,938 | 313,017 | 24,505 |
| Unrestricted Investment Earnings | 117,602 | 53,524 | 108,071 | 98,780 | 50,685 | 48,684 | 10,259 | 5,354 | 1,084 |
| Transfers | 142,211 | 865,176 | 378,893 | (475,876) | (497,052) | (872,030) | (190,419) | - | 141,143 |
| Business-Type Activities | | | | | | | | | |
| Unrestricted Investment Income | 80,045 | 53,493 | 44,926 | 45,501 | 60,565 | 35,119 | - | - | - |
| Other | 132,035 | 79,233 | 148,584 | 211,735 | 280,439 | 239,902 | 122,462 | 147,757 | - |
| Transfers | (142,211) | (865,176) | (378,893) | 475,876 | 497,052 | 872,030 | 190,419 | - | (141,143) |
| **Total Primary Government General Revenues** | $ 7,776,108 | $ 6,860,980 | $ 8,212,219 | $ 8,791,575 | $ 8,958,267 | $ 9,557,204 | $ 10,785,523 | $ 10,222,918 | $ 9,373,734 |
| **Total Primary Government Change in Net Assets** | $ (2,812,017) | $ (3,068,094) | $ 2,286,638 | $ (1,769,987) | $ (977,665) | $ 768,779 | $ 1,222,209 | $ (168,581) | $ 265,903 |

***Notes:***

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

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

***Data Source:***

Applicable years' annual financial report.

# CITY OF HAPEVILLE, GEORGIA

## *Fund Balances - Governmental Funds (Unaudited)*

## *Fiscal Years 2003 - 2010*[1]

## *(modified accrual basis of accounting)*

| | At June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **General Fund** | | | | | | | | |
| Reserved | $ 137,698 | $ 160,863 | $ 181,222 | $ 173,739 | $ 160,862 | $ 219,572 | $ 167,317 | $ 176,165 |
| Unreserved | 2,855,768 | 1,284,956 | 1,008,076 | 20,956 | 427,231 | 1,971,149 | 3,754,303 | 3,935,568 |
| **Total General Fund** | 2,993,466 | 1,445,819 | 1,189,298 | 194,695 | 588,093 | 2,190,721 | 3,921,620 | 4,111,733 |
| **All Other Governmental Funds** | | | | | | | | |
| Reserved, Reported in: | | | | | | | | |
| Hotel-Motel Fund | - | - | - | - | 76,517 | 82,575 | 2,100 | 12,152 |
| Asset Forfeiture Fund | - | - | - | - | - | - | - | 18,452 |
| Debt Service Fund | - | - | - | - | - | - | - | (43,067) |
| **Total All Other Governmental Funds** | - | - | - | - | 76,517 | 82,575 | 2,100 | (12,463) |
| **Total Governmental Funds** | $ 2,993,466 | $ 1,445,819 | $ 1,189,298 | $ 194,695 | $ 664,610 | $ 2,273,296 | $ 3,923,720 | $ 4,099,270 |

***Notes:***

[1] The City implemented GASB Statement No. 54 in fiscal year 2011, therefore the fund balances for 2011 are presented on a subsequent table.

***Data Source:***

Applicable years' annual financial report.

# CITY OF HAPEVILLE, GEORGIA

## *Fund Balances - Governmental Funds (Unaudited)*

## *Fiscal Year Ended June 30, 2011*

## *(modified accrual basis of accounting)*

| | |
|---|---|
| General Fund | |
| Nonspendable - Prepaid Items | $ 176,165 |
| Assigned - Vehicle Purchase | 350,000 |
| Unassigned | 3,479,760 |
| Total General Fund | 4,005,925 |
| All Other Governmental Funds | |
| Restricted | |
| Special Revenue Fund | 47,232 |
| Total All Other Governmental Funds | 47,232 |
| Total Governmental Funds | |
| Nonspendable | 176,165 |
| Restricted for Program Purposes | 47,232 |
| Assigned - Purchase of vehicle | 350,000 |
| Unassigned | 3,479,760 |
| Total Governmental Funds | $ 4,053,157 |

***Notes:***

The City implemented GASB Statement No. 54 in fiscal year 2011.

***Data Source:***

Applicable years' annual financial report.

# CITY OF HAPEVILLE, GEORGIA

## *Changes in Fund Balances - Governmental Funds (Unaudited)*

## *Last Nine Fiscal Years*

## *(modified accrual basis of accounting)*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | |
| Taxes | $ 6,705,838 | $ 6,547,728 | $ 7,820,204 | $ 8,098,236 | $ 8,758,540 | $ 9,120,904 | $ 10,374,440 | $ 9,919,404 | $ 9,283,461 |
| Licenses and Permits | 175,763 | 243,331 | 183,714 | 278,740 | 333,729 | 481,863 | 211,765 | 184,368 | 217,233 |
| Charges for Services | 207,271 | 260,547 | 311,387 | 302,493 | 428,531 | 831,618 | 1,138,522 | 1,027,030 | 1,006,773 |
| Fines and Forfeitures | 432,780 | 447,621 | 661,787 | 518,166 | 608,434 | 551,570 | 488,274 | 336,133 | 529,436 |
| Intergovernmental and Grant Revenue | 146,632 | 15,035 | 1,377,470 | 714,242 | 245,804 | 145,925 | 198,372 | 28,707 | 1,226,856 |
| Contributions | - | 7,049 | 4,570 | 17,159 | 23,765 | 13,162 | 20,570 | 20,100 | 22,288 |
| Investment Earnings | 117,602 | 53,524 | 108,071 | 98,780 | 50,685 | 48,684 | 6,981 | 804 | 861 |
| Other Local Revenue | 740,588 | 131,205 | 13,054 | 21,887 | 25,127 | 22,107 | 306,685 | 880,922 | 1,045,675 |
| **Total Revenues - All Governmental Funds** | $ 8,526,474 | $ 7,706,040 | $ 10,480,257 | $ 10,049,703 | $ 10,474,615 | $ 11,215,833 | $ 12,745,609 | $ 12,397,468 | $ 13,332,583 |
| **Expenditures:** | | | | | | | | | |
| General Government | 1,077,242 | 1,248,697 | 1,432,699 | 1,240,862 | 1,227,667 | 1,576,348 | 1,662,792 | 1,558,009 | 1,533,387 |
| Public Safety | 5,979,425 | 5,865,750 | 6,243,572 | 6,988,566 | 6,476,580 | 4,899,888 | 5,146,535 | 5,995,256 | 6,199,755 |
| Public Works | 1,002,002 | 764,593 | 821,330 | 1,070,878 | 1,444,407 | 530,255 | 604,873 | 747,055 | 686,546 |
| Culture and recreation | 732,003 | 716,721 | 637,908 | 760,103 | 654,730 | 539,595 | 411,293 | 459,633 | 510,646 |
| Parks and Grounds | 831,764 | 712,696 | 961,237 | 927,230 | 871,245 | 631,359 | 707,962 | 716,645 | 819,179 |
| Planning and Zoning | 313,232 | 261,071 | 639,980 | 732,567 | 675,915 | 547,960 | 534,349 | 696,950 | 782,569 |
| Tourism | 55,060 | 52,174 | 58,820 | 67,786 | 122,165 | 30,260 | 1,115,853 | 962,202 | 981,864 |
| Other | 63,147 | - | - | - | - | - | - | - | - |
| **Capital Outlay** | - | - | - | - | - | 1,634,076 | 1,190,398 | 804,119 | 2,276,910 |
| **Debt Service** | | | | | | | | | |
| Principal | 434,327 | 1,396,061 | 244,133 | 250,000 | 284,720 | 93,755 | 305,386 | 446,534 | 409,437 |
| Interest, Fees, and Bond Issue Costs | 62,022 | 52,849 | 23,096 | 77,577 | 109,874 | 146,856 | 124,782 | 169,382 | 343,699 |
| **Total Expenditures** | $ 10,550,224 | $ 11,070,612 | $ 11,062,775 | $ 12,115,569 | $ 11,867,303 | $ 10,630,352 | $ 11,804,223 | $ 12,555,785 | $ 14,543,992 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | $ (2,023,750) | $ (3,364,572) | $ (582,518) | $ (2,065,866) | $ (1,392,688) | $ 585,481 | $ 941,386 | $ (158,317) | $ (1,211,409) |

*(continued)*

# CITY OF HAPEVILLE, GEORGIA

## *Changes in Fund Balances - Governmental Funds (Unaudited)*

## *Last Nine Fiscal Years*

### *(modified accrual basis of accounting)*

*(continued)*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **Other Financing Sources (Uses)** | | | | | | | | | |
| **Aid from Component Unit** | $ - | $ 951,750 | $ - | $ - | $ 2,089,792 | $ 878,559 | $ 677,537 | $ - | $ - |
| **Proceeds from Capital Leases** | - | - | - | 1,573,452 | 221,367 | 1,010,000 | - | - | - |
| **Proceeds from Note Payable** | - | - | - | - | - | - | - | - | 812,942 |
| **Sale of Capital Assets** | - | - | - | - | 14,411 | 6,675 | 1,170 | - | 223 |
| **Sale of Confiscated Goods** | - | - | - | - | 620 | - | - | - | - |
| **Transfers In** | 285,325 | 1,069,386 | 685,479 | 1,128,910 | 1,636,939 | 931,580 | 2,335,876 | 1,349,713 | 851,051 |
| **Transfers Out** | (143,114) | (204,211) | (359,482) | (1,631,099) | (2,100,526) | (1,803,610) | (2,305,544) | (1,015,846) | (498,920) |
| **Total Other Financing Sources (Uses)** | 142,211 | 1,816,925 | 325,997 | 1,071,263 | 1,862,603 | 1,023,204 | 709,039 | 333,867 | 1,165,296 |
| **Net Change in Fund Balances** | (1,881,539) | (1,547,647) | (256,521) | (994,603) | 469,915 | 1,608,685 | 1,650,425 | 175,550 | (46,113) |
| **Fund Balance Beginning of Year** | 4,875,005 | 2,993,466 | 1,445,819 | 1,189,298 | 194,695 | 664,610 | 2,273,295 | 3,923,720 | 4,099,270 |
| **Fund Balance End of Year** | $ 2,993,466 | $ 1,445,819 | $ 1,189,298 | $ 194,695 | $ 664,610 | $ 2,273,295 | $ 3,923,720 | $ 4,099,270 | $ 4,053,157 |

***Data Source:***

Applicable years'  annual financial report.

# CITY OF HAPEVILLE, GEORGIA

## *General Governmental Tax Revenues by Source (Unaudited)*

*Last Eight Fiscal Years*

*(modified accrual basis of accounting)*

| Fiscal Year | Property | Sales & Use | Occupancy | Franchise | Insurance Premium | Hotel/ Motel [1] | Other | Total |
|---|---|---|---|---|---|---|---|---|
| **2003** | $ 2,864,456 | $ 1,361,717 | $ 328,140 | $ 719,455 | $ 246,309 | $ 650,829 | $ 1,458,841 | $ 7,629,747 |
| **2004** | 2,880,594 | 1,303,929 | 308,092 | 668,055 | 265,463 | 616,710 | 1,377,513 | 7,420,356 |
| **2005** | 3,940,895 | 1,373,830 | 296,011 | 693,113 | 287,689 | 754,101 | 520,156 | 7,865,795 |
| **2006** | 4,030,352 | 1,563,603 | 333,616 | 702,545 | 312,780 | 847,323 | 623,453 | 8,413,672 |
| **2007** | 4,062,683 | 1,648,432 | 313,062 | 731,273 | 323,831 | 1,042,157 | 637,102 | 8,758,540 |
| **2008** | 4,783,070 | 1,664,596 | 241,132 | 622,223 | 337,842 | 2,192,556 | 576,005 | 10,417,424 |
| **2009** | 4,746,199 | 1,487,305 | 320,264 | 678,640 | 355,584 | 1,838,555 | 947,893 | 10,374,440 |
| **2010** | 4,947,989 | 1,492,207 | 280,330 | 661,534 | 350,546 | 1,613,808 | 572,989 | 9,919,403 |
| **2011** | 4,456,779 | 1,503,326 | 251,795 | 682,581 | 344,731 | 695,373 | 1,348,876 | 9,283,461 |
| **Change 2003 - 2011** | 55.6% | 10.4% | -23.3% | -5.1% | 40.0% | 6.8% | -7.5% | 21.7% |

***Notes:***

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

***Data Source:***

Applicable years'  annual financial report.

# COMPLIANCE SECTION

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February 21, 2012

# 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 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs (finding 2011-1) that we consider to be a significant deficiency in internal control over financial reporting. 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.

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J.K. Boatwright & Co., P.C. • LaGrange • Newnan

## Compliance and Other Matters

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

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

We noted certain matters that we reported to management of City of Hapeville, Georgia, in a separate letter dated February 21, 2012.

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

Yours truly,

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

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

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February 21, 2012

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

## Compliance

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Hapeville, Georgia's management. Our responsibility is to express an opinion on City of Hapeville, Georgia's compliance based on our audit.

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 Troup County, 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. Our audit does not provide a legal determination on City of Hapeville, Georgia's compliance with those requirements.

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, 2011.

## Internal Control over Compliance

Management of City of Hapeville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, 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 for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Yours truly,

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

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, 2011

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Grant Number | Federal Expenditures |
|---|---|---|---|
| **U. S. Department of Transportation** | | | |
| Passed through Georgia Department of Transportation: | | | |
| Earmark - Airport Loop Access Road | 20.205 | CSHPP-007-00(532) | $ 122,318 |
| Streetscape-LCI - Virginia Ave Gateway | 20.205 | CSSTP-0006-00(273) | 664,260 |
| Streetscape-LCI - N Central Ave | 20.205 | CSSTP-0008-00(903) | 15,408 |
| Streetscape-LCI - Dogwood Drive | 20.205 | PI# 0010329 | 21,456 |
| Transportation Enhancement - GATEway Grant | 20.205 | A000250 | 42,733 |
| Transportation Enhancement - Va Ave/Doug Davis | 20.205 | CSTEE-0008-00(137) | 9,948 |
| **Total for U.S. Department of Transportation** | | | 876,123 |
| **U. S. Department of Agriculture** | | | |
| Passed through Georgia Department of Early Care | | | |
| and Learning (Bright from the Start) | | | |
| Summer Food Service Program | 10.559 | S001-65 | 7,066 |
| **U. S. Department of Energy** | | | |
| Passed through Georgia Environmental Facilities | | | |
| Authority and City of College Park | | | |
| Energy Efficiency and Conservation Block Grant | 81.128 | None | 95,800 |
| **U. S. Department of Housing and Urban Development** | | | |
| Passed through Fulton County, Georgia | | | |
| Community Development Block Grant - Master Park | 14.225 | None | 242,802 |
| **U. S. Department of Justice** | | | |
| Direct | | | |
| Equitable Sharing of Federally Forfeited Property | | | |
| for State and Local Law enforcement Agencies | 16.xxx | None | 46,438 |
| **Total Federal Financial Awards** | | | $ 1,268,229 |

**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, 2011

**Section I - Summary of Auditors' Results**

Financial Statements

| | |
|---|---|
| Type of Auditors' report issued | Unqualified |
| Internal control over financial reporting: | |
| Material Weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | Yes |
| Noncompliance material to the financial statements noted? | No |

Federal Awards

| | |
|---|---|
| Internal Control over major programs: | |
| Material Weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | No |
| 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)? | No |

Identification of major programs:

| CFDA Number | Name of Federal Program |
|---|---|
| 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? | No |

## Section II – Financial Statement Findings

### *Finding 2011-1*

**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.

**Response** – The City has now posted a position for accounting manager which should allow for proper segregation of duties and timely financial reporting.

## Section III – Federal Award Findings and Questioned Costs

No matters are reported