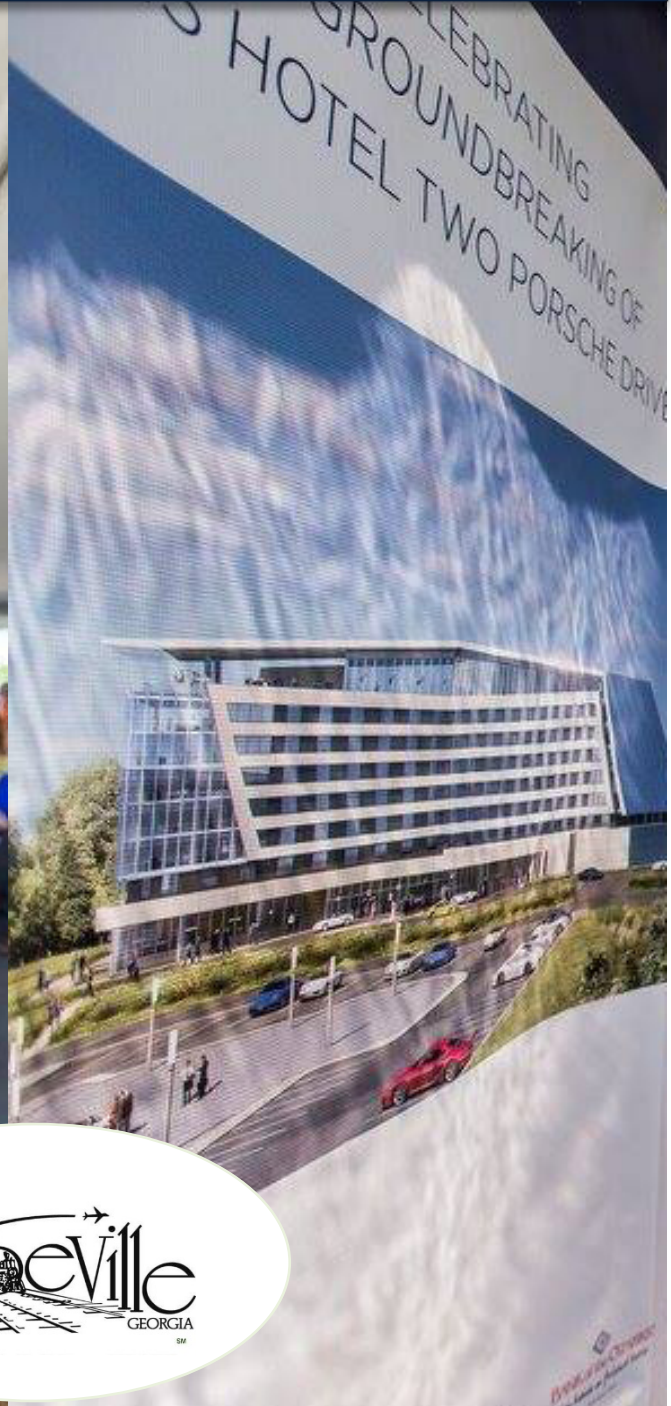


CITY OF HAPEVILLE, GEORGIA



Fiscal Year Ended June 30, 2016

Comprehensive Annual Financial Report

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CITY OF HAPEVILLE, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2016**

**Prepared by:
Department of Financial Services**

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City of Hapeville, Georgia

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City of Hapeville, Georgia

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INTRODUCTORY SECTION



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ALAN HALLMAN
MAYOR

RUTH BARR
ADLERMAN AT LARGE

MICHAEL RANDMAN
COUNCILMAN AT LARGE

JOSHUA POWELL
COUNCILMAN WARD I

DIANE DIMMICK
COUNCILMAN WARD II

March 10, 2017

To the Mayor, City Council,
Citizens of the City of Hapeville, Georgia
and the Financial Community

Introduction

Georgia law requires all local governments to prepare a complete set of financial statements, presented in conformity with generally accepted accounting principles (GAAP), and audited by a certified public accounting firm. These financial statements are required by the State of Georgia (State) to be prepared within six months of the end of each fiscal year. However an extension may be granted for an additional six months if deemed appropriate. Pursuant to that state requirement, enclosed is the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended June 30, 2016.

This CAFR consists of City management's representations concerning the finances of City. Therefore management assumes full responsibility for the completeness and reliability of all the information contained in the report. To provide a reasonable basis for making these representations, the management of City has established internal controls that are designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City financial statements in conformity with GAAP. Because the high cost of internal controls should not outweigh their benefits, the City framework of internal controls has been designed to provide for reasonable rather than absolute assurance that the financial statements will be free from material misstatements. Management asserts that, to the best of our knowledge and belief, this annual financial report is complete and reliable in all material respects.

The City financial statements for the fiscal year ended June 30, 2016 have been audited by J. K. Boatwright & Co, P. C., an auditing firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. J. K. Boatwright & Co, P. C. concluded, based upon the completed audit, that there was a reasonable basis for rendering an unmodified opinion that the City financial statements for the year ended June 30, 2016 are fairly presented in conformity with GAAP. The auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that City management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A) report. In addition to the MD&A, this Letter of Transmittal is designed to complement the City's MD&A and should be read in conjunction with it. The City MD&A can be found immediately following the independent auditors' report.

Profile of the City Government

The City, located in the south/central portion of Georgia on I-75, has its corporate limits contiguous to those of the City of Atlanta. The City has an easy seven mile access to the cultural, political and commercial center of the State Capitol. Access is afforded by I-85, I-75 and the Metropolitan Atlanta Regional Transit Authority (MARTA). MARTA also provides extensive bus service to supplement the rail system. For travel inside and outside the State, the Hartsfield-Jackson International Airport is within two miles of the City and remains one of the busiest airports in the world. The City encompasses 2.5 square miles and serves a population of 6,373 according to the 2010 U.S. Census. Population in the City has increased 3.1% from 2000 to 2010.

Created on September 16, 1891 by an act of the Georgia General Assembly, the City has been operating under a commission-administrator form of government for many years. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. For the past eight years the City has operated under the Council-Manager form under which the policy-making and legislative authority are vested in the mayor and four member City Council elected by the voters through at-large elections on a city-wide basis. The mayor and council members serve four year staggered terms. The mayor presides at the Council meetings and only votes in the event of a tie. The City Manager is the City's chief executive officer with oversight of all city departments and operations.

The City Council, as the City's governing authority, is responsible for establishing policy for City operations, enacting ordinances and resolutions to promote the city's health, safety, and welfare. The City Council annually adopts an operating budget and millage rate which funds City services.

The City's Annual Budget represents the plan for providing needed public services for each fiscal year and serves as the foundation for the City's financial planning and control. All City department directors are required to submit requests for appropriations to the City Manager and Finance Director, who in turn, prepare and submit a recommended budget to the City Council. The Council reviews the recommended budget and conducts a state required budget public hearing to obtain citizen comments. After the public hearing, the Board then adopts the budget no later than June 30 of each year. The approved budget is prepared by fund and department.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which City operates.

Local Economy

During the fiscal year, the local City economy experienced improvement in performance that mirrored the regional and national economies. The City has seen its overall real property tax assessments decline by over 21% since 2008 in the aftermath of the collapse of the real estate bubble inflated by toxic mortgages. From a 2013 low the real and personal property values have grown by 16%. In combating the unfavorable economic times, the Mayor, City Council and City management, including the Development Authority, have worked to promote the City and have succeeded in largely sustaining the City.

In addition, the City staff continued to aggressively recruit new businesses and industrial prospects by showcasing the City's great location and moderate climate, as well as the availability of utilities, a skilled work force, and business incentives. The City has rail transportation through the City. It is also adjacent to the Hartsfield-Jackson International Airport and is bordered on west by Interstate I-85 and on the east by Interstate I-75. Interstate 20 runs east-west about 10 miles north of the City.

Below are the projects that are impacting the local economy during the fiscal year:

- The Porsche Cars North America's headquarters construction – a 26.4 acre complex with 400 workers and 100 new jobs.

- The renovated Depot Museum and Memorial Plaza.
- The acquisition of the Hapeville Performing Arts Center and build-out is underway.
- Continuing renovation of several parks and grounds facilities.
- Refurbishing the Water and Sewer infrastructure.

Some of the other economic developments of 2016 included:

- Maintained Opportunity Zone Designation and leveraged job tax credit program with businesses;
- The Blue Print 2020 completed continued ongoing initiatives with future action item prioritization ;
- Researched regional efforts and made initial investment joining in the creation of a Community Improvement District in the tri-city area;

Long-Term Financial Planning and Major Initiatives

The City is in the process of formalizing its long-term financial planning. Beginning in fiscal year 2016 and ending in early fiscal year 2017, the Finance Department will be proposing financial policies and will address:

- Operating budgets and equity
- Capital improvement program
- Debt issuance and management policies
- Revenue administration
- Accounting, auditing and financial reporting policies
- Procurement policies and procedures
- Deposit and investment management policies
- Cash management and forecasting

Awards and Acknowledgements

As demonstrated by the statements and schedules included in the financial and required supplemental information sections of this report, the City continues meeting its responsibility for sound financial management.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the third year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles, applicable legal requirements and GFOA standards.

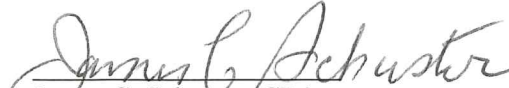
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's standards and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We also wish to extend our appreciation to the auditing firm of J. K. Boatwright & Co, P. C. for their professionalism in conducting the audit of the City's basic financial statements and related note disclosures.

Maintaining the highest standards of professionalism in the management of the City's finances and financial reporting is made possible by the unfailing support and encouragement of the City Manager, the City Mayor and the City Council for their recognition of the importance of the CAFR information for the citizens, vendors and creditors of the City.

Respectfully submitted,


William R. Whitson
City Manager


James C. Schuster, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

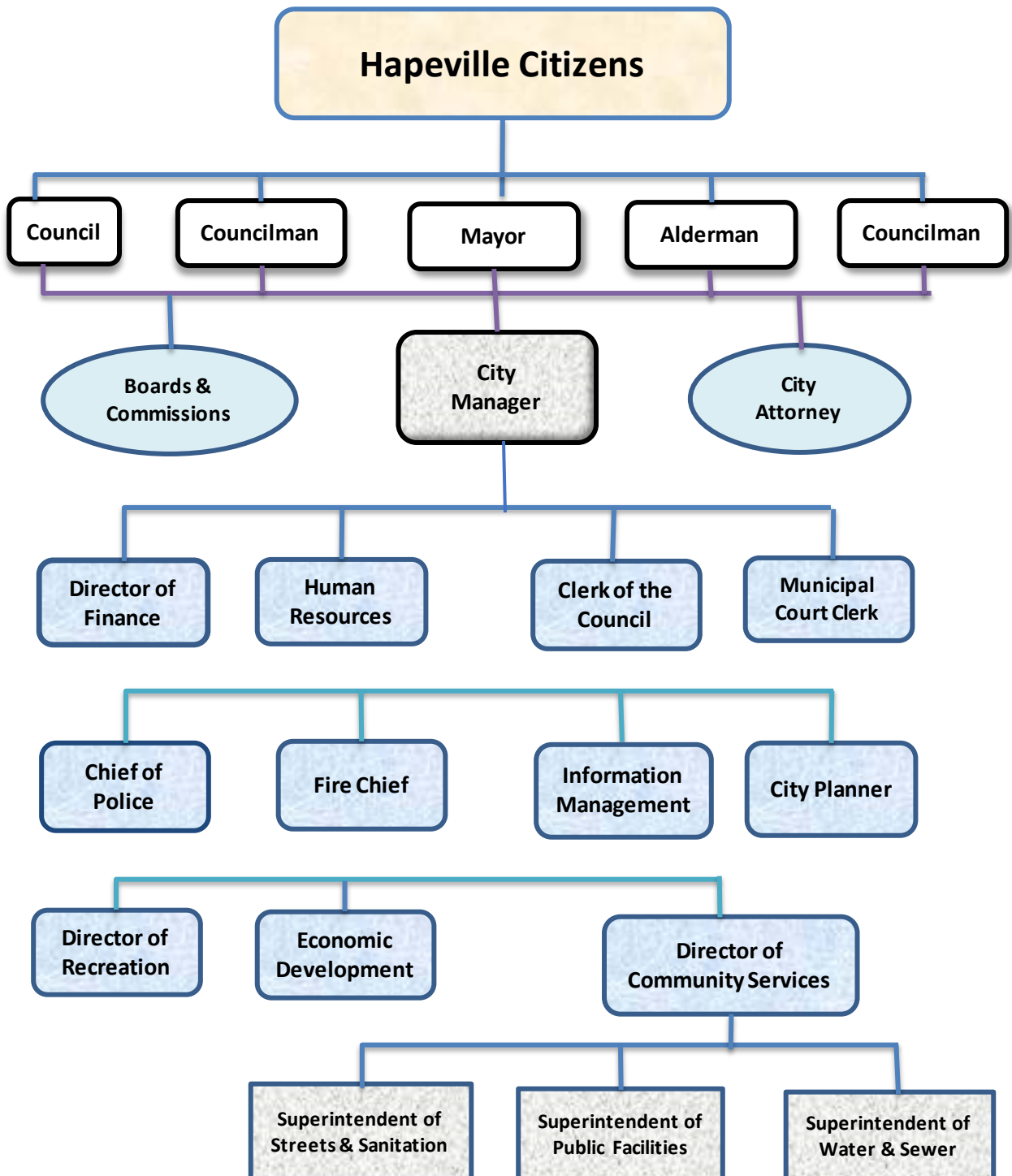
**City of Hapeville
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

**City of Hapeville, Georgia
Organization Chart
June 30, 2016**



City of Hapeville, Georgia
List of Elected and Appointed Officials
June 30, 2016

ELECTED OFFICIALS

Mayor	Alan Hallman
Alderman at Large	Ruth Barr
Councilman at Large	Michael Randman
Councilman (1 st Ward)	Joshua Powell
Councilman (2 nd Ward)	Diane Dimmick

APPOINTED OFFICIALS

City Manager	William R. Whitson
Director of Finance	James C. Schuster
Director of Community Services	Lee Sudduth
Chief of Police	Richard M. Glavosek
Fire Chief	David Bloodworth
City Clerk	Jennifer Elkins
Court of Clerk	Monique Cook
Manager of Recreation	Tod Nichols
City Attorney	Fincher Denmark LLC
City Auditor	J. K. Boatwright & Co., P. C.

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FINANCIAL SECTION



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15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 Fax: 706-845-0057

Independent Auditors' Report

March 10, 2017

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Hapeville, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hapeville, Georgia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Hotel/Motel Fund and Hapeville Association for Tourism and Trade Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 19 through 28), the Schedule of Changes in Net Pension Liability and Related Ratios (on page 73), the Schedule of Employer Contributions – Pension (on page 74), the Schedule of Pension Investment Returns (on page 75) and the Schedule of Funding Progress – OPEB (on page 76) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hapeville, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 (on page 143) is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary schedules and the Schedule of Expenditures of Federal Awards 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017 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* in considering the City of Hapeville, Georgia's internal control over financial reporting and compliance.

Yours truly,



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the annual financial report for City of Hapeville (the City), the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FISCAL YEAR 2016 FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$15,668,365 (total net position) as of June 30, 2016.
- Total net position is comprised of the following:
 - (1) The net investment in capital assets of \$28,933,413 includes property and equipment, net of accumulated depreciation, less outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$2,059,415 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position is a deficit of \$15,324,463.
- The City's governmental funds reported total ending fund balance of \$2,329,797 at June 30, 2016. This compares to the prior year ending fund balance of \$1,480,855 showing an increase of \$848,942 during the current year. Unassigned fund balance of \$1,168,185 at June 30, 2016 shows a \$402,696 increase from the prior year amount at June 30, 2015.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,168,185 or 11% of total General Fund expenditures.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented to allow comparison to the prior fiscal year.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City principally supported by taxes from business-type activities intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, highways and streets, parks, culture and recreation, parks and grounds, planning and zoning, and trade, tourism and development. Business-type activities include the water and sewer system and sanitation activities.

The government-wide financial statements are presented on pages 31 - 33 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. The general fund's budget to actual comparison statement is presented as a basic financial statement.

The basic governmental fund financial statements are presented on pages 34 - 39 of this report.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary funds are classified as three enterprise funds and a single internal service fund. The enterprise fund essentially encompasses the same function reported as business-type activities in the government-wide statements. The internal service fund is reported as part of the business-type activities at the government-wide financial reporting level.

The basic proprietary fund financial statements are presented on pages 40 - 43 of this report.

Fiduciary funds (i.e., the agency funds) are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. The City's single-employer pension plan (a pension trust fund) is reported in these financial statements as a fiduciary fund. The basic fiduciary fund financial statements are presented on pages 44 - 45 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on pages 49 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's single employer pension plan and postemployment healthcare plans. The required supplementary information can be found on pages 73 - 78 of this report.

Supplementary Information

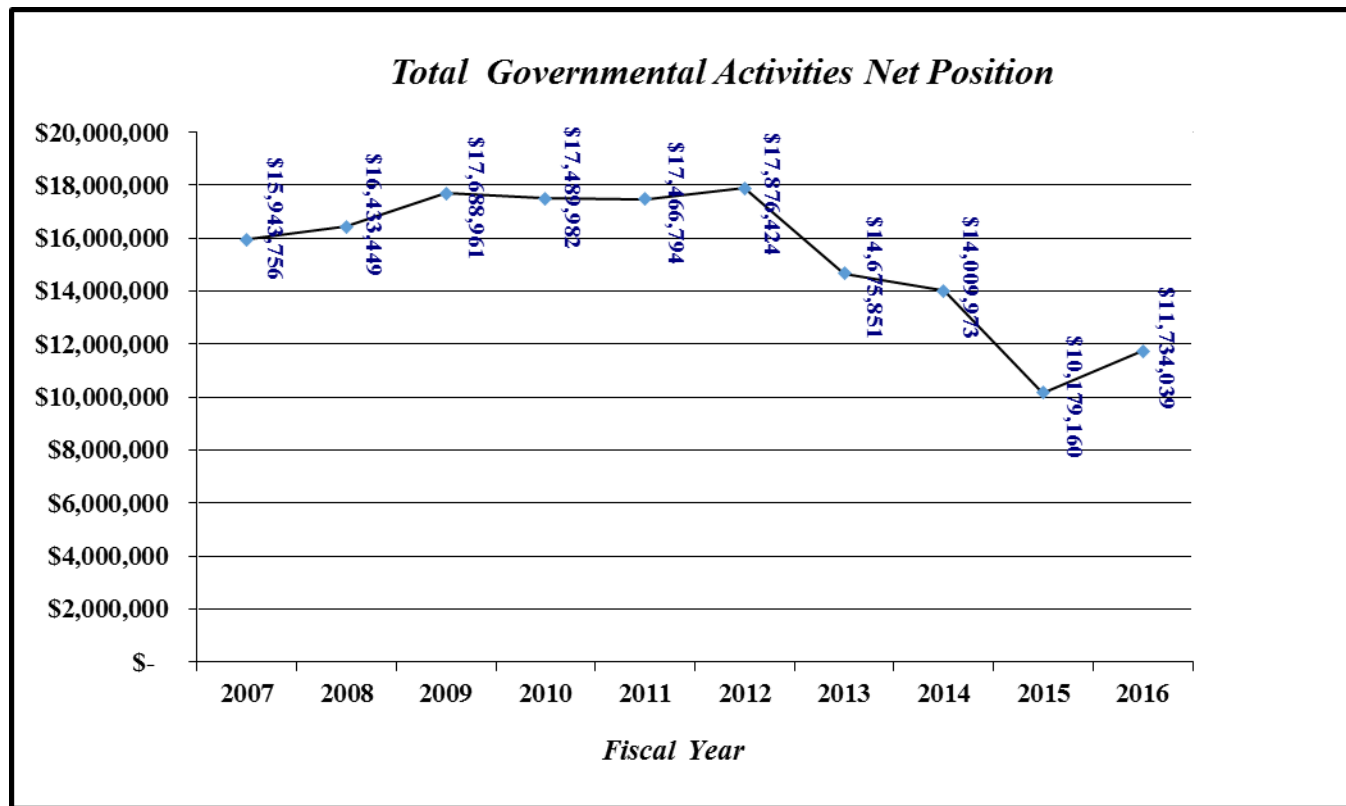
As discussed, the City reports major funds in the basic financial statements. Information for non-major funds and combining and individual statements and schedules, including budgetary comparison schedules, are presented in a supplementary information section of this report beginning on page 81.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net position at fiscal year-end is \$15,668,365. The following table provides a summary of the City's net position on a comparative basis:

Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 3,480,243	\$ 2,406,394	\$ 3,807,765	\$ 3,693,071	\$ 7,288,008	\$ 6,099,465
Noncurrent assets						
Other	-	-	2,433,032	2,816,369	2,433,032	2,816,369
Capital	16,872,866	15,348,808	13,552,649	13,480,537	30,425,515	28,829,345
Total assets	20,353,109	17,755,202	19,793,446	19,989,977	40,146,555	37,745,179
Deferred outflows of resource:	1,956,794	77,857	241,342	9,113	2,198,136	86,970
Liabilities:						
Current liabilities	1,501,021	1,199,587	2,204,698	2,000,870	3,705,719	3,200,457
Long-term liabilities	9,074,843	5,771,984	13,895,764	14,834,870	22,970,607	20,606,854
Total liabilities	10,575,864	6,971,571	16,100,462	16,835,740	26,676,326	23,807,311
Deferred inflows of resources	-	682,328	-	56,238	-	738,566
Net position:						
Net investment in capital assets	15,380,764	14,921,279	13,552,649	13,480,537	28,933,413	28,401,816
Restricted	994,663	567,630	1,064,752	901,288	2,059,415	1,468,918
Unrestricted (deficit)	(4,641,388)	(5,309,749)	(10,683,075)	(11,274,713)	(15,324,463)	(16,584,462)
Total net position	\$ 11,734,039	\$ 10,179,160	\$ 3,934,326	\$ 3,107,112	\$ 15,668,365	\$ 13,286,272

The following chart reports the City's total governmental activities net position balances from fiscal year 2007-2016.



Since 2007, the City's position has decreased \$4,209,717 or 26.4%.

Current assets in governmental activities increased \$1,073,849 and business-type activities increased \$114,694 in fiscal year June 30, 2016. However, without net pension liability, which was first recorded in fiscal year 2015 resulting from a new GASB pronouncement, the City's position would be an increase of \$1,640,943 or 10.3% since fiscal year 2007.

The City reported positive balances in net position for both governmental and business-type activities. During 2016, net position increased \$1,554,879 for governmental activities and increased \$827,214 for business-type activities. The City's overall financial position improved during fiscal year 2016. The City remains in an improved financial position, in spite of a depressed economy.

Note that approximately 82.9% of the governmental activities' total assets are tied up in capital assets. The City uses these capital assets to provide services to its citizens. Business-type capital assets make up 68.5% of total assets. The City uses these capital assets to provide utility services to its customers. Combining governmental activities with business type activities, the City has invested approximately 75.8% of its total assets are tied up in capital assets, as presented in the government-wide statement of net position.

The following table provides a summary of the City's changes in net position for the years ended June 30, 2016 and 2015:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program:						
Charges for services & fines	\$ 866,148	\$ 1,048,241	\$ 5,162,897	\$ 4,824,266	\$ 6,029,045	\$ 5,872,507
Operating grants	39,138	40,977	-	17,484	39,138	58,461
Capital grants	780,581	613,912	-	-	780,581	613,912
General:						
Property taxes	4,604,469	3,795,160	-	-	4,604,469	3,795,160
Sales taxes	1,751,341	1,739,336	-	-	1,751,341	1,739,336
Other taxes	4,404,415	4,151,485	-	-	4,404,415	4,151,485
Other	40,062	27,511	7,633	-	47,695	27,511
Total revenues	12,486,154	11,416,622	5,170,530	4,841,750	17,656,684	16,258,372
Program Expenses:						
General government	2,265,737	2,086,642	-	-	2,265,737	2,086,642
Public safety	4,936,495	5,011,852	-	-	4,936,495	5,011,852
Highways and streets	956,954	1,025,120	-	-	956,954	1,025,120
Culture and recreation	551,428	548,727	-	-	551,428	548,727
Parks and grounds	865,972	934,433	-	-	865,972	934,433
Planning and zoning	241,023	284,203	-	-	241,023	284,203
Trade, tourism and development	730,231	673,741	-	-	730,231	673,741
Interest	22,095	11,008	-	-	22,095	11,008
Water and sewer	-	-	3,341,251	2,915,863	3,341,251	2,915,863
Solid waste management	-	-	488,436	465,351	488,436	465,351
Development authority	-	-	874,969	616,700	874,969	616,700
Total expenses	10,569,935	10,575,726	4,704,656	3,997,914	15,274,591	14,573,640
Revenues over expenses	1,916,219	840,896	465,874	843,836	2,382,093	1,684,732
Transfers in and out	(361,340)	265,139	361,340	(265,139)	-	-
Changes in net position	1,554,879	1,106,035	827,214	578,697	2,382,093	1,684,732
Beginning net position	10,179,160	9,073,125	3,107,112	2,528,415	13,286,272	11,601,540
Ending net position	\$ 11,734,039	\$ 10,179,160	\$ 3,934,326	\$ 3,107,112	\$ 15,668,365	\$ 13,286,272

Governmental Activity Revenues

The City is heavily reliant on both property taxes and sales taxes to support governmental operations. Property taxes provided 36.9% of the City's total revenues as compared to a 33.3% in fiscal year 2015, Sales and use taxes provided 14% of the City's total revenues as compared to a 15.3% in fiscal year 2015.

Note that program revenues covered just 15.9% of governmental operating expenditures as compared to 16.1% in fiscal year 2015. This means that the government's taxpayers and the City and other general revenues funded 84.1% of the governmental activities, primarily from property and sales taxes. As a result, the general economy and the success of local businesses have a major impact on the City's revenue streams.

Governmental Activity Expenses

The following table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities				
	Total Cost of Services	Percentage of Total	Net Cost of Services	Percentage of Total
General government	\$ 2,265,737	21.4%	\$ 1,322,169	14.9%
Public safety	4,936,495	46.7%	4,437,153	49.9%
Highways and streets	956,954	9.1%	956,954	10.8%
Culture and recreation	551,428	5.2%	486,870	5.5%
Parks and grounds	865,972	8.2%	865,972	9.7%
Planning and zoning	241,023	2.3%	74,974	0.8%
Trade, tourism and development	730,231	6.9%	717,881	8.1%
Interest and fiscal charges	22,095	0.1%	22,095	0.2%
Total	<u>\$ 10,569,935</u>	<u>100.0%</u>	<u>\$ 8,884,068</u>	<u>100.0%</u>

The public safety expenditures, both gross and net of program revenues total over 46% of costs. After reporting program revenues for general government, net costs total only 21.4% as compared to 14.4% of gross costs.

Business-Type Activities

Overall Analysis – Total operating revenues increased \$333,456 or 6.9%. Operating expenses increased \$620,422 or 19.2%. In total, the operating income decreased \$286,966 from the fiscal year 2015 amount.

The operating income for each utility was as follows:

	2016	2015
Water and sewerage system	\$ 1,247,356	\$ 1,521,011
Sanitation	47,054	907
Development authority	23,626	(67)

The following includes an analysis of the fiscal year 2016 financial activities for each enterprise fund.

Water and Sewer Fund - The operating income of \$1,247,356 in fiscal year 2016 compares to an operating income of \$1,521,011 in fiscal year 2015. Operating revenues for water in fiscal year 2016 were up \$162,767 or 6.4% above the fiscal year 2015 amount. Operating revenue for sewage increased \$143,350 or 8.7%. Both of these increases relate to increased usage and an increased customer base. Total operating expenses increased \$567,485 or 20.5%. Salaries and benefits increased \$70,409 or 21.3%. Repairs and maintenance costs increased \$52,203 over the fiscal year 2015 because of an emergency repair to a water line on Custer Street. This cost exceeded \$90,000. The cost of water purchased from the City of Atlanta increased \$273,889 or 1.7% due to cost increases.

The Development Authority transferred \$352,933 to this fund to be used for major water line repairs approved as a project paid from the 2014 bond proceeds.

The Water and Sewerage Fund transferred \$255,069 to the General Fund to cover the cost allocation of administration costs. This fund also transferred \$1,077,164 to the Downtown Development Authority to cover payments due on series 2004A, 2007 and 2014 bonds.

At year-end, net position totaled \$15,504,936, up from the June 30, 2015 total of \$15,236,880.

Sanitation Fund - The total assets increased \$36,165 or 18%. Total liabilities increased \$115,341 or 39%. The operating income of \$47,054 in fiscal year 2016 compares to operating income of \$90,707 in fiscal year 2015. The fiscal year 2016 operating revenues increased just \$10,126 or 1.9% from fiscal year 2015. Total operating expenses increased \$53,779 or 12.4%. The salaries and benefits increased \$59,709 or 29.4%.

Development Authority Fund - This fund reported \$45,633 in total revenues compared to \$21,609 in the prior year. Operating expenses remained level at \$15,174 this year compared to \$16,016 in the prior year. Funds of \$352,933 were transferred to the water and sewer fund from the 2014 bond proceeds for major water line repairs. Transfers in of \$681,327 from the general fund and \$1,077,614 from the water and sewer fund were received to cover capital lease payments and to assist with bond debt payments. The Authority holds property for resale. During this past year a sale of a portion of Dearborn Plaza, which was purchased in fiscal year 2006, incurred a loss of \$297,347 due to the loss in the market value of said property.

FUND ANALYSIS

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$2,329,797 compared to a balance of \$1,480,855 at June 30, 2015.

Of this year-end total, \$1,168,185 is unassigned indicating availability for continuing City service delivery requirements.

Legally restricted fund balances include \$994,663, which is set aside for program purposes. The total ending fund balances of governmental funds show an increase of \$848,942.

Major Governmental Fund

General Fund - The General Fund is the City's only major governmental fund, the primary operating fund, and the largest source of day-to-day service delivery. The ending unassigned fund balance of \$1,168,185 is considered adequate, although not excessive, representing the equivalent of 11% of annual expenditures.

Total general fund property taxes increased \$898,446 or 23.9%. The increase relates to:

- A special 1 mill tax on buildings four stories or higher to help defray the cost of the fire apparatus
- An increase in the tax digest
- Higher collections of delinquent property taxes, because of the engagement of a tax collection firm.

Local option sales taxes revenue increased just \$12,005 above the 2015 amount, a sign of a stagnant economy.

Licenses and permits were up \$83,351 above the 2015 amount because of:

- School renovation - \$15,640
- New high rise climate controlled storage units - \$63,415
- The construction of a new hotel - \$21,285

Fines and forfeitures decreased \$227,196 or 57.8% from the 2015 amount.

Total General Fund's expenditures increased \$1,176,645 or 12.4% above the fiscal year 2015 amount. The most significant changes from fiscal year 2015 are described below.

Public safety costs increased \$1,062,691 or 21.3% due to the purchase of fire apparatus.

All other functional expenditures were similar to the prior year.

Hotel/Motel Fund - The City has levied a 7% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48- 13-51(4.5). The City is required to spend an amount equal to 28.6% of the total taxes collected at the rate of 7% for the purpose of promoting tourism, conventions, and trade shows, or for facilities used for these purposes. Total revenues of \$2,462,623 were received. Of this amount, \$1,055,410 was transferred to the General Fund and the remaining \$1,407,213 was transferred to the Association of Tourism and Trade Special Revenue Fund – a blended component unit and also a separate 501(c)(3) organization.

Proprietary Funds

Proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The business-type activities analysis above discusses the City's enterprise funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final revenue budget was amended upward during fiscal year 2016 by \$503,807. In total, revenues realized of \$9,118,364 were \$11,714 or 1/10th of 1% below the final amended budget.

Total tax revenues were \$83,945 above the budget. Most of the difference relates to property taxes. Because of all the property assessment appeals the last three years in Fulton County, many which were granted, it was extremely difficult to accurately estimate the amount of property taxes to be recognized.

Licenses and permits were \$104,501 above the budget. Fines were \$201,591 below the budget.

The expenditure budget was amended upward by \$1,221,403 or about 12.4% above the original budget.

In total, expenditures totaled 96.2% of the final budget. The total expenditures were under spent by \$421,173 or 3.8%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2016, was \$16,872,866 and \$13,552,650 respectively. The change in this net investment was a 9.9% increase for governmental activities and a ½ of 1% increase for business-type activities. See Note 3-C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

The following table provides a summary of capital asset activity:

Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Non-depreciable assets:						
Land	\$ 1,367,730	\$ 1,367,730	\$ -	\$ -	\$ 1,367,730	\$ 1,367,730
Construction in progress	1,805,875	2,387,517	-	542,450	1,805,875	2,929,967
Total non-depreciable	3,173,605	3,755,247	-	542,450	3,173,605	4,297,697
Depreciable assets:						
Buildings and improvements	6,300,166	6,224,908	-	-	6,300,166	6,224,908
Land improvements	3,701,973	3,701,973	-	-	3,701,973	3,701,973
Auto, trucks and equipment	8,235,601	7,004,811	845,536	845,536	9,081,137	7,850,347
Intangible	-	-	5,508,846	5,036,557	5,508,846	5,036,557
Infrastructure	23,895,771	22,255,449	13,957,875	13,415,425	37,853,646	35,670,874
Total depreciable assets	42,133,511	39,187,141	20,312,257	19,297,518	62,445,768	58,484,659
Less accumulated depreciation	28,434,250	27,593,580	6,759,607	6,359,431	35,193,857	33,953,011
Book value - depreciable assets	13,699,261	11,593,561	13,552,650	12,938,087	27,251,911	24,531,648
Percentage depreciated	67%	70%	33%	33%	56%	58%
Total book value	\$ 16,872,866	\$ 15,348,808	\$ 13,552,650	\$ 13,480,537	\$ 30,425,516	\$ 28,829,345

At June 30, 2016, the depreciable capital assets for governmental activities were 67% depreciated. This compares to a similar percentage at June 30, 2015. This comparison indicates that the City is replacing its assets at almost the same rate as they are depreciating which is a positive indicator. However, the City's capital assets have now approached being two-thirds depreciated, which is an indicator that the City needs to consider replacing some of its older assets. With the City's business type activities, 33% of the asset values were depreciated at June 30, 2016 compared to the same 33% at June 30, 2015.

The additions to construction in progress of \$1,133,938 included nine different projects, mostly streetscape projects funded by the Georgia Department of Transportation. The projects transferred from construction in progress included:

- Central Avenue - \$766,604
- North Fulton streetscape – \$798,617
- Gym floor at Hoyt Center - \$75,258
- Paving road improvements - \$75,100

The \$1,318,047 addition to general government equipment purchased via a capital lease relate to:

- Fire apparatus - \$1,010,796
- Three police vehicles - \$119,082
- E-911 equipment - \$146,961

In the business-type activities, \$542,450 was transferred from construction in progress to water and sewer systems for a fire service line and major water line repairs.

Long-term Debt

During fiscal year 2016, the City retired \$1,180,000 or 7.7% of outstanding bonds for business-type activities.

The following table reports long-term debt balances at June 30, 2016 and 2015:

Outstanding Borrowings						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Capital leases payable	\$ 1,492,102	\$ 427,529	\$ -	\$ -	\$ 1,492,102	\$ 427,529
Revenue bonds payable	-	-	14,165,000	15,345,000	14,165,000	15,345,000
Compensated absences	401,336	450,608	96,356	85,503	497,692	536,111
Total	\$ 1,893,438	\$ 878,137	\$ 14,261,356	\$ 15,430,503	\$ 16,154,794	\$ 16,308,640

See Note 3-D for additional information about the City's long-term debt.

A SUMMARY OF THE ECONOMIC CONDITIONS AFFECTING THE CITY

The City is included in the Atlanta, Georgia Metropolitan area, very close to Hartsfield-Jackson International airport. The total estimated 2010 population was 6,342. The total 2010 housing units total 2,901. The median value of owner occupants is \$126,300.

The unemployment rate for Fulton County, where the City is located is 5.9%.

The primary revenue streams for the City are property taxes, sales taxes and hotel/motel taxes. This is a good revenue mix as property taxes are classified as "inelastic" and sales taxes and hotel/motel taxes are classified as "elastic." Sales tax revenue is highly sensitive to fluctuations in the economy. The current economic downturn has definitely affected the City's 2017 revenue streams and the fiscal year 2017 budget is a no-frills operational budget with departmental belt tightening and very few capital projects. We are hopeful the economy will recover by mid-year and we will constantly monitor our economic condition to make the necessary adjustments.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Director, 3468 North Fulton Avenue, Hapeville, GA 30354.

AUDIT 2010

BASIC FINANCIAL STATEMENTS



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City of Hapeville, Georgia
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,505,493	\$ 2,327,019	\$ 3,832,512
Investments	36,805	-	36,805
Restricted Cash	71,920	1,259,535	1,331,455
Receivables:			
Water, Sewer and Sanitation, Net	-	700,764	700,764
Property Tax	204,975	-	204,975
Other Taxes	446,438	-	446,438
Intergovernmental	526,819	-	526,819
Other Receivables	24,290	-	24,290
Notes, Current Portion	-	6,472	6,472
Internal Balance	487,038	(487,038)	-
Prepaid Assets	176,465	1,013	177,478
Total Current Assets	<u>3,480,243</u>	<u>3,807,765</u>	<u>7,288,008</u>
Noncurrent Assets			
Notes Receivable, Noncurrent Portion	-	124,378	124,378
Property Held for Resale	-	2,308,654	2,308,654
Capital Assets:			
Nondepreciable	3,173,605	-	3,173,605
Depreciable, Net	13,699,261	9,022,481	22,721,742
Intangible Assets, Net	-	4,530,168	4,530,168
Total Noncurrent Assets	<u>16,872,866</u>	<u>15,985,681</u>	<u>32,858,547</u>
Total Assets	<u>20,353,109</u>	<u>19,793,446</u>	<u>40,146,555</u>
Deferred Outflows of Resources			
Related to Pension	<u>1,956,794</u>	<u>241,342</u>	<u>2,198,136</u>
Liabilities			
Current Liabilities			
Accounts Payable	622,765	456,332	1,079,097
Accrued Liabilities	268,011	29,785	297,796
Unearned Revenue	52,178	-	52,178
Compensated Absences	303,615	31,546	335,161
Accrued Interest Payable	-	252,252	252,252
Current Portion of Capital Leases Payable	233,266	-	233,266
Current Portion of Long-Term Debt	-	1,240,000	1,240,000
Liabilities Payable from Restricted Cash:			
Customer Deposits	21,186	194,783	215,969
Total Current Liabilities	<u>1,501,021</u>	<u>2,204,698</u>	<u>3,705,719</u>
Noncurrent Liabilities			
Compensated Absences	97,722	64,809	162,531
Noncurrent Portion of Capital Leases Payable	1,258,836	-	1,258,836
Noncurrent Portion of Long-Term Debt	-	12,925,000	12,925,000
Net Pension Liability	5,850,210	688,877	6,539,087
Net OPEB Liability	1,868,075	217,078	2,085,153
Total Noncurrent Liabilities	<u>9,074,843</u>	<u>13,895,764</u>	<u>22,970,607</u>
Total Liabilities	<u>10,575,864</u>	<u>16,100,462</u>	<u>26,676,326</u>
Net Position			
Net Investment in Capital Assets	15,380,764	13,552,649	28,933,413
Restricted for:			
Economic Development	50,734	-	50,734
Public Safety	2,134	-	2,134
Trade and Tourism	932,617	-	932,617
Culture and Recreation	9,178	-	9,178
Capital Outlay	-	1,064,752	1,064,752
Unrestricted (Deficit)	<u>(4,641,388)</u>	<u>(10,683,075)</u>	<u>(15,324,463)</u>
Total Net Position	<u>\$ 11,734,039</u>	<u>\$ 3,934,326</u>	<u>\$ 15,668,365</u>

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

City of Hapeville, Georgia
Statement of Activities
For The Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 2,265,737	\$ 154,391	\$ 8,596	\$ 780,581	\$ (1,322,169)	\$ -	\$ (1,322,169)
Public Safety	4,936,495	499,342	-	-	(4,437,153)	-	(4,437,153)
Highways and Streets	956,954	-	-	-	(956,954)	-	(956,954)
Culture and Recreation	551,428	45,416	19,142	-	(486,870)	-	(486,870)
Parks and Grounds	865,972	-	-	-	(865,972)	-	(865,972)
Planning and Zoning	241,023	166,049	-	-	(74,974)	-	(74,974)
Trade, Tourism and Development	730,231	950	11,400	-	(717,881)	-	(717,881)
Interest Expense	<u>22,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,095)</u>	<u>-</u>	<u>(22,095)</u>
Total Governmental Activities	<u>10,569,935</u>	<u>866,148</u>	<u>39,138</u>	<u>780,581</u>	<u>(8,884,068)</u>	<u>-</u>	<u>(8,884,068)</u>
Business-type Activities							
Water and Sewer	3,341,251	4,588,607	-	-	-	1,247,356	1,247,356
Sanitation	488,436	535,490	-	-	-	47,054	47,054
Development Authority	<u>577,621</u>	<u>38,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(538,821)</u>	<u>(538,821)</u>
Total Business-type Activities	<u>4,407,308</u>	<u>5,162,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>755,589</u>	<u>755,589</u>
Total Primary Government	<u>\$ 14,977,243</u>	<u>\$ 6,029,045</u>	<u>\$ 39,138</u>	<u>\$ 780,581</u>	<u>\$ (8,884,068)</u>	<u>\$ 755,589</u>	<u>\$ (8,128,479)</u>

(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, 2016

(Continued)

		Primary Government		
		Governmental Activities	Business- type Activities	Total
Changes in Net Position				
General Revenues				
Taxes				
Property Taxes	\$ 4,604,469	\$ -	\$ 4,604,469	
Sales Taxes	1,751,341	-	1,751,341	
Occupation Taxes	324,329	-	324,329	
Franchise Taxes	679,502	-	679,502	
Insurance Premium Tax	391,735	-	391,735	
Tourism Development (Hotel/Motel) Taxes	2,462,623	-	2,462,623	
Other Taxes	546,226	-	546,226	
Total Taxes	10,760,225	-	10,760,225	
Interest Income	218	7,633	7,851	
Other Revenues	39,844	-	39,844	
Loss on Sale of Property	-	(297,348)	(297,348)	
Transfers	(361,340)	361,340	-	
Total General Revenues and Transfers	10,438,947	71,625	10,510,572	
Change in Net Position		1,554,879	827,214	2,382,093
Net Position - Beginning of Year		10,179,160	3,107,112	13,286,272
Net Position - End of Year		\$ 11,734,039	\$ 3,934,326	\$ 15,668,365

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

City of Hapeville, Georgia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Hotel/ Motel Fund</u>	<u>Hapeville Association of Tourism and Trade</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 602,379	\$ -	\$ 711,169	\$ 173,283	\$ 1,486,831
Restricted Cash	71,920	-	-	-	71,920
Investments	36,805	-	-	-	36,805
Receivables					
Property Taxes	204,975	-	-	-	204,975
Other Taxes	7,656	438,782	-	-	446,438
Other Receivables	24,290	-	-	-	24,290
Intergovernmental	294,062	-	-	232,757	526,819
Interfund Receivable	1,041,130	-	251,004	31,428	1,323,562
Prepaid Items	166,949	-	-	-	166,949
Total Assets	<u>\$ 2,450,166</u>	<u>\$ 438,782</u>	<u>\$ 962,173</u>	<u>\$ 437,468</u>	<u>\$ 4,288,589</u>
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities					
Accounts Payable	\$ 602,682	\$ -	\$ 9,665	\$ 10,418	\$ 622,765
Accrued Liabilities	248,120	-	19,891	-	268,011
Unearned Revenue	-	-	-	52,178	52,178
Customer Deposits	21,186	-	-	-	21,186
Interfund Payable	<u>-</u>	<u>438,782</u>	<u>-</u>	<u>363,560</u>	<u>802,342</u>
Total Liabilities	<u>871,988</u>	<u>438,782</u>	<u>29,556</u>	<u>426,156</u>	<u>1,766,482</u>
Deferred Inflows of Resources					
Unavailable Revenue	<u>192,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,310</u>
Fund Balance					
Nonspendable:					
Prepaid Items	166,949	-	-	-	166,949
Restricted for:					
Economic Development	50,734	-	-	-	50,734
Public Safety	-	-	-	2,134	2,134
Trade and Tourism	-	-	932,617	-	932,617
Culture and Recreation	-	-	-	9,178	9,178
Unassigned	1,168,185	-	-	-	1,168,185
Total Fund Balance	<u>1,385,868</u>	<u>-</u>	<u>932,617</u>	<u>11,312</u>	<u>2,329,797</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 2,450,166</u>	<u>\$ 438,782</u>	<u>\$ 962,173</u>	<u>\$ 437,468</u>	<u>\$ 4,288,589</u>

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

City of Hapeville, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total Governmental Fund Balances		\$ 2,329,797
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.		
Cost of capital assets	45,307,116	
Less accumulated depreciation	<u>(28,434,250)</u>	16,872,866
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property taxes		192,310
Deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds. These deferred outflows of resources consist of pension related experience differences and projected and actual earnings on plan investments.		1,956,794
Interfund payable to Enterprise Funds from eliminating entries of Internal Service Fund		(27,672)
Internal service fund assets and liabilities are included in governmental activities in the Statement of Net Position		21,668
Liabilities not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences Payable	(401,337)	
Capital Leases Payable	(1,492,102)	
Net Pension Liability	(5,850,210)	
Net OPEB Liability	<u>(1,868,075)</u>	<u>(9,611,724)</u>
Net Position of Governmental Activities		\$ <u>11,734,039</u>

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

City of Hapeville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For The Year Ended June 30, 2016

	General Fund	Hotel/ Motel Fund	Hapeville Association of Tourism and Trade	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property	\$ 4,650,084	\$ -	\$ -	\$ -	\$ 4,650,084
Sales	1,751,341	-	-	-	1,751,341
Occupation	324,329	-	-	-	324,329
Franchise	679,502	-	-	-	679,502
Insurance Premium	391,735	-	-	-	391,735
Hotel-Motel	-	2,462,623	-	-	2,462,623
Other Taxes	515,619	-	-	30,607	546,226
Licenses and Permits	293,601	-	-	-	293,601
Charges for Services	260,386	-	950	83,102	344,438
Fines and Forfeitures	203,109	-	-	-	203,109
Intergovernmental	-	-	-	791,677	791,677
Interest Income	218	-	-	-	218
Contributions	8,596	-	11,400	8,046	28,042
Other Revenue	39,844	-	-	-	39,844
Total Revenues	<u>9,118,364</u>	<u>2,462,623</u>	<u>12,350</u>	<u>913,432</u>	<u>12,506,769</u>
Expenditures					
General					
General Government	2,265,142	-	-	-	2,265,142
Public Safety	6,044,804	-	-	130,781	6,175,585
Highways and Streets	645,837	-	-	-	645,837
Culture and Recreation	498,680	-	-	14,190	512,870
Parks and Grounds	711,505	-	-	-	711,505
Planning and Zoning	232,704	-	-	-	232,704
Trade, Tourism and Development	-	-	686,384	-	686,384
Capital Outlay	-	-	-	1,133,938	1,133,938
Debt Service					
Principal	226,234	-	-	-	226,234
Interest	22,095	-	-	-	22,095
Total Expenditures	<u>10,647,001</u>	<u>-</u>	<u>686,384</u>	<u>1,278,909</u>	<u>12,612,294</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(1,528,637)</u>	<u>2,462,623</u>	<u>(674,034)</u>	<u>(365,477)</u>	<u>(105,525)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	25,000	-	-	-	25,000
Issuance of Capital Leases	1,290,807	-	-	-	1,290,807
Transfers In	1,352,765	-	1,407,213	353,357	3,113,335
Transfers Out	(718,300)	(2,462,623)	(293,752)	-	(3,474,675)
Total Other Financing Sources (Uses)	<u>1,950,272</u>	<u>(2,462,623)</u>	<u>1,113,461</u>	<u>353,357</u>	<u>954,467</u>
Net Change in Fund Balances	421,635	-	439,427	(12,120)	848,942
Fund Balance, Beginning of Year	<u>964,233</u>	<u>-</u>	<u>493,190</u>	<u>23,432</u>	<u>1,480,855</u>
Fund Balance, End of Year	<u>\$ 1,385,868</u>	<u>\$ -</u>	<u>\$ 932,617</u>	<u>\$ 11,312</u>	<u>\$ 2,329,797</u>

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

City of Hapeville, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	848,942
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital outlay	\$ 2,451,985	
Depreciation expense	<u>(927,927)</u>	1,524,058
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, 2016	192,310	
Deferred at June 30, 2015	<u>(237,925)</u>	(45,615)
Capital lease proceeds are reported as financial sources in governmental funds. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities		
		(1,290,807)
Repayment of capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		226,234
Some expenses reported in the government-wide Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences		49,272
Changes in the net pension liability do not require the use of current financial resources and, therefore, were not reported as expenditures in governmental funds.		
		407,072
Net OPEB obligation in the Statement of Activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		
		<u>(164,277)</u>
Change in Net Position of Governmental Activities	\$	<u>1,554,879</u>

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

City of Hapeville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 7,738,458	\$ 8,228,665	\$ 8,312,610	\$ 83,945
Licenses and Permits	189,100	189,100	293,601	104,501
Charges for Services	225,700	225,700	260,386	34,686
Fines and Forfeitures	404,700	404,700	203,109	(201,591)
Interest Income	-	-	218	218
Contributions	10,550	10,550	8,596	(1,954)
Other Revenue	57,763	71,363	39,844	(31,519)
Total Revenues	8,626,271	9,130,078	9,118,364	(11,714)
Expenditures				
General				
General Government				
Administration	2,162,040	2,382,232	2,265,142	117,090
Public Safety				
Police Services	2,999,852	2,775,852	2,772,034	3,818
Fire Services	2,361,822	3,367,583	3,272,770	94,813
Total Public Safety	5,361,674	6,143,435	6,044,804	98,631
Highways and Streets	713,388	713,388	645,837	67,551
Culture and Recreation	547,203	547,203	498,680	48,523
Parks and Grounds	680,209	753,509	711,505	42,004
Planning and Zoning	252,257	277,257	232,704	44,553
Debt Service	130,000	251,150	248,329	2,821
Total Expenditures	9,846,771	11,068,174	10,647,001	421,173
Excess of Revenues				
Over (Under) Expenditures	(1,220,500)	(1,938,096)	(1,528,637)	409,459
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	182,000	182,000	25,000	(157,000)
Issuance of Capital Leases	-	1,010,796	1,290,807	280,011
Transfers In	1,296,500	1,428,300	1,352,765	(75,535)
Transfers Out	(258,000)	(683,000)	(718,300)	(35,300)
Total Other Financing Sources (Uses)	1,220,500	1,938,096	1,950,272	12,176
Net Change in Fund Balances	-	-	421,635	421,635
Fund Balance, Beginning of Year	868,090	868,090	964,233	(96,143)
Fund Balance, End of Year	\$ 868,090	\$ 868,090	\$ 1,385,868	\$ 325,492

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

City of Hapeville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Hotel/Motel Fund
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Hotel/Motel Tax	\$ 2,442,000	\$ 2,442,000	\$ 2,462,623	\$ 20,623
Expenditures	-	-	-	-
Excess of Revenues				
Over Expenditures	\$ 2,442,000	\$ 2,442,000	\$ 2,462,623	\$ 20,623
Other Financing Uses				
Transfers Out	(2,442,000)	(2,442,000)	(2,462,623)	(20,623)
Total Other Financing Uses	(2,442,000)	(2,442,000)	(2,462,623)	(20,623)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

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

City of Hapeville, Georgia
Hapeville Association of Tourism and Trade
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Charges for Services	\$ 1,500	\$ 1,500	\$ 950	\$ (550)
Contributions	-	6,000	11,400	5,400
Total Revenue	<u>1,500</u>	<u>7,500</u>	<u>12,350</u>	<u>4,850</u>
Expenditures				
Trade and Tourism	<u>813,130</u>	<u>789,130</u>	<u>686,384</u>	<u>102,746</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(811,630)</u>	<u>(781,630)</u>	<u>(674,034)</u>	<u>(97,896)</u>
Other Financing Sources (Uses)				
Transfers In	1,425,500	1,395,500	1,407,213	11,713
Transfers (Out)	<u>(821,870)</u>	<u>(821,870)</u>	<u>(293,752)</u>	<u>528,118</u>
	<u>603,630</u>	<u>573,630</u>	<u>1,113,461</u>	<u>539,831</u>
Net Change in Fund Balances	(208,000)	(208,000)	439,427	441,935
Fund Balance, Beginning of Year	<u>208,000</u>	<u>208,000</u>	<u>493,190</u>	<u>285,190</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 932,617</u>	<u>\$ 727,125</u>

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

City of Hapeville, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activity - Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Development Authority	Totals	
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 2,143,601	\$ 68,240	\$ 115,178	\$ 2,327,019	\$ 18,662
Restricted Cash	194,783	-	1,064,752	1,259,535	-
Accounts Receivable, net	618,346	82,418	-	700,764	-
Notes Receivable, Current Portion	-	-	6,472	6,472	-
Interfund Receivable	199,220	283	-	199,503	-
Prepaid Expenses	-	1,013	-	1,013	9,516
Total Current Assets	<u>3,155,950</u>	<u>151,954</u>	<u>1,186,402</u>	<u>4,494,306</u>	<u>28,178</u>
Noncurrent Assets					
Note Receivable, Noncurrent Portion	-	-	124,378	124,378	-
Property Held for Resale	-	-	2,308,654	2,308,654	-
Capital and Intangible Assets, Net	<u>13,467,582</u>	<u>85,067</u>	<u>-</u>	<u>13,552,649</u>	<u>-</u>
Total Noncurrent Assets	<u>13,467,582</u>	<u>85,067</u>	<u>2,433,032</u>	<u>15,985,681</u>	<u>-</u>
Total Assets	<u>16,623,532</u>	<u>237,021</u>	<u>3,619,434</u>	<u>20,479,987</u>	<u>28,178</u>
Deferred Outflows of Resources					
Related to Pension	<u>153,416</u>	<u>87,926</u>	<u>-</u>	<u>241,342</u>	<u>-</u>
Liabilities					
Current liabilities					
Accounts Payable	443,661	12,671	-	456,332	-
Accrued Liabilities	17,374	12,411	-	29,785	-
Interfund Payable	-	-	714,213	714,213	6,510
Compensated Absences	20,719	10,827	-	31,546	-
Accrued Interest Payable	-	-	252,252	252,252	-
Current Portion of Long-Term Debt	-	-	1,240,000	1,240,000	-
Liabilities Payable from Restricted Cash					
Customer Deposits	<u>194,783</u>	<u>-</u>	<u>-</u>	<u>194,783</u>	<u>-</u>
Total Current Liabilities	<u>676,537</u>	<u>35,909</u>	<u>2,206,465</u>	<u>2,918,911</u>	<u>6,510</u>
Noncurrent Liabilities					
Compensated Absences	18,987	45,822	-	64,809	-
Noncurrent Portion of Long-Term Debt	-	-	12,925,000	12,925,000	-
Net Pension Liability	427,315	261,562	-	688,877	-
Net OPEB Liability	<u>149,173</u>	<u>67,905</u>	<u>-</u>	<u>217,078</u>	<u>-</u>
Total Noncurrent Liabilities	<u>595,475</u>	<u>375,289</u>	<u>12,925,000</u>	<u>13,895,764</u>	<u>-</u>
Total Liabilities	<u>1,272,012</u>	<u>411,198</u>	<u>15,131,465</u>	<u>16,814,675</u>	<u>6,510</u>
Net Position					
Net Investment in Capital Assets	13,467,582	85,067	-	13,552,649	-
Restricted for Capital Projects	-	-	1,064,752	1,064,752	-
Unrestricted	<u>2,037,354</u>	<u>(171,318)</u>	<u>(12,576,783)</u>	<u>(10,710,747)</u>	<u>21,668</u>
	<u>\$ 15,504,936</u>	<u>\$ (86,251)</u>	<u>\$ (11,512,031)</u>	<u>3,906,654</u>	<u>\$ 21,668</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>27,672</u>	
Net Position of Business-type Activities				<u>\$ 3,934,326</u>	

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

City of Hapeville, Georgia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activity - Worker Comp Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Development Authority	Totals	
Operating Revenues					
Water Sales	\$ 2,689,780	\$ -	\$ -	\$ 2,689,780	\$ -
Sewer Charges	1,783,781	-	-	1,783,781	-
Sanitation Charges	-	494,599	-	494,599	-
Other Services or Charges	115,046	40,891	38,800	194,737	86,118
Total Operating Revenue	4,588,607	535,490	38,800	5,162,897	86,118
Operating Expenses					
Salaries and Benefits	400,346	262,552	-	662,898	-
Water Purchased	2,017,655	-	-	2,017,655	-
Insurance and Claims	59,006	36,430	-	95,436	86,118
Utilities	19,944	-	-	19,944	-
Repairs and Maintenance	185,737	28,794	10,373	224,904	-
Contracted Services	30,585	-	-	30,585	-
Supplies and Miscellaneous	56,889	18,673	867	76,429	-
Vehicle and Equipment Expenses	6,637	13,952	-	20,589	-
Professional Fees	176,528	112,745	3,934	293,207	-
Dues	3,038	-	-	3,038	-
Depreciation	279,951	15,290	-	295,241	-
Amortization	104,935	-	-	104,935	-
Total Operating Expenses	3,341,251	488,436	15,174	3,844,861	86,118
Operating Income (Loss)	1,247,356	47,054	23,626	1,318,036	-
Non-Operating Revenues (Expenses)					
Interest Income	-	-	7,633	7,633	-
Loss on Sale of Property	-	-	(297,348)	(297,348)	-
Interest Expense	-	-	(562,447)	(562,447)	-
Income (Loss) Before Transfers	1,247,356	47,054	(828,536)	465,874	-
Transfers					
Transfers In	352,933	-	1,758,491	2,111,424	-
Transfers Out	(1,332,233)	(12,286)	(405,565)	(1,750,084)	-
Net Transfers In (Out)	(979,300)	(12,286)	1,352,926	361,340	-
Change in Net Position	268,056	34,768	524,390	827,214	-
Net Position - Beginning of Year	15,236,880	(121,019)	(12,036,421)		21,668
Net Position, End of Year	\$ 15,504,936	\$ (86,251)	\$ (11,512,031)		\$ 21,668
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				-	
Change in Net Position of Business-Type Activities				\$ 827,214	

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, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer Fund	Sanitation Fund	Development Authority	Totals	Activity - Internal Service Fund
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 4,299,797	\$ 521,279	\$ 38,800	\$ 4,859,876	\$ 86,118
Payments to Suppliers	(2,391,276)	(203,484)	(15,174)	(2,609,934)	(67,456)
Payments to Employees	(400,852)	(269,561)	-	(670,413)	-
Net Cash Provided (Used) by Operating Activities	1,507,669	48,234	23,626	1,579,529	18,662
Cash Flows from Non-Capital Financing Activities					
Transfers In	352,933	-	1,758,491	2,111,424	-
Transfers (Out)	(1,332,233)	(12,286)	(350,578)	(1,695,097)	-
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	(979,300)	(12,286)	1,407,913	416,327	-
Cash Flows from Capital and Related Financing Activities					
Acquisition of Capital Assets	(472,289)	-	-	(472,289)	-
Proceeds from Sale of Investment Property	-	-	80,000	80,000	-
Principal Received on Note	-	-	5,158	5,158	-
Interest Received on Note	-	-	7,633	7,633	-
Interfund Proceeds for Payment of Debt	-	-	483,977	483,977	-
Principal Paid on Long-term Debt	-	-	(1,180,000)	(1,180,000)	-
Interest Paid on Long-term Debt	-	-	(578,490)	(578,490)	-
Net Cash Flows Used by Capital and Related Financing Activities	(472,289)	-	(1,181,722)	(1,654,011)	-
Net Increase (Decrease) in Cash	56,080	35,948	249,817	341,845	18,662
Cash, Beginning of Year	2,282,304	32,292	930,113	3,244,709	-
Cash, End of Year	\$ 2,338,384	\$ 68,240	\$ 1,179,930	\$ 3,586,554	\$ 18,662
Classified As:					
Unrestricted	\$ 2,143,601	\$ 68,240	\$ 115,178	\$ 2,327,019	\$ 18,662
Restricted	194,783	-	1,064,752	1,259,535	-
	\$ 2,338,384	\$ 68,240	\$ 1,179,930	\$ 3,586,554	\$ 18,662

(Continued)

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, 2016

(Continued)

	Business-type Activities - Enterprise Funds				Governmental Activity - Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Development Authority	Totals	
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities					
Operating Income (Loss)	\$ 1,247,356	\$ 47,054	\$ 23,626	\$ 1,318,036	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation and Amortization	384,886	15,290	-	400,176	-
(Increase) Decrease in:					
Receivables	(295,475)	(14,494)	-	(309,969)	-
Prepaid Expenses	-	(1,013)	-	(1,013)	16,672
Deferred Outflows of Resources	(147,782)	(84,447)	-	(232,229)	-
Increase (Decrease) in:					
Accounts Payable	155,158	2,554	-	157,712	-
Accrued Liabilities	4,590	10,118	-	14,708	(4,520)
Interfund Payable	-	-	-	-	6,510
Customer Utility Deposits	6,665	-	-	6,665	-
Pension Liability	169,428	96,816	-	266,244	-
OPEB	9,585	5,852	-	15,437	-
Deferred Inflows of Resources	(26,742)	(29,496)	-	(56,238)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,507,669</u>	<u>\$ 48,234</u>	<u>\$ 23,626</u>	<u>\$ 1,579,529</u>	<u>\$ 18,662</u>

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

City of Hapeville, Georgia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Pension Trust Fund</u>
Assets	
Employer Contribution Receivable	\$ -
Investments at Fair Value	
Pooled Separate Accounts	
Large Capital and Growth Funds	8,400,438
Bond Funds	4,127,852
Mid Capital and Growth funds	3,940,710
Money Market and Fixed Income Funds	2,476,245
Real Estate Funds	2,395,140
Small Capital Funds	<u>1,268,078</u>
Total Assets	<u>22,608,463</u>
Net Position - Restricted for Pension Benefits	<u>\$ 22,608,463</u>

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

City of Hapeville, Georgia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	<u>Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 526,090
Investment Income	
Net Appreciation in Fair Value of Investments	<u>361,896</u>
Total Additions	<u>887,986</u>
Deductions	
Benefit Payments	<u>2,211,614</u>
Total Deductions	<u>2,211,614</u>
Change in Net Position	(1,323,628)
Net Position - Restricted for Pension Benefits	
Beginning of Year	<u>23,932,091</u>
End of Year	<u>\$ 22,608,463</u>

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

NOTES TO FINANCIAL STATEMENTS



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City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

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. Blended component units, although legally separate entities, are, in substance, part of the city's operations, and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Component units had previously been reported discretely but are now being blended.

The Hapeville Development Authority (Development Authority) has been included as a blended component unit in the accompanying financial statements. The City appoints all of the members of the Development Authority's Board. The Development Authority has the authority to issue bonded debt, its debt issuance and operational budgets must be approved by the City Council. Debt payments on bonds issued by the Development Authority are now being paid by the City's enterprise and general funds. The Development authority is presented as a major enterprise fund.

The Hapeville Association for Tourism and Trade, Inc. (Association of Tourism and Trade) has also been included as a blended component unit in the accompanying financial statements. The Association of Tourism and Trade'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. Funds received by the Association of Tourism and Trade originate from Hotel/Motel tax revenues and are used to support economic development and infrastructural projects of the City. This fund is presented as a special revenue fund.

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

1-B. Basis of Presentation

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

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.

Fiduciary activities are not included at the government-wide reporting level. The operating activity of the internal service fund is also eliminated to avoid duplicating revenues and expenses.

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

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

1-C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

- The **general fund** is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.
- The **hotel/motel fund** (a special revenue fund) accounts for the collection of hotel/motel tax proceeds and related expenses.
- The **hapeville association of tourism and trade fund** (a special revenue fund) is a blended component unit that receives hotel/motel taxes to be used for trade, tourism, economic development and infrastructural projects of the City.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

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 **development authority fund** is used to account for income from investment properties. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The City reports the following fiduciary fund:

- The **pension trust fund** accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are by the City at rates determined by actuarial computations.

Additionally, the City reports the following fund types:

- The **special revenue funds** account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.
- The **capital projects funds** account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (excluding capital-related outflows financed by proprietary funds).
- The **internal service fund** accounts for workers' compensation provided to other departments or agencies of the City on a cost-reimbursement basis.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer and sanitation funds and the government's internal service fund are charges to customers for sales and services. The principal operating revenue of the development authority is derived from rental income. Operating expenses for water and sewer, sanitation and development authority funds and the internal service fund 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.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

1-D. Assets, Liabilities and Fund Equity

1-D-1 Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Net Position, "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/due from other funds." On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items in both government-wide and fund financial statements. Expenses or expenditures are reported when the service is provided (consumption method).

1-D-4 Capital Assets

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

Assets capitalized have an original cost of \$5,000 or more and over two years of useful life. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. In the case of the initial capitalization of general infrastructure items (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date. All reported capital assets are depreciated except for land and construction in progress. Depreciation has been calculated on each class of depreciable property, using the straight-line method.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

The estimated useful lives are as follows:

	<u>Years</u>
Infrastructure	10-30
Buildings and Building Improvements	15-50
Land Improvements	10-20
Furniture and Equipment	10-15
Autos, Trucks, and Equipment	5-10
Water and Sewer System	50

1-D-5 Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

1-D-6 Long -Term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of, bonds payable and accrued compensated absences. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements. Bond issuance costs, whether or not withheld from proceeds are reported as expenses/expenditures when incurred.

1-D-7 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of items that relate to the City's Retirement Plan that qualifies as deferred outflows relating to the City's Retirement Plan and are reported in the government-wide and proprietary fund Statements of Net Position – experience gains or losses result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed and are amortized into pension expense over the expected remaining service lives of the plan members.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify as deferred inflows – 1) unavailable revenue, which arises only under a modified accrual basis of accounting and qualifies for reporting in this category on the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available and 2) an item that relates to the City's Retirement Plan and is reported in the government-wide and proprietary fund Statements of Net Position. The net difference between projected investment return on pension investments and actual return on those investments is deferred and amortized against pension expense over a five year period.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

1-D-8 Fund Equity

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

Fund Balance

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

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

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

Net Position

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

- ***Net investment in capital assets*** – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- ***Restricted net position*** – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- ***Unrestricted*** – consists of net position designated internally and undesignated.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

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

1-D-9 Interfund Activity

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

1-D-10 Estimates

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

Note 2 – Stewardship, Compliance and Accountability

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

2-A. Budgets and Budgetary Accounting

Prior to July 1, the Director of Finance 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 and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund type budgets are adopted for management control purposes only.

2-B. Deposits and Investments Laws and Regulations

In accordance with state law, the City is required to obtain pledges of collateral from depository institutions for all uninsured deposits of municipal funds in financial institutions. As reflected in Note 3-A, all deposits of the City were fully insured or collateralized.

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, 2016, the City complied, in all material respects, with these investment restrictions.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

2-C. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
E-911 Revenue	E-911 Emergency Services Purposes
Hotel/Motel Tax	Tourism and Trade

For the year ended June 30, 2016, 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, 2016, the City had no outstanding general obligation debt.

Note 3 – Detail Notes on Transaction Classes/Accounts

3-A. Cash and Investments

Primary Government

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 \$5,444,925 at June 30, 2016, that was completely secured with depository insurance or collateral held by the City or by its agent in the City's or blended component units' name.

Investments – Credit Risk

As of June 30, 2016, the City had the following investments:

	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Governmental Funds:			
Georgia Extended Asset Pool	\$ 36,805	varies	\$ 36,805

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

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The regulatory oversight agency for this pool is the Office of State Treasurer. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

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

Pension Trust Fund

The Pension Trust Fund's policy in regard to investments, including the allocation of invested assets, is established and may be amended by the Board of Trustees.

Credit Risk – The City's Pension Trust fund's policy is an asset allocation mix to obtain the long-term average annual return target of 7.5%. The asset allocation mix is Fixed Income, with an allocation range between 27% and 35%, and Equities, with an allocation range between 63% and 75%. At June 30, 2016 the allocation was 29% in Fixed Income and 71% in Equities.

Concentration – At June 30, 2016, The Pension Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of plan fiduciary net position.

Rate of Return – For the year ended June 30, 2016, the annual money-weighted rate of return on Pension Trust Fund investments, net of investment expenses, was 1.6%.

Fair Value Measurements – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All pension trust fund investments are classified as Level 1.

3-B. Receivables

Accounts receivable for the business-type activities consist of utilities receivable for water, sewerage and sanitation. Accounts receivable of the governmental activities consist primarily of franchise tax, property tax, occupation tax, hotel/motel tax, sales tax and intergovernmental receivables arising from grants. An allowance for doubtful accounts was recorded for the water, sewer and sanitation receivables at \$52,550 for year ended June 30, 2016.

(Notes to financial statements continue on the next page.)

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

3-C. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers and Reclassifications	Ending Balance
Governmental activities					
Non-depreciable					
Land	\$ 1,367,730	\$ -	\$ -	\$ -	\$ 1,367,730
Construction in Progress	2,387,517	1,133,938	-	(1,715,580)	1,805,875
Total non-depreciable assets	3,755,247	1,133,938	-	(1,715,580)	3,173,605
Depreciable					
Buildings and Improvements	6,224,908	-	-	75,258	6,300,166
Land Improvements	3,701,973	-	-	-	3,701,973
Autos, Trucks and Equipment	7,004,811	1,318,047	(87,257)	-	8,235,601
Infrastructure	22,255,449	-	-	1,640,322	23,895,771
Total depreciable assets	39,187,141	1,318,047	(87,257)	1,715,580	42,133,511
Less accumulated depreciation					
Buildings and Improvements	(2,597,856)	(155,047)	-	-	(2,752,903)
Land Improvements	(2,323,381)	(117,695)	-	-	(2,441,076)
Autos, Trucks and Equipment	(5,425,923)	(325,941)	87,257	-	(5,664,607)
Infrastructure	(17,246,420)	(329,244)	-	-	(17,575,664)
Total accumulated depreciation	(27,593,580)	(927,927)	87,257	-	(28,434,250)
Net depreciable assets	11,593,561	390,120	-	1,715,580	13,699,261
Governmental activities capital assets, net	\$ 15,348,808	\$ 1,524,058	\$ -	\$ -	\$ 16,872,866
Business- type activities					
Non-depreciable					
Construction in Progress	\$ 542,450	\$ -	\$ -	\$ (542,450)	\$ -
Depreciable Assets					
Water and Sewer System	13,415,425	-	-	542,450	13,957,875
Autos, Trucks and Equipment	845,536	-	-	-	845,536
Total depreciable assets	14,260,961	-	-	542,450	14,803,411
Less accumulated depreciation					
Water and Sewer System	(4,790,047)	(270,353)	-	-	(5,060,400)
Autos, Trucks and Equipment	(695,641)	(24,888)	-	-	(720,529)
Total accumulated depreciation	(5,485,688)	(295,241)	-	-	(5,780,929)
Net depreciable assets	8,775,273	(295,241)	-	542,450	9,022,482
Intangible Assets					
Right to Capacity	5,036,557	472,289	-	-	5,508,846
Less Accumulated Amortization	(873,743)	(104,935)	-	-	(978,678)
Net intangible assets	4,162,814	367,354	-	-	4,530,168
Business-type activities capital assets, net	\$ 13,480,537	\$ 72,113	\$ -	\$ -	\$ 13,552,650

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

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

Governmental activities

General Government	\$ 50,259
Public Safety	287,068
Highways and Streets	310,932
Culture and Recreation	44,988
Parks and Grounds	167,462
Planning and Zoning	11,127
Trade, Tourism and Development	<u>56,091</u>
Total Depreciation Expense	<u>\$ 927,927</u>

Business-type activities

Water and Sewer	\$ 384,886
Sanitation	<u>15,290</u>
	<u>\$ 400,176</u>

3-D. Long-Term Debt

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital Leases:					
SunTrust Equipment Finance & Leasing:					
Phase I - Vehicles	\$ 267,178	\$ -	\$ 66,610	\$ 200,568	\$ 55,939
Phase II - Vehicles/Equipment	160,351	-	61,148	99,203	62,310
Phase III - Vehicles	-	119,082	-	119,082	28,667
AT&T Capital Services, Inc. - E911 Equipment	-	146,961	16,833	130,128	24,426
U.S. Bancorp Gov't Leasing - Fire Apparatus	-	1,010,796	81,643	929,153	58,770
DeLage Landen Public Finance LLC - Computers	-	13,968	-	13,968	3,154
Compensated Absences	<u>450,608</u>	<u>292,939</u>	<u>342,210</u>	<u>401,337</u>	<u>303,615</u>
Total	<u>\$ 878,137</u>	<u>\$ 1,583,746</u>	<u>\$ 568,444</u>	<u>\$ 1,893,439</u>	<u>\$ 536,881</u>
Business-Type Activities					
Revenue Bonds Payable					
Series 2004A	\$ 4,330,000	\$ -	\$ 490,000	\$ 3,840,000	\$ 515,000
Series 2004B	2,995,000	-	230,000	2,765,000	245,000
Series 2007	1,635,000	-	105,000	1,530,000	110,000
Series 2014A-1	5,765,000	-	-	5,765,000	105,000
Series 2014A-2	620,000	-	355,000	265,000	265,000
Compensated Absences	<u>85,503</u>	<u>48,583</u>	<u>37,731</u>	<u>96,355</u>	<u>31,546</u>
Total	<u>\$ 15,430,503</u>	<u>\$ 48,583</u>	<u>\$ 1,217,731</u>	<u>\$ 14,261,355</u>	<u>\$ 1,271,546</u>

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

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Capital Leases Payable

All purchases under the agreements below qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore are recorded at the present value of the future minimum lease payments as of the date of inception.

In December 2010, the City entered into a master lease agreement with SunTrust Equipment Finance & Leasing Corp. for equipment purchases in various phases.

- Phase I began January 2011 for financing the acquisition of various vehicles totaling \$812,941 including five police vehicles, an ambulance, a fire pumper truck a garbage truck and a pickup truck. \$17,087 of the amount was for various equipment items on the fire truck and police vehicles and did not meet the threshold for capitalizing. The annual interest rate applicable to this lease is 2.75% and matures in December 2020.
- Phase II began January 2013 for financing the acquisition of various vehicles and equipment totaling \$303,455 and included three police vehicles, one community service vehicle, two vehicles for the fire department, one vehicle for the recreation department and a breathing apparatus. \$11,518 of the proceeds was for various equipment items on the vehicles and did not meet the threshold for capitalizing. The annual interest rate applicable to this phase is 1.885% and matures in January 2018.
- Phase III began June 2016 for financing the acquisition of three police vehicles totaling \$119,082. The annual interest rate applicable to this phase is 2.5% and matures in June 2020.

In December 2015, the City entered into an equipment lease purchase agreement with AT&T Capital Services, Inc. for the purchase of E-911 equipment totaling \$146,961. The annual interest rate applicable to this lease is 6.813% and matures in November 2020.

In March 2016, the City entered into two lease agreements – one with De Lage Landen Public Finance LLC for the purchase of computer equipment costing \$13,968 and one with U.S. Bancorp Government Leasing and Finance, Inc. for the purchase of one 95' Midmount Aerial Platform Fire Truck for \$1,010,796. The annual interest rates applicable to these two leases are 6.459% and 3.196% and mature in July 2020 and June 2029, respectively.

The City's total capital lease debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 279,270
2018	245,445
2019	198,125
2020	198,118
2021	126,284
2022-2026	442,344
2027-2029	<u>265,405</u>
Total minimum lease payments	1,754,991
Less amount representing interest	<u>262,888</u>
Present value of future minimum lease payments	<u>\$ 1,492,103</u>

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

The following is an analysis of leased assets under capital leases:

	Governmental Activities	Business-type Activities
Autos, Trucks and Equipment	\$ 2,239,309	\$ 139,288
Less: Accumulated depreciation	<u>(524,154)</u>	<u>(57,412)</u>
	<u>\$ 1,715,155</u>	<u>\$ 81,876</u>

All capital leases payable are recorded on the Statement of Net Position under Governmental Activities. The prorated amount of payments made each year that are applicable to assets used in Business-type Activities is transferred from Water & Sewer and Sanitation Funds to the General Fund when a payment is due.

Revenue Bonds Payable - Series 2004A

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 515,000	\$ 171,960	\$ 686,960
2018	540,000	146,640	686,640
2019	565,000	120,120	685,120
2020	595,000	92,280	687,280
2021-2025	<u>1,625,000</u>	<u>122,040</u>	<u>1,747,040</u>
	<u>\$ 3,840,000</u>	<u>\$ 653,040</u>	<u>\$ 4,493,040</u>

(Notes to financial statements continue on the next page.)

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Revenue Bonds Payable – Series 2004B

In conjunction with the issuance of the Series 2004A bonds, the Development Authority also issued Taxable Revenue Bonds – Series 2004B, in the amount of \$4,435,000 dated June 29, 2004 and to mature on August 1, 2024 at a rate based on the Wall Street Journal LIBOR Daily Floating Rate plus 2.5%. The application of the Series 2004B Bond is as follows: \$3,296,417 deposited into the 2004B Project Account to pay costs of the 2004B project, including costs of issuance, \$682,000 to pay off the Authority's debt to the City, \$44,350 paid to the Placement Agent for its fee and \$412,233 to be deposited into the 2004B Capitalized Interest Account with the Project Fund. The bond principal payments are due on August 1 each year. Interest is payable semi-annually on February 1 and August 1 each year. Series 2004B Revenue Bonds currently outstanding (with interest computed at 2.75%) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	\$ 245,000	\$ 72,008	\$ 317,008
2018	255,000	65,004	320,004
2019	270,000	57,867	327,867
2020	290,000	50,254	340,254
2021-2025	<u>1,705,000</u>	<u>120,992</u>	<u>1,825,992</u>
	<u>\$ 2,765,000</u>	<u>\$ 366,125</u>	<u>\$ 3,131,125</u>

Revenue Bonds Payable – Series 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	\$ 110,000	\$ 65,819	\$ 175,819
2018	120,000	61,144	181,144
2019	120,000	56,044	176,044
2020	125,000	50,944	175,944
2021	135,000	45,631	180,631
2022-2026	750,000	137,275	887,275
2027	<u>170,000</u>	<u>7,438</u>	<u>177,438</u>
	<u>\$ 1,530,000</u>	<u>\$ 424,295</u>	<u>\$ 1,954,295</u>

Revenue Bonds Payable – Series 2014A-1 and 2014A-2

In January 2014, the Development Authority issued Tax Exempt Revenue Bonds, Series 2014A-1, in the amount of \$5,765,000 and Taxable Revenue Bonds, Series 2014A-2, in the amount of \$620,000. The Series 2014 Bonds are being issued for the provision of certain improvements to its city hall complex, welcome center and various water and sewerage infrastructure system along with costs of issuance. The interest rate on the Series 2014A-1 is 3.83% per annum and the interest rate on the Series 2014A-2 is 2.7% per annum. The series 2014A-1 bonds mature on July 1, 2028 and the Series 2014A-2 bonds mature on July 1, 2016. Principal is payable on July 1 and interest is payable on January 1 and July 1 as follows:

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Series 2014A-1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	\$ 105,000	\$ 218,789	\$ 323,789
2018	380,000	209,501	589,501
2019	395,000	194,660	589,660
2020	410,000	179,244	589,244
2021	425,000	163,254	588,254
2022-2026	2,385,000	554,297	2,939,297
2027-2029	1,665,000	97,186	1,762,186
	<u>\$ 5,765,000</u>	<u>\$ 1,616,931</u>	<u>\$ 7,381,931</u>

Series 2014A-2

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2017	\$ 265,000	\$ 3,577	\$ 268,577

3-E. Interfund Receivables, Payables and Transfers

The composition of interfund balances reported in the fund financial statements as of June 30, 2016, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>				<u>Total</u>
	<u>Hotel/ Motel</u>	<u>Capital Projects</u>	<u>Development Authority</u>	<u>Workers Compensation</u>	
General Fund	\$ 188,049	\$ 363,560	\$ 483,978	\$ 5,543	\$ 1,041,130
Hotel/Motel					
Hapeville Trade and Tourism	250,733	-	-	271	251,004
Water and Sewer	-	-	198,807	413	199,220
Sanitation	-	-	-	283	283
<u>Non-Major Governmental</u>					
Capital Projects	-	-	31,428	-	31,428
Total	<u>\$ 438,782</u>	<u>\$ 363,560</u>	<u>\$ 714,213</u>	<u>\$ 6,510</u>	<u>\$ 1,523,065</u>

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

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

The composition of interfund transfers reported in the fund financial statements for the year ended June 30, 2016, is as follows:

Transfers In	Transfers Out						Total
	General	Hotel/ Motel	Hapeville Trade and Tourism	Water and Sewer	Sanitation	Development Authority	
General Fund	\$ -	\$ 1,055,410	\$ -	\$ 255,069	\$ 12,286	\$ 30,000	\$ 1,352,765
Hapeville Trade and Tourism	-	1,407,213	-	-	-	-	1,407,213
<u>Non-Major Governmental</u>							
Capital Projects	36,973	-	293,752	-	-	22,632	353,357
Water and Sewer	-	-	-	-	-	352,933	352,933
Development Authority	681,327	-	-	1,077,164	-	-	1,758,491
Total	<u>\$ 718,300</u>	<u>\$ 2,462,623</u>	<u>\$ 293,752</u>	<u>\$ 1,332,233</u>	<u>\$ 12,286</u>	<u>\$ 405,565</u>	<u>\$ 5,224,759</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them (i.e. from Hotel/Motel to General Fund and Hapeville Trade and Tourism) (2) use unrestricted revenues collected in the General Fund to finance projects in Capital Projects Fund and assist in payment of bonds in Development Authority Fund (3) use revenues (from hotel/motel tax in Hapeville Trade and Tourism) to assist with approved Capital Projects and (4) to use unrestricted revenues from Enterprise Funds to assist in payments related to capital leases and bond debt payments and for operations, all in accordance with budgetary authorizations.

3-F. Pension Plan

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

Plan Membership. At January 1, 2016, pension plan membership consisting of the following:

Retirees and beneficiaries currently receiving benefits	95
Terminated members entitled to but not yet receiving benefits	22
Active plan participants	99
Total	<u>216</u>

Contributions. The contribution requirements of the City are established and may be amended by City Council. The City is required to contribute at an actuarially determined rate. The City Council provides for the benefits and funding through a City ordinance and maintains the authority to change the policy. The City's plan is non-contributory, and the City's policy is to contribute 100% of an actuarially determined rate. City contributions to the Plan were \$526,090 for the year ended June 30, 2016.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Net Pension Liability of the City.

The components of the net pension liability of the City at June 30, 2016, were as follows:

Total Pension Liability	\$ 29,147,550
Plan Fiduciary Net Position	<u>22,608,463</u>
City's Net Pension Liability	<u>\$ 6,539,087</u>
Plan fiduciary net position as a percentage of the total pension liability	77.57%

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

Actuarial Assumptions. The following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	2.5% for inflation plus merit increases of .4 to 2.4%
Investment rate of return	7.50%, including inflation, net of investment expense

Mortality rates were based on the 1983 GAM Mortality table. The actuarial assumptions used were based on the results of an actuarial experience study complete in May 2005 taking into account 10 years of data experience.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	30%	3.20%
Domestic/International Equities	70%	6.20%

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	\$ 28,050,740	\$ 23,932,091	\$ 4,118,649
Changes for the year:			
Service Cost	111,626	-	111,626
Interest	2,030,741	-	2,030,741
Differences between expected and actual experience	1,166,057	-	1,166,057
Contributions - employer	-	526,090	(526,090)
Net Investment Income	-	361,896	(361,896)
Benefit Payments	(2,211,614)	(2,211,614)	-
Balance at June 30, 2016	<u>\$ 29,147,550</u>	<u>\$ 22,608,463</u>	<u>\$ 6,539,087</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's Net Pension Liability	\$ 9,868,833	\$ 6,539,087	\$ 3,781,642

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$96,795. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,242,679	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	955,457	-
Total	<u>\$ 2,198,136</u>	<u>\$ -</u>

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ 192,115
2018	192,115
2019	192,117
2020	689,879
2021	439,381
Thereafter	492,529
	<u>\$ 2,198,136</u>

Note 4 – Other Notes

4-A. Risk Management

General Liability and Property Damage

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 and did not experience any settlements that exceeded their insurance coverage over the past three fiscal years. 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 \$400,000 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
2016	\$ 4,520	\$ 19,218	\$ 23,738	\$ -
2015	26,350	8,201	30,031	4,520
2014	14,689	39,327	27,666	26,350

4-B. Post-Employment Healthcare Plan

Plan Description. The City maintains two single-employer defined benefit post-retirement health care plans, ("OPEB Plans") to provide medical and dental benefits (Plan 1) and life insurance benefits Plan 2) to its eligible retirees. The benefits are provided in accordance with City ordinances and policies.

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

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

As of July 1, 2015, employee membership data related to the two OPEB plans was as follows:

	Medical and <u>Dental</u>	Life <u>Insurance</u>
Retirees and beneficiaries currently receiving benefits	70	51
Active plan participants	<u>120</u>	<u>120</u>
Total	<u><u>190</u></u>	<u><u>171</u></u>

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

Funding Policy. The Plans are not funded but rather operated on a "pay-as-you-go" basis. The required contributions are based on projected "pay-as-you-go" financing requirements as determined annually by the City. The premiums are paid by the City for retirees at 100%. Any spouses included contribute 50% of the premium.

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

	Medical and <u>Dental</u>	Life <u>Insurance</u>	<u>Total</u>
Determination of Annual Required Contribution			
Normal Cost at year end	\$ 204,739	\$ 11,512	\$ 216,251
Amortization of UAAL	<u>496,068</u>	<u>49,280</u>	<u>545,348</u>
Annual Required Contribution (ARC)	<u><u>\$ 700,807</u></u>	<u><u>\$ 60,792</u></u>	<u><u>\$ 761,599</u></u>
Determination of Net OPEB Obligation			
Annual Required Contributions	\$ 700,807	\$ 60,792	\$ 761,599
Interest on net OPEB obligations	83,954	6,808	90,762
Adjustment to ARC	<u>(113,050)</u>	<u>(10,270)</u>	<u>(123,320)</u>
Annual OPEB cost	671,711	57,330	729,041
Contributions made:			
Employer *	<u>(471,329)</u>	<u>(78,000)</u>	<u>(549,329)</u>
Increase (Decrease) in net OPEB obligation	200,382	(20,670)	179,712
Net OPEB obligation - beginning of year	<u>1,746,753</u>	<u>158,688</u>	<u>1,905,441</u>
Net OPEB obligation - end of year	<u><u>\$ 1,947,135</u></u>	<u><u>\$ 138,018</u></u>	<u><u>\$ 2,085,153</u></u>

City of Hapeville, Georgia
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June 30, 2016

*Employer contributions will be equal to the net expected employer benefits payments (gross benefit cost offset by the retiree's contributions) during the 2016 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			
6/30/2014	\$ 570,654	91.44%	\$ 1,644,619
6/30/2015	564,554	81.91%	1,746,753
6/30/2016	671,711	70.17%	1,947,135
Life Insurance			
6/30/2014	\$ 49,210	39.63%	\$ 126,848
6/30/2015	51,339	37.98%	158,688
6/30/2016	57,330	136.05%	138,018

Funded Status and Funding Progress. As of June 30, 2016, based on an actuarial valuation as of July 1, 2015 rolled forward, the actuarial accrued liability (AAL) for benefits was \$7,664,811 for medical and dental and \$761,432 for life insurance. The City's funding includes employer and participant contributions. These amounts are also the unfunded actuarial accrued liability (UAAL). Covered payroll for each plan was approximately \$5.2 million. The UAAL as a percentage of covered payroll was 146% for the medical and dental plan and 14.5% for the life insurance plan. A Schedule of Funding Progress is also presented for the past seven years in the Required Supplementary Information section of this report.

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.

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

In the actuarial valuation dated July 1, 2015, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent discount rate for unfunded. Other actuarial assumptions include mortality rates using the 1983 GAM, withdrawal rates based on the age of the employee, disability rates, retirement rates and an annual healthcare cost trend rate of 5.0 percent. The inflation rate assumption of 2.5% is incorporated in the healthcare cost trend rate. The actuarial asset valuation method is fair value. The UAAL is being amortized over open periods using level dollar payments. The amortization period is currently 23 years and will grade down to 15 years.

See required supplementary information for a history of funding progress which presents a multiyear trend about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Hapeville, Georgia
Notes to Financial Statements
June 30, 2016

4-C. Deferred Compensation and Other Employee Benefit Plans

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

Under the terms of the Plan, employees may defer a portion of their salary through voluntary contributions to the Plan, up to the maximum allowable by federal law. The City does not make contributions to the Plan. During the year, Plan members made voluntary contributions of \$40,311 to the plan.

The City also provides an opportunity for the City Manager and Finance Director to participate in a defined contribution money-purchase pension plan, known as City of Hapeville/City Manager Plan, administered by ICMA Retirement Corporation. The City contributed 10% for the first six months and then 12.5% thereafter of the City Manager's salary only. Participant contributions are not 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, 2016 were \$10,921. The Finance Director contributed a total of \$26,000 to the plan.

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

4-D. Joint Ventures

Regional Commissions. Under Georgia law, the City, in conjunction with other cities and counties in the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, if assessed. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

4-E. Hotel/Motel Lodging Tax

The City has levied a 7% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(4.5). The City is required to spend an amount equal to 28.58 percent of the total taxes collected at the rate of 7 percent for the purpose of promoting tourism, conventions, and trade shows, or for facilities used for these purposes. Total revenues of \$2,462,622 were received. Of this amount, \$1,055,409 was transferred to the General Fund of the City of Hapeville and the remaining \$1,407,213 was transferred to the Association of Tourism and Trade Special Revenue Fund – a blended component unit and also a separate 501(c)(3) organization.

REQUIRED SUPPLEMENTARY INFORMATION



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City of Hapeville, Georgia
Schedule of Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal Years Ending June 30	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 111,626	\$ 117,867	\$ 121,891
Interest on total pension liability	2,030,741	2,032,600	2,034,184
Differences between expected and actual experience	1,166,057	46,763	45,428
Benefit payments	<u>(2,211,614)</u>	<u>(2,219,779)</u>	<u>(2,217,473)</u>
Net change in total pension liability	1,096,810	(22,549)	(15,970)
Total pension liability - beginning	<u>28,050,740</u>	<u>28,073,290</u>	<u>28,089,260</u>
Total pension liability - ending	<u><u>\$ 29,147,550</u></u>	<u><u>\$ 28,050,741</u></u>	<u><u>\$ 28,073,290</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 526,090	\$ 557,148	\$ 1,158,240
Net investment income	361,896	563,309	3,892,858
Benefit payments	(2,211,614)	(2,219,778)	(2,217,473)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(69,202)</u>
Net change in plan fiduciary net position	(1,323,628)	(1,099,321)	2,764,423
Plan fiduciary net position - beginning	<u>23,932,091</u>	<u>25,031,412</u>	<u>22,266,989</u>
Plan fiduciary net position - ending	<u><u>\$ 22,608,463</u></u>	<u><u>\$ 23,932,091</u></u>	<u><u>\$ 25,031,412</u></u>
Net pension liability - ending	<u><u>\$ 6,539,087</u></u>	<u><u>\$ 4,118,650</u></u>	<u><u>\$ 3,041,878</u></u>
Plan fiduciary net position as a percentage of total pension liability	77.57%	85.32%	89.16%
Covered employee payroll	\$ 4,541,206	\$ 5,249,658	\$ 4,912,290
Net pension liability as a percentage of covered employee payroll	143.99%	78.46%	61.92%

Notes to the Schedule:

This schedule will present 10 years of information once it is accumulated.

City of Hapeville, Georgia
Schedule of Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Contributions

Fiscal Years Ending June 30	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 526,090	\$ 557,148	\$ 1,158,240
Contributions in relation to the actuarially determined contribution	<u>526,090</u>	<u>557,148</u>	<u>1,158,240</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,541,206	\$ 5,249,658	\$ 4,912,290
Contributions as a percentage of covered-employee payroll	11.58%	10.61%	23.58%

Notes to the Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 18 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost method	Individual Entry Age
Actuarial Asset Valuation Method	Market
Assumed Rate of Return on Investments	7.5% net of investment expenses
Projected Salary Increases	2.5% for inflation plus merit increases of .4 to 2.4%
Inflation	2.50%
Amortization Method	Level dollar for unfunded liability
Remaining Amortization Period	Varies by Source of Amortization

This schedule will present 10 years of information once it is accumulated.

City of Hapeville, Georgia
Schedule of Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Pension Investment Returns

Fiscal Years Ending June 30	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses for City of Hapeville's Pension Plan	1.6%	2.3%	18.1%

Notes to the Schedule:

This schedule will present 10 years of information once it is accumulated.

City of Hapeville, Georgia
Required Supplementary Information
Postemployment Healthcare Plan - Medical and Dental
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2015	\$ -	\$ 7,664,811	\$ 7,664,811	0.00%	\$ 5,250,000	146.00%
7/1/2014	-	7,417,498	7,417,498	0.00%	4,912,000	151.01%
7/1/2013	-	7,790,844	7,790,844	0.00%	4,769,000	163.36%
7/1/2012	-	7,707,690	7,707,690	0.00%	4,880,000	157.94%
7/1/2011	-	8,115,734	8,115,734	0.00%	4,913,000	165.19%
1/1/2010	-	9,241,537	9,241,537	0.00%	4,692,000	196.96%
1/1/2009	-	8,885,190	8,885,190	0.00%	4,805,000	184.92%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2015	\$ -	\$ 761,432	\$ 761,432	0.00%	\$ 5,250,000	14.50%
7/1/2014	-	690,775	690,775	0.00%	4,912,000	14.06%
7/1/2013	-	668,564	668,564	0.00%	4,769,000	14.02%
7/1/2012	-	652,858	652,858	0.00%	4,880,000	13.38%
7/1/2011	-	645,517	645,517	0.00%	4,913,000	13.14%
1/1/2010	-	531,152	531,152	0.00%	4,692,000	11.32%
1/1/2009	-	489,413	489,413	0.00%	4,805,000	10.19%

OTHER SUPPLEMENTARY INFORMATION



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City of Hapeville, Georgia

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

North Central Avenue Streetscape Fund is used to account for the revenues and expenditures of grant funds that are restricted to the construction project for North Central Avenue. This project was completed in 2016 for a total cost of \$766,604.

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

North Fulton Streetscape Fund is used to account for the Federal and local revenues and expenditures from the Transportation Enhancement Program to construct streetscape improvements to five corridors in Hapeville, beginning at North Central Avenue and ending at King Arnold Street. This project was completed in 2016 for a total cost of \$798,617.

Rail Facilities and Corridor Fund is used to account for the Federal revenues and expenditures for Transportation Facility Improvements along the railroad track side of North and South Central Avenues including any necessary infrastructure changes as agreed to in coordination with the Norfolk Southern Railroad and GDOT. The project locations run from Sunset Avenue to Dogwood Drive and 1-75 to Perkins Court.

Other Capital Projects Fund is used to account for various other long-term and shorter-term projects. The projects included for this fiscal year consist of: a CDBG Gym Floor Grant completed for a cost of \$75,258; LMIG Grant for Infrastructure paving at a cost of \$70,882, ongoing improvements to buildings purchased for renovation and enhancements of City property.

City of Hapeville, Georgia
Combining Balance Sheet - Summary
Non-Major Governmental Funds
June 30, 2016

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 7,269	\$ 166,014	\$ 173,283
Receivables:			
Intergovernmental	6,380	226,377	232,757
Interfund	<u>-</u>	<u>31,428</u>	<u>31,428</u>
Total Assets	<u>\$ 13,649</u>	<u>\$ 423,819</u>	<u>\$ 437,468</u>
Liabilities			
Accounts Payable	\$ 2,337	\$ 8,081	\$ 10,418
Deferred Revenue	-	52,178	52,178
Interfund Payable	<u>-</u>	<u>363,560</u>	<u>363,560</u>
Total Liabilities	2,337	423,819	426,156
Fund Balance			
Restricted for:			
Program Purposes	<u>11,312</u>	<u>-</u>	<u>11,312</u>
Total Liabilities and Fund Balance	<u>\$ 13,649</u>	<u>\$ 423,819</u>	<u>\$ 437,468</u>

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2016

	Non-Major Special Revenue Funds				Total Non-Major Special Revenue Funds
	Asset Forfeiture	Emergency Communications	Rental Motor Vehicle Excise Tax	Other Special Revenues	
Assets					
Cash and Cash Equivalents	\$ 2,134	\$ -	\$ -	\$ 5,135	\$ 7,269
Intergovernmental Receivable	-	-	-	6,380	6,380
Total Assets	<u>\$ 2,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,515</u>	<u>\$ 13,649</u>
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,337	\$ 2,337
Fund Balance					
Restricted for Program Purposes	<u>2,134</u>	<u>-</u>	<u>-</u>	<u>9,178</u>	<u>11,312</u>
Total Liabilities and Fund Balance	<u>\$ 2,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,515</u>	<u>\$ 13,649</u>

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2016

	Non-Major Capital Project Funds						Total Non-Major Capital Projects Funds
	Loop Access Road	North Central Ave Streetscape	Dogwood/ North Ave Streetscape	North Fulton Streetscape	Rail Facilities and Corridor	Other Capital Projects	
Assets							
Cash and Cash Equivalents	\$ -	\$ 1,408	\$ 1,050	\$ 111,378	\$ -	\$ 52,178	\$ 166,014
Receivables:							
Intergovernmental	7,781	83,159	400	18,484	41,295	75,258	226,377
Interfund	-	-	-	-	-	31,428	31,428
Total Assets	<u>\$ 7,781</u>	<u>\$ 84,567</u>	<u>\$ 1,450</u>	<u>\$ 129,862</u>	<u>\$ 41,295</u>	<u>\$ 158,864</u>	<u>\$ 423,819</u>
Liabilities							
Accounts Payable	\$ 5,791	\$ -	\$ 500	\$ -	\$ 290	\$ 1,500	\$ 8,081
Deferred Revenue	-	-	-	-	-	52,178	52,178
Interfund Payable	<u>1,990</u>	<u>84,567</u>	<u>950</u>	<u>129,862</u>	<u>41,005</u>	<u>105,186</u>	<u>363,560</u>
Total Liabilities	7,781	84,567	1,450	129,862	41,295	158,864	423,819
Fund Balance							
Restricted for Construction of Capital Assets	-	-	-	-	-	-	-
Total Liabilities and Fund Balance	<u>\$ 7,781</u>	<u>\$ 84,567</u>	<u>\$ 1,450</u>	<u>\$ 129,862</u>	<u>\$ 41,295</u>	<u>\$ 158,864</u>	<u>\$ 423,819</u>

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Summary
Non-Major Governmental Funds
For The Year Ended June 30, 2016

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues			
Other Taxes	\$ 30,607	\$ -	\$ 30,607
Charges for Services	83,102	-	83,102
Intergovernmental	11,096	780,581	791,677
Contributions	8,046	-	8,046
Total Revenue	<u>132,851</u>	<u>780,581</u>	<u>913,432</u>
Expenditures			
Current:			
Public Safety	130,781	-	130,781
Culture and Recreation	14,190	-	14,190
Capital Outlay	-	1,133,938	1,133,938
Total Expenditures	<u>144,971</u>	<u>1,133,938</u>	<u>1,278,909</u>
Excess Revenues Over (Under) Expenditures	(12,120)	(353,357)	(365,477)
Other Financing Sources (Uses)			
Transfers In	<u>-</u>	<u>353,357</u>	<u>353,357</u>
Net Change in Fund Balances	(12,120)	-	(12,120)
Fund Balance, Beginning of Year	<u>23,432</u>	<u>-</u>	<u>23,432</u>
Fund Balance, End of Year	<u>\$ 11,312</u>	<u>\$ -</u>	<u>\$ 11,312</u>

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For The Year Ended June 30, 2016

	Non-Major Special Revenue Funds				Total Non-Major Special Revenue Funds
	Asset Forfeiture	Emergency Communications	Rental Motor Vehicle Excise Tax	Other Special Revenues	
Revenues					
Taxes	\$ -	\$ -	\$ 30,607	\$ -	\$ 30,607
Charges for Services	-	83,102	-	-	83,102
Intergovernmental	-	-	-	11,096	11,096
Contributions	-	-	-	8,046	8,046
Total Revenue	-	83,102	30,607	19,142	132,851
Expenditures					
Public Safety	17,072	83,102	30,607	-	130,781
Culture and Recreation	-	-	-	14,190	14,190
Total Expenditures	17,072	83,102	30,607	14,190	144,971
Excess Revenues Over (Under) Expenditures	(17,072)	-	-	4,952	(12,120)
Fund Balance, Beginning of Year	19,206	-	-	4,226	23,432
Fund Balance, End of Year	\$ 2,134	\$ -	\$ -	\$ 9,178	\$ 11,312

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, 2016

	Non-Major Capital Projects Funds						Total Non-Major Capital Projects Funds
	Loop Access Road	North Central Ave Streetscape	Dogwood/ North Ave Streetscape	North Fulton Streetscape	Rail Facilities and Corridor	Other Capital Projects	
Revenues							
Intergovernmental	\$ 22,795	\$ 319,026	\$ 17,410	\$ 277,332	\$ 20,346	\$ 123,672	\$ 780,581
Expenditures							
Capital Outlay	37,296	398,783	23,075	485,662	20,350	168,772	1,133,938
Excess Revenues Over (Under) Expenditures	(14,501)	(79,757)	(5,665)	(208,330)	(4)	(45,100)	(353,357)
Other Financing Sources (Uses)							
Transfers In	14,501	79,757	5,665	208,330	4	45,100	353,357
Fund Balance, Beginning of Year	-	-	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hapeville, Georgia
Asset Forfeiture Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Fines and Forfeitures	\$ -	\$ -	\$ -	\$ -
Expenditures				
Public Safety	-	17,072	17,072	-
Excess of Revenues Over (Under)				
Expenditures	-	(17,072)	(17,072)	-
Fund Balance, Beginning of Year	-	17,072	19,206	2,134
Fund Balance, End of Year	\$ -	\$ -	\$ 2,134	\$ 2,134

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Charges for Services	\$ 100,000	\$ 100,000	\$ 83,102	\$ (16,898)
Expenditures				
Public Safety	<u>100,000</u>	<u>100,000</u>	<u>83,102</u>	<u>16,898</u>
Excess of Revenues Over (Under)				
Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Taxes	\$ 30,000	\$ 30,607	\$ 30,607	\$ -
Expenditures				
Public Safety	<u>30,000</u>	<u>30,607</u>	<u>30,607</u>	<u>-</u>
Excess of Revenues Over (Under)				
Expenditures	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hapeville, Georgia
Other Special Revenues Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Intergovernmental				
Bright Start Grant Revenue	\$ -	\$ 10,972	\$ 11,096	\$ (124)
Contributions				
Coffee and Chrome	-	7,796	7,796	-
Donations for Park Fountain	-	-	250	(250)
Total Revenue	-	18,768	19,142	(374)
Expenditures				
Culture and Recreation				
Bright Start	-	10,972	10,972	-
Coffee and Chrome	-	7,796	3,218	4,578
Total Expenditures	-	18,768	14,190	4,578
Excess of Revenues Over (Under)				
Expenditures	-	-	4,952	4,952
Fund Balance, Beginning of Year	-	-	4,226	4,226
Fund Balance, End of Year	\$ -	\$ -	\$ 9,178	\$ 9,178

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, 2016

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental	\$ 524,587	\$ 22,795	\$ 547,382	\$ 600,000
Expenditures:				
Capital Outlay	<u>652,276</u>	<u>37,296</u>	<u>689,572</u>	<u>750,000</u>
Excess Revenues Over (Under)				
Expenditures	(127,689)	(14,501)	(142,190)	(150,000)
Other Financing Sources (Uses)				
Transfers In	<u>127,689</u>	<u>14,501</u>	<u>142,190</u>	<u>150,000</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

City of Hapeville, Georgia
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, 2016

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental	\$ 290,186	\$ 319,026	\$ 609,212	\$ 1,137,600
Expenditures:				
Capital Outlay	<u>367,821</u>	<u>398,783</u>	<u>766,604</u>	<u>1,465,000</u>
Excess Revenues Over (Under)				
Expenditures	(77,635)	(79,757)	(157,392)	(327,400)
Other Financing Sources (Uses)				
Transfers In	<u>77,635</u>	<u>79,757</u>	<u>157,392</u>	<u>327,400</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

City of Hapeville, Georgia
Dogwood Drive/North Avenue Streetscape Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2016

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental	\$ 211,444	\$ 17,410	\$ 228,854	\$ 1,616,000
Expenditures:				
Capital Outlay	<u>269,350</u>	<u>23,075</u>	<u>292,425</u>	<u>2,025,000</u>
Excess Revenues Over (Under)				
Expenditures	(57,906)	(5,665)	(63,571)	(409,000)
Other Financing Sources (Uses)				
Transfers In	<u>57,906</u>	<u>5,665</u>	<u>63,571</u>	<u>409,000</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

City of Hapeville, Georgia
North Fulton Streetscape Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2016

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental	\$ 177,668	\$ 277,332	\$ 455,000	\$ 455,000
Expenditures:				
Capital Outlay	<u>312,955</u>	<u>485,662</u>	<u>798,617</u>	<u>568,750</u>
Excess Revenues Over (Under)				
Expenditures	(135,287)	(208,330)	(343,617)	(113,750)
Other Financing Sources (Uses)				
Transfers In	<u>135,287</u>	<u>208,330</u>	<u>343,617</u>	<u>113,750</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

City of Hapeville, Georgia
Rail Facilities and Corridor Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2016

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental	\$ 435,864	\$ 20,346	\$ 456,210	\$ 2,970,000
Expenditures:				
Capital Outlay	<u>435,864</u>	<u>20,350</u>	<u>456,214</u>	<u>2,970,000</u>
Excess Revenues Over (Under)				
Expenditures	<u>-</u>	<u>(4)</u>	<u>(4)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

City of Hapeville, Georgia
Other Capital Projects
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
From Inception and for the Year Ended June 30, 2016

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Budget</u>
Revenues:				
Intergovernmental	\$ 4,218	\$ 123,672	\$ 127,890	\$ 127,890
Expenditures:				
Capital Outlay	<u>490,769</u>	<u>168,772</u>	<u>659,541</u>	<u>830,474</u>
Excess Revenues Over (Under)				
Expenditures	(486,551)	(45,100)	(531,651)	(702,584)
Other Financing Sources (Uses)				
Transfers In	<u>486,551</u>	<u>45,100</u>	<u>531,651</u>	<u>702,584</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, Beginning of Year		<u>-</u>		
Fund Balance, End of Year		<u><u>\$ -</u></u>		

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STATISTICAL SECTION



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City of Hapeville, Georgia
Introduction to Statistical Section
(Unaudited)

This part of City of Hapeville's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary financial information. This information is unaudited.

Contents

Exhibits

Financial Trends

These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

I - XIA

Revenue Capacity

These tables contain information that may assist the reader in assessing the viability of the City's most significant "own-source" revenue sources, property taxes.

XII-XXII

Debt Capacity

These tables contain information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

XXIII-XXV

Demographic and Economic Information

These tables present demographic and economic information intended (1) to assist users in understanding the socioeconomic environment within which the City operates and (2) to provide information that facilitates comparisons of financial statement information over time and among cities.

XXVI-XXVII

Operating Information

These tables contain service and infrastructure indicators that can inform one's understanding how the information in the City's financial statements relates to the services the City provides and the activities it performs.

XXVIII-XXIX

Data Source:

Unless otherwise noted, the information in these tables is derived from the annual financial report for the applicable year.

City of Hapeville, Georgia
Changes in Net Position - Governmental Activities (Unaudited)
Last Ten Fiscal Years ¹
(accrual basis of accounting)

For the Fiscal Year Ended June 30,										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities										
General government	\$ 1,280,910	\$ 1,788,672	\$ 1,989,413	\$ 1,485,410	\$ 1,656,739	\$ 1,663,338	\$ 1,753,542	\$ 2,148,678	\$ 2,086,642	\$ 2,265,737
Public safety	6,424,365	5,486,095	5,484,335	6,203,308	6,352,891	6,282,263	6,239,602	5,923,757	5,011,852	4,936,495
Highways and streets	1,367,043	1,245,904	1,258,880	1,393,790	1,221,317	1,283,554	1,263,217	1,101,104	1,025,120	956,954
Culture and recreation	777,705	566,842	398,171	501,631	505,923	599,769	603,976	557,634	548,727	551,428
Parks and grounds	892,599	653,652	716,252	735,937	806,653	895,269	1,012,004	1,051,603	934,433	865,972
Planning and zoning ¹	677,387	566,481	649,217	944,020	997,670	851,305	893,210	273,602	284,203	241,023
Trade, tourism and development ¹	122,165	30,260	1,115,853	927,722	966,864	894,111	1,002,938	594,325	673,741	730,231
Debt-related expenses	84,994	95,207	144,944	175,689	336,976	332,543	314,830	16,782	11,008	22,095
Total Primary Government Expenses	11,627,168	10,433,113	11,757,065	12,367,507	12,845,033	12,802,152	13,083,319	11,667,485	10,575,726	10,569,935
Program Revenues:										
Governmental Activities										
Charges for services	1,370,694	1,939,215	1,862,404	1,543,971	1,740,491	1,710,470	1,958,670	1,011,165	1,048,241	866,148
Operating grants and contributions	57,318	13,939	20,570	20,100	29,354	81,631	77,234	49,232	40,977	39,138
Capital grants and contributions	212,251	145,148	284,917	590,972	2,236,472	1,651,861	1,411,890	725,947	613,912	780,581
Total Primary Government Program Revenues	1,640,263	2,098,302	2,167,891	2,155,043	4,006,317	3,443,962	3,447,794	1,786,344	1,703,130	1,685,867
Net (Expense) Revenue	(9,986,905)	(8,334,811)	(9,589,174)	(10,212,464)	(8,838,716)	(9,358,190)	(9,635,525)	(9,881,141)	(8,872,596)	(8,884,068)
General Revenues:										
Governmental activities										
Taxes										
Property	3,830,563	4,866,883	5,001,623	4,785,375	4,521,462	3,924,999	4,185,266	4,066,615	3,795,160	4,604,469
Sales	1,648,432	1,664,596	1,487,305	1,492,207	1,503,326	1,598,359	1,596,392	1,668,856	1,739,336	1,751,341
Occupation	313,062	241,132	320,264	280,330	251,795	260,999	231,405	265,775	289,887	324,329
Franchise	731,273	622,223	678,640	661,534	682,581	762,675	549,260	643,481	673,023	679,502
Insurance premium	323,831	337,842	355,584	350,546	344,731	308,470	327,079	351,426	354,276	391,735
Hotel/motel	1,042,157	896,036	1,838,555	1,613,809	1,622,430	1,545,360	1,732,001	1,951,860	2,275,691	2,462,623
Other	637,102	576,005	947,893	572,989	421,820	649,075	592,961	544,169	558,608	546,226
Other local revenue	40,158	28,782	22,938	313,017	24,505	41,212	26,018	27,884	27,320	39,844
Unrestricted investment earnings	50,685	48,684	10,259	5,354	1,084	1,872	979	121	191	218
Transfers	(497,052)	(872,030)	(190,419)	-	141,143	290,322	258,899	(304,924)	265,139	(361,340)
Total Primary Government General Revenues	8,120,211	8,410,153	10,472,642	10,075,161	9,514,877	9,383,343	9,500,260	9,215,263	9,978,631	10,438,947
Total Primary Government Change in Net Position	\$ (1,866,694)	\$ 75,342	\$ 883,468	\$ (137,303)	\$ 676,161	\$ 25,153	\$ (135,265)	\$ (665,878)	\$ 1,106,035	\$ 1,554,879

Data Source:

Applicable years' annual financial report.

Notes:¹ In fiscal year 2014, the development costs were classified from planning and zoning to trade, tourism and development.

City of Hapeville, Georgia
Changes in Net Position - Governmental Activities - Percentage of Total (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

For the Fiscal Year Ended June 30,										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities										
General government	11.0%	17.1%	16.9%	12.0%	12.9%	13.0%	13.4%	18.4%	19.7%	21.4%
Public safety	55.3%	52.6%	46.6%	50.2%	49.5%	49.1%	47.7%	50.8%	47.4%	46.7%
Highways and streets	11.8%	11.9%	10.7%	11.3%	9.5%	10.0%	9.7%	9.4%	9.7%	9.1%
Culture and recreation	6.7%	5.4%	3.4%	4.1%	3.9%	4.7%	4.6%	4.8%	5.2%	5.2%
Parks and grounds	7.7%	6.3%	6.1%	6.0%	6.3%	7.0%	7.7%	9.0%	8.8%	8.2%
Planning and zoning ¹	5.8%	5.4%	5.5%	7.6%	7.8%	6.6%	6.8%	2.3%	2.7%	2.3%
Trade, tourism and development ¹	1.1%	0.3%	9.5%	7.5%	7.5%	7.0%	7.7%	5.1%	6.4%	6.9%
Debt-related expenses	0.7%	0.9%	1.2%	1.4%	2.6%	2.6%	2.4%	0.2%	0.1%	0.1%
Total Primary Government Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Program Revenues:										
Governmental Activities										
Charges for services	84%	92%	86%	72%	43%	50%	57%	57%	62%	51%
Operating grants and contributions	3%	1%	1%	1%	1%	2%	2%	3%	2%	2%
Capital grants and contributions	13%	7%	13%	27%	56%	48%	41%	41%	36%	46%
Total Primary Government Program Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
General Revenues:										
Governmental activities										
Taxes										
Property	47.2%	57.9%	47.8%	47.5%	47.5%	41.8%	44.1%	44.1%	38.0%	44.1%
Sales	20.3%	19.8%	14.2%	14.8%	15.8%	17.0%	16.8%	18.1%	17.4%	16.8%
Occupation	3.9%	2.9%	3.1%	2.8%	2.6%	2.8%	2.4%	2.9%	2.9%	3.1%
Franchise	9.0%	7.4%	6.5%	6.6%	7.2%	8.1%	5.8%	7.0%	6.7%	6.5%
Insurance premium	4.0%	4.0%	3.4%	3.5%	3.6%	3.3%	3.4%	3.8%	3.6%	3.8%
Hotel/motel	12.8%	10.7%	17.6%	16.0%	17.1%	16.5%	18.2%	21.2%	22.8%	23.6%
Other	7.8%	6.8%	9.1%	5.7%	4.4%	6.9%	6.2%	5.9%	5.6%	5.2%
Other local revenue	0.5%	0.3%	0.2%	3.1%	0.3%	0.4%	0.3%	0.3%	0.3%	0.4%
Unrestricted investment earnings	0.6%	0.6%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transfers	-6.1%	-10.4%	-1.8%	0.0%	1.5%	3.1%	2.7%	-3.3%	2.7%	-3.5%
Total Primary Government General Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

¹ In fiscal year 2014, the development costs were classified from planning and zoning to trade, tourism and development.

Data Source:

Applicable years' annual financial report.

City of Hapeville, Georgia
Changes in Net Position - Business-type Activities (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

Source	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Water and sewer	\$ 2,932,767	\$ 3,194,968	\$ 2,743,568	\$ 2,915,006	\$ 3,335,691	\$ 3,025,737	\$ 2,898,013	\$ 2,898,611	\$ 2,915,863	\$ 3,341,251
Solid waste management	488,764	381,659	410,936	506,144	538,295	557,955	563,392	544,970	465,351	488,436
Development authority ¹	-	-	-	-	-	-	-	658,283	616,700	577,621
Total Expenses	3,421,531	3,576,627	3,154,504	3,421,150	3,873,986	3,583,692	3,461,405	4,101,864	3,997,914	4,407,308
Program Revenues:										
Charges for services	3,472,504	3,123,013	3,180,364	3,242,115	3,604,871	4,258,491	4,311,342	4,700,291	4,824,266	5,162,897
Operating grants	-	-	-	-	-	-	-	-	17,484	-
Total Program Revenues	3,472,504	3,123,013	3,180,364	3,242,115	3,604,871	4,258,491	4,311,342	4,700,291	4,841,750	5,162,897
Net (Expense) Revenue	50,973	(453,614)	25,860	(179,035)	(269,115)	674,799	849,937	598,427	843,836	755,589
General Revenues:										
Unrestricted investment income	60,565	35,119	-	-	-	-	-	-	-	7,633
Other	280,439	239,902	122,462	147,757	-	-	-	-	-	(297,348)
Transfers	497,052	872,030	190,419	-	(141,143)	(290,322)	(258,899)	304,924	(265,139)	361,340
Total General Revenues	838,056	1,147,051	312,881	147,757	(141,143)	(290,322)	(258,899)	304,924	(265,139)	71,625
Change in Net Position	\$ 889,029	\$ 693,437	\$ 338,741	\$ (31,278)	\$ (410,258)	\$ 384,477	\$ 591,038	\$ 903,351	\$ 578,697	\$ 827,214

Data Source:

Applicable years' annual financial report.

Notes:¹ Beginning in fiscal year 2014, the Development Authority was reclassified from a discretely presented component unit to a blended component unit.

City of Hapeville, Georgia
Changes in Net Position - Total (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

Source	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities ¹	\$ 11,627,168	\$ 10,433,113	\$ 11,757,065	\$ 12,367,507	\$ 12,845,033	\$ 12,802,152	\$ 13,083,319	\$ 11,667,485	\$ 10,575,726	\$ 10,569,935
Business-type activities ²	3,421,531	3,576,627	3,154,504	3,421,150	3,873,986	3,583,692	3,461,405	4,101,864	3,997,914	4,407,308
Total Expenses	15,048,699	14,009,740	14,911,569	15,788,657	16,719,019	16,385,844	16,544,724	15,769,349	14,573,640	14,977,243
Program Revenues:										
Governmental activities ¹	1,640,263	2,098,302	2,167,891	2,155,043	4,006,317	3,443,962	3,447,794	1,786,344	1,703,130	1,685,867
Business-type activities ²	3,472,504	3,123,013	3,180,364	3,242,115	3,604,871	4,258,491	4,311,342	4,700,291	4,841,750	5,162,897
Total Program Revenues	5,112,767	5,221,315	5,348,255	5,397,158	7,611,188	7,702,453	7,759,136	6,486,635	6,544,880	6,848,764
Net (Expense) Revenue	(9,935,932)	(8,788,425)	(9,563,314)	(10,391,499)	(9,107,831)	(8,683,391)	(8,785,588)	(9,282,714)	(8,028,760)	(8,128,479)
General Revenues:										
Governmental activities ¹	8,120,211	8,410,153	10,472,642	10,075,161	9,514,877	9,383,343	9,500,260	9,215,263	9,978,631	10,438,947
Business-type activities ²	838,056	1,147,051	312,881	147,757	(141,143)	(290,322)	(258,899)	304,924	(265,139)	71,625
Total General Revenues	8,958,267	9,557,204	10,785,523	10,222,918	9,373,734	9,093,021	9,241,361	9,520,187	9,713,492	10,510,572
Change in Net Position	\$ (977,665)	\$ 768,779	\$ 1,222,209	\$ (168,581)	\$ 265,903	\$ 409,630	\$ 455,773	\$ 237,473	\$ 1,684,732	\$ 2,382,093

Notes:¹See Exhibit I²See Exhibit III

City of Hapeville, Georgia
Government-wide Net Position by Category (Unaudited)²
Last Ten Fiscal Years¹
(accrual basis of accounting)

June 30,										
	2007	2008	2009	2010	2011	2012	2013	2014 ²	2015 ³	2016 ³
Governmental Activities										
Net investment in										
capital assets	\$ 6,793,080	\$ 4,988,189	\$ 4,340,118	\$ 5,316,912	\$ 6,735,028	\$ 7,959,122	\$ 9,016,141	\$ 14,818,698	\$ 14,921,279	\$ 15,380,764
Restricted	-	-	-	-	47,232	17,664	17,710	263,636	567,630	994,663
Unrestricted	694,689	2,295,836	3,830,678	2,765,640	2,111,016	941,643	(107,688)	(1,072,361)	(5,309,749)	(4,641,388)
Subtotal Governmental Activities Net Position	7,487,769	7,284,025	8,170,796	8,082,552	8,893,276	8,918,429	8,926,163	14,009,973	10,179,160	11,734,039
Business-type Activities										
Net investment in										
capital assets	7,244,111	6,896,947	7,625,029	7,829,260	8,106,862	8,309,831	8,066,581	5,095,322	13,480,537	13,552,649
Restricted	617,611	651,970	681,498	271,948	668,862	682,055	695,907	1,259,777	901,288	1,064,752
Unrestricted	594,265	1,600,507	1,600,507	906,222	(202,206)	(33,891)	458,263	(3,278,274)	(11,274,713)	(10,683,075)
Subtotal Business-type Activities Net Position	8,455,987	9,149,424	9,907,034	9,007,430	8,573,518	8,957,995	9,220,751	3,076,825	3,107,112	3,934,326
Primary Government										
Net investment in										
capital assets	14,037,191	11,885,136	11,965,147	13,146,172	14,841,890	16,268,953	17,082,722	19,914,020	28,401,816	28,933,413
Restricted	617,611	651,970	681,498	649,998	716,094	699,719	713,617	1,523,413	1,468,918	2,059,415
Unrestricted	1,288,954	3,896,343	5,042,316	3,693,812	1,908,810	907,752	350,575	(4,350,635)	(16,584,462)	(15,324,463)
Total Primary Government Net Position	\$ 15,943,756	\$ 16,433,449	\$ 17,688,961	\$ 17,489,982	\$ 17,466,794	\$ 17,876,424	\$ 18,146,914	\$ 17,086,798	\$ 13,286,272	\$ 15,668,365

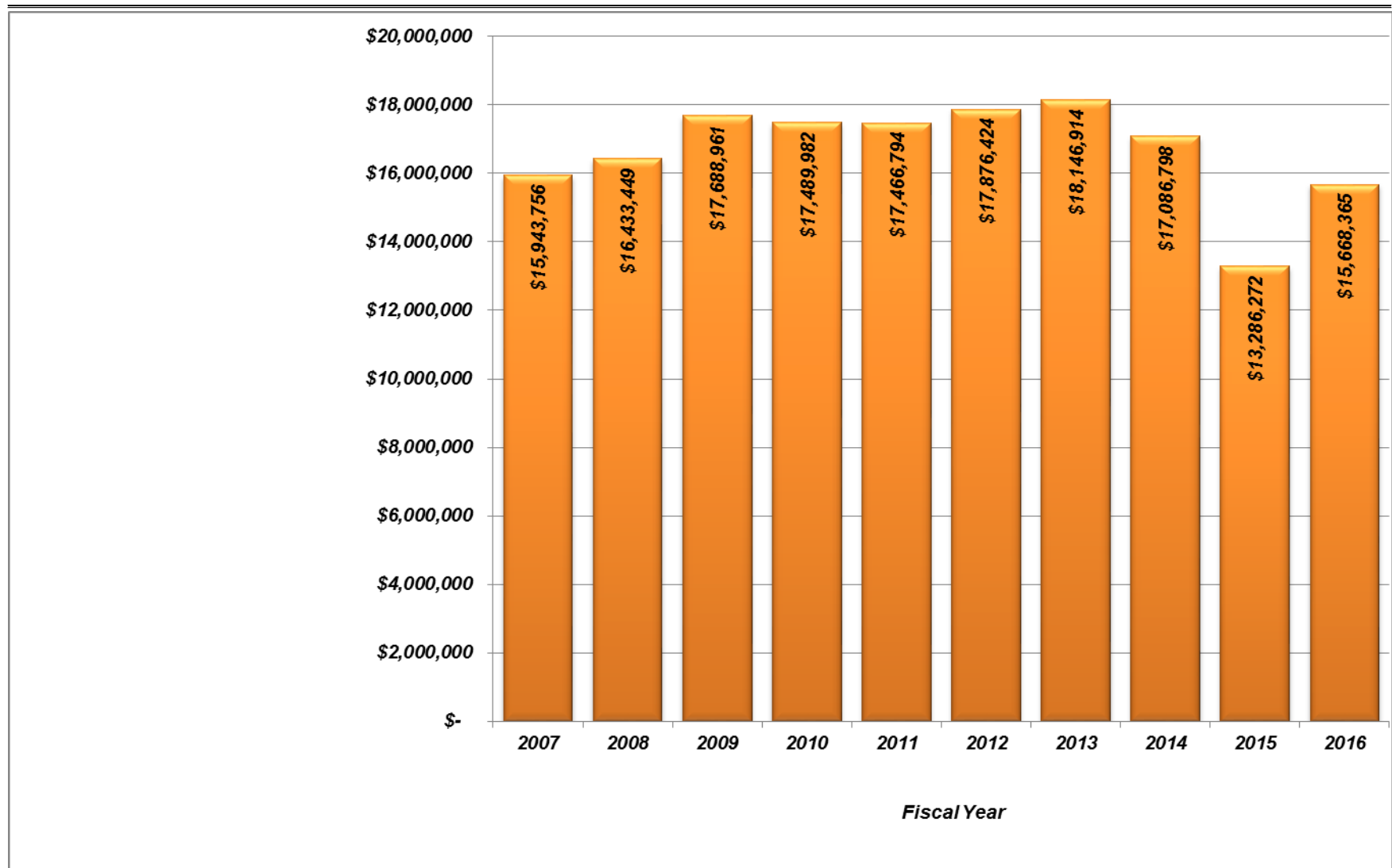
Notes:

¹ Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is 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 Beginning in fiscal year 2014, the Development Authority was reclassified from a discretely presented component unit to a blended component unit.

³ In fiscal year 2015, the City implemented a new pension standard which required the reporting the net pension obligation to be reported on the statement of net position.

City of Hapeville, Georgia
Total Government-wide Net Position (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)



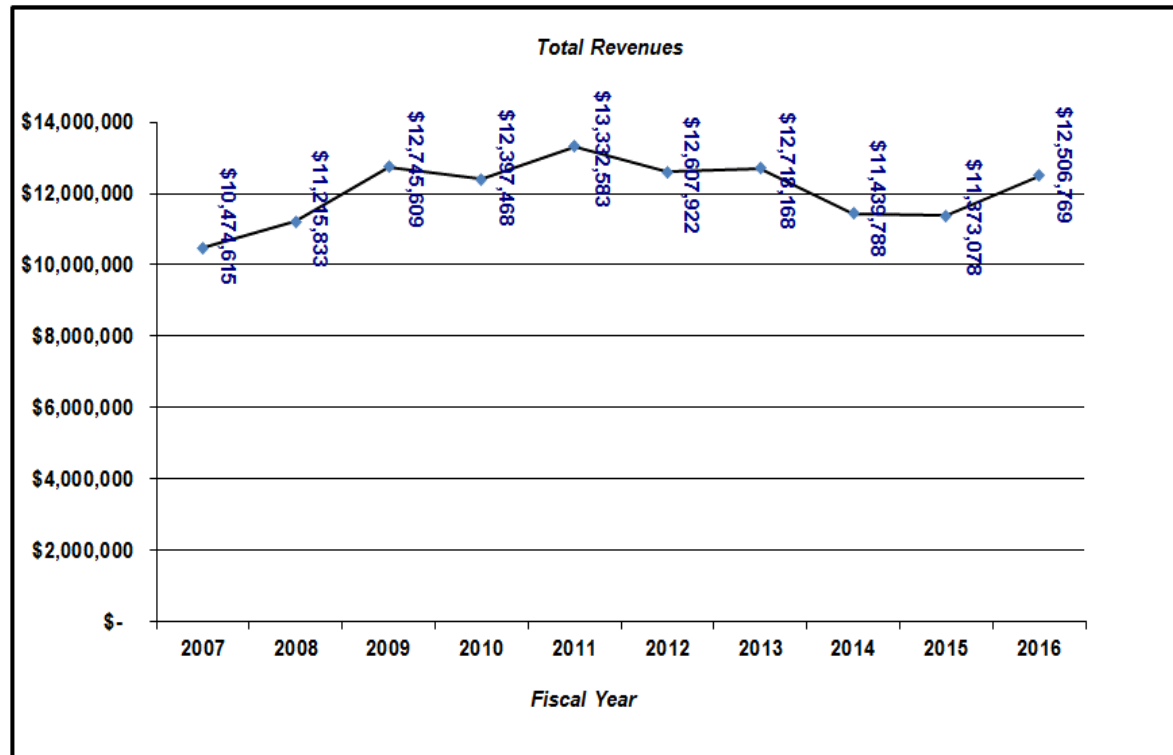
City of Hapeville, Georgia
General Governmental Revenues by Source (Unaudited) ¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue Source										
Taxes	\$ 8,758,540	\$ 9,120,904	\$ 10,374,440	\$ 9,919,404	\$ 9,283,461	\$ 9,121,022	\$ 9,243,503	\$ 9,625,523	\$ 9,642,439	\$ 10,805,840
Licenses and permits	333,729	481,863	211,765	184,368	217,233	202,589	235,481	162,052	210,250	293,601
Charges for services	428,531	831,618	1,138,522	1,027,030	1,006,773	1,054,535	1,224,244	341,630	353,917	344,438
Fines and forfeitures	608,434	551,570	488,274	336,133	529,436	445,239	494,250	515,742	480,305	203,109
Intergovernmental	245,804	145,925	198,372	28,707	1,226,856	1,244,920	1,205,269	736,294	640,843	791,677
Contributions	23,765	13,162	20,570	20,100	22,288	20,140	20,945	21,244	8,360	28,042
Investment earnings	50,685	48,684	6,981	804	861	1,726	979	121	191	218
Other local revenue	25,127	22,107	306,685	880,922	1,045,675	517,751	293,497	37,182	36,773	39,844
Total revenues	\$ 10,474,615	\$ 11,215,833	\$ 12,745,609	\$ 12,397,468	\$ 13,332,583	\$ 12,607,922	\$ 12,718,168	\$ 11,439,788	\$ 11,373,078	\$ 12,506,769
% change from prior year	4.2%	7.1%	13.6%	-2.7%	7.5%	-5.4%	0.9%	-10.1%	-10.6%	9.3%
	Percentage of Total									
Taxes	83.6%	81.3%	81.4%	80.0%	69.6%	72.3%	72.7%	84.1%	84.8%	86.4%
Licenses and permits	3.2%	4.3%	1.7%	1.5%	1.6%	1.6%	1.9%	1.4%	1.8%	2.3%
Charges for services	4.1%	7.4%	8.9%	8.3%	7.6%	8.4%	9.6%	3.0%	3.1%	2.8%
Fines and forfeitures	5.8%	4.9%	3.8%	2.7%	4.0%	3.5%	3.9%	4.5%	4.2%	1.6%
Grant revenue	2.3%	1.3%	1.6%	0.2%	9.2%	9.9%	9.5%	6.4%	5.6%	6.3%
Contributions	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.2%
Investment earnings	0.5%	0.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other local revenue	0.2%	0.2%	2.4%	7.1%	7.8%	4.1%	2.3%	0.3%	0.4%	0.4%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:¹ Includes all governmental fund types.**Data Source:**

Applicable years' annual financial report.

City of Hapeville, Georgia
Chart-General Governmental Revenues (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)



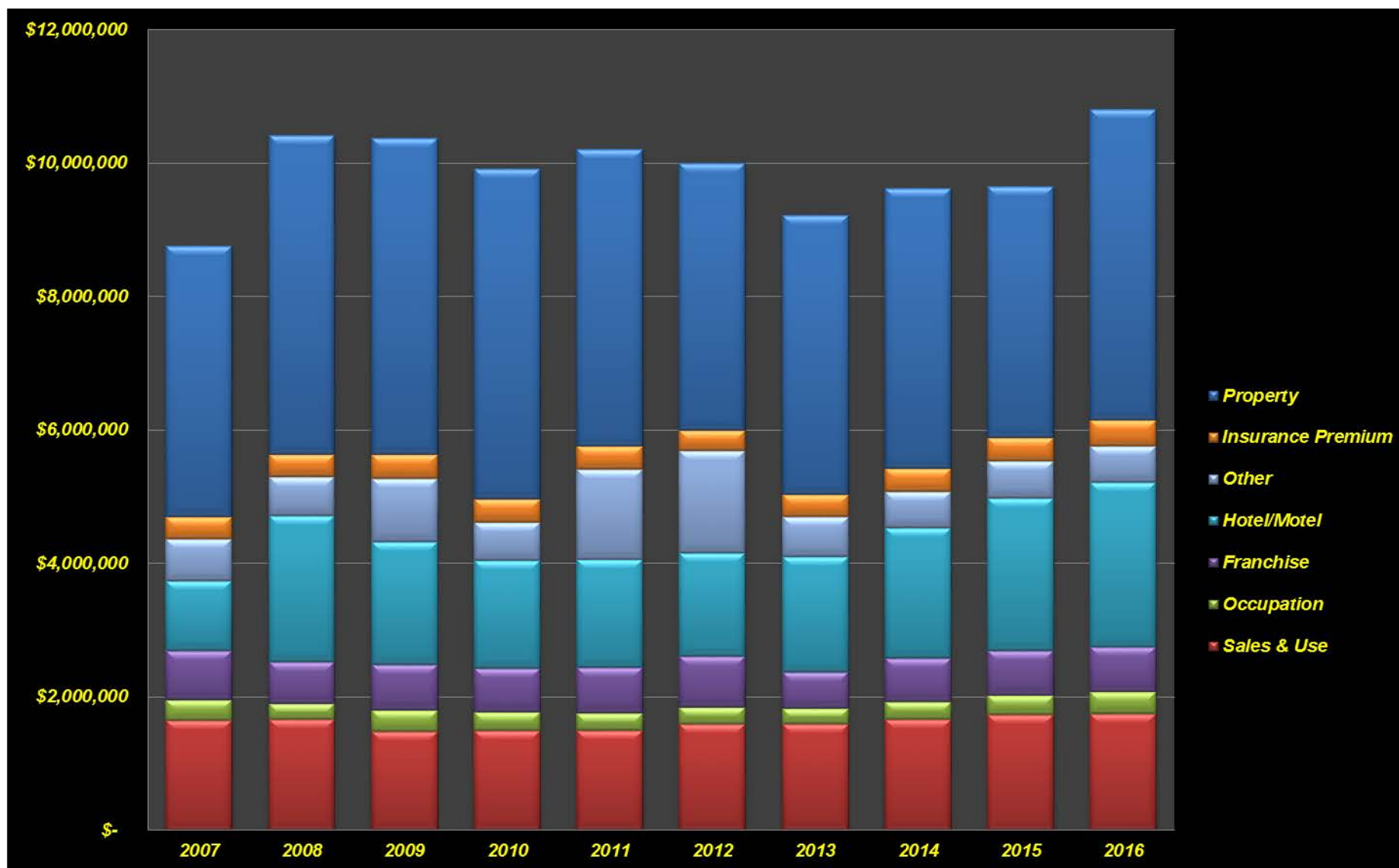
City of Hapeville, Georgia
Tax Revenues by Source - Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

For The Fiscal Year Ended June 30,	Property	Sales & Use	Occupation	Franchise	Insurance Premium	Hotel/ Motel	Other	Total
Amounts								
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	572,990	9,919,404
2011	4,456,779	1,503,326	251,795	682,581	344,731	1,622,430	1,348,876	10,210,518
2012	3,996,085	1,589,359	260,999	762,675	308,470	1,545,360	1,532,093	9,995,041
2013	4,185,266	1,596,392	231,405	549,260	327,079	1,732,001	592,961	9,214,364
2014	4,199,957	1,668,856	265,775	643,481	351,426	1,951,860	544,168	9,625,523
2015	3,751,618	1,739,336	289,887	673,023	354,276	2,275,691	558,608	9,642,439
2016	4,650,084	1,751,341	324,329	679,502	391,735	2,462,623	546,226	10,805,840
% Change in Dollars Over 10 Years	14.5%	6.2%	3.6%	-7.1%	21.0%	136.3%	-14.3%	23.4%
Percentage of Total								
2007	46.4%	18.8%	3.6%	8.3%	3.7%	11.9%	7.3%	100.0%
2008	45.9%	16.0%	2.3%	6.0%	3.2%	21.0%	5.5%	100.0%
2009	45.7%	14.3%	3.1%	6.5%	3.4%	17.7%	9.1%	100.0%
2010	49.9%	15.0%	2.8%	6.7%	3.5%	16.3%	5.8%	100.0%
2011	43.6%	14.7%	2.5%	6.7%	3.4%	15.9%	13.2%	100.0%
2012	40.0%	15.9%	2.6%	7.6%	3.1%	15.5%	15.3%	100.0%
2013	45.4%	17.3%	2.5%	6.0%	3.5%	18.8%	6.4%	100.0%
2014	43.6%	17.3%	2.8%	6.7%	3.7%	20.3%	5.7%	100.0%
2015	38.9%	18.0%	3.0%	7.0%	3.7%	23.6%	5.8%	100.0%
2016	43.0%	16.2%	3.0%	6.3%	3.6%	22.8%	5.1%	100.0%

Data Source:

Applicable years' annual financial report.

City of Hapeville, Georgia
 Chart-Tax Revenues by Source - Governmental Funds (Unaudited)
 Last Ten Fiscal Years
 (modified accrual basis of accounting)



City of Hapeville, Georgia
General Governmental Expenditures by Function (Unaudited) ¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

For the Fiscal Year Ended June 30,										
Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Current:										
General government	\$ 1,227,667	\$ 1,576,348	\$ 1,662,792	\$ 1,558,009	\$ 1,533,387	\$ 1,608,800	\$ 1,683,984	\$ 2,098,323	\$ 2,152,548	\$ 2,265,142
Public safety	6,476,580	4,899,888	5,146,535	5,995,256	6,199,755	6,181,657	6,193,538	5,574,850	5,082,874	6,175,585
Highways and streets	1,444,407	530,255	604,873	747,055	686,546	693,347	720,074	630,731	653,502	645,837
Culture and recreation	654,730	539,595	411,293	459,633	510,646	555,723	553,773	530,340	522,023	512,870
Parks and ground	871,245	631,359	707,962	716,645	819,179	793,280	885,678	889,047	802,037	711,505
Planning and zoning ²	675,915	547,960	534,349	696,950	782,569	787,873	832,085	216,639	234,728	232,704
Trade, tourism and development ²	122,165	30,260	1,115,853	962,202	981,864	905,111	1,031,935	583,485	695,948	686,384
Total Current	11,472,709	8,755,665	10,183,657	11,135,750	11,513,946	11,525,791	11,901,067	10,523,415	10,143,660	11,230,027
% Change From Prior Year	-2.7%	-23.7%	16.3%	9.3%	3.4%	0.1%	3.3%	-11.6%	-14.8%	6.7%
Capital Outlay	-	1,634,076	1,190,398	804,119	2,276,910	1,630,974	1,413,254	859,824	957,584	1,133,938
% Change From Prior Year	0.0%	100.0%	-27.2%	-32.4%	183.2%	-28.4%	-13.3%	-39.2%	-32.2%	31.9%
Debt Service										
Principal	284,720	93,755	305,386	446,534	409,437	468,762	482,944	182,172	125,552	226,234
Interest and fees	109,874	146,856	124,782	169,382	343,699	379,562	280,102	16,782	11,008	22,095
Total Debt Service	394,594	240,611	430,168	615,916	753,136	848,324	763,046	198,954	136,560	248,329
% Change From Prior Year	20.5%	-39.0%	78.8%	43.2%	22.3%	12.6%	-10.1%	-73.9%	-82.1%	24.8%
Total Expenditures	\$ 11,867,303	\$ 10,630,352	\$ 11,804,223	\$ 12,555,785	\$ 14,543,992	\$ 14,005,089	\$ 14,077,367	\$ 11,582,193	\$ 11,237,804	\$ 12,612,294
% Change From Prior Year	-2.0%	-10.4%	11.0%	6.4%	15.8%	-3.7%	0.5%	-17.7%	-20.2%	8.9%
Debt Service as a % of										
Noncapital Expenditures	3.3%	2.7%	4.1%	0.8%	1.0%	1.1%	6.0%	1.9%	1.3%	2.2%

Notes:¹ Includes all governmental fund types.² In fiscal year 2014, the development costs were classified from planning and zoning to trade, tourism and development.**Data Source:**

Applicable years' annual financial report.

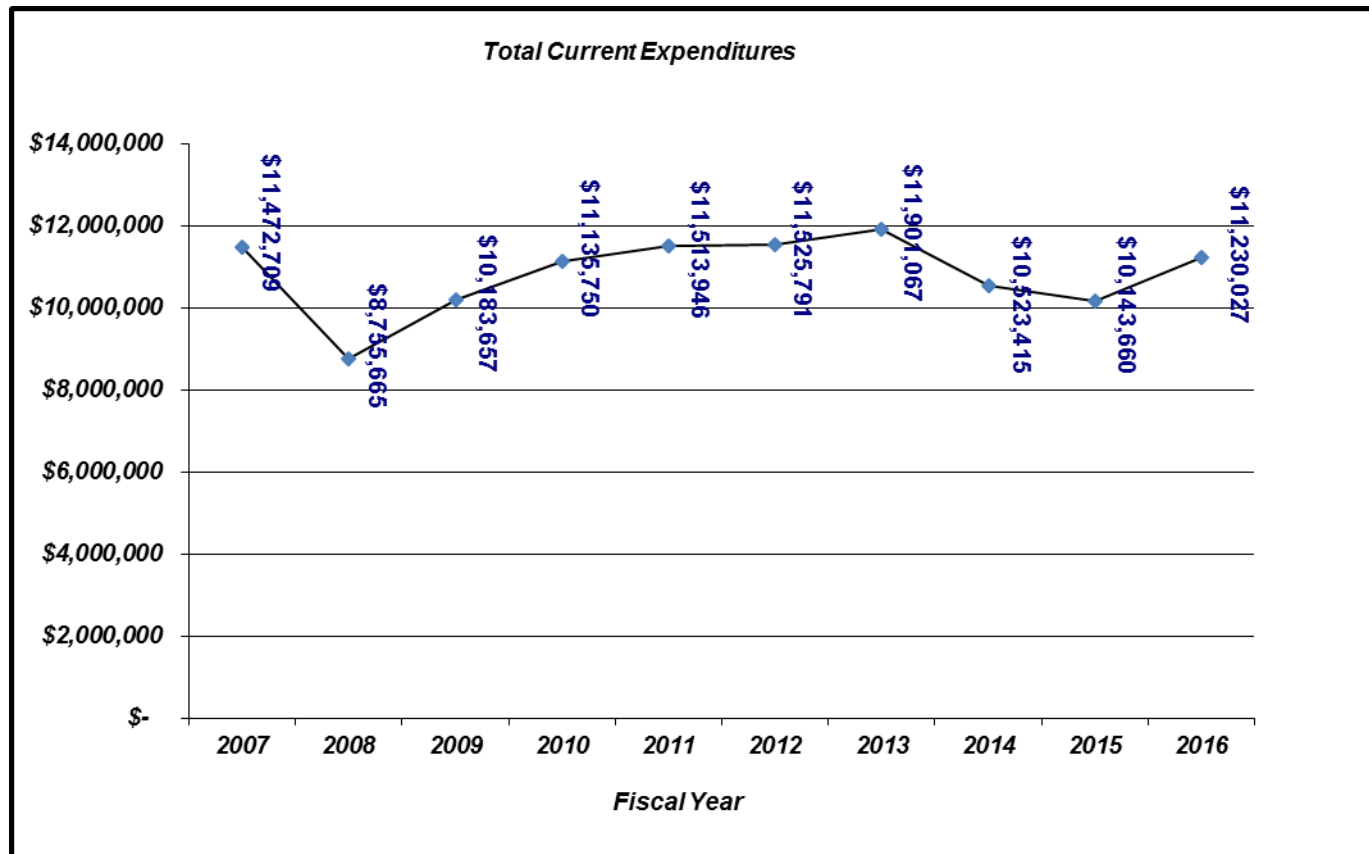
City of Hapeville, Georgia
General Governmental Current Expenditures by Function (Unaudited) ¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

	For the Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function	Amounts									
Current:										
General government	\$ 1,227,667	\$ 1,576,348	\$ 1,662,792	\$ 1,558,009	\$ 1,533,387	\$ 1,608,800	\$ 1,683,984	\$ 2,098,323	\$ 2,152,548	\$ 2,265,142
Public safety	6,476,580	4,899,888	5,146,535	5,995,256	6,199,755	6,181,657	6,193,538	5,574,850	5,082,874	6,175,585
Highways and streets	1,444,407	530,255	604,873	747,055	686,546	693,347	720,074	630,731	653,502	645,837
Culture and recreation	654,730	539,595	411,293	459,633	510,646	555,723	553,773	530,340	522,023	512,870
Parks and grounds	871,245	631,359	707,962	716,645	819,179	793,280	885,678	889,047	802,037	711,505
Planning and zoning ²	675,915	547,960	534,349	696,950	782,569	787,873	832,085	216,639	234,728	232,704
Trade, tourism and development ²	<u>122,165</u>	<u>30,260</u>	<u>1,115,853</u>	<u>962,202</u>	<u>981,864</u>	<u>905,111</u>	<u>1,031,935</u>	<u>583,485</u>	<u>695,948</u>	<u>686,384</u>
Total Current	\$ 11,472,709	\$ 8,755,665	\$ 10,183,657	\$ 11,135,750	\$ 11,513,946	\$ 11,525,791	\$ 11,901,067	\$ 10,523,415	\$ 10,143,660	\$ 11,230,027
	Percentage of Total									
Current:										
General government	10.7%	18.0%	16.3%	14.0%	13.3%	14.0%	14.1%	19.9%	21.2%	20.2%
Public safety	56.5%	56.0%	50.5%	53.8%	53.8%	53.6%	52.0%	53.0%	50.1%	55.0%
Public works	12.6%	6.1%	5.9%	6.7%	6.0%	6.0%	6.1%	6.0%	6.4%	5.8%
Culture and recreation	5.7%	6.2%	4.0%	4.1%	4.4%	4.8%	4.7%	5.0%	5.1%	4.6%
Parks and grounds	7.6%	7.2%	7.0%	6.4%	7.1%	6.9%	7.4%	8.4%	7.9%	6.3%
Planning, zoning and development	5.9%	6.3%	5.2%	6.3%	6.8%	6.8%	7.0%	2.1%	2.3%	2.1%
Trade and tourism	<u>1.1%</u>	<u>0.3%</u>	<u>11.0%</u>	<u>8.6%</u>	<u>8.5%</u>	<u>7.9%</u>	<u>8.7%</u>	<u>5.5%</u>	<u>6.9%</u>	<u>6.1%</u>
Total Current	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:¹ Includes all governmental fund types.² In fiscal year 2014, the development costs were classified from planning and zoning to trade, tourism and development.**Data Source:**

Applicable years' annual financial report.

City of Hapeville, Georgia
Chart-General Governmental Current Expenditures (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)



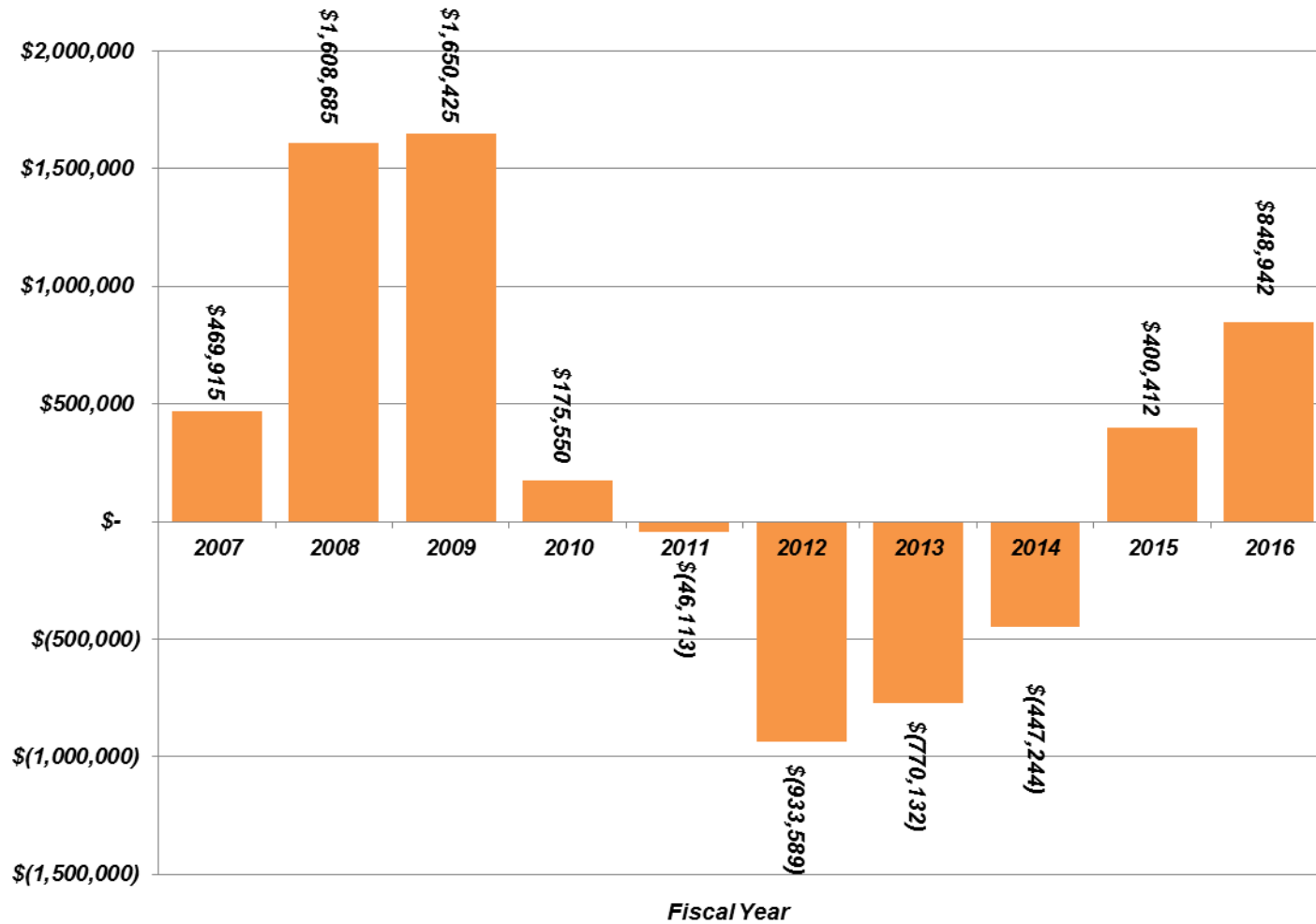
City of Hapeville, Georgia
Summary of Changes in Fund Balances - Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Revenues	\$ 10,474,615	\$ 11,215,833	\$ 12,745,609	\$ 12,397,468	\$ 13,332,583	\$ 12,607,922	\$ 12,718,168	\$ 11,439,788	\$ 11,373,078	\$ 12,506,769
Total Expenditures	11,867,303	10,630,352	11,804,223	12,555,785	14,543,992	14,005,089	14,077,367	11,582,193	11,237,804	12,612,294
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,392,688)	585,481	941,386	(158,317)	(1,211,409)	(1,397,167)	(1,359,199)	(142,405)	135,274	(105,525)
Other Financing Sources (Uses)										
Aid from component unit	2,089,792	878,559	677,537	-	-	-	-	-	-	-
Capital leases inception	221,367	1,010,000	-	-	-	-	303,455	-	-	1,290,807
Proceeds from notes payable	-	-	-	-	812,942	-	-	-	-	-
Sale of capital assets	14,411	6,675	1,170	-	223	146	124	86	-	25,000
Sale of confiscated goods	620	-	-	-	-	-	-	-	-	-
Transfers in	1,636,939	931,580	2,335,876	1,349,713	851,051	927,753	1,125,676	3,193,278	3,186,516	3,113,335
Transfers out	(2,100,526)	(1,803,610)	(2,305,544)	(1,015,846)	(498,920)	(464,321)	(840,188)	(3,498,203)	(2,921,378)	(3,474,675)
Total Other Financing Sources (Uses)	1,862,603	1,023,204	709,039	333,867	1,165,296	463,578	589,067	(304,839)	265,138	954,467
Net Change in Fund Balances	\$ 469,915	\$ 1,608,685	\$ 1,650,425	\$ 175,550	\$ (46,113)	\$ (933,589)	\$ (770,132)	\$ (447,244)	\$ 400,412	\$ 848,942

Data Source:

Applicable years' annual financial report.

City of Hapeville, Georgia
Chart-Changes in Fund Balances - Governmental Funds (Unaudited)
 Last Ten Fiscal Years
 (modified accrual basis of accounting)



City of Hapeville, Georgia
Fund Balances - Governmental Funds (Unaudited)
Fiscal Years 2007 - 2010
(modified accrual basis of accounting)

	2007	2008	2009	2010
General Fund				
Reserved	\$ 160,862	\$ 219,572	\$ 167,317	\$ 176,165
Unreserved	427,231	1,971,149	3,754,303	3,935,568
Subtotal General Fund	588,093	2,190,721	3,921,620	4,111,733
General Fund Percentage Change	202.1%	272.5%	79.0%	4.8%
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)
Subtotal All Other Governmental Funds	76,517	82,575	2,100	(12,463)
All Other Governmental Funds Percentage Change	100.0%	7.9%	-97.5%	-693.5%
Total Governmental Funds				
Reserved	237,379	302,147	169,417	163,702
Unreserved	427,231	1,971,149	3,754,303	3,935,568
Total Governmental Funds	\$ 664,610	\$ 2,273,296	\$ 3,923,720	\$ 4,099,270
All Governmental Funds Percentage Change	241.4%	242.0%	72.6%	4.5%

Data Source:

Applicable years' annual financial report.

City of Hapeville, Georgia
Fund Balances - Governmental Funds (Unaudited)
Fiscal Years 2011 - 2016
(modified accrual basis of accounting)

At June 30,						
	2011	2012	2013	2014	2015	2016
General Fund						
Nonspendable	\$ 176,165	\$ 183,844	\$ 106,164	\$ -	\$ 147,736	\$ 166,949
Restricted-Program Purposes	-	-	11,518	51,283	51,008	50,734
Assigned-Capital Outlay	350,000	11,000	-	-	-	-
Unassigned	3,479,760	2,907,060	2,225,561	816,807	765,489	1,168,185
Total General Fund	4,005,925	3,101,904	2,343,243	868,090	964,233	1,385,868
General Fund Percentage Change	N/A	-22.6%	-24.5%	-62.9%	11.0%	43.7%
All Other Governmental Funds						
Restricted:						
Program Purposes	47,232	17,664	6,192	212,353	516,622	943,929
All Other Governmental Funds						
Percentage Change	N/A	-62.6%	-64.9%	3329.5%	143.3%	82.7%
Total Governmental Funds						
Nonspendable	176,165	183,844	106,164	-	147,736	166,949
Restricted	47,232	17,664	17,710	263,636	567,630	994,663
Assigned	350,000	11,000	-	-	-	-
Unassigned	3,479,760	2,907,060	2,225,561	816,807	765,489	1,168,185
Total Governmental Funds	\$ 4,053,157	\$ 3,119,568	\$ 2,349,435	\$ 1,080,443	\$ 1,480,855	\$ 2,329,797
All Governmental Funds						
Percentage Change	N/A	-23.0%	-24.7%	-54.0%	37.1%	57.3%

Notes:

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

Data Source:

Applicable years' annual financial report.

City of Hapeville, Georgia
Taxable Assessed Value and Estimated Actual Value of Property By Type (Unaudited)
Last Ten Calendar Years

Amounts											
Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Utility Property	Motor Vehicles	Other Property ²	Less: Tax Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate ³	Estimated Actual Value	Annual Percentage Change
2007	\$ 75,862,700	\$ 166,100,910	\$ 72,656,800	\$ 5,272,105	\$ 8,661,560	\$ -	\$ 16,167,193	\$ 312,386,882	12.610	\$ 780,967,205	-6.8%
2008	91,441,020	173,730,220	36,209,540	7,506,021	9,418,620	1,837	727,200	317,580,058	16.610	793,950,145	1.7%
2009	96,200,520	210,443,050	15,258,250	6,505,775	9,155,530	-	668,480	336,894,645	16.610	842,236,613	6.1%
2010	94,194,780	193,925,720	12,441,990	6,702,142	9,583,870	-	1,183,350	315,665,152	16.610	789,162,880	-6.3%
2011	68,910,360	201,627,220	10,193,640	6,112,266	31,045,390	-	1,234,570	316,654,306	16.610	791,635,765	0.3%
2012	47,365,500	199,574,110	10,193,640	6,112,266	8,666,570	-	1,357,480	270,554,606	16.610	676,386,515	-14.6%
2013	39,722,520	213,184,790	3,709,280	6,958,930	8,258,170	-	1,479,940	270,353,750	16.610	675,884,375	-0.1%
2014	46,201,180	199,786,880	9,342,080	5,585,087	7,102,350	19,080	8,292,600	259,744,057	16.610	649,360,143	-3.9%
2015	45,694,000	199,454,270	9,114,920	7,372,269	5,237,390	14,800	7,512,400	259,375,249	16.610	648,438,123	-0.1%
2016	46,282,180	205,240,460	16,488,000	20,331,731	4,025,640	28,800	7,225,550	285,171,261	16.610	712,928,153	9.9%
*	\$ 65,187,476	\$ 196,306,763	\$ 19,560,814	\$ 7,845,859	\$ 10,115,509	\$ 6,452	\$ 4,584,876	\$ 294,437,997	16.210	\$ 736,094,992	
**	-39.0%	23.6%	-77.3%	285.6%	-53.5%	0.0%	-55.3%	-8.7%	31.7%	-8.7%	
Percentage of Total Assessed Value											
2007	23.1%	50.6%	22.1%	1.6%	2.6%	0.0%	5.2%	94.8%			
2008	28.7%	54.6%	11.4%	2.4%	3.0%	0.0%	0.2%	99.8%			
2009	28.5%	62.3%	4.5%	1.9%	2.7%	0.0%	0.2%	99.8%			
2010	29.7%	61.2%	3.9%	2.1%	3.0%	0.0%	0.4%	99.6%			
2011	21.7%	63.4%	3.2%	1.9%	9.8%	0.0%	0.4%	99.6%			
2012	17.4%	73.4%	3.7%	2.2%	3.2%	0.0%	0.5%	99.5%			
2013	14.6%	78.4%	1.4%	2.6%	3.0%	0.0%	0.5%	99.5%			
2014	17.2%	74.5%	3.5%	2.1%	2.6%	0.0%	3.1%	96.9%			
2015	17.1%	74.7%	3.4%	2.8%	2.0%	0.0%	2.8%	97.2%			
2016	15.8%	70.2%	5.6%	7.0%	1.4%	0.0%	2.5%	97.5%			

* Dollar average for ten years.

** Percentage change in dollars over ten years.

Notes:

¹ All property is assessed at 40% of fair market value.

² Generally includes timber and heavy equipment.

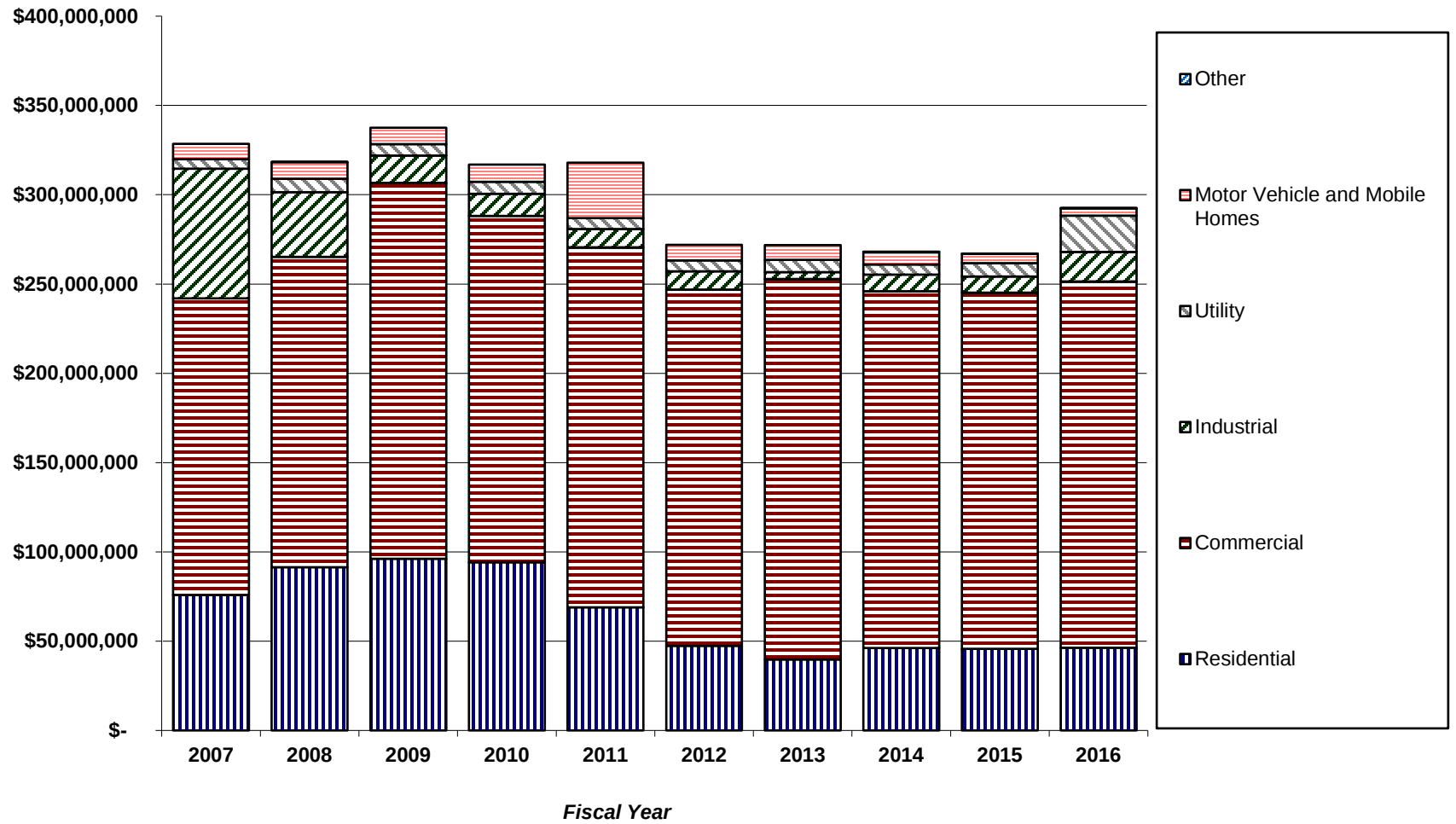
³ Tax rates expressed in rate per \$1,000

Data Source:

Georgia Department of Revenue, Tax Digest Consolidation Summary,

<http://dor.georgia.gov/county-ad-valorem-tax-digest-consolidated-summaries>

City of Hapeville, Georgia
 Chart-Total Assessed Value (Unaudited)
 Last Ten Fiscal Years
 (modified accrual basis of accounting)



City of Hapeville, Georgia
Direct and Overlapping Property Tax Rates (Unaudited)
Last Ten Fiscal Years
(rate per \$1,000 of assessed taxable value)

Fiscal Year	Direct	Overlapping ¹		
	City Rate	State of Georgia	Fulton County	Fulton County School Board
2007	12.610	0.250	11.470	18.107
2008	16.610	0.250	10.281	18.091
2009	16.610	0.250	10.281	17.502
2010	16.610	0.250	10.281	17.502
2011	16.610	0.250	10.281	18.502
2012	16.610	0.250	10.551	18.502
2013	16.610	0.200	10.551	18.502
2014	16.610	0.150	10.481	18.502
2015	16.610	0.100	12.051	18.502
2016	16.610	0.050	10.500	18.502

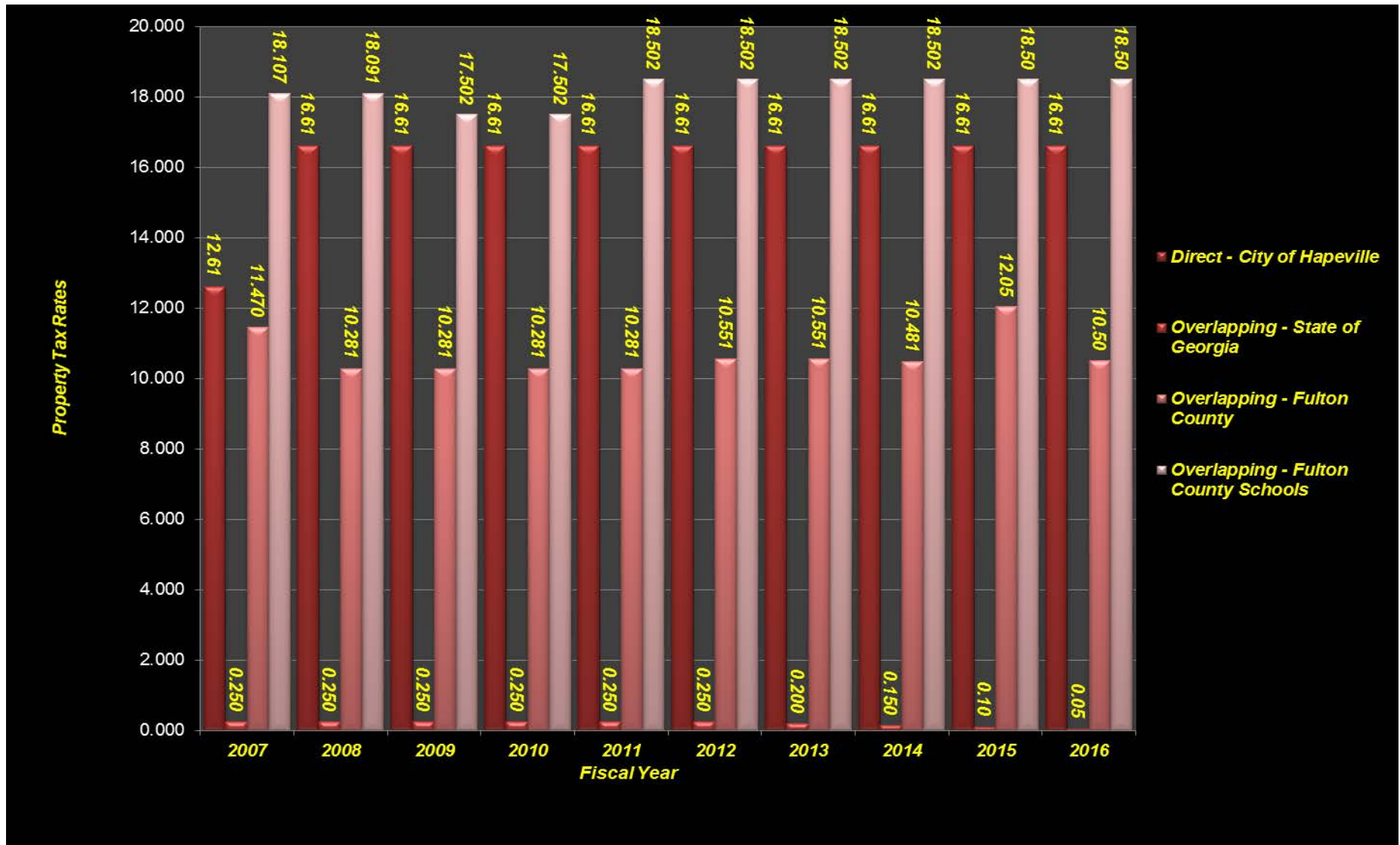
Notes:

¹ Overlapping rates are those of governments that overlap the City's geographic boundaries.

Data Source:

Georgia Department of Revenue, Property Tax Division,
<http://dor.georgia.gov/county-tax-digest-mill-rates>

City of Hapeville, Georgia
 Chart-Direct and Overlapping Property Tax Rates (Unaudited)
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed taxable value)



City of Hapeville, Georgia
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years
(in \$1,000)

Fiscal Year	Taxes Levied for the Calendar Year	Collected Within the Fiscal Year of The Levy		Collections in Subsequent Years	Total Collections to Date		Total Uncollected Taxes ¹	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2007	\$ 3,830	\$ 3,727	97.31%	\$ 101	\$ 3,828	99.95%	\$ 2	99.95%
2008	4,762	4,558	95.72%	196	4,754	99.83%	8	99.83%
2009	4,880	4,671	95.72%	198	4,869	99.77%	11	99.77%
2010	4,812	4,597	95.53%	190	4,787	99.48%	25	99.48%
2011	4,506	4,351	96.56%	139	4,490	99.64%	16	99.64%
2012	3,981	3,842	96.51%	116	3,958	99.42%	23	99.42%
2013	4,172	3,950	94.68%	200	4,150	99.47%	22	99.47%
2014	3,968	3,845	96.90%	98	3,943	99.37%	25	99.37%
2015	3,895	3,841	98.61%	27	3,868	99.31%	27	99.31%
2016	4,569	4,529	99.12%	-	4,529	99.12%	40	99.12%

Notes:

¹ The amounts reported in the total uncollected taxes column are the uncollected taxes for each tax levy.

Data Source:

City Tax Office

City of Hapeville, Georgia
Principal Property Taxpayers (Unaudited)
Fiscal Years Ended June 30, 2016 and 2006

2016				2006			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Delta Air Lines Inc	26,727,722	1	9.37%	Ford Motor Company	\$85,863,600	1	26.73%
Digital Doug Davis LLC	18,389,680	2	6.45%	Delta Airlines	29,521,887	2	9.19%
Hapeville LTD Partnership	18,000,000	3	6.31%	Hapeville Limited Partnership	17,745,599	3	5.52%
Bell Fund IV Asbury Park Apts	14,971,840	4	5.25%	Wachovia Bank of Georgia	15,543,537	4	4.84%
Mikeone EK Atl Ops Center LLC	10,958,628	5	3.84%	Worldspan LP	13,575,258	5	4.23%
Federal Express Corp	8,975,334	6	3.15%	IBM Credit LLC	4,736,003	6	1.47%
City of Atlanta	7,189,960	7	2.52%	CIT Communications Finance	4,188,660	7	1.30%
I B M Credit LLC	4,725,720	8	1.66%	Hospital Properties Inc.	3,652,657	8	1.14%
Delta Community Credit Union	4,462,952	9	1.57%	Lockheed Martin Corporation	3,520,619	9	1.10%
BRE Newton Hotels Property Own	4,233,804	10	1.48%	Residence Inn III LLC	3,427,201	10	1.07%
Total Principal Taxpayers	118,635,641		41.60%	Total Principal Taxpayers	181,775,021		56.58%
All Other Taxpayers	166,535,620		58.40%	All Other Taxpayers	139,495,036		43.42%
Total	\$ 285,171,261		100.00%	Total	\$ 321,270,057		100.00%

Data Source:

2016 - City Tax Office

2006 - Audit Report - Year End 2006

City of Hapeville, Georgia
Direct and Overlapping Sales and Use Tax Rates (Unaudited)
Last Ten Calendar Years

Calendar Year	Direct	Overlapping				Total Direct and Overlapping Rates
	City LOST ¹	Fulton County	State of Georgia	Fulton County Schools ²	MARTA ³	
2007	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2008	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2009	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2010	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2011	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2012	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2013	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2014	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2015	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%
2016	1.00%	1.00%	4.00%	1.00%	1.00%	8.00%

Notes:

¹ The local option sales tax (LOST) was approved by referendum effective January 1, 1979 and is effective indefinitely. The City is required to reduce their property tax millage rate in the current year by the amount of these taxes collected in the prior year.

² The current education special purpose local option sales tax was approved effective July 1, 2012 and expires June 30, 2017. The latter tax is being used to construct new school buildings and renovate existing school buildings.

³ This sales tax rate is levied in counties in the Metropolitan Atlanta Rapid Transit Authority (MARTA) district which have a service contract with MARTA, currently Fulton and DeKalb counties.

Data Source:

Georgia Department of Revenue, Sales and Use Tax Division,
<http://dor.georgia.gov/documents/historical-sales-tax-rate-chart>

City of Hapeville, Georgia
Sales Taxes Collected by Group (Unaudited) ²
Calendar Years 2009 - 2016

	2009		2010		2011		2012		2013		2014		2015 (Restated)		2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
By Group																
NAICS codes:⁴																
General merchandise	\$ 16,232,562	12.50%	\$ 27,467,089	12.73%	\$ 26,344,143	11.77%	\$ 22,335,661	6.58%	\$ 29,048,800	12.38%	\$ 30,104,069	12.20%	\$ 31,718,454	12.45%	\$ 31,112,471	12.08%
Food/bars	27,424,757	21.12%	43,489,917	20.16%	43,788,988	19.56%	45,907,866	13.53%	48,469,044	20.65%	51,715,777	20.95%	55,643,697	21.85%	58,710,171	22.80%
Manufacturing	8,681,075	6.69%	12,447,497	5.77%	11,876,878	5.31%	105,127,795	30.97%	13,031,405	5.55%	15,518,051	6.29%	14,952,171	5.87%	14,500,350	5.63%
Utilities	9,438,093	7.27%	15,516,232	7.19%	13,822,103	6.18%	14,974,480	4.41%	14,564,172	6.20%	15,691,932	6.36%	16,028,833	6.29%	15,974,517	6.20%
Other retail	16,732,759	12.89%	28,680,933	13.30%	28,304,008	12.65%	28,864,180	8.50%	27,439,327	11.69%	28,954,796	11.73%	30,322,063	11.91%	30,340,087	11.78%
Wholesale	7,679,644	5.92%	14,921,503	6.92%	19,717,692	8.81%	20,715,137	6.10%	22,707,086	9.67%	24,610,514	9.97%	22,605,152	8.88%	21,262,133	8.26%
Automotive	8,740,443	6.73%	14,541,053	6.74%	16,949,228	7.57%	18,495,932	5.45%	9,620,779	4.10%	5,440,737	2.20%	5,796,404	2.28%	5,988,997	2.33%
Home furnishings	10,807,468	8.32%	17,984,958	8.34%	18,723,733	8.37%	31,904,031	9.40%	19,541,967	8.33%	20,641,685	8.36%	21,835,719	8.57%	22,100,778	8.58%
Miscellaneous services	14,949,730	11.52%	24,842,900	11.52%	26,404,200	11.80%	30,138,227	8.88%	31,678,693	13.50%	32,236,430	13.06%	33,313,736	13.08%	33,354,746	12.95%
Other services	1,589,193	1.22%	3,161,945	1.47%	5,703,393	2.55%	7,900,889	2.33%	5,738,590	2.44%	6,339,155	2.57%	5,779,080	2.27%	6,735,998	2.62%
Accommodations	6,482,739	4.99%	11,134,572	5.16%	11,069,356	4.95%	11,675,195	3.44%	11,068,488	4.72%	13,120,840	5.32%	14,165,253	5.56%	14,540,426	5.65%
Construction	1,066,196	0.82%	1,508,165	0.70%	1,129,538	0.50%	1,364,639	0.40%	1,813,022	0.77%	2,452,704	0.99%	2,523,958	0.99%	2,929,319	1.14%
Total Taxable Sales	\$ 129,824,659	100.00%	\$ 215,696,765	100.00%	\$ 223,833,260	100.00%	\$ 339,404,032	100.00%	\$ 234,721,373	100.00%	\$ 246,826,690	100.00%	\$ 254,684,520	100.00%	\$ 257,549,993	100.00%
Total percentage change	-		66.1%		3.8%		51.6%		-30.8%		5.2%		3.2%		1.2%	

Notes:¹ Only eight years of data is available.² Information only available for the total Fulton County.³ Beginning in May 2009, the Georgia Department of Revenue changed their sales classifications, therefore, only seven months reported.⁴ North American Industry Classification System (NAICS)**Data Source:**

Georgia Department of Revenue

City of Hapeville, Georgia
Water Consumption Billed (Unaudited) ¹
Last Eight Fiscal Years

Fiscal Year	Gallons	% Change
2009	185,866,000	n/a
2010	190,486,000	2.5%
2011	225,972,000	18.6%
2012	225,724,000	-0.1%
2013	207,470,000	-8.1%
2014	212,189,000	2.3%
2015	209,846,000	-1.1%
2016	220,707,000	5.2%

Notes:

Data not available prior to fiscal year 2009.

Data Source:

¹ City's billing department.

City of Hapeville, Georgia
Water Service Rates (Unaudited)
Last Nine Fiscal Years ¹

	Fiscal Year Ended June 30,								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Minimum charge (0-2k gal)	\$ 14.00	\$ 14.00	\$ 15.72	\$ 17.56	\$ 17.56	\$ 17.56	\$ 17.56	\$ 17.56	\$ 17.56
0-2k gal	7.00	7.00	7.86	8.78	8.78	8.78	8.78	8.78	8.78
2k-10k gal	7.00	7.00	7.86	8.78	8.78	8.78	8.78	8.78	8.78
10k-50k	7.65	7.65	8.51	9.43					
50k + gal	8.00	8.00	8.86	9.78					
10k - 16 k gal					10.98	10.98	10.98	10.98	10.98
16k gal					17.56	17.56	17.56	17.56	17.56

Data Source:

City Customer Service Department

Notes:¹ Only nine years of information available.

City of Hapeville, Georgia
Number of Water Customer Accounts at Year-end (Unaudited) ²
Last Nine Fiscal Years ¹

Fiscal Year	Number	% Change
2008	2,069	n/a
2009	2,078	0.4%
2010	2,070	-0.4%
2011	2,076	0.3%
2012	2,068	-0.4%
2013	2,085	0.8%
2014	2,075	-0.5%
2015	2,129	2.6%
2016	2,156	1.3%

Notes:

1 Only nine years of data is available

Data Source:

² City Customer Service Department.

City of Hapeville, Georgia
Ten Largest Customers - Water Service (Unaudited)
Fiscal Years 2008 & 2016

Fiscal Year 2008				Fiscal Year 2016			
Rank	Customer	Consumption		Customer	Consumption		
		Gallons	%		Gallons	%	
1	Atlanta Airport Hilton	24,332	8.7%	Atlanta Airport Hilton	24,241	11.0%	
2	Ashkouti, Albert	20,260	7.2%	Digital Doug Davis, LLC	15,521	7.0%	
3	Wachovia Bank OPS Bldg.	5,629	2.0%	Bell Fund - Asbury Park Apt.	6,871	3.1%	
4	Del Mar Apartments	3,560	1.3%	Marriott Inc. Site #311AD	5,755	2.6%	
5	Apsilon Management	3,255	1.2%	Porsche Cars North America	5,633	2.6%	
6	Franklin Village	3,218	1.1%	Delta Airlines Inc. Reserv	4,581	2.1%	
7	Hapeville Coin Laundry	3,101	1.1%	Venus Enterprises	3,715	1.7%	
8	Delta Airlines, Inc. Reserv	2,646	0.9%	Wachovia Bank Ops Bldg.	3,524	1.6%	
9	Marriott Inc. Site #57231	2,639	0.9%	Del Mar Apartments	3,355	1.5%	
10	Apsilon Management	2,613	0.9%	Marriott Inc. Site #57231	3,169	1.4%	
Total Ten Largest Customers		71,253	25.4%	Total Ten Largest Customers	76,365	34.6%	
All Other Customers		209,390	74.6%	All Other Customers	144,342	65.4%	
Total		280,643	100.0%	Total	220,707	100.0%	

Data Source:

City Water Department

City of Hapeville, Georgia
Sewer Service Rates (Unaudited)
Last Nine Fiscal Years ¹

	Fiscal Year Ended June 30,											
	2008	2009	2010	2011	2012	2013	2014	2015	2016			
Minimum charge (0-2k gal)	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 8.25	\$ 8.44	\$ 12.24	\$ 12.24	\$ 12.24			
0-2k gal	3.75	3.75	3.75	3.75	4.13	4.22	6.12	6.12	6.12			
2k-10k gal	4.75	4.75	4.75	4.75	5.23	5.36	7.77	7.77	7.77			
10k-50k	5.25	5.25	5.25	5.25	5.78	5.92	8.58	8.58	8.58			
50k +	5.50	5.50	5.50	5.50	6.05	6.20	8.99	8.99	8.99			

Data Source:

City Customer Service Department

Notes:¹ Only nine years of information available.

City of Hapeville, Georgia
Ratios of Total Debt Outstanding by Type (Unaudited) ¹
Last Ten Fiscal Years

June 30,	Governmental Activities				Business-type Activities		Grand Total	Percentage of Personal Income	Estimated ² Population	Per Capita
	Certificates of Participation	Notes	Capital Leases	Total	Revenue Bonds					
2007	\$ -	\$ -	\$ 150,674	\$ 150,674	\$ 4,580,000	\$	4,730,674	0.009%	869,329	5
2008	990,000	-	259,897	1,249,897	4,085,000		5,334,897	0.010%	888,694	6
2009	815,000	-	122,867	937,867	3,570,000		4,507,867	0.009%	905,511	5
2010	515,000	-	61,298	576,298	3,035,000		3,611,298	0.007%	920,581	4
2011	325,000	-	761,161	1,086,161	2,475,000		3,561,161	0.007%	949,777	4
2012	165,000	-	589,743	754,743	1,895,000		2,649,743	0.005%	977,129	3
2013	-	-	735,254	735,254	11,020,000		11,755,254	0.021%	984,293	12
2014	-	-	553,081	553,081	16,395,000		16,948,081	0.029%	991,509	17
2015	-	-	427,529	427,529	15,345,000		15,772,529	0.030%	1,008,275	16
2016	-	-	1,492,102	1,492,102	14,165,000		15,657,102	0.030%	1,010,562	15

Notes:

³ In fiscal year 2014, the City issued \$6,385,000 of revenue and by reclassifying the Development Authority as a blended component unit, the revenue bonded debt assumed by the City, totaled \$9,730,000. Only the fiscal year 2013 was restated to reflect the Development Authority's debt.

Data Sources:

¹ Applicable years' annual financial report.

² Exhibit XXVI.

City of Hapeville, Georgia
Direct and Overlapping Governmental Activities Debt (Unaudited)
June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Underlying Debt
Overlapping General Obligation Debt²			
Fulton County, Georgia	\$ 148,548,000	0.49%	\$ 732,128
Fulton County Board of Education	<u>71,840,000</u>	1.03%	<u>737,691</u>
Total Overlapping Debt	220,388,000		1,469,819
City Direct Debt			
Capital Leases	<u>1,492,102</u>	100.00%	<u>1,492,102</u>
Total Direct and Overlapping Debt	<u>\$ 221,880,102</u>		<u>\$ 2,961,921</u>

Notes:

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

² Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

Data Source:

Each specific government

City of Hapeville, Georgia
Legal Debt Margin (Unaudited)
Last Ten Fiscal Years

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxable Assessed Value ¹	<u>\$ 312,386,882</u>	<u>\$ 317,580,058</u>	<u>\$ 336,894,645</u>	<u>\$ 315,665,152</u>	<u>\$ 316,654,306</u>	<u>\$ 270,554,606</u>	<u>\$ 270,353,750</u>	<u>\$ 259,744,057</u>	<u>\$ 259,375,249</u>	<u>\$ 285,171,261</u>
Legal Debt Margin										
Debt limit (10% of assessed value) ²	<u>\$ 31,238,688</u>	<u>\$ 31,758,006</u>	<u>\$ 33,689,465</u>	<u>\$ 31,566,515</u>	<u>\$ 31,665,431</u>	<u>\$ 27,055,461</u>	<u>\$ 27,035,375</u>	<u>\$ 25,974,406</u>	<u>\$ 25,937,525</u>	<u>\$ 28,517,126</u>
Debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Less: Amount reserved for repayment of general obligation debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 31,238,688</u>	<u>\$ 31,758,006</u>	<u>\$ 33,689,465</u>	<u>\$ 31,566,515</u>	<u>\$ 31,665,431</u>	<u>\$ 27,055,461</u>	<u>\$ 27,035,375</u>	<u>\$ 25,974,406</u>	<u>\$ 25,937,525</u>	<u>\$ 28,517,126</u>
Total net debt applicable to the limit as a % of the debt limit	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Notes:

² Under Article 9, Section 5, Paragraph 1 of the State of Georgia Constitution, the City's outstanding general obligation debt should not exceed 10% of the assessed value of the taxable property located within the City.

³ The City has no outstanding general obligation debt.

Data Source:

¹ Exhibit XII

City of Hapeville, Georgia
Demographic and Economic Statistics (Unaudited)
Last Ten Calendar Years

Calendar Year	Population ¹	(thousands of dollars) Personal Income ²	Per Capita		Median Age ⁴	Unemployment Rate		
			Personal Income ³	Personal Income % of U.S. ³		County ⁵	State of Georgia ⁶	United States ⁷
2007	869,329	\$ 51,146,432	\$ 57,887	163%	N/A	4.7%	4.8%	4.6%
2008	888,694	54,379,042	60,980	162%	N/A	6.2%	6.3%	5.6%
2009	905,511	52,177,800	61,964	157%	N/A	10.5%	10.4%	9.5%
2010	920,581	51,034,971	59,604	146%	N/A	10.2%	10.3%	9.4%
2011	949,777	53,234,047	54,249	140%	N/A	10.2%	10.4%	9.1%
2012	977,129	56,258,497	55,407	139%	35.2	9.3%	8.9%	8.2%
2013	984,293	57,199,599	58,112	130%	N/A	8.6%	8.3%	7.5%
2014	996,319	58,488,140	58,704	132%	N/A	7.5%	7.8%	6.1%
2015	1,008,275	59,774,879	59,284	132%	N/A	6.0%	6.1%	5.3%
2016	1,010,562	70,716,189	69,977	135%	N/A	5.9%	6.3%	5.4%

Notes:

The population and personal income data only available for Fulton County. Note that the County data may not reflect similar trends within the City do to different demographics.

Data Sources:

¹ Real Estate Center, <http://recenter.tamu.edu/data/empc/LAUCN132850.htm> (2007-2013), estimated by management (2014)

² U.S. Bureau of Economic Analysis - <http://www.bea.gov/regional/reis/>, information only available for County

³ Bureau of Economic Analysis - <http://www.bea.gov/regional/reis/drill.cfm>

⁴ U.S. Census Bureau - <http://usgovinfo.about.com/gi/dynamic/offsite.htm?site=http://factfinder.census.gov/>

⁵ Fulton County, GA

⁶ Real Estate Center, <http://recenter.tamu.edu/data/empc/LAUCN132850.htm>

⁷ U.S. Department of Labor, Bureau of Labor Statistics,
http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LNS14000000

N/A - Not Available

City of Hapeville, Georgia
Principal Employers (Unaudited)
For the Fiscal Year Ended June 30, 2016

Employer	Type of Business
Delta Airlines	Airlines
Wachovia	Banking/Finance
Chick-fil-A	Restaurant
Federal Express	Cargo
Sylvan Parking	Airport Parking
Swissport Cargo	Cargo
American Global	Shipping
Travelport	Shipping
Hilton	Hotel/Motel
Atlanta Department of Aviation	Airport Parking

Data Source:

City Administration

City of Hapeville, Georgia
City Employees by Function/Program (Unaudited)
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Function/program</u>										
General Government										
City clerk	1	1	1	1	1	1	1	1	1	1
Human resources	1	1	1	1	1	1	1	1	1	2
Finance and information technology	2	5	9	7	5	5	5	5	5	3
Purchasing	5	-	-	-	-	-	-	-	-	-
Planning	1	1	1	1	1	1	1	-	-	-
Parks, building and grounds	11	11	7	7	12	12	12	15	12	13
Courts	2	2	2	3	3	3	3	3	1	2
Police	54	54	43	47	49	49	48	42	54	51
Fire	33	33	34	36	33	33	33	31	33	33
Sanitation	7	7	8	8	6	6	6	6	6	6
Public works	7	7	7	7	7	7	7	8	8	8
Economic development	4	4	2	3	6	6	6	3	2	3
Recreation	4	4	9	9	10	10	10	17	11	10
Water and sewer	11	11	7	7	6	6	6	6	6	8
Total	143	141	131	137	140	140	139	138	140	140
Percentage Change From Prior Year	n/a	-1.4%	-7.1%	4.6%	2.2%	0.0%	-0.7%	-0.7%	0.7%	1.4%

City of Hapeville, Georgia
Capital Asset Statistics by Function/Program (Unaudited)
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	21	21	21	21	21	21	21	21	21	21
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse Collections										
Collection Trucks	4	4	4	4	5	5	5	5	5	5
Other Public Works										
Streets (miles)	34.9	34.9	34.9	34.9	34.9	34.9	34.9	34.9	34.9	34.9
Streetlights	-	-	-	-	-	-	-	-	-	-
Traffic Signals	4	4	4	4	4	4	4	4	4	4
Parks & Recreation										
Acreage	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
Community Centers	1	2	2	2	2	2	2	2	2	2
Water										
Miles of water mains	21	21	21	21	21	21	21	21	21	21
Sewer Service:										
Miles of sanitary sewers	24	24	24	24	24	24	24	24	24	24
Data Source										
Various City Departments										

COMPLIANCE SECTION



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15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 Fax: 706-845-0057

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

March 10, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Hapeville, Georgia's basic financial statements, and have issued our report thereon dated March 10, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

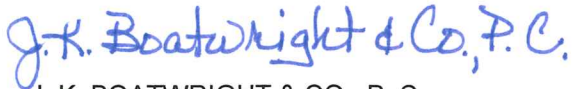
Compliance and Other Matters

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

Purpose of this Report

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

Yours truly,

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

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

15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 Fax: 706-845-0057

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

March 10, 2017

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

Report on Compliance for Each Major Federal Program

We have audited City of Hapeville, Georgia's compliance with the types of compliance requirements described in the *OMB 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, 2016. City of Hapeville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Hapeville, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of City of Hapeville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Hapeville, Georgia's internal control over compliance with the requirements that

could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hapeville, Georgia's internal control over compliance.

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

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

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

Yours truly,

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

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, 2016

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed through Georgia Department of Early Care and Learning (Bright from the Start) Summer Food Service Program			
Summer 2016	10.559	S011-65	\$ 4,945
Summer 2015	10.559	S011-65	6,027
			<u>10,972</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Fulton County, Georgia Community Development Block Grant/Entitlement Grant Hoyt Center Gym Floor	14.216	Fulton 2015	<u>75,258</u>
<u>U. S. Department of Justice</u>			
Criminal Division - Equitable Sharing Program	16.922	GA0600300	<u>17,072</u>
<u>U. S. Department of Transportation</u>			
Passed through Georgia Department of Transportation: Highway Planning and Construction -			
Earmark - Airport Loop Access Road	20.205	CSHPP-007-00(532)	22,795
Streetscape-LCI - N Central Ave	20.205	CSSTP-0008-00(903)	319,026
Streetscape-LCI - Dogwood Drive	20.205	PI #0010329	17,410
TE N Fulton Streetscape	20.205	PI #10647	277,332
Transportation Facility Improvements - Rail Facilities and Corridor	20.205	PI #0007949	<u>20,346</u>
Total for U.S. Department of Transportation			<u>656,909</u>
Total Federal Financial Awards			<u><u>\$ 760,211</u></u>

Note 1 - Basis of Presentation

This schedule of expenditures of federal awards includes the federal grant activity of City of Hapeville, Georgia, and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 – Indirect Cost Rate

The City does not have a negotiated indirect cost rate. No indirect costs are charged to any program above – the de minimis rate of 10 percent is not applicable.

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs: Material Weakness(es) identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR section 200.516(a))?	None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No matters are reported

Section III – Federal Award Findings and Questioned Costs

No matters are reported.