CITY OF HAHIRA, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Hahira, 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 Hahira, Georgia ("the City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 from 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, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension related schedules 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. However, management has elected not to include the Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the other 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 the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund schedules and the One Percent Special Purpose Local Option Sales Tax Project Cost Schedules 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 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 basic 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 the One Percent Special Purpose Local Option Sales Tax Project Cost Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016, on our consideration of the City'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 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's internal control over financial reporting and compliance.

Respectfully submitted,



Valenti, Rackley & Associates, LLC
Certified Public Accountants

May 31, 2016

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash	$ 974,196	$ 276,144	$ 1,250,340
Certificates of deposit	507,196	164,207	671,403
Accounts receivable	434,601	93,517	528,118
Prepaid expenses	21,513	-	21,513
Inventory	-	8,587	8,587
Restricted cash	217,655	160,000	377,655
Capital assets:			
Land	524,431	230,897	755,328
Other capital assets, net of accumulated depreciation	3,223,467	5,788,952	9,012,419
Total assets	5,903,059	6,722,304	12,625,363
Deferred outflows of resources related to pensions	40,646	10,870	51,516
Total assets and deferred outflows of resources	5,943,705	6,733,174	12,676,879
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable and accrued expenses	96,301	42,252	138,553
Internal balances	92,951	(92,951)	-
Water deposits	-	94,079	94,079
Long-term liabilities:			
Compensated absences payable	21,922	7,772	29,694
Due within one year	31,980	124,767	156,747
Due in more than one year	568,486	2,534,611	3,103,097
Net pension liability	159,617	42,686	202,303
Total liabilities	971,257	2,753,216	3,724,473
Deferred inflows of resources related to pensions	8,671	2,319	10,990
Total liabilities and deferred inflows of resources	979,928	2,755,535	3,735,463
NET POSITION			
Net investment in capital assets	3,147,432	3,360,471	6,507,903
Restricted for capital projects/public safety	274,730	-	274,730
Unrestricted	1,541,615	617,168	2,158,783
Total net position	$ 4,963,777	$ 3,977,639	$ 8,941,416

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Function/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	$ 343,368	$ 35,568	$ -	$ 18,711	$ (289,089)		$ (289,089)
Judicial	19,789	-	-	635	(19,154)		(19,154)
Public safety	1,090,252	677,530	-	183,498	(229,224)		(229,224)
Public works	241,129	-		519	(240,610)		(240,610)
Health and welfare	15,471	-	7,640	-	(7,831)		(7,831)
Culture and recreation	59,028	-	-	317,601	258,573		258,573
Housing and development	19,039	-	-	-	(19,039)		(19,039)
Interest on general long-term debt	42,984	-	-	-	(42,984)		(42,984)
Total governmental activities	1,831,060	713,098	7,640	520,964	(589,358)		(589,358)
Business-type activities:							
Water and sewer	990,355	822,563	-	-	-	(167,792)	(167,792)
Sanitation	265,843	277,208	-	-	-	11,365	11,365
Total business-type activities	1,256,198	1,099,771	-	-	-	(156,427)	(156,427)
Total primary government	$ 3,087,258	$ 1,812,869	$ 7,640	$ 520,964	(589,358)	(156,427)	(745,785)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					561,784	-	561,784
Sales and use taxes					351,546	-	351,546
Business taxes					166,316	-	166,316
Investment earnings					5,083	1,892	6,975
Miscellaneous					20,164	-	20,164
Total general revenues					1,104,893	1,892	1,106,785
Transfers					(281,249)	281,249	-
Total general revenues and transfers					823,644	283,141	1,106,785
Change in net position					234,286	126,714	361,000
Net position - beginning, restated					4,729,491	3,850,925	8,580,416
Net position - ending					$ 4,963,777	$ 3,977,639	$ 8,941,416

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General Fund	Capital Project Fund SPLOST VII	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash:				
Unrestricted	$ 974,196	$ -	$ -	$ 974,196
Restricted	-	217,641	14	217,655
Total cash	974,196	217,641	14	1,191,851
Certificates of deposit	507,196	-	-	507,196
Receivables:				
Taxes	253,880	-	-	253,880
Intergovernmental	63,348	94,475	-	157,823
Other	22,898	-	-	22,898
Interfund balances	801	-	-	801
Prepaid insurance	21,513	-	-	21,513
Total assets	$ 1,843,832	$ 312,116	$ 14	$ 2,155,962
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	$ 44,360	$ 36,599	$ -	$ 80,959
Interfund balances	92,951	801	-	93,752
Total liabilities	137,311	37,400	-	174,711
Deferred inflows of resources:				
Deferred property taxes	40,936	-	-	40,936
Deferred DOT LMIG grant funds	27,587	-	-	27,587
Total deferred inflow of resources	68,523	-	-	68,523
Fund balances:				
Nonspendable	21,513	-	-	21,513
Restricted	-	274,716	14	274,730
Unassigned	1,616,485	-	-	1,616,485
Total fund balances	1,637,998	274,716	14	1,912,728
Total liabilities, deferred inflows of resources and fund balances	$ 1,843,832	$ 312,116	$ 14	$ 2,155,962

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Fund Balance - Total Governmental Funds	$1,912,728
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds only report liabilites that will be liquidated with current assets. Compensated absences payable, however, which will not be liquidated with current assets, are not liabilites of the governmental funds but are liabilities of the government-wide financial statements.	(21,922)
Long-term debt is not reported in governmental activities because it is not expected to be liquidated with expendable available financial resources but is reported in the government-wide financial statements.	(600,466)
Interest accrued on long-term debt is not reported in the funds but is reported as a liability in the government-wide financial statements.	(15,342)
Pension related assets and liabilities are not reported in the funds but are reported as assets and liabilities in the government-wide financial statements:	
Deferred outflows of resources	40,646
Net pension liability	(159,617)
Deferred inflows of resources	(8,671)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	68,523
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,747,898
Net position of governmental activities	$4,963,777

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Project Fund SPLOST VII	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 552,234	$ -	$ -	$ 552,234
Sales and use	351,546	-	-	351,546
Business	166,316	-	-	166,316
Licenses and permits	35,568	-	-	35,568
Intergovernmental	8,649	519,436	-	528,085
Fines and forfeitures	677,530	-	-	677,530
Investment earnings	5,083	516	3	5,602
Capital lease proceeds	631,104	-	-	631,104
Miscellaneous	20,164	-	-	20,164
Total revenues	2,448,194	519,952	3	2,968,149
EXPENDITURES				
Current:				
General government	296,458	18,711	-	315,169
Judicial	18,924	635	-	19,559
Public safety	1,620,198	182,489	-	1,802,687
Public works	178,442	207,026	146,377	531,845
Health and welfare	15,471	-	-	15,471
Culture and recreation	54,441	338,181	-	392,622
Housing and development	19,039	-	-	19,039
Total expenditures	2,202,973	747,042	146,377	3,096,392
Excess (deficiency) of revenues over (under) expenditures	245,221	(227,090)	(146,374)	(128,243)
Fund balances - beginning	1,392,777	501,806	146,388	2,040,971
Fund balances - ending	$1,637,998	$ 274,716	$ 14	$ 1,912,728

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds	$ (128,243)
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 and reported as depreciation expense. This is the amount by which capital outlays ($1,168,663) exceeded depreciation ($206,346) in the current period.	962,317
Governmental activities report gain or loss on the sale of capital assets. However, governmental funds only report the proceeds from the sale of capital assets. This is the amount of the loss on disposal.	(2,350)
Governmental funds only report compensated absense expense if the expense has been paid in the current year or will be paid with current funds. However, on the statement of activities the change in the liability is reflected as program expense. This is the amount of the change in compensated absences payable from the beginning of the year to the end of the year.	5,125
Adjustments to pension expense as a result of changes in pension related expenses recorded in government-wide financial statements are not recorded in the funds. This the amount that pension expense was reduced.	3,695
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in deferred property tax revenue over prior year.	9,550
Interest expense resulting from the accrual of interest on long-term debt is not reported in the funds but is reported on the government-wide financial statements.	(15,342)
Proceeds from capital leases are reported as liabilities in the government-wide financial statements.	(631,104)
Repayment of debt is a use of current financial resources in the governmental funds, but the repayment of debt decreaseses liabilities in the statement of activities.	30,638
Change in net position of governmental activities	$ 234,286

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF NET POSITION
PROPRIETARY FUND – ENTERPRISE FUND
DECEMBER 31, 2015

	Water, Sewer and Sanitation Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash:	
Unrestricted	$ 276,144
Restricted	160,000
Total cash	436,144
Certificates of deposit	164,207
Accounts receivable (net)	93,517
Interfund balances	92,951
Inventory	8,587
Total current assets	795,406
Noncurrent assets:	
Capital assets:	
Land	230,897
Buildings	27,074
Vehicles and equipment	246,497
Utility system and equipment	10,329,020
Less accumulated depreciation	(4,813,639)
Total noncurrent assets	6,019,849
Deferred outflows of resources related to pensions	10,870
Total assets and deferred outflows of resources	6,826,125
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities:	
Accounts payable and accrued expenses	38,541
Accrued interest	3,711
Water deposits	94,079
Current portion:	
Note payable	45,613
Bond payable	79,154
Total current liabilities	261,098
Noncurrent liabilities:	
Compensated absences	7,772
Note payable, less current portion	599,970
Bond payable, less current portion	1,934,641
Net pension liability	42,686
Total noncurrent liabilities	2,585,069
Deferred inflows of resources related to pensions	2,319
Total liabilities and deferred inflows of resources	2,848,486
NET POSITION	
Net investment in capital assets	3,360,471
Unrestricted	617,168
Total net position	$ 3,977,639

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Water, Sewer and Sanitation Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer	$ 787,487
Sanitation	277,208
Other	35,076
Total operating revenues	1,099,771
OPERATING EXPENSES	
Depreciation	326,156
Personnel services	280,358
Landfill/contracted sanitation services	265,843
Utilities	126,028
Repairs and maintenance	47,389
Supplies and other expenses	45,155
Professional fees	27,874
Technical services	20,980
Fuel	20,260
Insurance	18,102
Travel	684
Total operating expenses	1,178,829
Operating income (loss)	(79,058)
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,892
Interest expense	(77,369)
Total nonoperating revenues (expenses)	(75,477)
Income (loss) before contributions	(154,535)
CAPITAL CONTRIBUTIONS	
Capital contribution	281,249
Total capital contributions	281,249
Change in net position	126,714
Total net position - beginning, restated	3,850,925
Total net position - ending	$ 3,977,639

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Water, Sewer and Sanitation Fund
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,090,148
Internal activities - payments to other funds	(184,857)
Payments to employees (or for their benefit) for services provided	(284,483)
Payments to suppliers for goods or services	(555,802)
Net cash provided (used) by operating activities	65,006
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(118,190)
Interest paid on capital debt	(77,777)
Net cash provided (used) by capital and related financing activities	(195,967)
CASH FLOWS FROM INVESTING ACTIVITIES	
Certificate of deposit reinvestment	(1,163)
Interest income	1,892
Net cash provided by investing activities	729
Net increase (decrease) in cash and cash equivalents	(130,232)
Balances - beginning	566,376
Balances - ending	$ 436,144
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (79,058)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	326,156
Change in assets and liabilities:	
Receivables, net	(16,538)
Prepaid expenses	6,257
Inventory	-
Due to/from other funds	(184,857)
Deposits	6,915
Pension related balances	(717)
Accounts payable and accrued expenses	6,848
Net cash provided by operating activities	$ 65,006

Noncash activity. Capital assets with a cost of $280,977 were purchased by the SPLOST VII Fund and contributed to the Enterprise Fund. Other assets below the capitalization threshold with a cost of $272 were purchased by the SPLOST VII Fund, not capitalized and are reported as expenses.

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the City of Hahira, Georgia, (the primary government) which operates under a mayor-council form of government. The City's major operations in addition to general administrative services include public safety (police and fire protection), public works (highways and streets), sanitation, water and sewer, health and welfare, culture and recreation.

The City of Hahira's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies, established in GAAP and used by the City, are discussed below.

A. Reporting Entity

The Governmental Accounting Standards Board sets forth criteria for determining the reporting entity. Organizations legally separate from the City of Hahira, Georgia, would be included in the financial statements of City of Hahira, Georgia, if the criteria of financial accountability were met as defined by Governmental Accounting Standards Board Statement Number 14 or if exclusion of the entity would cause the City's financial statements to be misleading or incomplete.

The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Based upon these criteria the financial statements of the City contain no component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements – Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, highways and streets, health and welfare, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and sanitation fund is classified as a business activity. There are no fiduciary funds, nor component units that are fiduciary in nature, included.

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, (b) and are reported on a full accrual, economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. Restricted assets are liquid assets (generated from revenues and not bond proceeds) that have a third party (statutory, bond covenant, or granting agency) limitation on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public safety, public works, etc.) and business activities (water, sewer and sanitation fund). The functions are also supported by general government revenues (taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, investment earnings, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activity.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The governmental funds employ the current financial resources measurement focus. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds.

The City's major funds are the General Fund, SPLOST VII Capital Project Fund, and the Water, Sewer and Sanitation Enterprise Fund.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

a. General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b. Capital Projects Funds

The City has three capital projects funds:

Special Purpose Local Option Sales Tax (SPLOST) V - used to account for special local option sales taxes V (2002 issue) received and restricted to use for qualifying capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) VI - used to account for special local option sales taxes VI (2007 issue) received and restricted to use for qualifying capital expenditures.

Special Purpose Local Option Sales Tax (SPLOST) VII - used to account for special local option sales taxes VI (2013 issue) received and restricted to use for qualifying capital expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Nonoperating revenues and expenses include subsidies, interest expense from financing and investment earnings resulting from nonexchange transactions or auxiliary activities.

The following is a description of the proprietary fund of the City:

Water, Sewer and Sanitation Enterprise Fund - used to account for the revenues and related expenses of providing water, sewer and sanitation services to the City's residents.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

1. Government-wide and Proprietary Fund Financial Statement:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Deferred outflows of resources are recorded when consumption of assets (net) by the government are applicable to a future reporting period. Deferred inflows of resources are recorded when an acquisition of assets (net) by the government is applicable to a future reporting period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measureable and available. The City's definition of "available" means collectible within one year. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Equivalents

Cash shown on the balance sheets and statements of cash flows includes amounts in demand deposits and short-term investments with a maturity date less than three months from the date acquired by the City.

2. Investments

The City is limited by state law to the following investments: obligations of the State of Georgia, other states, or the U. S. Government; obligations fully insured by the U. S. Government or any agency thereof; obligations of any corporation of the U. S. Government; prime bankers' acceptance; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

3. Receivables and Property Taxes

Accounts receivable are recorded in the governmental funds for taxes receivable and amounts due from other governments. The accounts receivable for property taxes – real property are recorded net of the associated allowance for doubtful accounts in the general fund.

Taxes on real estate, motor vehicles, intangibles, real estate transfer and mobile homes are collected by the county tax collector and remitted to the City. The City bills and collects all other tax revenues. Georgia statutes do not provide a maximum millage rate which may be levied.

Tax revenues are recognized during the period in which they are levied. An allowance is established for delinquent taxes to the extent their collectability is questionable. Taxes collected during the current period and within sixty days thereafter are considered available to finance current operations.

The property tax rate for 2015 was $4.750 per $1,000 of assessed valuation, and current tax collection for the year then ended was 64.91% of the tax levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The full year property tax calendar is as follows:

Assessment date	January 1
Assessors submit returns to tax collector	July 1
Levy date	September 1
Tax collector mails annual tax bills	September 15
Due date of taxes, other than motor vehicles	November 15
Execution (lien) date for unpaid taxes	November 16

Note: Due to a delay regarding approval of the digest at the county level, the due date of the 2015 property taxes was extended until January 2016.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical 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 not been capitalized during the construction period on property, plant, and equipment.

Generally, assets with an initial estimated useful life of more than one year and have an original cost of $5,000 or more for infrastructure and $2,000 or more for other than infrastructure are capitalized. Assets purchased with SPLOST proceeds with a cost of less than $2,000 are also capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are listed below:

Buildings, improvements, water system	10 - 40 years
Infrastructure	40 – 50 years
Machinery and equipment	5 - 20 years

GASBS No. 34 requires the City to report and depreciate infrastructure assets. The City has elected not to report major general infrastructure assets retroactively, but began reporting newly acquired infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

The expense resulting from amortization of assets recorded under capital leases is included in depreciation expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Interfund Activity

Interfund activity is reported as loans, as services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Receipts and/or payments to or from other governmental units included in the reporting entity of the City are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

The principal purpose of the City's interfund transfers, if any, is to reimburse one fund for the expenditures of another fund.

Capital assets that were purchased by a SPLOST Capital Projects Fund and contributed to the Water and Sewer Fund are reported as capital contributions in the proprietary fund and on the government-wide financial statements. Because capital assets are not reported in the governmental funds there is no corresponding reporting of the capital contribution made by the SPLOST Capital Project Fund.

The principal purposes of interfund balances are to record the amount of reimbursement due from the Water, Sewer and Sanitation Fund for expenditures paid by the General Fund and the amount of reimbursement due from a SPLOST Capital projects Fund for expenditures paid by the Water, Sewer and Sanitation Fund.

6. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Revenues of the governmental funds susceptible to accrual are property taxes, sales tax and alcoholic beverage tax. Subsidies and grants to general or special revenue funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues reported on the statement of activities are: licenses and permits, fines and forfeitures, nutritional services to the elderly and operating and capital grants and contributions.

7. Expenditures

Expenditures are recognized when the related fund liability is incurred. Prepaid expenditures/expenses are recorded when an expenditure/expense is incurred but benefits are for a subsequent period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

Significant materials on hand, if any, are shown as inventory. Inventory in the Water, Sewer and Sanitation Fund is typically comprised of water meters, pipe, pipe fittings, repair parts and related supplies and is valued at cost (first-in, first-out). The cost of other materials and supplies, including gasoline and fuel, are charged to operations using the purchase method of accounting.

9. Compensated Absences and Employee Benefits

Compensated Absences:

The City allows full-time, permanent employees to accumulate unused annual leave and sick leave to a maximum of 160 hours. Upon termination, up to 120 hours of accumulated annual leave is payable. Upon termination or retirement, only those employees employed before December 31, 1985 are entitled to be compensated for sick leave.

Vacation leave is accrued as a liability as the benefits are earned by the employee when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means. Sick leave is accrued as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

Compensated absences are recorded as liabilities in the applicable government-wide, business-type activities or proprietary fund type statement of net position. Only current amounts payable for employees terminated or retired at year end are recorded in the governmental funds.

Retirement Benefits:

The City maintains a non-contributory retirement plan (refer to Note 8 for additional plan information).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Fund Balances/Net Position

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

1. Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
2. Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the entity or through external restriction imposed by creditors, grantors or laws or regulations of other governments.
3. Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and Council through the adoption of a resolution. The Mayor and Council may also modify or rescind the commitment.
4. Assigned – Fund balances are reported as assigned when amounts are constrained by the Mayor and Council's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution the Mayor and Council can authorize the Mayor or City Manager to assign fund balances.
5. Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

Flow Assumption. When both restricted and unrestricted amounts of fund balance or net position are available for use for expenditures or expenses 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 balances in the following order: (a) committed, (b) assigned, (c) unassigned.

Net Position. Contributed capital is recorded in the proprietary fund when the City receives grants from federal, state or private sources designed for the specific activity. These contributions are part of the net position of the enterprise activity.

NOTE 2 – CASH, CERTIFICATES OF DEPOSIT, CUSTODIAL RISK AND INTEREST RATE RISK

Cash and certificates of deposit are as follows:

Cash	Carrying Amount	Bank Balance
Governmental activities:		
General fund		
Deposits	$ 974,121	$ 991,365
Petty cash	75	-
SPLOST VII fund	217,641	222,441
Drug seized fund	14	14
Total governmental activities	1,191,851	1,213,820
Business-type activities:		
Water, sewer and sanitation fund		
Deposits	436,069	424,796
Petty cash	75	-
Total business-type activities	436,144	424,796
Total cash	$ 1,627,995	$ 1,638,616
Certificates of Deposit		
Governmental activities	$ 507,196	$ 507,196
Business-type activities	164,207	164,207
Total certificates of deposit	$ 671,403	$ 671,403

Custodial Credit Risk - Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no custodial risk policy. Of the above carrying amount, all funds are collateralized by securities or insured by FDIC insurance.

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 rate risk. However the City has made no investments that would subject it to interest rate risk.

Restricted Cash

Restricted cash at year end consists of the following:

Governmental activities. Cash in the amounts of $217,641 in the SPLOST VII fund is restricted for specific capital outlay projects and $14 in the Drug Seized Fund is restricted for specific public safety expenditures, totaling $217,655.

Business-type activities. Cash in the enterprise fund of $160,000 is restricted by bond covenants.

NOTE 3 – RECEIVABLES AND ALLOWANCE FOR BAD DEBT

Receivables are detailed below:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes:			
Real property:			
Current	$ 107,727	$ -	$ 107,727
Delinquent	8,777	-	8,777
Less allowance for bad debt	(3,000)	-	(3,000)
Franchise	134,651	-	134,651
Alcoholic beverage taxes	5,725	-	5,725
Total taxes receivable	253,880	-	253,880
Intergovernmental:			-
Local option sales and use tax	28,559	-	28,559
Special purpose local option sales tax	94,475	-	94,475
Other intergovernmental	34,789	-	34,789
Total intergovernmental receivables	157,823	-	157,823
Water, sewer and sanitation charges:			
Billed	-	98,336	98,336
Less allowance for bad debt	-	(4,819)	(4,819)
Total water, sewer and sanitation charges receivable	-	93,517	93,517
Other receivables:			
State withholding overpayment	22,898	-	22,898
Total other receivables	22,898	-	22,898
Total receivables	$ 434,601	$ 93,517	$ 528,118

NOTE 4 - INTERFUND BALANCES

Interfund balances consist of the following:

	Interfund Balances		
	Receivables	Payables	Net
Governmental activities:			
General Fund:			
SPLOST VII	$ 801	$ -	$ 801
Enterprise fund	-	(92,951)	(92,951)
SPLOST VII:			
General Fund	-	(801)	(801)
Total governmental activities	801	(93,752)	(92,951)
Business-type activities:			
Enterprise Fund:			
General fund	92,951	-	92,951
Total business-type activities	92,951	-	92,951
Total	$ 93,752	$ (93,752)	$ -

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Retirements/ Deletions	Contributed Capital	Ending Balance
Governmental activities:					
Capital assets not being depreciated					
Land	$ 187,015	$ 337,416	$ -	$ -	$ 524,431
Total capital assets not being depreciated	187,015	337,416	-	-	524,431
Capital assets being depreciated					
Buildings	1,192,768	-	-	-	1,192,768
Infrastructure	2,013,814	345,098	-	(277,421)	2,081,491
Equipment and vehicles	1,252,550	767,126	(26,588)	(3,556)	1,989,532
Total assets being depreciated	4,459,132	1,112,224	(26,588)	(280,977)	5,263,791
Less accumulated depreciation for:					
Buildings	(314,132)	(29,729)	-	-	(343,861)
Infrastructure	(548,136)	(74,241)	-	-	(622,377)
Equipment and vehicles	(995,948)	(102,376)	24,238	-	(1,074,086)
Total accumulated depreciation	(1,858,216)	(206,346)	24,238	-	(2,040,324)
Total capital assets being depreciated, net	2,600,916	905,878	(2,350)	(280,977)	3,223,467
Governmental activities capital assets, net	$2,787,931	$ 1,243,294	$ (2,350)	$(280,977)	$3,747,898
Business-type activities:					
Capital assets not being depreciated					
Land	$ 230,897	$ -	$ -	$ -	$ 230,897
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	230,897	-	-	-	230,897
Capital assets being depreciated					
Buildings	27,074	-	-	-	27,074
Utility system and equipment	10,051,599	-	-	277,421	10,329,020
Vehicles and equipment	242,941	-	-	3,556	246,497
Total assets being depreciated	10,321,614	-	-	280,977	10,602,591

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Retirements/ Deletions	Transfer In (Out)	Ending Balance
Less accumulated depreciation for:					
Buildings	(15,698)	(569)	-	-	(16,267)
Utility system and equipment	(4,337,957)	(308,037)	-	-	(4,645,994)
Vehicles and equipment	(133,828)	(17,550)	-	-	(151,378)
Total accumulated depreciation	(4,487,483)	(326,156)	-	-	(4,813,639)
Total capital assets being depreciated, net	5,834,131	(326,156)	-	280,977	5,788,952
Total business-type activities capital assets net	$6,065,028	$ (326,156)	$ -	$ 280,977	$6,019,849

Depreciation expense was charged to divisions as follows:

Governmental activities:	
General government	$ 46,375
Judicial	230
Public safety	99,058
Public works	56,946
Culture and recreation	3,737
Total depreciation expense - governmental activities	$ 206,346
Business-type activities	
Water, sewer and sanitation fund	$ 326,156
Total depreciation expense - business-type activities	$ 326,156

NOTE 6 – LONG-TERM DEBT

Governmental Activities

Capital lease payable to Oshkosh Capital on May 21, 2014, collateralized by a fire truck (received February 2015) with a cost of $632,048. The capital lease is payable in fifteen annual installments of $58,280.75, including interest at 4.38% per annum through 2029.

Business-type Activities

Business-type activities long-term debt consists of the following:

Notes Payable – GEFA

GEFA Note #1. Note payable to the Georgia Environmental Facilities Authority Revolving Loan Fund to fund water and sewer improvements in the original amount of $549,619, payable in quarterly installments of $8,115, including interest at 3% through November 1, 2023.

GEFA Note #2. Note payable to the Georgia Environmental Facilities Authority to fund water improvements in an amount of up to $431,777, payable in 239 monthly installments equal to the amount borrowed including interest at 1% until 20 years from the amortization commencement date. The unpaid principal balance will not incur any interest until the first day of the calendar month following the earlier of: (1) the completion date as defined by the loan agreement, (2) August 1, 2014 or (3) the date that the loan evidenced by this note is fully disbursed (amortization commencement date).

Water and Sewer Revenue Bonds

Revenue bonds payable consisted of the following:

2014 Refunding Bond. Bond payable to Ameris Bank in the original amount of $2,110,000, payable in monthly installments of $11,974.77, including interest at 3.21% through September 15, 2034. The bonds were issued to finance the cost of refunding and redeeming the City's existing water and sewer revenue bonds.

Water and sewer revenue bonds payable constitute special obligations secured by a lien on and pledge of the revenues of the water and sewer system. The revenue collateralizes the bond payable to Ameris Bank and the special fund established by the ordinance. The ordinances provide that the revenue of the system is to be used first to pay reasonable and necessary costs of operating, maintaining and repairing the system, including salaries, wages, payment of any contractual obligations incurred pertaining to the operation of the system, the cost of materials and supplies, rentals of leased property and facilities, insurance and such other charges as may properly be made for the purpose of operating, maintaining, and repairing the system in accordance with sound business practices, without allowance for depreciation. Provisions also apply to the issuance of additional parity bonds.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Governmental and business-type activities long-term debt consists of the following:

	Beginning Balance 12/31/2014	Additions	Repayments	Ending Balance 12/31/2015	Due in One Year
Governmental activities:					
Capital Lease					
Ladder truck	$ -	$ 631,104	$ (30,638)	$ 600,466	$ 31,980
Total governmental activities	$ -	$ 631,104	$ (30,638)	$ 600,466	$ 31,980
Business-type activities:					
GEFA #1	$ 255,213	$ -	$ (25,087)	$ 230,126	$ 25,848
GEFA #2	431,777	-	(16,320)	415,457	19,765
Total GEFA	686,990	-	(41,407)	645,583	45,613
Water and sewer bonds:					
2014 Refunding	2,090,578	-	(76,783)	2,013,795	79,154
Total bonds	2,090,578	-	(76,783)	2,013,795	79,154
Total business-type activities	$2,777,568	$ -	$ (118,190)	$2,659,378	$ 124,767

Total interest cost incurred in the current year was as follows:

Governmental activities:	
Public safety	$ 42,984
Business-type activities:	
Water, sewer and sanitation	$ 77,369

The gross amount of assets recorded under a capital lease are as follows:

Fire truck with a cost of $631,104 and accumulated amortization of $19,131

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Maturities of governmental long-term debt are as follows:

	Capital Lease		
Year	Principal	Interest	Total
2016	$ 31,980	$ 26,300	$ 58,280
2017	33,381	24,900	58,281
2018	34,843	23,438	58,281
2019	36,369	21,911	58,280
2020	37,962	20,318	58,280
2021-2025	216,258	75,146	291,404
2026-2030	209,673	23,451	233,124
Total	$ 600,466	$ 215,464	$ 815,930

Maturities of business-type activities long-term debt are as follows:

	GEFA Notes Payable			Water and Sewer Revenue Bond		
Year	Principal	Interest	Total	Principal	Interest	Total
2016	$ 45,613	$ 10,679	$ 56,292	$ 79,154	$ 66,898	$ 146,052
2017	46,595	9,697	56,292	81,951	64,544	146,495
2018	47,604	8,688	56,292	84,659	61,746	146,405
2019	48,639	7,652	56,291	87,455	59,039	146,494
2020	49,702	6,590	56,292	90,192	56,242	146,434
2021-2025	198,797	17,734	216,531	498,365	236,206	734,571
2026-2030	111,428	7,716	119,144	583,058	152,690	735,748
2031-2035	97,205	2,080	99,285	508,961	68,697	577,658
Total	$ 645,583	$ 70,836	$ 716,419	$ 2,013,795	$ 766,062	$ 2,779,857

The general fund will be utilized to liquidate the above governmental activities long-term debt and the enterprise fund will be utilized to liquidate the above business-type activities long-term debt.

Compensated absences payable is as follow:

	Balance 12/31/2014	Earned	Taken	Balance 12/31/2015	Current Portion
Governmental activities	$ 27,047	$ 28,407	$ (33,532)	$ 21,922	-
Business-type activities	11,180	8,267	(11,675)	7,772	-
Total	$ 38,227	$ 36,674	$ (45,207)	$ 29,694	$ -

The general fund and water, sewer and sanitation fund will be used to liquidate the above liabilities.

NOTE 7 – FUND BALANCES AND NET POSITION

Nonspendable - Fund balance of $21,513 in the governmental funds is in nonspendable form because it is allocated to prepaid insurance.

Restricted – Fund balance of $274,716 in the capital project funds is restricted for capital projects financed with Special Local Option Sales Tax Fund (SPLOST) proceeds. Fund balance of $14 in the other governmental funds is restricted for specific public safety expenditures.

NOTE 8 – RETIREMENT BENEFITS

Plan Description

The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a noncontributory agent multiple-employer defined benefit public employer retirement system that acts as a common investment and administrative agent for governmental entities in the State of Georgia. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The plan is administered by Georgia Municipal Association. Benefit provisions and all other requirements are established by state statute. Plan features, including benefit provisions, are established by the plan Board of Trustees. Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained from the Georgia Municipal Association, 201 Pryor Street S.W., Atlanta, Georgia 30303-3606.

Employees Covered

As of July 1, 2015, the following employees were covered by the benefit terms for the plan:

		Average			
Participants	Count	Age	Service	Pay	Benefits
Active	20	45.1	9.8	$ 31,492	N/A
Retired	9	67.9	N/A	N/A	$354
Disabled	0	N/A	N/A	N/A	N/A

Contributions

The Board of Trustees of the GMEBS has adopted an actuarial funding policy for the determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 years to 30 years based on the funding policy adopted by GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded (surplus) actuarial accrued liability.

The plan is subject to minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section 47-20-10). The recommended employer contribution in accordance with the funding policy of the plan is $41,328, for the year ended December 31, 2015, (6.95% of covered payroll).

NOTE 8 – RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability

The net pension liability as of March 31, 2015 (the measurement date), is $202,303, being the excess of the total pension liability, $882,513, over the plan's fiduciary net position, $680,210, both as of the measurement date. The total pension liability was determined as of the measurement date using amounts determined from actuarial valuation as of the measurement date.

Actuarial Assumptions

Valuation Date. The actuarially determined contribution rate was determined as of July 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2016.

Measurement Date. March 31, 2015

Methods and assumptions used to determine contribution rates.

Actuarial Cost Method. Projected Unit Credit

Amortization Method. Closed level dollar for remaining unfunded liability

Remaining Amortization Period. Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.

Asset Valuation Method. Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return. 7.75%

Projected Salary Increases. 3.25% plus service based merit increases

Inflation rate. 3.25%

Cost of living adjustments. 0%

Retirement age. 65+5

Mortality. Based on actuarial experience study for the period of January 1, 2010 to June 30, 2014.

NOTE 8 – RETIREMENT BENEFITS (CONTINUED)

Changes in Methods and Assumptions:

Eligibility changed from one year of service to immediate; mortality table for disabled participants changed to remove two-year and one-year set-forward for males and females, respectively; turnover rates updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55; select period rates further constrained to be not less than the ultimate rates; inflation assumption decreased form 3.5% to 3.25%; retirement rates where normal retirement only available on or after age 65 changed from prior assumption of 100% at age 65 to 60% at ages 65 to 69 and 100% at age 70; where normal retirement available before age 65, rates changed from prior assumption of 100% at earliest unreduced age, but not below age 60, to 10% at ages 55-59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65-69, and 100% at age 70; salary increase assumption changed from select period rates during first five years of service, followed by age-related rates (salary increases ranging from 4-11% including an inflation adjustment of 3.5%) to new service-related rates (salary increases ranging from 3.75% to 8% including inflation assumption of 3.25%).

Long-term Expected Rate of Return – 7.75%, On-going Basis

The long-term expected rate of return on pension plan investments was determined using a building–block method in which best-estimated 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015, are summarized below:

		Long-term	
Asset Class	Target Allocation	Expected Real Rate of Return	Nominal Real Rate of Return
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	0%		
Total	100%		

Plan termination basis. 3.20% (30 year Treasury Securities Rate as of August, 2014, published in September, 2014; 3.76% last year)

NOTE 8 – RETIREMENT BENEFITS (CONTINUED)

Changes in Net Pension Liability

The changes in the net pension liability are as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2014*	$ 817,668	$ 622,377	$ 195,291
Changes for the year:			
Service costs	18,858	-	18,858
Interest	61,869	-	61,869
Difference between expected and actual experience	24,621	-	24,621
Contributions - employer	-	39,163	(39,163)
Net investment income	-	60,026	(60,026)
Benefit payments	(38,715)	(38,715)	-
Adminstrative expense	-	(2,641)	2,641
Other	(1,788)	-	(1,788)
Net changes	64,845	57,833	7,012
Balances at March 31, 2015**	$ 882,513	$ 680,210	$ 202,303

* Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2014 are used to measure TPL as of March 31, 2014. The balances as of March 31, 2014 constitute measurements of the NPL for the fiscal year ending December 31, 2014.

** Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2015 are used to measure TPL as of March 31, 2015. The balances as of March 31, 2015 constitute measurements of the NPL for the fiscal year ending December 31, 2015.

NOTE 8 – RETIREMENT BENEFITS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Discount Rate – 7.75%

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as the net pension liability calculated using the discount rate that is one percentage point lower (6.75%) and one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	$ 329,259	$ 202,303	$ 97,013

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred nflows Resources
Pension contributions subsequent to measurement date	$ 30,996	$ -
Differences between expected and actual experience	20,520	-
Changes in assumptions	-	(1,490)
Net differences between projected and actual earnings on pension plan investments	-	(9,500)
Total	$ 51,516	$ (10,990)

Deferred outflows of resources related to contributions made subsequent to the measurement date of July 1, 2015, in the amount of $30,996, will be recognized as a reduction in net pension liability in the year ended December 31, 2016. The remaining amount, $20,520, reported as deferred outflows related to pensions at December 31, 2015, will increase pension expense in the future as follows: $4,104 each for the years 2016 to 2020.

Amounts reported as deferred inflows of resources related to pensions at December 31, 2015, will reduce pension expense in the future as follows: $2,673 each year for the years of 2016 to 2019 and $298 for year 2020.

NOTE 9 – BEGINNING NET POSITION, RESTATED

The City implemented GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*, for the year ended December 31, 2015. As a result, net positions at January 1, 2015, have been restated as follows:

	Governmental Activities	Business-Type Activities/ Proprietary Fd	Total
Beginning net position - January 1, 2015	$ 4,860,827	$ 3,886,048	$ 8,746,875
Related to pension plan at January 1, 2015:			
Deferred outflows of resources	23,246	6,216	29,462
Deferred inflows of resources	(10,782)	(2,883)	(13,665)
Net pension liability	(143,800)	(38,456)	(182,256)
Net change related to the pension plan	(131,336)	(35,123)	(166,459)
Beginning net position - January 1, 2015 restated	$ 4,729,491	$ 3,850,925	$ 8,580,416

NOTE 10 – RISK FINANCING ACTIVITY

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; and natural disasters. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks. There was no significant reduction of insurance coverage from the prior year. No losses in excess of insurance coverage have occurred in the last three years.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. The responsibilities of GIRMA are to defend and protect, in accordance with the member government contract and related coverage descriptions, any member of GIRMA against liability or loss.

The City's deductible limit is $1,000 per occurrence. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss over the deductible.

The City is also a member of the GMA Workers Compensation Self Insurance Fund (GMA). This Fund operates under the authority of OCGA 34-9-150.

NOTE 10 – RISK FINANCING ACTIVITY (CONTINUED)

The responsibility of the Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the purview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is also responsible for paying all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. Coverage provides up to a maximum of $100,000 for each worker's compensation claim. There is no deductible under this Fund.

Responsibilities of the City regarding GIRMA or GMA are as follows:

To pay all contributions, assessments or other sums due at such times and in such amounts as shall be established.

To allow GIRMA or GMA and its agents, reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA or GMA.

To allow attorneys appointed to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA or GMA.

To assist and cooperate in the defense and settlement of claims against the City.

NOTE 11 – CONTINGENCIES - COMMITMENTS

The City, in conjunction with cities and counties in an eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to an RC. The RC board membership includes the Chief elected official of each county and the chief elected official of each municipality. The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond resources (O.C.G.A. 50-8-39.1). Separate financial statements are available from the Southern Georgia Regional Commission, Valdosta, Georgia. Management does not believe the SGRC is currently experiencing fiscal stress that could put a financial burden on the City.

In prior years, the City has received monies through various federal and state grants. These programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for expenses disallowed under the terms of the grants. Management believes that the City will not incur significant losses on possible grant disallowances

NOTE 12 – RELATED ORGANIZATION

The Housing Authority of the City of Hahira, Georgia is registered with the Department of Community Affairs (DCA) as a local government authority and is administered by the National Housing Authority. The mayor of the City appoints members to sit on the board of directors of the Authority. However, the City provides no financial support and is not obligated in any manner for the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Budgetary adjusted fund balance, January 1	$1,392,777	$ 1,392,777	$1,392,777	$ -
Resources (inflows):				
Taxes:				
Property:				
Real property	270,000	270,000	299,884	29,884
Personal property	44,000	44,000	73,873	29,873
Intangible/transfer	22,000	22,000	8,247	(13,753)
Franchise	166,000	166,000	170,230	4,230
Sales and use:				
Local option	300,000	300,000	293,918	(6,082)
Beer and wine	50,000	50,000	52,919	2,919
Hotel/motel	3,000	3,000	4,709	1,709
Business	146,000	146,000	166,316	20,316
Licenses and permits	30,000	30,000	35,568	5,568
Intergovernmental	7,000	7,000	8,649	1,649
Fines and forfeitures	600,000	767,530	677,530	(90,000)
Investment earnings	5,000	5,000	5,083	83
Rental income	-	-	3,394	3,394
Proceeds from sales of surplus equipment	-	-	2,500	2,500
Miscellaneous	52,000	52,000	14,270	(37,730)
Amounts available for appropriation	3,087,777	3,255,307	3,209,867	(45,440)
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	181,926	181,926	182,851	925
Operating expenditures	128,450	129,450	113,607	(15,843)
Total general government	310,376	311,376	296,458	(14,918)
Judicial				
Direct				
Personnel services	22,500	22,500	18,924	(3,576)
Total judicial	22,500	22,500	18,924	(3,576)

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Public safety				
Direct				
Personnel services	724,482	724,482	654,766	(69,716)
Operating expenditures	342,608	362,608	334,328	(28,280)
Total public safety	1,067,090	1,087,090	989,094	(97,996)
Public works				
Direct				
Personnel services	73,886	73,886	64,960	(8,926)
Operating expenditures	105,050	112,050	113,482	1,432
Total public works	178,936	185,936	178,442	(7,494)
Health and welfare				
Direct				
Personnel services	8,514	8,514	8,137	(377)
Operating expenditures	7,952	7,952	7,334	(618)
Total health and welfare	16,466	16,466	15,471	(995)
Culture and recreation				
Direct				
Personnel services	51,183	51,183	41,262	(9,921)
Operating expenditures	14,700	14,700	13,179	(1,521)
Capital outlay	4,500	4,500	-	(4,500)
Total culture and recreation	70,383	70,383	54,441	(15,942)
Housing and development				
Direct				
Personnel services	15,099	15,099	5,461	(9,638)
Operating expenditures	14,150	14,150	13,578	(572)
Total housing and development	29,249	29,249	19,039	(10,210)
Total charges to appropriations	1,695,000	1,723,000	1,571,869	(151,131)
Budgetary fund balance, December 31	$1,392,777	$ 1,532,307	$1,637,998	$105,691

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS*
DECEMBER 31, 2015

	2015
Year Ended December 31	
Total Pension Liability	
Service cost	$ 18,858
Interest	61,869
Difference between expected and actual experience	24,621
Change in assumptions	(1,788)
Benefit payments	(38,715)
Net Change in total pension liability	64,845
Total Pension Liability	
Beginning*	817,668
Ending**	882,513
Plan fiduciary net position	
Contributions - employer	39,163
Net investment income	60,026
Benefit payments	(38,715)
Administrative expenses	(2,641)
Net change in plan fiduciary net position	57,833
Plan fiduciary net position	
Beginning*	622,377
Ending**	680,210
Net pension liability - ending	$ 202,303
Plan fiduciary net position as a % of total pension liability	77.08%
Covered-employee payroll	$ 629,835
Net pension liability as a % of covered employee payroll	32.12%

Notes to Schedule

Benefit changes. Effective January 1, 2015, the Plan was amended to provide for immediate participation for all employees. This change has no impact on service credited under the Plan and has no impact on benefits.

*Year 2015 was the 1st year of implementation; therefore only one year is shown.

CITY OF HAHIRA
SCHEDULE OF RETIREMENT PLAN CONTRIBUTIONS
LAST TEN YEARS*
DECEMBER 31, 2015

Year ended December 31	2015
Actuarially determined contribution	__**
Contribution in relation to the actuarially determined contribution	__**
Contribution deficiency (excess)	__**
Covered-employee payroll	__**
Contribution as a % of covered employee payroll	__**

Notes to Schedule of Contribution – see Note 9 for details

*Year 2015 was the first year of implementation, therefore only one year is shown.

**2015 information will be determined after fiscal year end and will be included in the 2016 valuation report.

NOTE A - BUDGETS

The City's Finance Ordinance requires the governing authority to adopt budgets for all governmental fund types (general and special revenue funds). An annual budget is also prepared for the City's enterprise fund. Budgets for capital projects fund are adopted on a total project basis rather than on an annual basis. The annual budgets are prepared in accordance with the basis of accounting utilized by that fund. The legal level of budgetary control is the department level.

The budget may be amended by the Mayor and Council during or after the public hearing except that no amendment shall be effective with a public hearing if (1) a new item of appropriation is added in excess of one percent of the total amount of appropriations stated in the initially approved budget, (2) there is an increase or decrease in any item of appropriations by more than 10%, or (3) there is an increase in appropriations requiring an increase in taxes by more than 5%. Notice of hearings on budget amendments must be advertised at least three days prior to the date set for the hearing.

In October 2004, the City Finance Ordinance was amended to provide that: (1) the budget shall state the objectives and services to be provided in a clear general summary for each department, (2) each departmental budget shall include totals for the categories of: salaries and wages, supplies, contracted services and capital outlays, (3) the general fund budget includes designated sections for revenues, debt service, and capital expenditures, (4) the total proposed expenditures shall not exceed the total anticipated revenues.

Department managers may transfer appropriations in any fund among the various accounts within a department with certain restrictions. Transfers within a department, which increase salaries, require approval of the City Council. Any increase in appropriation for any fund or department within a fund requires approval of the City Council. Except for appropriations for capital expenditures, all appropriations, to the extent not expended or encumbered, lapse at the close of the period for which the appropriation was budgeted. Appropriations for capital expenditures continue in effect until the purpose for which it was made has been accomplished or abandoned. Capital appropriations are deemed abandoned after three years when there has been no disbursement or encumbrance of the appropriation.

The Mayor and Council advertise and conduct public hearings on the proposed budget in accordance with ordinances and state law requirements. The budget for the year ended December 31, 2015 was adopted by the council on October 2, 2015 and amended on February 4, 2016.

NOTE B - BUDGET - TO - ACTUAL RECONCILIATION

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles are as follows:

	General Fund
Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 3,209,867
Differences - budget to GAAP:	
Capital lease proceeds received for funding purchase of fire truck	631,104
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,392,777)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 2,448,194
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,571,869
Differences - budget to GAAP:	
Fire truck purchased with capital lease proceeds	631,104
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$ 2,202,973

COMBINING AND INDIVIDUAL NONMAJOR FUND SCHEDULES

CITY OF HAHIRA
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Capital Project Funds		Drug Seized Fund	Total Other Governmental Funds
	SPLOST V	SPLOST VI		
ASSETS				
Cash:				
Restricted	$ -	$ -	14	$ 14
Total assets	$ -	$ -	14	$ 14
FUND BALANCE				
Fund balance:				
Restricted	$ -	$ -	$ 14	$ 14
Total fund balance	$ -	$ -	$ 14	$ 14

CITY OF HAHIRA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Capital Projects Fund		Drug Seized Fund	Total Other Governmental Funds
	SPLOST V	SPLOST VI		
REVENUES				
Investment earnings	$ 3	$ -	$ -	$ 3
Total revenues	3	-	-	3
EXPENDITURES				
Capital outlays	2,476	143,901	-	146,377
Total expenditures	2,476	143,901	-	146,377
Excess of revenues over expenditures	(2,473)	(143,901)	-	(146,374)
Fund balances - beginning	2,473	143,901	14	146,388
Fund balances - ending	$ -	$ -	$ 14	$ 14

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST V CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 2,473	$ 2,473	$ -
Resources (inflows):			
Intergovernmental	3	3	-
Amounts available for appropriation	2,476	2,476	-
Charges to appropriation (outflows):			
Capital outlay	2,476	2,476	-
Total charges to appropriations	2,476	2,476	-
Budgetary fund balance, December 31	$ -	$ -	$ -

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST VI CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 143,901	$ 143,901	$ -
Resources (inflows):			
Intergovernmental:			
SPLOST	-	-	-
Amounts available for appropriation	143,901	143,901	-
Charges to appropriation (outflows):			
Capital outlay	143,901	143,901	-
Total charges to appropriations	143,901	143,901	-
Budgetary fund balance, December 31	$ -	$ -	$ -

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – SPLOST VII CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Project-Length Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ -	$ -	$ -
Resources (inflows):			
Intergovernmental:			
SPLOST	3,011,439	519,436	(2,492,003)
Investment income		516	516
Amounts available for appropriation	3,011,439	519,952	(2,491,487)
Charges to appropriation (outflows):			
Capital outlay	3,011,439	747,042	(2,264,397)
Total charges to appropriations	3,011,439	747,042	(2,264,397)
Budgetary fund balance, December 31	$ -	$ (227,090)	$ (227,090)

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – DRUG SEIZED FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts Original and Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Budgetary fund balance, January 1	$ 14	$ 14	$ -
Resources (inflows):			
Intergovernmental	-	-	-
Amounts available for appropriation	14	14	-
Charges to appropriation (outflows):			
Public safety	-	-	-
Total charges to appropriations	-	-	-
Budgetary fund balance, December 31	$ 14	$ 14	$ -

STATE COMPLIANCE SECTION

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percent Completed
			Prior Years	Current Period	Total	
SPLOST V - 2002 Issue						
Referendum Expenditures:						
Road, street and bridge projects	$ 400,000	$ 351,618	$ 310,078	$ -	$ 310,078	
Other capital outlay projects:						
Purchase, renovation, construction and improvements to public facilities and equipment consisting of the City Hall, fire station and courthouse			255,771	-	255,771	
Construction and improvements and equipment for water and sewer facilities			373,293	2,476	375,769	
Purchase, renovation, construction and improvements of public facilities and equipment for environmental protection			-	-	-	
Total other capital outlay projects	590,000	590,000	629,064	2,476	631,540	
Totals	$ 990,000	$ 941,618	$ 939,142	$ 2,476	$ 941,618	100.00%

Prepared on the modified accrual basis of accounting.

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures Prior Years	Expenditures Current Period	Expenditures Total	Estimated Percent Completed
SPLOST VI - 2007 Issue						
Referendum Expenditures:						
Construction and improvements to:						
Road, street and bridge projects	$ 650,000	$ 462,908	$ 422,345	$ -	$ 422,345	
Water and sewer facilities	1,950,000	1,388,728	1,627,956	143,901	1,771,857	
Construction of, improvements to and major capital equipment for:						
Community center facilities	600,000	427,301	223	-	223	
Police: facilities, computer equipment, communication equipment and vehicles	250,000	178,041	290,761	-	290,761	
Firefighting: facilities, computer equipment, training facilities, vehicles and equipment	200,000	142,434	216,781	-	216,781	
Retirement of previously incurred general obligation debt	350,300	249,472	146,917	-	146,917	
Totals	$4,000,300	$2,848,884	$2,704,983	$ 143,901	$ 2,848,884	100.00%

Prepared on the modified accrual basis of accounting.

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

Project	Original Estimated Cost	Expenditures Prior Years	Expenditures Current Period	Expenditures Total	Estimated Percent Completed
SPLOST VII - 2013 Issue					
Referendum Expenditures:					
Construction and improvements to:					
Roads, streets, bridges, sidewalks, paths and trails	$ 750,000	$ 4,700	$ 72,154	$ 76,854	
Water and sewer facilities	1,250,000	-	134,872	134,872	
Construction of, improvements to and major capital equipment for:					
Public safety -police and firefighting: rescue equipment, computer and communication equipment, vehicles, acquisition of property	800,000	1,460	183,125	184,585	
Administrative: Facilities, computer equipment and technology upgrades	558,480	20,821	18,710	39,531	
Parks and recreation	400,000	3,000	338,181	341,181	
Totals	$3,758,480	$ 29,981	$ 747,042	$ 777,023	20.67%

Prepared on the modified accrual basis of accounting.

FEDERAL COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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*

To the Mayor and Council
City of Hahira, 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 the City of Hahira, Georgia ("the City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated May 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2015-001 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the City in a separate letter dated May 31, 2016.

The City's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

May 31, 2016

CITY OF HAHIRA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

2015-001

Condition: Inadequate segregation of accounting duties among personnel.

Cause: Limited staff size and resources.

Effect: Certain functions are not segregated including collection/deposit of cash and recording of cash receipts and general ledger; accounts payable and recording of general ledger and payroll processing and general ledger due to limited staff size. Errors, intentional or otherwise, and fraud could occur in the processing of financial transactions and preparation of financial statements.

Recommendation: We recommend that increased management oversight of the accounting function be utilized to mitigate risk.

Management Response: Management concurs with this finding. See management's Corrective Action Plan separately submitted.

CITY OF HAHIRA, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

Audit Reference Number	
2014-01	Uncorrected in current year and recited as 2015-001.
2014-02	Corrected in current year.