CITY OF HAMPTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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FULTON & KOZAK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Hampton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hampton, Georgia as of September 30, 2012 and the respective changes in financial position, and cash flow, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2013 on our consideration of the City of Hampton's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulation, 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and the Historical Pension Information on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hampton, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements, and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Morrow, Georgia
March 12, 2013

CITY OF HAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management on the City of Hampton, we offer readers of the City of Hampton's financial statements this narrative overview and analysis of the financial activities of the City of Hampton for fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets of the City of Hampton exceeded its liabilities at September 30, 2012 by $22,396,543. Of this amount unrestricted net position of $9,667,080 may be used to meet the government's ongoing obligations to citizens and creditors. The $9,667,080 in unrestricted net position is further allocated $7,799,724 to governmental-type activities and $1,867,356 to business-type activities.

- The total net position decreased by $211,678. Of this amount a net increase of $469,828 was associated with governmental activities, and a decrease of $681,506 associated with business-type activities, primarily due to an increase in construction activity.

- As of the close of the current fiscal period, the City of Hampton's governmental funds reported combined ending fund balances of $7,993,185, an increase of $675,983 in comparison with the prior year. Of this amount $73,901 is non-spendable, $144,765 is restricted, and $7,774,519 is unassigned. The unassigned of $7,774,519 consists of various assets netted against their respective liabilities. See page 15 for a detail and page 16 for a reconciliation to the governmental activities net position.

- It is anticipated that the business-type activities' unrestricted net position of $1,867,356 will be used for improvements and expansion of the City's water and sewer facilities.

- At the end of the current year, unrestricted fund balance for the general fund was $7,774,519 or 230 percent of total General Fund expenditures, not including transfers to other funds.

- The City of Hampton's total debt obligations (including accrued compensated absences) decreased by $240,707 to a total of $11,375,542.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hampton's basic financial statements. The City of Hampton's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

Government-wide financial statements – continued. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hampton include general government, public safety and courts, highways and streets, parks and recreation, community development, economic development, and code enforcement. The business-type activities of the City are water and sewer, solid waste management and electrical supply.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hampton can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains two major governmental funds. The City's major governmental funds are the General Fund and the SPLOST Capital Project Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for both major funds.

The City of Hampton adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the fiscal year 12 budget. An annual budget for the non-major fund and a project length budget for the SPLOST Capital Projects Fund have been adopted by the City and are presented in the individual fund financial statements.

Proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses utility enterprise funds to account for its water and sewer, solid waste management and electrical supply activities. The City's Utility Enterprise Fund is considered by the City to be a major fund.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the City's major funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At September 30, 2012, the City's assets exceeded liabilities by $22,396,543. The City's net position reflects its investment in capital assets (56.2 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the total net position, $133,820 (0.6 percent) is restricted for capital projects and other specified activities and $9,668,803 (43.2 percent) is unrestricted, allocated between the governmental activities ($7,799,724) and the business-type activities ($1,867,356).

City of Hampton's Net Position

	Governmental Activities		
	2012	2011	Change
Current and other assets	$ 8,036,218	$ 7,334,101	$ 702,117
Capital assets	6,320,059	6,485,951	(165,892)
Total assets	14,356,277	13,820,052	536,225
Current liabilities	107,126	44,980	62,146
Long-term liabilities	96,025	91,774	4,251
Total liabilities	203,151	136,754	66,397
Net position:			
Invested in capital assets, net of related debt	6,219,582	6,430,607	(211,025)
Restricted	133,820	388,778	(254,958)
Unrestricted	7,799,724	6,863,913	935,811
Total net position	$ 14,153,126	$ 13,683,298	$ 469,828

	Business-type Activities		
	2012	2011	Change
Current and other assets	$ 2,319,346	$ 2,880,027	$ (560,681)
Capital assets	17,591,485	18,108,299	(516,814)
Total assets	19,910,831	20,988,326	(1,077,495)
Current liabilities	917,252	882,445	34,807
Long-term liabilities	10,750,162	11,180,958	(430,796)
Total liabilities	11,667,414	12,063,403	(395,989)
Net position:			
Invested in capital assets, net of related debt	6,376,061	6,492,050	(115,989)
Unrestricted	1,867,356	2,432,873	(565,517)
Total net position	$ 8,243,417	$ 8,924,923	$ (681,506)

	Total		
	2012	2011	Change
Current and other assets	$ 10,355,564	$ 10,214,128	$ 141,436
Capital assets	23,911,544	24,594,250	(682,706)
Total assets	34,267,108	34,808,378	(541,270)
Current liabilities	1,024,378	927,425	96,953
Long-term liabilities	10,846,187	11,272,732	(426,545)
Total liabilities	11,870,565	12,200,157	(329,592)
Net position:			
Invested in capital assets, net of related debt	12,595,643	12,922,657	(327,014)
Restricted	133,820	388,778	(254,958)
Unrestricted	9,667,080	9,296,786	370,294
Total net position	$ 22,396,543	$ 22,608,221	$ (211,678)

A portion of the net position ($133,820) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($9,667,080) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the City of Hampton's net position by $469,828. Key elements of this increase are as follows:

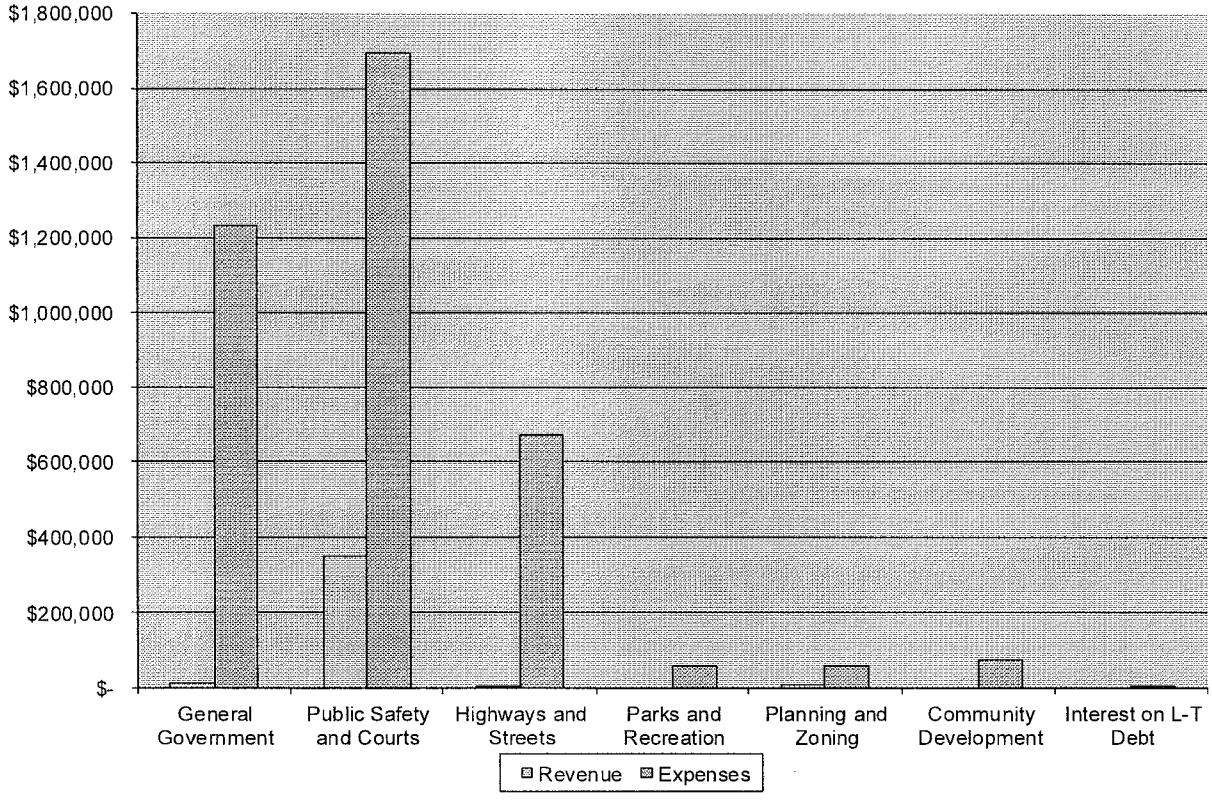
City of Hampton's Change in Net Position

(In millions of dollars)

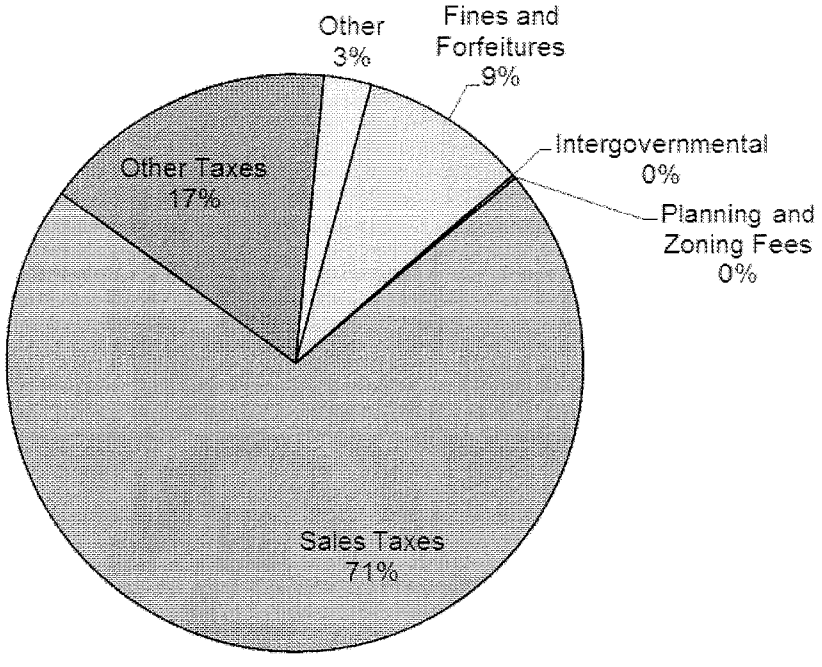
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program Revenues –						
Charges for services	$ 0.4	$ 0.4	$ 5.9	$ 6.5	$ 6.3	$ 6.9
Capital grants and contributions	0.0	0.1	0.0	0.0	0.0	0.1
General Revenues –						
Sales taxes	2.6	2.5	0.0	0.0	2.6	2.5
Other taxes	0.6	0.5	0.0	0.0	0.6	0.5
Interest	0.0	0.1	0.0	0.0	0.0	0.1
Other	0.1	0.0	0.0	0.0	0.1	0.0
Total Revenues	3.7	3.6	5.9	6.5	9.6	10.1
Expenses:						
General government	1.2	1.3	0.0	0.0	1.2	1.3
Public safety and courts	1.7	1.6	0.0	0.0	1.7	1.6
Parks and recreation	0.1	0.0	0.0	0.0	0.1	0.0
Highways and streets	0.7	0.6	0.0	0.0	0.7	0.6
Planning and zoning	0.0	0.0	0.0	0.0	0.0	0.0
Community development	0.1	0.1	0.0	0.0	0.1	0.1
Water	0.0	0.0	1.4	1.3	1.4	1.3
Sewer	0.0	0.0	0.8	0.6	0.8	0.6
Solid waste	0.0	0.0	0.3	0.4	0.3	0.4
Electric	0.0	0.0	3.5	3.8	3.5	3.8
Total Expenses	3.8	3.6	6.0	6.1	9.8	9.7
Increase (decrease) in net position Before transfers	(0.1)	0.0	(0.1)	0.4	(0.2)	0.4
Transfers	0.5	0.8	(0.5)	(0.8)	0.0	0.0
Increase (decrease) in net position	0.4	0.8	(0.6)	(0.4)	(0.2)	0.4
Net position – beginning of the period	13.7	12.9	8.9	9.3	22.6	22.2
Net position – end of period	$ 14.1	$ 13.7	$ 8.3	$ 8.9	$ 22.4	$ 22.6

- Revenues from sales taxes (local option and special purpose local option) increased $121,459 or 4.8%.
- Other tax revenues increased by 35.4% from 2011. Total other tax collections amounted to $617,950 in 2012.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

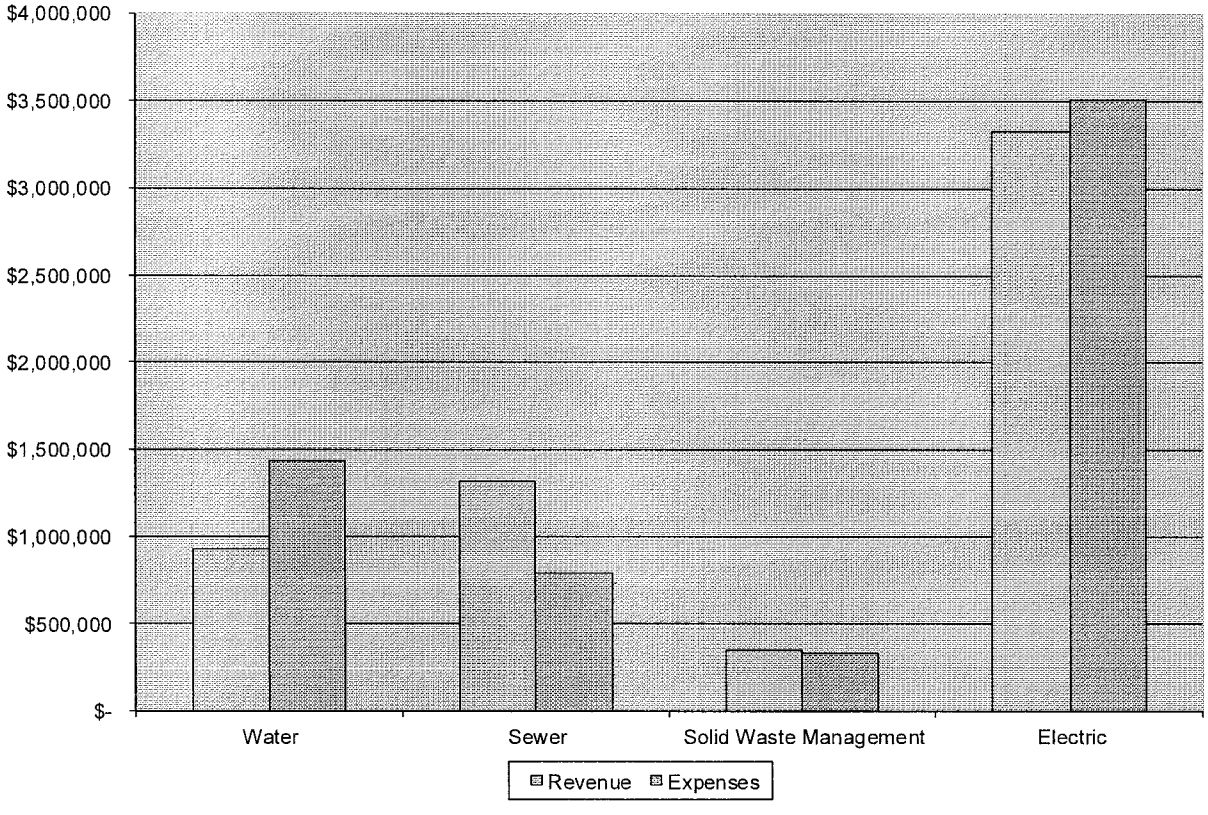


REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



Business–type activities. Business-type activities decreased the City's net position by $681,506.

EXPENSES AND PROGRAM REVENUES-BUSINESS-TYPE ACTIVITES



Financial Analysis of the Government's Funds

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

Governmental Funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal period.

At September 30, 2012 the City's governmental funds reported combined ending fund balances of $7,993,185, an increase of $675,983 in comparison to the prior year. Of this amount, $7,774,519 (97.3 percent) is unassigned fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees ($132,521); 2) for Police Activities ($1,299); 3) for Hotel/Motel ($10,945) and 4) for prepaid expenses which are not available for current government's spending discretion ($73,901).

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $7,774,519 while the total fund balance totaled $7,849,719. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 230 percent of the total general fund expenditures, while total fund balance represents 232 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by $922,540. The City collected a total of $2,649,267 in Local Option Sales Taxes for 2012, an increase of 4.8% from 2011. Fines and forfeitures decreased by 7.9% to $350,405 in 2012. Overall, the City's general fund revenue increased by $135,718. At the same time, the expenditures increased by $10,705 from 2011 amounts.

The City of Hampton received $0 in Special Purpose Local Option Sales Taxes in 2012. Major expenditures during 2012 of the SPLOST funds were: 1) Street improvements ($129,900); 2) sewer improvements ($99,273); 3) park projects ($17,180); and 4) public safety facilities ($4,653).

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year were $1,867,356. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original general government taxes revenue budget of $2,848,860 was amended to $2,969,579, an increase of $120,719. This amendment was due to an increase in the amount of insurance premium taxes received in the current year.

The original general government expenditures budget of $1,173,886 was amended to $1,236,820, an increase of $62,934. This amendment was due to an increase in health insurance and additional salaries, retirement and taxes added during the year.

The original public safety expenditures budget of $1,429,782 was amended to $1,488,052, an increase of $58,270. This amendment was due to an increase in health insurance and additional salaries, retirement and taxes added during the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2012 amounts to $23,629,044 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

Major capital asset events during the current fiscal year included the following:

- $ 109,280 for police and public works vehicles.
- $ 91,900 for construction water tank.
- $ 71,832 for street and park improvements.

Additional information on the City's capital assets can be found in note 8.

Long-term debt. At the end of the current fiscal year, the City had $11,375,542 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

	Balance
Governmental Activities –	
Accrued compensated absences	$ 59,641
Capital leases	100,477
Business-Type Activities –	
Capital leases	34,466
Georgia Environmental Facilities Authority (GEFA) loan	11,180,958
Total	$ 11,375,542

The City's total debt decreased by $360,562. Additional information on the City's long-term debt can be found in note 9.

Status of the City of Hampton's Economy

- Inflationary trends in the region compare favorably to national indices.
- The occupancy rate of the City's downtown area has remained consistent.
- Due to the continued economic downturn growth within the City has remained consistent with the previous year.

Requests for Information

This financial report is designed to provide a general overview of the City of Hampton's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 946-4306 or at the following address:

City of Hampton
Finance Department
17 East Main Street
Hampton, GA 30228

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2012

	Governmental Activities	Business-Type Activities	Total	DDA
Assets				
Cash and cash equivalents	$ 4,282,139	$ 1,346,609	$ 5,628,748	$ 20,089
Investments	3,081,467	0	3,081,467	0
Receivables (net of allowance for uncollectibles)				
Taxes	445,538	0	445,538	0
Accounts	0	454,184	454,184	0
Fines	19,738	0	19,738	0
Loan	133,435	0	133,435	55,858
Materials and supplies inventory	0	502,118	502,118	0
Prepaid items	73,901	16,435	90,336	0
Non-depreciable capital assets	447,816	946,086	1,393,902	0
Depreciable capital assets, net	5,872,243	16,362,899	22,235,142	144,544
Intangible assets	0	282,500	282,500	0
Total assets	$ 14,356,277	$ 19,910,831	$ 34,267,108	$ 220,491
Liabilities				
Accounts payable				
Operating	$ 42,958	$ 0	$ 42,958	$ 0
Accrued liabilities –				
Compensated absences	0	42,514	42,514	0
Customer deposits	0	358,150	358,150	0
Interest	0	27,952	27,952	0
Other	75	23,374	23,449	0
Long-term liabilities –				
Due within one year	64,093	465,262	529,355	6,379
Due in more than one year	96,025	10,750,162	10,846,187	127,056
Total liabilities	203,151	11,667,414	11,870,565	133,435
Net position				
Invested in capital assets, net of related debt	6,219,582	6,376,061	12,595,643	11,109
Restricted for –				
Capital projects	132,521	0	132,521	0
Police activities	1,299	0	1,299	0
Unrestricted	7,799,724	1,867,356	9,667,080	75,947
Total net position	$ 14,153,126	$ 8,243,417	$ 22,396,543	$ 87,056

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Net (Expense) Revenue and Changes in Net Position: Downtown Development Authority
Primary government:							
Governmental activities:							
General government	$ 1,234,146	$ 10,750	$ 0	$ (1,223,396)	$ 0	$ (1,223,396)	$ 0
Public safety and courts	1,695,541	350,405	0	(1,345,136)	0	(1,345,136)	0
Public works	670,858	0	408	(670,450)	0	(670,450)	0
Parks and recreation	59,000	0	0	(59,000)	0	(59,000)	0
Planning and zoning	56,459	8,848	0	(47,611)	0	(47,611)	0
Community development	75,293	0	0	(75,293)	0	(75,293)	0
Interest on long-term debt	3,470	0	0	(3,470)	0	(3,470)	0
Total governmental activities	3,794,767	370,003	408	(3,424,356)	0	(3,424,356)	0
Business-type activities:							
Sewer	794,132	1,315,068	0	0	520,936	520,936	0
Water	1,436,898	927,733	0	0	(509,165)	(509,165)	0
Sanitation	327,409	353,086	0	0	25,677	25,677	0
Electric	3,514,818	3,331,559	0	0	(183,259)	(183,259)	0
Total business-type activities	6,073,257	5,927,446	0	0	(145,811)	(145,811)	0
Total primary government	$ 9,868,024	$ 6,297,449	$ 408	(3,424,356)	(145,811)	(3,570,167)	$ 0
Component unit:							
Downtown Development Authority	$ 39,162	$ 7,000	$ 0	0	0	0	(32,162)
Total component unit	$ 39,162	$ 7,000	$ 0	0	0	0	(32,162)
General revenues:							
Franchise taxes				193,074	0	193,074	0
Sales taxes				2,649,267	0	2,649,267	0
Insurance premium taxes				327,720	0	327,720	0
Other taxes				97,156	0	97,156	0
Interest earnings				13,333	2,417	15,750	1,792
Other				75,522	0	75,522	0
Contributions not restricted to specific programs				0	0	0	5,028
Total general revenues				3,356,072	2,417	3,358,489	6,820
Transfers				538,112	(538,112)	0	0
Total general revenues and transfers				3,894,184	(535,695)	3,358,489	6,820
Change in net position				469,828	(681,506)	(211,678)	(25,342)
Net position – beginning of period				13,683,298	8,924,923	22,608,221	112,398
Net position – end of period				$ 14,153,126	$ 8,243,417	$ 22,396,543	$ 87,056

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	$ 4,139,596	$ 142,543	$4,282,139
Investments	3,081,467	0	3,081,467
Receivables (net of allowance for uncollectibles)			
Taxes	444,615	923	445,538
Fines	19,738	0	19,738
Loan	133,435	0	133,435
Prepaid items	73,901	0	73,901
Total assets	$ 7,892,752	$ 143,466	$8,036,218
Liabilities			
Accounts payable			
Operating	$ 42,958	$ 0	$ 42,958
Accrued liabilities			
Other	75	0	75
Total liabilities	43,033	0	43,033
Fund balances			
Non-spendable	73,901	0	73,901
Restricted	1,299	143,466	144,765
Unassigned	7,774,519	0	7,774,519
Total fund balances	7,849,719	143,466	7,993,185
Total liabilities and fund balances	$ 7,892,752	$ 143,466	$8,036,218

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2012

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – total governmental funds	$ 7,993,185
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	6,320,059
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Capital leases payable	(100,477)
Accrued compensated absences	(59,641)
Net position of governmental activities	$ 14,153,126

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Other Governmental Funds	Total
REVENUES			
Taxes	$ 3,257,754	$ 9,463	$3,267,217
Fines and forfeitures	350,405	0	350,405
Investment income	13,316	425	13,741
Miscellaneous	75,522	0	75,522
Licenses and permits	19,598	0	19,598
Total revenues	3,716,595	9,888	3,726,483
EXPENDITURES			
Current:			
General government	1,164,436	0	1,164,436
Municipal court	157,598	0	157,598
Public safety	1,388,589	0	1,388,589
Highways and streets	261,926	0	261,926
Parks and recreation	11,093	0	11,093
Planning and zoning	57,387	0	57,387
Community development	63,674	9,385	73,059
Capital:			
General government	41,762	0	41,762
Public safety	135,746	4,653	140,399
Public utilities	0	99,273	99,273
Highways and streets	27,458	187,612	215,070
Parks and recreation	0	17,180	17,180
Debt service:			
Principal	66,650	0	66,650
Interest	3,470	0	3,470
Total expenditures	3,379,789	318,103	3,697,892
Excess of revenues over expenditures	336,806	(308,215)	28,591
Other financing sources (uses):			
Transfers	476,454	61,658	538,112
Proceeds from capital lease	109,280	0	109,280
Total	585,734	61,658	647,392
Net change in fund balances	922,540	(246,557)	675,983
Fund balance – beginning of period	6,927,179	390,023	7,317,202
Fund balance – end of period	$ 7,849,719	$ 143,466	$7,993,185

See accompanying notes to financial statements

CITY OF HAMPTON, 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 SEPTEMBER 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances – total governmental funds		$ 675,983
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 exceeded depreciation in the current period.		
Capital outlay for the current period	287,004	
Depreciation expense for the current period	(452,896)	(165,892)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, has no effect on net position.		
Proceeds from capital lease	(109,280)	
Capital lease principal payments	66,650	(42,630)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		2,367
Change in net position of governmental activities		$ 469,828

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 2,848,860	$ 2,969,579	$ 3,257,754	$ 288,175
Fines and forfeitures	330,000	330,000	350,405	20,405
Investment income	41,772	41,772	13,316	(28,456)
Licenses and permits	17,200	17,200	19,598	2,398
Miscellaneous	60,953	60,953	75,522	14,569
Total revenues	3,298,785	3,419,504	3,716,595	297,091
EXPENDITURES				
Current:				
General government	1,173,886	1,236,820	1,164,436	72,384
Municipal court	157,870	157,870	157,598	272
Public safety	1,429,782	1,488,052	1,388,589	99,463
Highways and streets	320,907	290,662	261,926	28,736
Parks and recreation	12,050	12,050	11,093	957
Planning and zoning	66,522	67,836	57,387	10,449
Community development	69,426	70,738	63,674	7,064
Capital:				
General government	91,265	61,350	41,762	19,588
Public safety	52,880	52,880	135,746	(82,866)
Highways and streets	10,278	10,278	27,458	(17,180)
Debt service:				
Principal	0	0	66,650	(66,650)
Interest	0	0	3,470	(3,470)
Total expenditures	3,384,866	3,448,536	3,379,789	68,747
Excess of revenues over expenditures	(86,081)	(29,032)	336,806	365,838
Other financing sources (uses):				
Transfers	(98,000)	0	476,454	476,454
Proceeds from capital lease	0	0	109,280	109,280
Total	(98,000)	0	585,734	585,734
Net change in fund balances	$ (184,081)	$ (29,032)	922,540	$ 951,572
Fund balance – beginning of year			6,927,179	
Fund balance – end of year			$ 7,849,719	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 1,346,609	$ 1,866,282
Receivables (net of allowance for uncollectibles) –		
Accounts	454,184	490,867
Materials and supplies inventory	502,118	503,841
Prepaid items	16,435	15,224
Due from other funds	0	3,813
Total current assets	2,319,346	2,880,027
Non-current assets:		
Property, plant and equipment –		
Plant and distributions systems	20,699,794	20,049,597
Buildings	67,636	67,636
Machinery and equipment	1,210,117	1,210,117
Vehicles	676,175	612,509
Construction in progress	946,086	1,510,595
Accumulated depreciation	(6,290,823)	(5,639,655)
Total capital assets (net of accumulated depreciation)	17,308,985	17,810,799
Intangible assets	282,500	297,500
Total non-current assets	17,591,485	18,108,299
Total assets	$ 19,910,831	$ 20,988,326
Liabilities		
Current liabilities		
Accrued liabilities –		
Wages and compensated absences	42,514	39,875
Customer deposits	358,150	351,240
Interest	27,952	29,041
Other	23,374	26,998
Notes payable – current portion	465,262	435,291
Total current liabilities	917,252	882,445
Long-term liabilities		
Notes payable	10,750,162	11,180,958
Total liabilities	11,667,414	12,063,403
Net Position		
Invested in capital assets, net of related debt	6,376,061	6,492,050
Unrestricted	1,867,356	2,432,873
Total net position	$ 8,243,417	$ 8,924,923

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2012	2011
Operating Revenues:		
Charges for services	$ 5,912,939	$ 6,457,637
Other	14,507	14,533
Total operating revenues	5,927,446	6,472,170
Operating Expenses:		
Purchases for resale	3,198,088	3,390,894
Personal services and benefits	1,007,639	983,818
Contractual services	627,089	532,563
Depreciation	651,168	535,491
Supplies	173,417	173,793
Other	59,410	75,225
Amortization	15,000	2,500
Total operating expenses	5,731,811	5,694,284
Income from operations	195,635	777,886
Non-operating revenues:		
Investment income	2,417	5,819
Interest expense	(341,446)	(331,660)
Income before contributions and transfers	(143,394)	452,045
Capital Contribution		
Sewer	0	3,813
Water	0	22,460
Transfers	(538,112)	(818,382)
Change in net position	(681,506)	(340,064)
Net position beginning of year	8,924,923	9,264,987
Net position end of year	$ 8,243,417	$ 8,924,923

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 5,971,039	$ 6,659,563
Cash paid to suppliers for goods and services	(4,277,232)	(4,652,124)
Cash paid to employees	(789,973)	(786,974)
Net cash provided by operating activities	903,834	1,220,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	2,417	5,819
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers	(538,112)	(818,382)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(149,354)	(872,410)
Proceeds from notes payable	0	294,266
Repayment of notes payable	(435,291)	(71,289)
Proceeds from capital lease	53,266	0
Repayment of capital lease	(18,800)	0
Interest paid	(341,446)	(58,349)
Capital contributions	0	26,273
Due from other funds	3,813	(3,813)
Net cash used in capital financing activities	(887,812)	(685,322)
NET CHANGE IN CASH	(519,673)	(277,420)
CASH AT BEGINNING OF YEAR	1,866,282	2,143,702
CASH AT END OF YEAR	$ 1,346,609	$ 1,866,282

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Reconciliation of Net Income to Net Cash
Provided by Operating Activities

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2012	2011
NET OPERATING INCOME (LOSS)	$ 195,635	$ 777,886
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	651,168	535,491
Amortization expense	15,000	2,500
Decrease in receivables	36,683	189,588
Decrease (increase) in inventory	1,723	(13,752)
(Increase) decrease in prepaid expenses	(1,211)	287
Decrease in accounts payable	0	(234,971)
Decrease in accounts payable – retainage	0	(22,248)
Increase (decrease) in accrued salaries	2,639	(12,158)
Increase (decrease) in other customer deposits	6,910	(2,195)
Decrease in accrued interest	(1,089)	0
(Decrease) increase in other accrued expense	(3,624)	37
Total adjustments	706,476	442,579
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 903,834	$ 1,220,465

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, if applicable, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, planning and zoning, culture and recreation, public improvements, community development, and general and administrative services. In addition, the City operates public utilities (water, sewer, electricity and sanitation) for the incorporated and immediate surrounding areas.

Governmental Accounting Standards Board Statements No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City.

Management has concluded that there is a component unit for the City. The Downtown Development Authority (DDA) directs economic development activities in the central business district of Hampton. The DDA meets both criteria for a component unit mentioned in the paragraph above. The DDA has been presented as a discretely presented component unit.

Complete financial statement for the component unit may be obtained at the entity's administrative offices.

Downtown Development Authority
17 E. Main Street S
Hampton, GA 30228

C. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The government-wide Statement of Net Position, presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, 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 – invested in capital assets, net of related debt; restricted; and unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.). The city does not allocate indirect costs.

This 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 activities.

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The various funds are grouped, in the financial statements in this report, into the following fund types:

Governmental Fund Types – Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

General Fund – The 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.

SPLOST Capital Projects Fund – The SPLOST Capital Projects Fund accounts are for Special Purpose Local Option Sales Tax revenues used for capital improvements as specified in a referendum approved by the citizens of Henry County, Georgia.

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Utility Fund – The Utility Fund is used to account for the revenues generated from the charges for water, sewer, electricity and sanitation services provided to the residential and commercial users of the City.

E. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of government-wide financial statement are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. 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 measurements made regardless of the measurement focus applied.

1. Accrual

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after period end. 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, are recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, fines, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after period end are recorded as deferred revenues.

G. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

H. Investments.

The City's investments consist of Certificates of Deposit with a maturity date of greater than three months from the date acquired by the City. For reporting purposes, all investments are recorded at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of September 30, 2012:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items in external pools that are not SEC-registered; c) items subject to involuntary participation in an external pool; and, items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investments until maturity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of various repair and replacement items maintained by the City's Utility Fund.

J. Prepaid Expenses

Payments made to vendors for service that will benefit years beyond September 30, 2012 are recorded as prepaid items and are expensed during the period benefited.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets purchased or acquired with an original cost of $3,500 or more are reported at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during 2012. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30-40 years
Furniture and fixtures	7-10 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years
Utility distribution systems	30-50 years

The City only reports infrastructure assets purchased subsequent to December 31, 2001.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Accrued Liabilities and Long-Term Obligations (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current period. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Revenues

Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expense 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.

N. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period purchased.

O. Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

P. Inter-fund Activity

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund 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 inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Q. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

R. Fund Balances/Net Position

Fund Balance Classifications

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five categories (1) Non-spendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned. *Non-spendable fund balances* refer to amounts that are not in non-spendable form or are legally required to remain intact. *Restricted fund balances* refer to amounts that are subject to externally enforceable legal restrictions by either debt covenants, or laws or regulations of other governments. *Committed fund balances* refer to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council prior to the end of the fiscal year. The same formal action is required to remove the limitation. *Assigned fund balances* refer to amounts that are intended to be used for specific purposes. *Unassigned fund balances* refer to the residual net resources and are the excess of non-spendable, restricted, committed, and assigned. Fund expenditures and encumbrances are from restricted fund balance to the extent of the restricted fund revenue and followed by committed then assigned and unassigned fund balance.

Below are the fund balance classifications for the governmental funds at September 30, 2011:

	General	Other Governmental Funds	Total
Fund balances			
Non-spendable:			
Prepaid items	$ 76,013	$ 0	$ 76,013
Restricted for:			
Capital projects	0	383,119	383,119
Police activities	5,659	0	5,659
Hotel/Motel	0	10,850	10,850
Unassigned	6,845,507	(3,946)	6,841,561
Total fund balances	$ 6,927,179	$ 390,023	$ 7,317,202

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

R. Fund Balances/Net Position (Continued)

Below are the fund balance classifications for the governmental funds at September 30, 2012:

	General	Other Governmental Funds	Total
Fund balances			
Non-spendable:			
Prepaid items	$ 73,901	$ 0	$ 73,901
Restricted for:			
Capital projects	0	132,521	132,521
Police activities	1,299	0	1,299
Hotel/Motel	0	10,945	10,945
Unassigned	7,774,519	0	7,774,519
Total fund balances	$ 7,849,719	$ 143,466	$ 7,993,185

Net Position

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

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

Restricted – Consists of assets with constraints placed on their 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 – All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement is effective for financial statements for periods beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and analysis-for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City implemented GASB 63 during FY 2012. This statement had no significant impact on the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

S. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-on fees to the extent they exceed the cost of connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

T. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

U. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. Formal budgetary integration is employed as a management control device during the period.

The City follows these procedures in establishing the budgetary date reflected in the financial statements:

1. Prior to September, the City Manager presents a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a resolution

4. Any revisions that increase expenditures of any department must be approved by City Council.

5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Final budget amounts are as amended in September, 2012.

6. Unexpended budget appropriations at period-end lapse.

2. CASH AND INVESTMENTS

Cash on Deposit

At year end, the carrying amount of the City's deposits was $5,628,748 and the bank balance was $5,943,695. The amount of the total bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts.

The City's deposits are classified as follows at September 30, 2012:

Category	Bank Balance
1	$ 500,000
2	5,443,695
3	0
	$ 5,943,695

Investments

The City's financial policies authorize investments in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

3. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied approximately October 1 of each period and are due and payable 60 days after issuance. A local option sales tax is in force. Proceeds for this tax are remitted to the City monthly and are utilized to give property tax owners tax relief. No property taxes were levied for the year ended September 30, 2012. There was no property taxes receivable as of September 30, 2012.

4. RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Gross	Allowance	Net
General Fund			
Taxes	$ 444,615	$ 0	$ 444,615
Fines	19,738	0	19,738
Loan	133,435	0	133,435
Other Governmental Funds			
Taxes	923	0	923
Utility Fund			
Accounts	686,053	231,869	454,184
Total	$ 1,284,764	$ 231,869	$ 1,052,895

5. FINES AND FORFEITURES (NET OF ALLOWANCE)

The City entered into a contract with ZSI Probation Services, Inc. to coordinate and provide direct probation and rehabilitation programs and services to offenders sentenced by and under the jurisdiction of the court. Court-ordered fines, restitution, and costs will be collected and paid to the court on a monthly basis.

6. INTER-FUND TRANSACTIONS

Interfund balance and transfers represent amounts transferred among funds to help finance various construction projects, and meet cash flow requirements. Interfund balances and transfers for the year were as follows:

Interfund transfers:

To:	General Fund	$ 476,454
	Capital Improvements Fund	61,658
From:	Utility Fund	$ 538,112

7. LITIGATION

During the ordinary course of business, the City has been named as a defendant in various lawsuits. Management of the City is vigorously defending itself against the lawsuits and believes that the City will be able to end the suits favorably.

8. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 409,827	$ 5,167	$ 0	$ 414,994
Construction in progress	484,568	0	451,746	32,822
Total capital assets, not being depreciated	894,395	5,167	451,746	447,816
Capital assets, being depreciated:				
Buildings	2,274,918	0	0	2,274,918
Improvements other than buildings	2,115,900	543,646	0	2,659,546
Infrastructure	2,511,238	71,832	0	2,583,070
Furniture and fixtures	47,462	0	0	47,462
Office furniture	313,789	0	0	313,789
Machinery and equipment	502,731	8,825	0	511,556
Vehicles	915,643	109,280	113,260	911,663
Total capital assets being depreciated	8,681,681	733,583	113,260	9,302,004
Less accumulated depreciation for:				
Buildings	352,936	68,560	0	421,496
Improvements other than buildings	566,857	128,704	0	695,561
Infrastructure	717,742	111,687	0	829,429
Furniture and fixtures	45,546	1,331	0	46,877
Office equipment	281,601	22,265	0	303,866
Machinery and equipment	423,857	25,051	0	448,908
Vehicles	701,586	95,298	113,260	683,624
Total accumulated depreciation	3,090,125	452,896	113,260	3,429,761
Total capital assets, being depreciated, net	5,591,556	280,687	0	5,872,243
Governmental activities capital assets, net	$6,485,951	$ 285,854	$ 451,746	$6,320,059

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

General government	$ 32,299
Public safety and courts	98,803
Public works	290,875
Parks and recreation	30,727
Community development	192
Total depreciation expense	$ 452,896

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 1,510,595	$ 38,474	$ 602,983	$ 946,086
Total capital assets, not being depreciated	1,510,595	38,474	602,983	946,086
Capital assets, being depreciated:				
Buildings	67,636	0	0	67,636
Distribution and collection system	20,049,597	650,197	0	20,699,794
Machinery and equipment	1,210,117	0	0	1,210,117
Vehicles	612,509	63,666	0	676,175
Total capital assets being depreciated	21,939,859	713,863	0	22,653,722
Less accumulated depreciation for:				
Buildings	22,829	1,691	0	24,520
Distribution and collection system	4,081,315	568,330	0	4,649,645
Machinery and equipment	1,100,486	32,934	0	1,133,420
Vehicles	435,025	48,213	0	483,238
Total accumulated depreciation	5,639,655	651,168	0	6,290,823
Total capital assets, being depreciated, net	16,300,204	62,695	0	16,362,899
Business-type activities capital assets, net	$ 17,810,799	$ 101,169	$ 602,983	$ 17,308,985
Intangible assets:				
Loan fees	$ 300,000	$ 0	$ 0	$ 300,000
Less: accumulated amortization	2,500	15,000	0	17,500
Total intangible assets, net	$ 297,500	$ (15,000)	$ 0	$ 282,500

9. LONG-TERM DEBT

Changes in General Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental-Type Activities:					
*Capital leases	$ 57,847	$ 109,280	$ 66,650	$ 100,477	$ 64,093
*Compensated absences	62,008	0	2,367	59,641	0
Business-Type Activities:					
Capital leases	0	53,266	18,800	34,466	16,731
Notes payable	11,616,249	0	435,291	11,180,958	448,531
Total	$11,736,104	$ 162,546	$ 523,108	$11,375,542	$ 529,355

* Typically liquidated with General Fund resources.

The City has entered into capitalized leases for three vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Equipment acquired by lease has been capitalized, in the amount of $109,279 in governmental funds and $53,266 in the business-type funds, which represents the present value of the future minimum lease payments at the time of acquisition. The equipment has been pledged as collateral against the obligation. Interest rate is 6% on each lease. The following is a summary of the future minimum lease payments on the capital leases in governmental funds:

Year	
2013	$ 70,119
2014	38,570
Less: imputed interest	(8,212)
Present value of minimum lease payments	$ 100,477

Interest incurred during the current year was $3,470.

The following is a summary of the future minimum lease payments on the capital leases in business-type funds:

Year	
2013	$ 18,800
2014	18,799
Less: imputed interest	(3,133)
Present value of minimum lease payments	$ 34,466

9. LONG-TERM DEBT – (Continued)

The City entered into a construction loan agreement with the Georgia Environmental Facilities Authority (GEFA) for the financing of the construction for the wastewater treatment facility. The terms of the loan allow the City to draw down funds up to $15,000,000 through the end of the construction. The details of repayment by the City will be set in the permanent note at the end of the construction period. The amount outstanding as of September 30, 2012 was $11,180,958. The following is a summary of the future minimum note payments on the GEFA loan:

Year	Interest	Principal
2013	$ 329,295	$ 448,531
2014	315,652	462,173
2015	301,595	476,231
2016	287,110	490,716
2017	272,184	505,641
2018 – 2022	1,120,656	2,768,473
2023 – 2027	673,224	3,215,904
2028 – 2031	168,376	2,813,289
	$ 3,468,092	$ 11,180,958

Interest incurred during the current year was $341,446.

10. RISK MANAGEMENT

The City of Hampton 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 has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agent and attorneys 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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost 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.

10. RISK MANAGEMENT – (Continued)

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:	
Buildings and Contents (Blanket)	$ 2,000,000
Automobile Physical Damage	Per Application on file with GIRMA
COVERAGE DESCRIPTION – CASUALTY:	
Comprehensive General Liability	$ 2,000,000
Automobile Liability	$ 1,000,000
Errors and Omissions (Public Officials) Liability	$ 2,000,000
Employees Benefits Liability	$ 2,000,000
Utility Products and Supply	$ 10,000,000
COVERAGE DESCRIPTION – CRIME:	
Blanket Bond	$ 500,000
Depositors Forgery	$ 500,000
Money and Securities – Loss Inside and Outside the Premises	$ 500,000
DEDUCTIBLE:	
All coverages, except automobile liability, are subject to a per occurrence deductible of	$ 1,000
Automobile coverage	$ 0

COVERAGE EXCEPTIONS: None

COVERAGE SUBJECT TO A RETROACTIVE DATE:
Coverages for public officials and employee benefit liabilities are subject to retroactive date of 5/1/97.

11. EMPLOYEE BENEFITS PLANS

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Georgia Municipal Association. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is voluntary. The City has no management, contribution or participation requirements.

DEFINED BENEFIT PENSION PLAN

Plan Description –

The City's defined pension plan, City of Hampton Retirement Plan (HRP), provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. HRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required

11. EMPLOYEE BENEFIT PLANS – (Continued)

supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia, 30303.

Current membership in the plan is as follows:

Retirees and beneficiaries currently receiving benefits	10
Terminated vested participants entitled to but not yet receiving benefits	10
Active participants	56
Total number of participants	76

Funding Policy –

HRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 7.90% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost –

For 2012, the City's annual pension cost of $190,427 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method. The significant actuarial assumptions used in the current valuation are:

rate of return on investment	7.75% per year
projected salary increases	3.5% per year
inflation	3.5%

The actuarial value of HRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. HRP's unfunded actuarial accrued liability is being amortized over a 30 year period from 1982 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. The amortization periods, if applicable, are closed for this plan year.

Three – Year Trend Information for HRP

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	$ 190,427	100%	$ 0
6/30/11	$ 163,415	100%	$ 0
6/30/10	$ 159,172	100%	$ 0

11. EMPLOYEE BENEFIT PLANS – (Continued)

Actuarial Valuation Date As of July 1,	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)
2012	$1,926,591	$2,237,155	$ 310,564	86.1%	$2,368,147	13.1%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

12. JOINT VENTURE

Under Georgia law, the city, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA). Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The ARC Board membership includes the chief elected official of each county, one representative for all the cities in a member county and 15 citizen representatives. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, Georgia 30303

13. HOTEL/MOTEL TAX

The City levies a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits monies collected under this provision to the Henry County Chamber of Commerce. The following is a summary of the collections and expenditures for the year ended September 30, 2012:

	Amount	Percent
Total collected	$ 9,463	100%
Amount remitted to Henry County Chamber of Commerce	$ 4,017	42%
Amount remitted for Public Relations	$ 5,368	57%

14. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures, as a part of the combined statements – overview, of certain information concerning individual funds including –

A. Excess of revenues and expenditures over (under) appropriations in individual funds are as follows:

For the year ended September 30, 2012, the General Fund's investment revenues of $13,316 did not exceed the fund's respective appropriations of $41,772. This was due to lower interest rates during the current year.

For the year ended September 30, 2012, the General Fund's Public Safety capital expenditures of $135,746 exceeded the fund's respective appropriations of $52,880. This was due to the City including these items in the appropriations for the current expenditures.

For the year ended September 30, 2012, the General Fund's Highways and Streets capital expenditures of $27,458 exceeded the fund's respective appropriations of $10,278. This was due to the City including these items in the appropriations for the current expenditures.

For the year ended September 30, 2012, the General Fund's debt service principal and interest expenditures of $70,120 exceeded the fund's respective appropriations of $0. This was due to the City including these items in the appropriations for the current expenditures.

For the year ended September 30, 2012, the Hotel/Motel Fund's investment revenues of $17 did not exceed the fund's respective appropriations of $30. This was due to lower interest rates during the current year.

For the year ended September 30, 2012, the Hotel/Motel Fund's Community Development expenditures of $9,385 exceeded the fund's respective appropriations of $8,030. This was due to the City receiving more in Hotel/Motel taxes revenue than expected in the current year, allowing them to do more in public relations.

For the year ended September 30, 2012, the SPLOST Capital Projects Fund's Parks and Recreation capital expenditures of $2,280 exceeded the fund's respective appropriations of $0. This was due to the City taking on a project in the park at the end of the year.

For the year ended September 30, 2012, the SPLOST III Fund's Intergovernmental revenue of $0 did not exceed the fund's respective appropriations of $35,000. This was due to projects slowing down in the current year and the City not making a drawdown of these funds.

CITY OF HAMPTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date As of May 1,	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)
2012	$1,926,591	$2,237,155	$ 310,564	86.1%	$2,368,147	13.1%
2011	$1,719,768	$1,983,499	$ 263,731	86.7%	$2,146,279	12.3%
2010	$1,486,308	$1,814,846	$ 328,538	81.9%	$1,962,930	16.7%
2009	$1,013,989	$1,701,345	$ 687,356	59.6%	$1,940,279	35.4%
2008	$1,352,192	$1,549,116	$ 196,924	87.3%	$1,849,354	10.7%

CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY:

Changes to the unfunded actuarial accrued liability as of July 1, 2012 were as follows:

Beginning balance	$ 263,731
Change due to contribution policy	(21,449)
Change due to actuarial gains and losses	68,282
Ending balance	$ 310,564

CITY OF HAMPTON, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST III CAPITAL PROJECTS FUND	SPLOST CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
Assets					
Cash and cash equivalents	$ 10,022	$ 0	$ 72,515	$ 60,006	$ 142,543
Receivables (net of allowance for uncollectibles)					
Taxes	923	0	0	0	923
Total assets	$ 10,945	$ 0	$ 72,515	$ 60,006	$ 143,466
Fund balances					
Restricted	$ 10,945	$ 0	$ 72,515	$ 60,006	$ 143,466
Total fund balances	$ 10,945	$ 0	$ 72,515	$ 60,006	$ 143,466

CITY OF HAMPTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST III CAPITAL PROJECTS FUNDS	SPLOST CAPITAL PROJECTS FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 9,463	$ 0	$ 0	$ 0	$ 9,463
Investment income	17	0	120	288	425
Total revenues	9,480	0	120	288	9,888
EXPENDITURES					
Current:					
Community development	9,385	0	0	0	9,385
Capital:					
Public safety	0	0	4,653	0	4,653
Public utilities	0	0	0	99,273	99,273
Highways and streets	0	57,712	0	129,900	187,612
Parks and recreation	0	0	14,900	2,280	17,180
Total expenditures	9,385	57,712	19,553	231,453	318,103
Excess (deficiency) of revenues over expenditures	95	(57,712)	(19,433)	(231,165)	(308,215)
Other financing sources:					
Transfers	0	61,658	0	0	61,658
Net change in fund balances	95	3,946	(19,433)	(231,165)	(246,557)
Fund balance – beginning of period	10,850	(3,946)	91,948	291,171	390,023
Fund balances – end of period	$ 10,945	$ 0	$ 72,515	$ 60,006	$ 143,466

See Independent Auditors' Report

CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 8,000	$ 8,000	$ 9,463	$ 1,463
Investment income	30	30	17	(13)
Total revenues	8,030	8,030	9,480	1,450
EXPENDITURES				
Current:				
Community development	8,030	8,030	9,385	(1,355)
Total expenditures	8,030	8,030	9,385	(1,355)
Net change in fund balances	$ 0	$ 0	95	$ 95
Fund balance – beginning of year			10,850	
Fund balance – end of year			$ 10,945	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
SPLOST CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Investment income	$ 0	$ 0	$ 288	$ 288
Total revenues	0	0	288	288
EXPENDITURES				
Capital:				
Highways and streets	130,000	130,000	129,900	100
Water system improvements	129,760	129,760	99,273	30,487
Parks and recreation	0	0	2,280	(2,280)
Total expenditures	259,760	259,760	231,453	28,307
Net change in fund balances	$ (259,760)	$ (259,760)	(231,165)	$ 28,595
Fund balance – beginning of year			291,171	
Fund balance – end of year			$ 60,006	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
SPLOST III FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ 0	$ 35,000	$ 0	$ (35,000)
Investment income	0	0	120	120
Total revenues	0	35,000	120	(34,880)
EXPENDITURES				
Capital:				
Public safety	0	10,000	4,653	5,347
Parks and recreation	0	25,000	14,900	10,100
Total expenditures	0	35,000	19,553	15,447
Net change in fund balances	$ 0	$ 0	(19,433)	$ (19,433)
Fund balance – beginning of year			91,948	
Fund balance – end of year			$ 72,515	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
OTHER CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
EXPENDITURES				
Capital:				
Highways and streets	$ 80,000	$ 80,000	$ 57,712	$ 22,288
Sewer system improvements	4,777,816	4,777,816	437	4,777,379
Water system improvements	618,000	618,000	98,920	519,080
Electric system improvements	68,000	68,000	20,883	47,117
Total expenditures	5,543,816	5,543,816	177,952	5,365,864
Excess (deficiency) of revenues over expenditures	(5,543,816)	(5,543,816)	(177,952)	5,365,864
Other financing sources (uses):				
Transfers	0	0	61,658	61,658
Net change in fund balances – Budget basis	$ (5,543,816)	$ (5,543,816)	(116,294)	$ 5,427,522
Reconciliation to GAAP:				
To remove Utility Fund expenditures that are required to be reported in the Utility Fund, net of the related transfers.			120,240	
Net change in fund balances – GAAP basis			3,946	
Fund balance – beginning of year			(3,946)	
Fund balance – end of year			$ 0	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Project	SPLOST Total Estimated Project Costs	Expenditures		
		Prior Years	Current Year	Total
SPLOST:				
Roads, streets, curbs, gutters sidewalks and bridges	$ 2,000,000	$ 2,650,726	$ 129,900	$ 2,780,626
Install five wells for water and sewer improvements	661,785	780,372	99,273	879,645
Improvements to City Park & North Forty Recreation	200,000	208,568	0	208,568
Remodeling of City Hall	150,000	147,016	0	147,016
Parks and recreation	32,100	32,100	2,280	34,380
	$ 3,043,885	$ 3,818,782	$ 231,453	$ 4,050,235
SPLOST III:				
Roads, bridges, sidewalks and transportation facilities	$ 1,300,000	$ 345,125	$ 0	$ 345,125
Public safety facilities and equipment	4,000,000	221,401	4,653	226,054
Public works facilities and equipment	1,450,000	1,763,600	0	1,763,600
Acquisition of property for public use	1,000,000	0	0	0
Community development Facilities	350,000	0	0	0
Parks and recreation facilities	270,000	145,109	14,900	160,009
Construction and renovation of municipal buildings	30,000	0	0	0
	$ 8,400,000	$ 2,475,235	$ 19,553	$ 2,494,788

See Independent Auditors' Report

FULTON & KOZAK
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Honorable Mayor and Members of City Council
City of Hampton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hampton, Georgia as of and for the year ended September 30, 2012, which collectively comprise the City of Hampton, Georgia's basic financial statements and have issued our report thereon dated March 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hampton, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the City of Hampton, Georgia, in a separate letter dated March 12, 2013.

This report is intended solely for the information and use of management, the Finance committee, others within the organization, City Council, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Morrow, Georgia
March 12, 2013