CITY OF HAMPTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia as

of September 30, 2013 and the respective changes in financial position, and, where applicable, cash flow, 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.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hampton, Georgia's basic financial statements. 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 basic financial statements. Such 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 combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2014 on our consideration of the City of Hampton's internal controls over financial reporting and on 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* in considering City of Hampton, Georgia's internal control over financial reporting and compliance.

Morrow, Georgia
March 17, 2014

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, 2013. 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, 2013 by $22,748,224. Of this amount unrestricted net position, of $9,223,748 may be used to meet the government's ongoing obligations to citizens and creditors. The $9,223,748 in unrestricted net position is further allocated $7,497,135 to governmental-type activities and $1,726,613 to business-type activities.

- The total net position increased by $351,681. Of this amount a net decrease of $247,793 was associated with governmental activities, and an increase of $599,474 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 $8,094,328, an increase of $101,143 in comparison with the prior year. Of this amount $73,625 is non-spendable, $541,545 is restricted, and $7,479,158 is unassigned. The unassigned of $7,479,158 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 $1,726,613 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 $7,479,158 or 225 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 $1,497,420 to a total of $9,878,122.

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 one major governmental fund. The City's major governmental fund is the General 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 this major fund.

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 2013 budget. An annual budget for the non-major funds 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, 2013, the City's assets exceeded liabilities by $22,748,224. The City's net position reflects its investment in capital assets (57.1 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, $524,448 (2.3 percent) is restricted for capital projects and other specified activities and $9,223,748 (40.5 percent) is unrestricted, allocated between the governmental activities ($7,497,135) and the business-type activities ($1,726,613).

City of Hampton's Net Position

	Governmental Activities		
	2013	2012	Change
Current and other assets	$ 8,135,603	$ 8,036,218	$ 99,385
Capital assets	5,937,202	6,320,059	(382,857)
Total assets	14,072,805	14,356,277	(283,472)
Current liabilities	85,925	107,126	(21,201)
Long-term liabilities	81,547	96,025	(14,478)
Total liabilities	167,472	203,151	(35,679)
Net position:			
Net investment in capital assets	5,883,750	6,219,582	(335,832)
Restricted	524,448	133,820	390,628
Unrestricted	7,497,135	7,799,724	(302,589)
Total net position	$ 13,905,333	$ 14,153,126	$ (247,793)

	Business-type Activities		
	2013	2012	Change
Current and other assets	$ 2,179,487	$ 2,319,346	$ (139,859)
Capital assets	16,868,203	17,591,485	(723,282)
Total assets	19,047,690	19,910,831	(863,141)
Current liabilities	1,484,669	917,252	567,417
Long-term liabilities	8,720,130	10,750,162	(2,030,032)
Total liabilities	10,204,799	11,667,414	(1,462,615)
Net position:			
Net investment in capital assets	7,116,278	6,376,061	740,217
Unrestricted	1,726,613	1,867,356	(140,743)
Total net position	$ 8,842,891	$ 8,243,417	$ 599,474

	Total		
	2013	2012	Change
Current and other assets	$ 10,315,090	$ 10,355,564	$ (40,474)
Capital assets	22,805,405	23,911,544	(1,106,139)
Total assets	33,120,495	34,267,108	(1,146,613)
Current liabilities	1,570,594	1,024,378	546,216
Long-term liabilities	8,801,677	10,846,187	(2,044,510)
Total liabilities	10,372,271	11,870,565	(1,498,294)
Net position:			
Net investment in capital assets	13,000,028	12,595,643	404,385
Restricted	524,448	133,820	390,628
Unrestricted	9,223,748	9,667,080	(443,332)
Total net position	$ 22,748,224	$ 22,396,543	$ 351,681

A portion of the net position ($524,448) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($9,223,748) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities decreased the City of Hampton's net position by $247,793. Key elements of this decrease are as follows:

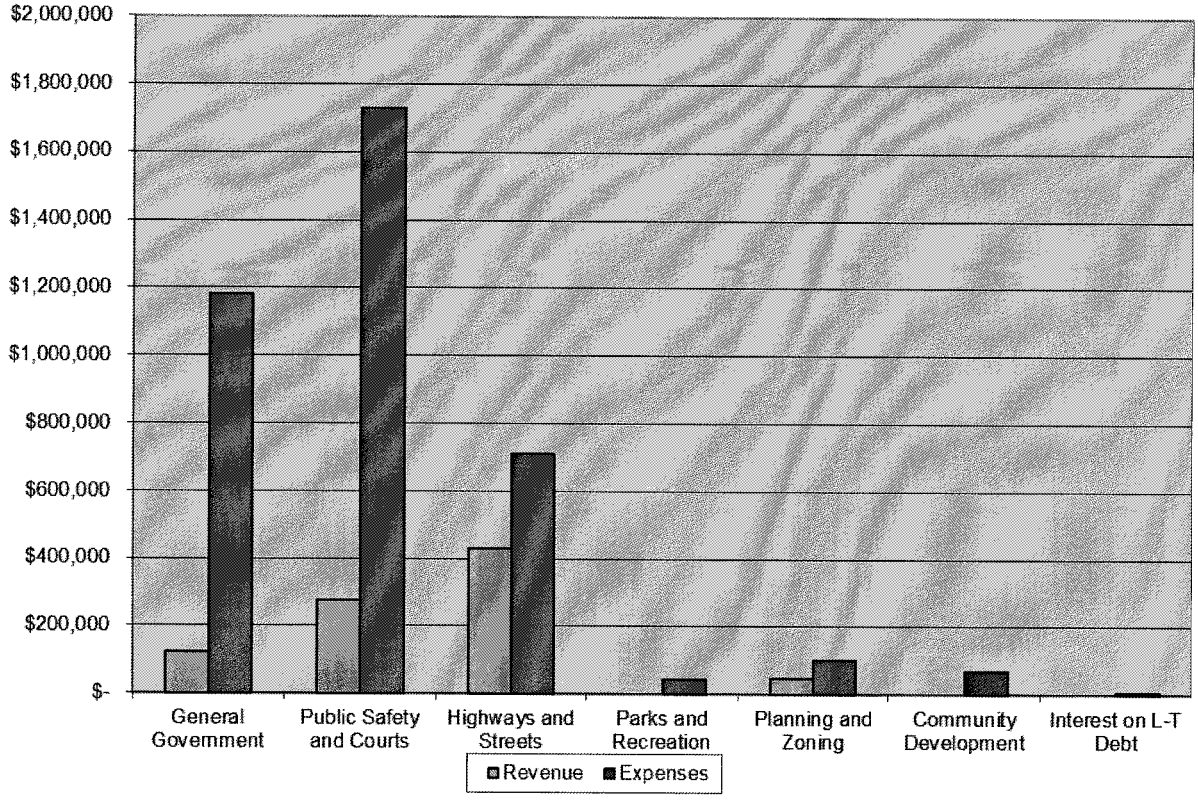
City of Hampton's Change in Net Position

(In millions of dollars)

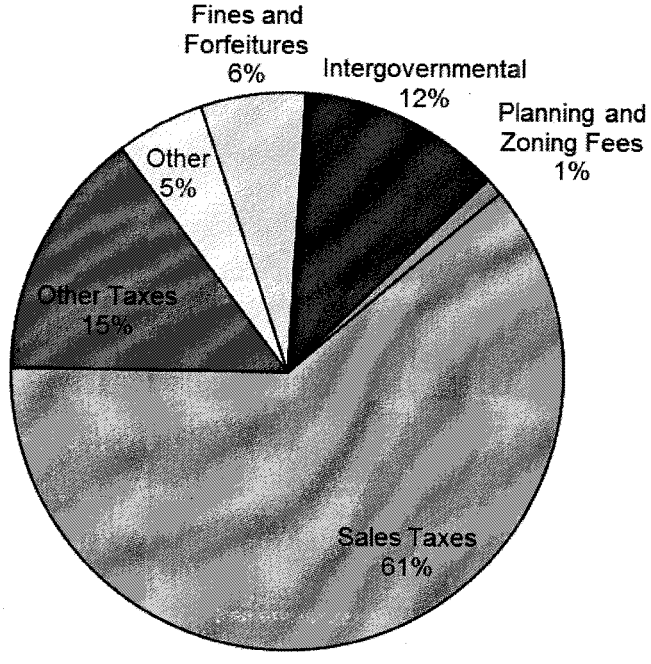
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program Revenues –						
Charges for services	$ 0.3	$ 0.4	$ 5.6	$ 5.9	$ 5.9	$ 6.3
Capital grants and contributions	0.5	0.0	0.3	0.0	0.8	0.0
General Revenues –						
Sales taxes	2.8	2.6	0.0	0.0	2.8	2.6
Other taxes	0.7	0.6	0.0	0.0	0.7	0.6
Interest	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.1	0.0	0.0	0.2	0.1
Total Revenues	4.5	3.7	5.9	5.9	10.4	9.6
Expenses:						
General government	1.2	1.2	0.0	0.0	1.2	1.2
Public safety and courts	1.7	1.7	0.0	0.0	1.7	1.7
Parks and recreation	0.0	0.1	0.0	0.0	0.0	0.1
Highways and streets	0.7	0.7	0.0	0.0	0.7	0.7
Planning and zoning	0.1	0.0	0.0	0.0	0.1	0.0
Community development	0.1	0.1	0.0	0.0	0.1	0.1
Water	0.0	0.0	1.5	1.4	1.5	1.4
Sewer	0.0	0.0	0.7	0.8	0.7	0.8
Solid waste	0.0	0.0	0.3	0.3	0.3	0.3
Electric	0.0	0.0	3.1	3.5	3.1	3.5
Total Expenses	3.8	3.8	5.6	6.0	9.4	9.8
Increase (decrease) in net position Before transfers	0.7	(0.1)	0.3	(0.1)	1.0	(0.2)
Loss on disposal of capital assets	0.0	0.0	(0.6)	0.0	(0.6)	0.0
Transfers	(0.9)	0.5	0.9	(0.5)	0.0	0.0
(Decrease) increase in net position	(0.2)	0.4	0.6	(0.6)	0.4	(0.2)
Net position – beginning of the period	14.1	13.7	8.3	8.9	22.4	22.6
Net position – end of period	$ 13.9	$ 14.1	$ 8.9	$ 8.3	$ 22.8	$ 22.4

- Revenues from sales taxes (local option and special purpose local option) increased $115,360 or 4.4%.
- Other tax revenues increased by 5.8% from 2012. Total other tax collections amounted to $654,054 in 2013.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

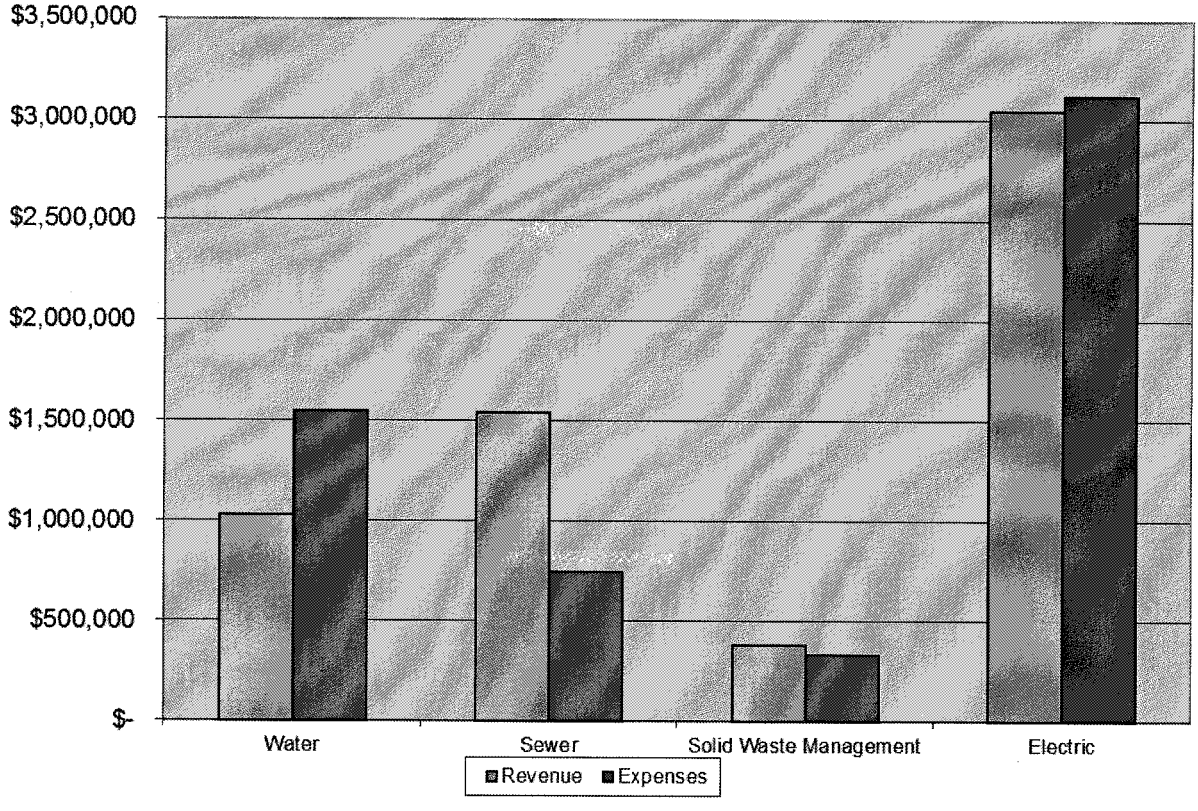


REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



Business–type activities. Business-type activities increased the City's net position by $599,474.

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, 2013 the City's governmental funds reported combined ending fund balances of $8,094,328, an increase of $101,143 in comparison to the prior year. Of this amount, $7,479,158 (92.4 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 ($524,439); 2) for Police Activities ($9); 3) for Hotel/Motel ($17,097) and 4) for prepaid expenses which are not available for current government's spending discretion ($73,625).

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 $7,479,158 while the total fund balance totaled $7,552,792. 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 225 percent of the total general fund expenditures, while total fund balance represents 227 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund decreased by $296,927. The City collected a total of $2,764,627 in Local Option Sales Taxes for 2013, an increase of 4.4% from 2012. Fines and forfeitures decreased by 21.2% to $276,152 in 2013. Overall, the City's general fund revenue increased by $352,489. At the same time, the expenditures decreased by $51,134 from 2012 amounts.

The City of Hampton received $429,961 in Special Purpose Local Option Sales Taxes in 2013. Major expenditures during 2013 of the SPLOST funds were: 1) Street improvements ($21,934); 2) park projects ($2,423); and 3); public safety facilities ($13,831).

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 was $1,726,613. 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 $2,548,580 was amended to $2,597,758, an increase of $49,178. This amendment was due to an increase in the amount of insurance premium taxes and local option sales tax received in the current year.

The original general government expenditures budget of $1,167,720 was amended to $1,221,866, an increase of $54,146. 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, 2013 amounts to $22,537,905 (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:

- $ 508,532 for wastewater treatment facility tie in
- $ 34,666 for water and electrical equipment
- $ 29,391 for police and public works equipment
- $ 26,442 for code enforcement vehicle
- $ 17,271 for police headquarters building renovations and firing range

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 $9,878,122 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

	Balance
Governmental Activities –	
Accrued compensated absences	$ 72,745
Capital leases	53,452
Business-Type Activities –	
Capital leases	17,734
Georgia Environmental Facilities Authority (GEFA) loans	9,734,191
Total	$ 9,878,122

The City's total debt decreased by $1,497,420. 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, 2013

	Governmental Activities	Business-Type Activities	Total	DDA
Assets				
Cash and cash equivalents	$ 5,387,162	$ 1,164,443	$ 6,551,605	$ 21,334
Investments	2,094,832	-	2,094,832	-
Receivables (net of allowance for uncollectibles)				
Taxes	436,552	-	436,552	-
Accounts	3,094	454,689	457,783	-
Fines	13,282	-	13,282	-
Loan	127,056	-	127,056	60,886
Materials and supplies inventory	-	544,325	544,325	-
Prepaid items	73,625	16,030	89,655	-
Non-depreciable capital assets	455,257	-	455,257	-
Depreciable capital assets, net	5,481,945	16,600,703	22,082,648	140,506
Intangible assets	-	267,500	267,500	-
Total assets	$ 14,072,805	$ 19,047,690	$ 33,120,495	$ 222,726
Liabilities				
Accounts payable				
Operating	$ 34,614	$ -	$ 34,614	$ -
Capital	3,691	-	3,691	-
Accrued liabilities –				
Compensated absences	-	46,397	46,397	-
Customer deposits	-	362,985	362,985	-
Interest	-	23,139	23,139	-
Other	2,970	20,353	23,323	-
Long-term liabilities –				
Due within one year	44,650	1,031,795	1,076,445	6,705
Due in more than one year	81,547	8,720,130	8,801,677	120,351
Total liabilities	167,472	10,204,799	10,372,271	127,056
Net position				
Net investment in capital assets	5,883,750	7,116,278	13,000,028	13,450
Restricted for –				
Capital projects	524,439	-	524,439	-
Police activities	9	-	9	-
Unrestricted	7,497,135	1,726,613	9,223,748	82,220
Total net position	$ 13,905,333	$ 8,842,891	$ 22,748,224	$ 95,670

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Primary government:							
Governmental activities:							
General government	$ 1,182,582	$ 13,250	$ 108,533	$ (1,060,799)	$ -	$ (1,060,799)	$ -
Public safety and courts	1,728,792	276,152	-	(1,452,640)	-	(1,452,640)	-
Public works	715,429	-	430,106	(285,323)	-	(285,323)	-
Parks and recreation	44,173	-	-	(44,173)	-	(44,173)	-
Planning and zoning	73,171	46,413	-	(26,758)	-	(26,758)	-
Community development	68,731	-	-	(68,731)	-	(68,731)	-
Interest on long-term debt	6,028	-	-	(6,028)	-	(6,028)	-
Total governmental activities	3,818,906	335,815	538,639	(2,944,452)	-	(2,944,452)	-
Business-type activities:							
Sewer	745,730	1,323,436	220,387	-	798,093	798,093	-
Water	1,548,937	953,778	72,670	-	(522,489)	(522,489)	-
Sanitation	334,678	379,534	55,664	-	100,520	100,520	-
Electric	3,121,894	2,991,731	-	-	(130,163)	(130,163)	-
Total business-type activities	5,751,239	5,648,479	348,721	-	245,961	245,961	-
Total primary government	$ 9,570,145	$ 5,984,294	$ 887,360	(2,944,452)	245,961	(2,698,491)	$ -
Component unit:							
Downtown Development Authority	$ 17,719	$ 16,800	$ -	-	-	-	(919)
Total component unit	$ 17,719	$ 16,800	$ -	-	-	-	(919)
General revenues:							
Franchise taxes				200,045	-	200,045	-
Sales taxes				2,764,627	-	2,764,627	-
Insurance premium taxes				348,093	-	348,093	-
Other taxes				105,916	-	105,916	-
Interest earnings				43,143	1,280	44,423	1,055
Other				176,041	-	176,041	-
Contributions not restricted to specific programs				-	-	-	8,478
Total general revenues				3,637,865	1,280	3,639,145	9,533
Loss on disposal of capital assets				-	(588,973)	(588,973)	-
Transfers				(941,206)	941,206	-	-
Total general revenues and transfers				2,696,659	353,513	3,050,172	9,533
Change in net position				(247,793)	599,474	351,681	8,614
Net position – beginning of period				14,153,126	8,243,417	22,396,543	87,056
Net position – end of period				$ 13,905,333	$ 8,842,891	$ 22,748,224	$ 95,670

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	$ 4,836,183	$ 550,979	$5,387,162
Investments	2,094,832	-	2,094,832
Receivables (net of allowance for uncollectibles)			
Taxes	435,581	971	436,552
Accounts	3,094	-	3,094
Fines	13,282	-	13,282
Loan	127,056	-	127,056
Prepaid items	73,625	-	73,625
Due from other funds	6,723	-	6,723
Total assets	$ 7,590,376	$ 551,950	$8,142,326
Liabilities			
Accounts payable			
Operating	$ 34,614	$ -	$ 34,614
Capital	-	3,691	3,691
Accrued liabilities			
Other	2,970	-	2,970
Due to other funds	-	6,723	6,723
Total liabilities	37,584	10,414	47,998
Fund balances			
Non-spendable	73,625	-	73,625
Restricted	9	541,536	541,545
Unassigned	7,479,158	-	7,479,158
Total fund balances	7,552,792	541,536	8,094,328
Total liabilities and fund balances	$ 7,590,376	$ 551,950	$8,142,326

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, 2013

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

Total fund balances – total governmental funds	$ 8,094,328
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	5,937,202
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	(53,452)
Accrued compensated absences	(72,745)
Net position of governmental activities	$ 13,905,333

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, 2013

	General	Other Governmental Funds	Total
REVENUES			
Taxes	$ 3,405,566	$ 13,115	$3,418,681
Fines and forfeitures	276,152	-	276,152
Investment income	43,129	159	43,288
Miscellaneous	176,041	-	176,041
Intergovernmental	108,533	429,961	538,494
Licenses and permits	59,663	-	59,663
Total revenues	4,069,084	443,235	4,512,319
EXPENDITURES			
Current:			
General government	1,153,286	-	1,153,286
Municipal court	123,817	-	123,817
Public safety	1,461,748	-	1,461,748
Highways and streets	277,763	-	277,763
Parks and recreation	11,473	-	11,473
Planning and zoning	70,257	-	70,257
Community development	62,461	6,977	69,438
Capital:			
General government	6,448	3,800	10,248
Public safety	54,002	13,831	67,833
Highways and streets	732	140,726	141,458
Parks and recreation	-	2,423	2,423
Planning and zoning	27,173	-	27,173
Debt service:			
Principal	73,467	-	73,467
Interest	6,028	-	6,028
Total expenditures	3,328,655	167,757	3,496,412
Excess of revenues over expenditures	740,429	275,478	1,015,907
Other financing (uses) sources:			
Transfers	(1,063,798)	122,592	(941,206)
Proceeds from capital lease	26,442	-	26,442
Total	(1,037,356)	122,592	(914,764)
Net change in fund balances	(296,927)	398,070	101,143
Fund balance – beginning of period	7,849,719	143,466	7,993,185
Fund balance – end of period	$ 7,552,792	$ 541,536	$8,094,328

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, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances – total governmental funds		$ 101,143
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	73,104	
Depreciation expense for the current period	(450,006)	(376,902)
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	(26,442)	
Capital lease principal payments	73,467	47,025
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		(13,104)
Net loss on disposal of capital assets in the current period.		(5,955)
Change in net position of governmental activities		$ (247,793)

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, 2013

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 2,548,580	$ 2,597,758	$ 3,405,566	$ 807,808
Fines and forfeitures	330,200	330,200	276,152	(54,048)
Intergovernmental	-	-	108,533	108,533
Investment income	8,526	8,526	43,129	34,603
Licenses and permits	15,755	44,905	59,663	14,758
Miscellaneous	65,959	75,909	176,041	100,132
Total revenues	2,969,020	3,057,298	4,069,084	1,011,786
EXPENDITURES				
Current:				
General government	1,167,720	1,221,866	1,153,286	68,580
Municipal court	170,350	170,350	123,817	46,533
Public safety	1,520,412	1,546,999	1,461,748	85,251
Highways and streets	321,444	307,439	277,763	29,676
Parks and recreation	11,750	11,750	11,473	277
Planning and zoning	73,283	78,997	70,257	8,740
Community development	70,167	71,576	62,461	9,115
Capital:				
General government	9,800	9,800	6,448	3,352
Public safety	53,700	53,700	54,002	(302)
Highways and streets	878	878	732	146
Planning and zoning	10,000	10,000	27,173	(17,173)
Debt service:				
Principal	-	-	73,467	(73,467)
Interest	-	-	6,028	(6,028)
Total expenditures	3,409,504	3,483,355	3,328,655	154,700
Excess of revenues over expenditures	(440,484)	(426,057)	740,429	1,166,486
Other financing (uses) sources:				
Transfers	(132,619)	(132,619)	(1,063,798)	(931,179)
Proceeds from capital lease	-	-	26,442	26,442
Total	(132,619)	(132,619)	(1,037,356)	(904,737)
Net change in fund balances	$ (573,103)	$ (558,676)	(296,927)	$ 261,749
Fund balance – beginning of year			7,849,719	
Fund balance – end of year			$ 7,552,792	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 1,164,443	$ 1,346,609
Receivables (net of allowance for uncollectibles) –		
Accounts	454,689	454,184
Materials and supplies inventory	544,325	502,118
Prepaid items	16,030	16,435
Total current assets	2,179,487	2,319,346
Non-current assets:		
Property, plant and equipment –		
Plant and distributions systems	21,149,423	20,699,794
Buildings	-	67,636
Machinery and equipment	886,951	1,210,117
Vehicles	572,400	676,175
Construction in progress	-	946,086
Accumulated depreciation	(6,008,071)	(6,290,823)
Total capital assets (net of accumulated depreciation)	16,600,703	17,308,985
Intangible assets	267,500	282,500
Total non-current assets	16,868,203	17,591,485
Total assets	$ 19,047,690	$ 19,910,831
Liabilities		
Current liabilities		
Accrued liabilities –		
Wages and compensated absences	46,397	42,514
Customer deposits	362,985	358,150
Interest	23,139	27,952
Other	20,353	23,374
Notes payable – current portion	1,031,795	465,262
Total current liabilities	1,484,669	917,252
Long-term liabilities		
Notes payable	8,720,130	10,750,162
Total liabilities	10,204,799	11,667,414
Net Position		
Net invested in capital assets	7,116,278	6,376,061
Unrestricted	1,726,613	1,867,356
Total net position	$ 8,842,891	$ 8,243,417

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, 2013

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2013	2012
Operating Revenues:		
Charges for services	$ 5,615,017	$ 5,912,939
Other	33,462	14,507
Total operating revenues	5,648,479	5,927,446
Operating Expenses:		
Purchases for resale	2,822,019	3,198,088
Personal services and benefits	1,017,035	1,007,639
Contractual services	687,167	627,089
Depreciation	662,507	651,168
Supplies	167,413	173,417
Other	58,949	59,410
Amortization	15,000	15,000
Total operating expenses	5,430,090	5,731,811
Income from operations	218,389	195,635
Non-operating revenues:		
Investment income	1,280	2,417
Loss on disposal of capital assets	(588,973)	-
Interest expense	(321,149)	(341,446)
Income before contributions and transfers	(690,453)	(143,394)
Capital Contribution		
Sewer	220,387	-
Water	72,670	-
Electric	55,664	-
Transfers	941,206	(538,112)
Change in net position	599,474	(681,506)
Net position beginning of year	8,243,417	8,924,923
Net position end of year	$ 8,842,891	$ 8,243,417

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 5,652,809	$ 5,971,039
Cash paid to suppliers for goods and services	(4,002,888)	(4,277,232)
Cash paid to employees	(794,414)	(789,973)
Net cash provided by operating activities	855,507	903,834
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	1,280	2,417
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers	941,206	(538,112)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(543,198)	(149,354)
Proceeds from notes payable	506,131	-
Repayment of notes payable	(1,952,898)	(435,291)
Proceeds from capital lease	-	53,266
Repayment of capital lease	(16,732)	(18,800)
Interest paid	(322,183)	(341,446)
Capital contributions	348,721	-
Due from other funds	-	3,813
Net cash used in capital financing activities	(1,980,159)	(887,812)
NET CHANGE IN CASH	(182,166)	(519,673)
CASH AT BEGINNING OF YEAR	1,346,609	1,866,282
CASH AT END OF YEAR	$ 1,164,443	$ 1,346,609

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Reconciliation of Net Income to Net Cash
Provided by Operating Activities

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2013	2012
NET OPERATING (LOSS) INCOME	$ (369,550)	$ 195,635
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	662,507	651,168
Amortization expense	15,000	15,000
Loss on disposal of capital assets	588,973	-
Decrease in receivables	(505)	36,683
(Increase) decrease in inventory	(42,207)	1,723
Decrease (increase) in prepaid expenses	405	(1,211)
Increase in accrued salaries	3,883	2,639
Increase in other customer deposits	4,835	6,910
Decrease in accrued interest	(4,813)	(1,089)
Decrease in other accrued expense	(3,021)	(3,624)
Total adjustments	1,225,057	708,199
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 855,507	$ 903,834

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 is the City's major governmental fund:

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.

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. The following is the City's major proprietary fund:

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, 2013:

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, 2013 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 2013. 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, 2012:

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

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, 2013:

	General	Other Governmental Funds	Total
Fund balances			
Non-spendable:			
Prepaid items	$ 73,625	$ -	$ 73,625
Restricted for:			
Capital projects	-	524,439	524,439
Police activities	9	-	9
Hotel/Motel	-	17,097	17,097
Unassigned	7,479,158	-	7,479,158
Total fund balances	$ 7,552,792	$ 541,536	$ 8,094,328

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, 2013.

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 $6,551,605 and the bank balance was $6,499,723. 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, 2013:

Category	Bank Balance
1	$ 500,000
2	5,999,723
3	0
	$ 6,499,723

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, 2013. There was no property taxes receivable as of September 30, 2013.

4. RECEIVABLES

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

	Gross	Allowance	Net
General Fund			
Taxes	$ 435,581	$ -	$ 435,581
Accounts	3,094	-	3,094
Fines	13,282	-	13,282
Loan	127,056	-	127,056
Other Governmental Funds			
Taxes	971	-	971
Utility Fund			
Accounts	744,473	289,784	454,689
Total	$ 1,324,457	$ 289,784	$ 1,034,673

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:	Utility Fund	$ 941,206
	Capital Improvements Fund	122,592
From:	General Fund	$ 1,063,798

Interfund balance:

Due from:	SPLOST III Fund	$ 6,723
Due to:	General Fund	$ 6,723

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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 414,994	$ -	$ -	$ 414,994
Construction in progress	32,822	7,441	-	40,263
Total capital assets, not being depreciated	447,816	7,441	-	455,257
Capital assets, being depreciated:				
Buildings	2,274,918	-	89,874	2,185,044
Improvements other than buildings	2,659,546	-	-	2,659,546
Infrastructure	2,583,070	9,830	-	2,592,900
Furniture and fixtures	47,462	-	14,430	33,032
Office furniture	313,789	-	86,404	227,385
Machinery and equipment	511,556	29,391	202,305	338,642
Vehicles	911,663	26,442	287,044	651,061
Total capital assets being depreciated	9,302,004	65,663	680,057	8,687,610
Less accumulated depreciation for:				
Buildings	421,496	68,560	89,874	400,182
Improvements other than buildings	695,561	144,197	-	839,758
Infrastructure	829,429	113,811	-	943,240
Furniture and fixtures	46,877	550	14,430	32,997
Office equipment	303,866	9,923	86,404	227,385
Machinery and equipment	448,908	26,616	202,305	273,219
Vehicles	683,624	86,349	281,089	488,884
Total accumulated depreciation	3,429,761	450,006	674,102	3,205,665
Total capital assets, being depreciated, net	5,872,243	(384,343)	5,955	5,481,945
Governmental activities capital assets, net	$6,320,059	$ (376,902)	$ 5,955	$5,937,202

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

General government	$ 19,176
Public safety and courts	92,640
Public works	305,077
Parks and recreation	30,277
Community development	2,836
Total depreciation expense	$ 450,006

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 946,086	$ 508,532	$ 1,454,618	$ -
Total capital assets, not being depreciated	946,086	508,532	1,454,618	-
Capital assets, being depreciated:				
Buildings	67,636	-	67,636	-
Distribution and collection system	20,699,794	1,454,618	1,004,989	21,149,423
Machinery and equipment	1,210,117	34,666	357,832	886,951
Vehicles	676,175	-	103,775	572,400
Total capital assets being depreciated	22,653,722	1,489,284	1,534,232	22,608,774
Less accumulated depreciation for:				
Buildings	24,520	846	25,366	-
Distribution and collection system	4,649,645	578,886	458,286	4,770,245
Machinery and equipment	1,133,420	31,069	357,832	806,657
Vehicles	483,238	51,706	103,775	431,169
Total accumulated depreciation	6,290,823	662,507	945,259	6,008,071
Total capital assets, being depreciated, net	16,362,899	826,777	588,973	16,600,703
Business-type activities capital assets, net	$ 17,308,985	$ 1,335,309	$ 2,043,591	$ 16,600,703
Intangible assets:				
Loan fees	$ 300,000	$ -	$ -	$ 300,000
Less: accumulated amortization	17,500	15,000	-	32,500
Total intangible assets, net	$ 282,500	$ (15,000)	$ -	$ 267,500

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, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental-Type Activities:					
*Capital leases	$ 100,477	$ 26,442	$ 73,467	$ 53,452	$ 44,650
*Compensated absences	59,641	13,104	-	72,745	-
Governmental-Type Activities	160,118	39,546	73,467	126,197	44,650
Business-Type Activities:					
Capital leases	34,466	-	16,732	17,734	17,734
Notes payable	11,180,958	506,131	1,952,898	9,734,191	1,014,061
Business-Type Activities	11,215,424	506,131	1,969,630	9,751,925	1,031,795
Total	$11,375,542	$ 545,677	$ 2,043,097	$ 9,878,122	$ 1,076,445

* 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	
2014	$ 47,942
2015	9,375
Less: imputed interest	(3,865)
Present value of minimum lease payments	$ 53,452

Interest incurred during the current year was $6,311.

9. LONG-TERM DEBT – (Continued)

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

Year	
2014	$ 18,798
Less: imputed interest	(1,064)
Present value of minimum lease payments	$ 17,734

Interest incurred during the current year was $2,068.

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, 2013 was $11,180,958. The following is a summary of the future minimum note payments on the GEFA loan:

Year	Interest	Principal
2014	$ 269,896	$ 507,930
2015	254,446	523,379
2016	238,527	539,298
2017	222,124	555,702
2018	205,222	572,604
2019 – 2023	754,025	3,135,103
2024 – 2028	673,224	3,394,044
	$ 2,617,464	$ 9,228,060

Interest incurred during the current year was $324,928.

The City entered into another construction loan agreement with the Georgia Environmental Facilities Authority (GEFA) for the financing of Phase II of the wastewater treatment facility tie-in. The terms of the loan allow the City to draw down funds up to $885,688 through the end of the project. The details of repayment by the City will be set in the permanent note at the end of the project period. The amount outstanding as of September 30, 2013 was $506,131. This loan was closed out and paid in full during the subsequent period.

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.

10. RISK MANAGEMENT – (Continued)

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.

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	$ -

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 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	11
Terminated vested participants entitled to but not yet receiving benefits	9
Active participants	53
Total number of participants	73

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 8.15% 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 2013, the City's annual pension cost of $188,450 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2013 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

11. EMPLOYEE BENEFIT PLANS – (Continued)

Annual Pension Cost – (Continued)

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
6/30/13	$ 188,450	100%	$ -
6/30/12	$ 190,427	100%	$ -
6/30/11	$ 163,415	100%	$ -

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)
2013	$2,174,312	$2,423,263	$ 248,951	89.7%	$2,274,076	11.0%

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, 2013:

	Amount	Percent
Total collected	$ 13,115	100%
Amount remitted to Henry County Chamber of Commerce	$ 5,377	41%
Amount remitted for Public Relations	$ 1,600	12%

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, 2013, the General Fund's Fines and Forfeitures revenues of $276,152 did not exceed the fund's respective appropriations of $330,200. This was due to the police department increasing their presence in the neighborhoods around the City, which decreased the number of tickets and fines.

For the year ended September 30, 2013, the General Fund's Planning and Zoning capital expenditures of $27,173 exceeded the fund's respective appropriations of $0. This was due to the City leasing a new code enforcement vehicle and only budgeting for the annual lease payment in the current expenditures.

For the year ended September 30, 2013, the General Fund's debt service principal and interest expenditures of $79,495 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, 2013, the Hotel/Motel Fund's investment revenues of $14 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, 2013, the SPLOST III Fund's capital expenditures of $16,590 exceeded the fund's respective appropriations of $0. This was due to no amendment being passed on SPLOST III, as was intended.

For the year ended September 30, 2013, the Other Capital Projects Fund's General Government capital expenditures of $3,800 exceeded the fund's respective appropriations of $0. This was due to an accrual at year end that was not amended for.

For the year ended September 30, 2013, the Other Capital Projects Fund's General Government transfers of $122,592 did not exceed the fund's respective appropriations of $140,619. This was due to some budgeted expenditures not taking place.

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)
2013	$2,174,312	$2,423,263	$ 248,951	89.7%	$2,274,076	11.0%
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%

CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY:

Changes to the unfunded actuarial accrued liability as of July 1, 2013 were as follows:

Beginning balance	$ 310,564
Change due to contribution policy	(8,028)
Change due to actuarial gains and losses	(53,585)
Ending balance	$ 248,951

CITY OF HAMPTON, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	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	$ 16,126	$ -	$ 496,392	$ 38,461	$ 550,979
Receivables (net of allowance for uncollectibles)					
Taxes	971	-	-	-	971
Total assets	$ 17,097	$ -	$ 496,392	$ 38,461	$ 551,950
Liabilities					
Accounts payable					
Capital	$ -	$ -	$ 3,691	$ -	$ 3,691
Due to other funds	-	-	6,723	-	6,723
Total assets	-	-	10,414	-	10,414
Fund balances					
Restricted	17,097	-	485,978	38,461	541,536
Total fund balances	17,097	-	485,978	38,461	541,536
Total liabilities and fund balances	$ 17,097	$ -	$ 496,392	$ 38,461	$ 551,950

CITY OF HAMPTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST III CAPITAL PROJECTS FUNDS	SPLOST CAPITAL PROJECTS FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 13,115	$ -	$ -	$ -	$ 13,115
Investment income	14	-	92	53	159
Intergovernmental	-	-	429,961	-	429,961
Total revenues	13,129	-	430,053	53	443,235
EXPENDITURES					
Current:					
Community development	6,977	-	-	-	6,977
Capital:					
General government	-	3,800	-	-	3,800
Public safety	-	-	13,831	-	13,831
Highways and streets	-	118,792	336	21,598	140,726
Parks and recreation	-	-	2,423	-	2,423
Total expenditures	6,977	122,592	16,590	21,598	167,757
Excess (deficiency) of revenues over expenditures	6,152	(122,592)	413,463	(21,545)	275,478
Other financing sources:					
Transfers	-	122,592	-	-	122,592
Net change in fund balances	6,152	-	413,463	(21,545)	398,070
Fund balance – beginning of period	10,945	-	72,515	60,006	143,466
Fund balances – end of period	$ 17,097	$ -	$ 485,978	$ 38,461	$ 541,536

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, 2013

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 8,500	$ 8,500	$ 13,115	$ 4,615
Investment income	30	30	14	(16)
Total revenues	8,530	8,530	13,129	4,599
EXPENDITURES				
Current:				
Community development	8,530	8,530	6,977	1,553
Total expenditures	8,530	8,530	6,977	1,553
Net change in fund balances	$ -	$ -	6,152	$ 6,152
Fund balance – beginning of year			10,945	
Fund balance – end of year			$ 17,097	

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, 2013

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Investment income	$ -	$ -	$ 53	$ 53
Total revenues	-	-	53	53
EXPENDITURES				
Capital:				
Highways and streets	-	53,825	21,598	32,227
Total expenditures	-	53,825	21,598	32,227
Net change in fund balances	$ -	$ (53,825)	(21,545)	$ 32,280
Fund balance – beginning of year			60,006	
Fund balance – end of year			$ 38,461	

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, 2013

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ -	$ -	$ 429,961	$ 429,961
Investment income	-	-	92	92
Total revenues	-	-	430,053	430,053
EXPENDITURES				
Capital:				
Public safety	-	-	13,831	(13,831)
Highways and streets	-	-	336	(336)
Parks and recreation	-	-	2,423	(2,423)
Total expenditures	-	-	16,590	(16,590)
Net change in fund balances	$ -	$ -	413,463	$ 413,463
Fund balance – beginning of year			72,515	
Fund balance – end of year			$ 485,978	

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, 2013

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
EXPENDITURES				
Capital:				
General government	$ -	$ -	$ 3,800	$ (3,800)
Highways and streets	124,619	124,619	118,792	5,827
Sewer system improvements	1,662,826	1,662,826	-	1,662,826
Water system improvements	672,700	672,700	-	672,700
Electric system improvements	8,000	8,000	-	8,000
Total expenditures	2,468,145	2,468,145	122,592	2,345,553
Excess (deficiency) of revenues over expenditures	(2,468,145)	(2,468,145)	(122,592)	2,345,553
Other financing sources (uses):				
Transfers	140,619	140,619	122,592	(18,027)
Net change in fund balances – Budget basis	$ (2,327,526)	$ (2,327,526)	-	$ 2,327,526
Fund balance – beginning of year			-	
Fund balance – end of year			$ -	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Project	SPLOST Total Estimated Project Costs	Expenditures		
		Prior Years	Current Year	Total
SPLOST:				
Roads, streets, curbs, gutters sidewalks and bridges	$ 2,000,000	$ 2,780,626	$ 21,598	$ 2,802,224
Install five wells for water and sewer improvements	661,785	879,645	-	879,645
Improvements to City Park & North Forty Recreation	200,000	208,568	-	208,568
Remodeling of City Hall	150,000	147,016	-	147,016
Parks and recreation	32,100	34,380	-	34,380
	$ 3,043,885	$ 4,050,235	$ 21,598	$ 4,071,833
SPLOST III:				
Roads, bridges, sidewalks and transportation facilities	$ 1,300,000	$ 345,125	$ 336	$ 345,461
Public safety facilities and equipment	4,000,000	226,054	13,831	239,885
Public works facilities and equipment	1,450,000	1,763,600	-	1,763,600
Acquisition of property for public use	1,000,000	-	-	-
Community development Facilities	350,000	-	-	-
Parks and recreation facilities	270,000	160,009	2,423	162,432
Construction and renovation of municipal buildings	30,000	-	-	-
	$ 8,400,000	$ 2,494,788	$ 16,590	$ 2,511,378

SINGLE AUDIT SECTION

FULTON & KOZAK

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS

To the Board of Directors and Officers of
City of Hampton, Georgia

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise City of Hampton, Georgia's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Morrow, Georgia
March 17, 2014

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CITY OF HAMPTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

Federal Agency	Program name	Loan/Program number	CFDA #	Expenditures	Due from State Agency
U.S. Environmental Protection Agency					
Passed through:					
Georgia Environmental Finance Authority	Clean Water State Revolving Fund	CWSRF 04-004	66.458	$ 506,131	$ 25,032
U.S. Department of Justice	Public Safety Partnership and Community Policing	2010UMWX0085	16.710	$ 56,203	$ -

CITY OF HAMPTON, GEORGIA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal loan/grant activity of City of Hampton, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Hampton, Georgia's basic financial statements and have issued our report thereon dated March 17, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in 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. We consider the deficiency 2013-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hampton, Georgia's financial statements are free from 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.*

City of Hampton, Georgia's Response to Findings

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

Purpose of this Report

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

Morrow, Georgia
March 17, 2014

FULTON & KOZAK
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Morrow, Georgia
March 17, 2014

CITY OF HAMPTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

	Yes	No	None Reported
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?			X
Noncompliance material to financial statements noted?		X	

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?			X
Type of auditor's report issued on compliance for Major programs: **Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs: $300,000

	Yes	No
Auditee qualified as low-risk auditee?		X

Section II – Financial Statement Findings

2013-1 Inventory

Criteria: No proper controls or monitoring over inventory.

Condition: During the current year audit, it was found that inventory was not being taken on a monthly basis as per the City's procedures. This was not discovered until the auditors asked to review the inventory listing at year end. Also, the City uses a spreadsheet to manually enter the inventory count and in reviewing the spreadsheet in the current year it was noted that the formulas had not been properly updated and the totals were incorrect.

Effect: Because the City does not have a good inventory to review, there is not a good basis for knowing when to order parts. This also increases the risk of misappropriation of inventory and it not being found.

Recommendation: We recommend that management consider putting additional procedures in for monitoring the inventory on a monthly basis. We also recommend that the City purchase inventory software that would help with tracking inventory purchases, costs, and uses.

Management Response: In response to this condition, the City has recently hired a full-time inventory control specialist. The City is also looking into purchasing inventory control/reporting software that would integrate with the current work order system and will enable a work order to be produced that recognizes what equipment and materials are needed to complete a job.

CITY OF HAMPTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

No matters were reported.