CITY OF HAMPTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2016

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Management Discussion and Analysis	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual General Fund	19
Statement of Net Position – Proprietary Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22-23
Notes to the Basic Financial Statements	24-45
Required Supplementary Information	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	46
Schedule of City Contributions	47

	Page
Non-Major Governmental Funds:	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	49
Financial Statements of Individual Funds:	
Special Revenue Funds –	
Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	50
SPLOST Capital Projects Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	51
SPLOST III Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	52
SPLOST IV Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	53
Other Capital Projects Funds Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	54
Schedule of Projects Constructed with Special Purpose Sales Tax	55-56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	57-58

FULTON & KOZAK

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2016, 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, 2016 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 pension information on pages 46 and 47 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 28, 2017 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 28, 2017

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, 2016. 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, 2016 by $25,106,071. Of this amount unrestricted net position, of $8,392,503 may be used to meet the government's ongoing obligations to citizens and creditors. The $8,392,503 in unrestricted net position is further allocated $6,571,149 to governmental-type activities and $1,821,354 to business-type activities.

- The total net position increased by $761,798. Of this amount a net increase of $680,640 was associated with governmental activities, and an increase of $81,158 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 $8,775,073, an increase of $358,165 in comparison with the prior year. Of this amount $1,612,785 is restricted, and $7,162,288 is unassigned. The unassigned of $7,162,288 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 $1,821,354 will be used for improvements and expansion of the City's water and sewer facilities.

- At the end of the current year, unassigned fund balance for the general fund was $7,162,288 or 194 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 $539,955 to a total of $7,777,325.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

The City maintains two major governmental funds. The City's major governmental funds are the General Fund and SPLOST IV 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 these major funds.

The City of Hampton adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the fiscal year 2016 budget. An annual budget for the non-major funds and a project length budget for the SPLOST Capital Projects Funds 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, 2016, the City's assets exceeded liabilities by $25,106,071. The City's net position reflects its investment in capital assets (60.3 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, $1,583,266 (6.3 percent) is restricted for capital projects and other specified activities and $8,392,503 (33.4 percent) is unrestricted, allocated between the governmental activities ($6,571,149) and the business-type activities ($1,821,354).

City of Hampton's Net Position

	Governmental Activities		
	2016	2015	Change
Current and other assets	$ 8,823,464	$ 8,493,687	$ 329,777
Capital assets	7,658,985	7,258,397	400,588
Total assets	16,482,449	15,752,084	730,365
Deferred outflows of resources	132,972	-	132,972
Current liabilities	680,170	491,316	188,854
Long-term liabilities	95,342	71,468	23,874
Total liabilities	775,512	562,784	212,728
Deferred inflows of resources	26,509	56,540	(30,031)
Net position:			
Net investment in capital assets	7,658,985	7,258,397	400,588
Restricted	1,583,266	1,312,459	270,807
Unrestricted	6,571,149	6,561,904	9,245
Total net position	$ 15,813,400	$ 15,132,760	$ 680,640

City of Hampton's Net Position – Continued

	Business-type Activities		
	2016	2015	Change
Current and other assets	$ 2,629,701	$ 2,395,234	$ 234,467
Capital assets	15,153,300	15,840,584	(687,284)
Total assets	17,783,001	18,235,818	(452,817)
Deferred outflows of resources	78,054	-	78,054
Current liabilities	1,476,865	1,307,905	168,960
Long-term liabilities	7,075,958	7,681,984	(606,026)
Total liabilities	8,552,823	8,989,889	(437,066)
Deferred inflows of resources	15,561	34,416	(18,855)
Net position:			
Net investment in capital assets	7,471,317	7,594,772	(123,455)
Unrestricted	1,821,354	1,616,741	204,613
Total net position	$ 9,292,671	$ 9,211,513	$ 81,158

	Total		
	2016	2015	Change
Current and other assets	$ 11,453,165	$ 10,888,921	$ 564,244
Capital assets	22,812,285	23,098,981	(286,696)
Total assets	34,265,450	33,987,902	277,548
Deferred outflows of resources	211,026	-	211,026
Current liabilities	2,157,035	1,799,221	357,814
Long-term liabilities	7,171,300	7,753,452	(582,152)
Total liabilities	9,328,335	9,552,673	(224,338)
Deferred inflows of resources	42,070	90,956	(48,886)
Net position:			
Net investment in capital assets	15,130,302	14,853,169	277,133
Restricted	1,583,266	1,312,459	270,807
Unrestricted	8,392,503	8,178,645	213,858
Total net position	$ 25,106,071	$ 24,344,273	$ 761,798

A portion of the net position ($1,583,266) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($8,392,503) may be used to meet the government's ongoing obligations to citizens and creditors.

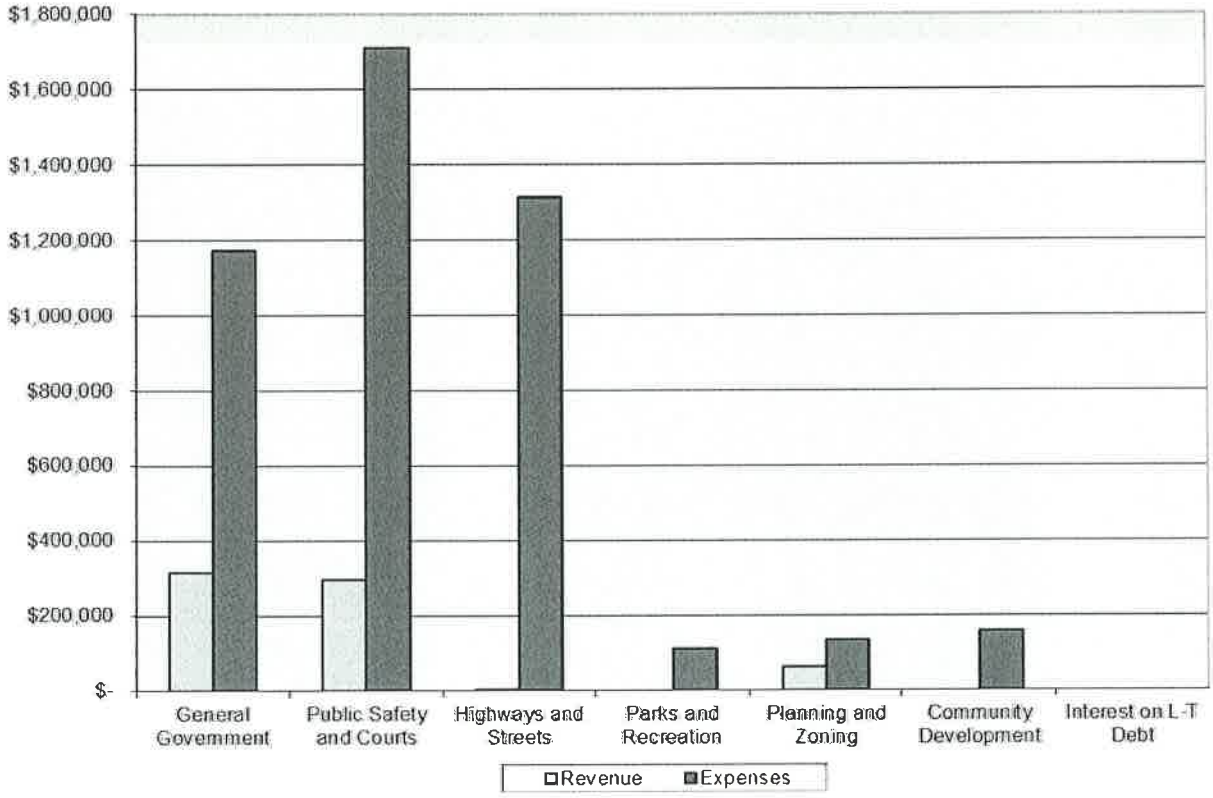
City of Hampton's Change in Net Position

(In millions of dollars)

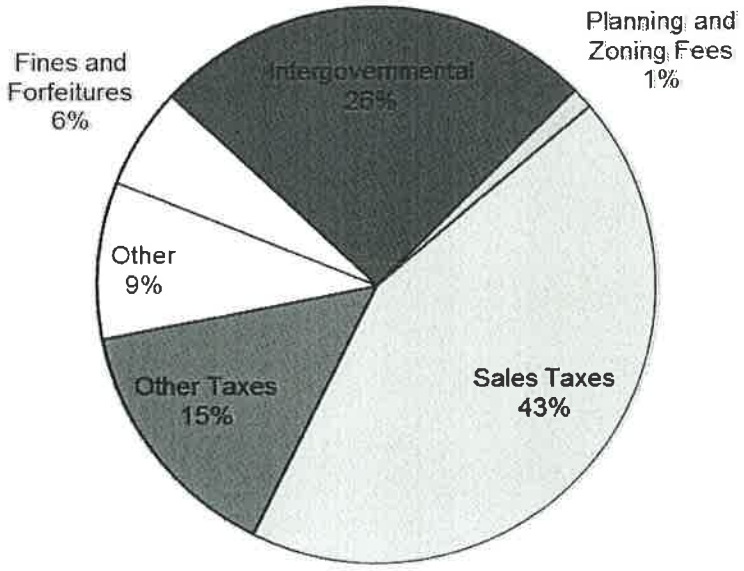
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program Revenues –						
Charges for services	$ 0.4	$ 0.3	$ 6.4	$ 6.2	$ 6.8	$ 6.5
Capital grants and contributions	1.3	1.1	0.3	0.3	1.6	1.4
General Revenues –						
Sales taxes	2.2	2.6	0.0	0.0	2.2	2.6
Other taxes	0.7	0.7	0.0	0.0	0.7	0.7
Interest	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.4	0.2	0.0	0.0	0.4	0.2
Total Revenues	5.0	4.9	6.7	6.5	11.7	11.4
Expenses:						
General government	1.2	1.2	0.0	0.0	1.2	1.2
Public safety and courts	1.7	1.8	0.0	0.0	1.7	1.8
Parks and recreation	0.1	0.1	0.0	0.0	0.1	0.1
Highways and streets	1.3	0.8	0.0	0.0	1.3	0.8
Planning and zoning	0.1	0.2	0.0	0.0	0.1	0.2
Community development	0.2	0.1	0.0	0.0	0.2	0.1
Water	0.0	0.0	1.7	1.4	1.7	1.4
Sewer	0.0	0.0	0.8	1.0	0.8	1.0
Solid waste	0.0	0.0	0.4	0.4	0.4	0.4
Electric	0.0	0.0	3.4	3.4	3.4	3.4
Total Expenses	4.6	4.2	6.3	6.2	10.9	10.4
Increase in net position before transfers	0.4	0.7	0.4	0.3	0.8	1.0
Transfers	0.3	0.0	(0.3)	0.0	0.0	0.0
Increase in net position	0.7	0.7	0.1	0.3	0.8	1.0
Net position – beginning of the year, as restated	15.1	14.4	9.2	8.9	24.3	23.3
Net position – end of year	$ 15.8	$ 15.1	$ 9.3	$ 9.2	$ 25.1	$ 24.3

Governmental activities. Governmental activities increased the City of Hampton's net position by $680,640.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

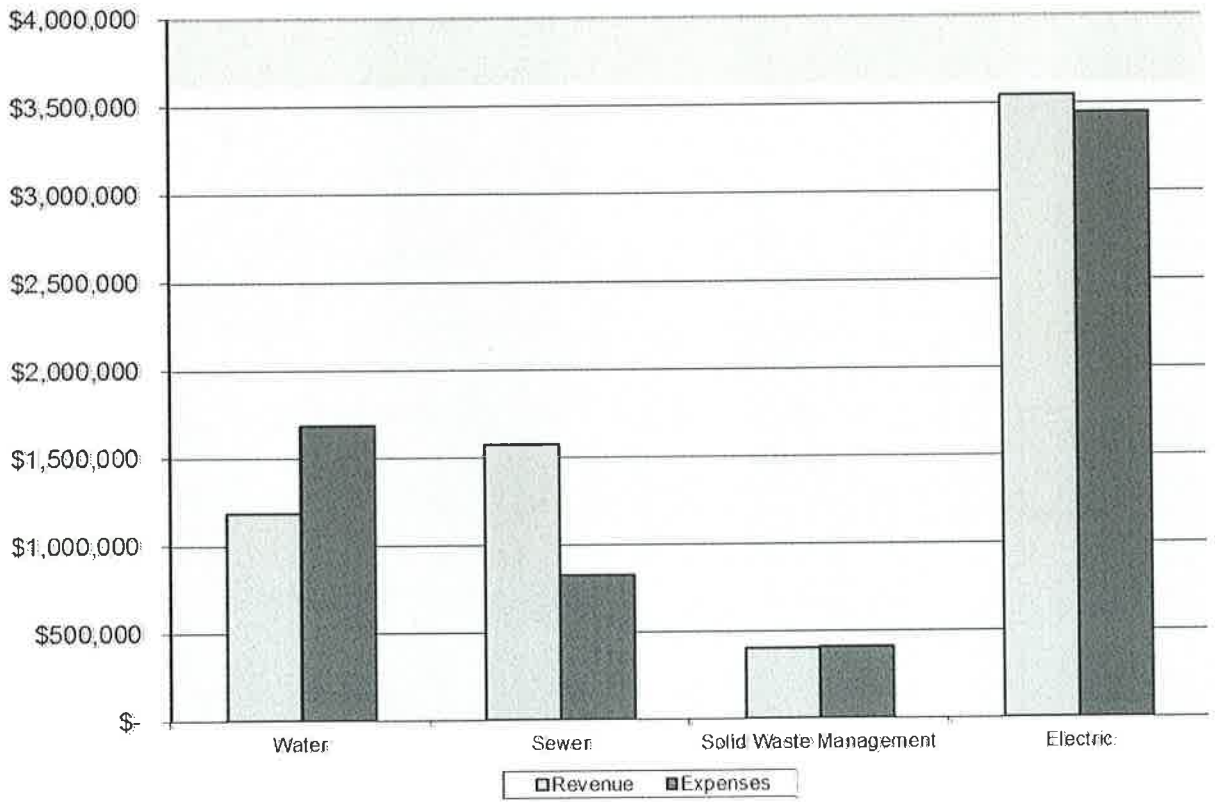


REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



Business–type activities. Business-type activities increased the City's net position by $81,158.

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, 2016 the City's governmental funds reported combined ending fund balances of $8,775,073, an increase of $358,165 in comparison to the prior year. Of this amount, $7,162,288 (81.6 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 ($1,583,218); 2) for Police Activities ($48); and 3) for Hotel/Motel ($29,519).

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 $7,162,288 while the total fund balance totaled $7,162,336. 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 194 percent of the total general fund expenditures, while total fund balance represents 194 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by $83,557. The City collected a total of $2,187,205 in Local Option Sales Taxes for 2016, a decrease of 14.9% from 2015. Fines and forfeitures increased by 6.5% to $294,146 in 2016. Overall, the City's general fund revenue increased by $94,258. At the same time, the expenditures increased by $221,120 from 2015 amounts.

The City of Hampton received $997,365 in Special Purpose Local Option Sales Taxes in 2016. Major expenditures during 2016 of the SPLOST funds were: 1) Street improvements ($225,163); 2) City Hall improvements ($5,287); 3) park projects ($7,910); 4) public safety vehicles ($70,090); and 5) public works facilities ($420,024).

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 $1,821,354. 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 Intergovernmental revenue budget of $235,000 was amended to $592,202, an increase of $357,202. This amendment was for additional grants expected to be received during the current year..

The original transfers budget of $601,000 was amended to $1,606,902, an increase of $1,005,902. This amendment was for larger transfers to other funds that were expected, but did not happen.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2016 amounts to $22,589,785 (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:

- $ 465,722 for sidewalk and drainage projects
- $ 275,000 for old library building and land
- $ 87,120 for general, police, streets, and parks equipment
- $ 70,090 for new police vehicles
- $ 15,825 for electrical and water equipment
- $ 11,900 for vehicle for sanitation department
- $ 4,800 for park renovations

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 $7,777,325 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

	Balance
Governmental Activities –	
Accrued compensated absences	$ 95,342
Business-Type Activities –	
Georgia Environmental Facilities Authority (GEFA) loans	7,657,452
Capital leases	24,531
Total	$ 7,777,325

The City's total debt decreased by $539,955. Additional information on the City's long-term debt can be found in note 9.

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, 2016

	Governmental Activities	Business-Type Activities	Total	DDA
Assets				
Cash and cash equivalents	$ 6,380,482	$ 1,480,948	$ 7,861,430	$ 23,674
Investments	2,122,178	-	2,122,178	-
Receivables (net of allowance for uncollectibles)				
Taxes	189,299	-	189,299	-
Accounts	-	505,992	505,992	-
Fines	24,350	-	24,350	-
Loan	107,155	-	107,155	55,878
Materials and supplies inventory	-	637,920	637,920	-
Prepaid items	-	4,841	4,841	-
Non-depreciable capital assets	697,301	-	697,301	-
Depreciable capital assets, net	6,961,684	14,930,800	21,892,484	128,392
Intangible assets	-	222,500	222,500	-
Total assets	$ 16,482,449	$ 17,783,001	$ 34,265,450	$ 207,944
Deferred Outflows of Resources				
Pension	132,972	78,054	211,026	-
Total deferred outflows of resources	132,972	78,054	211,026	-
Liabilities				
Accounts payable				
Operating	$ 20,930	$ 5,972	$ 26,902	$ -
Capital	1,997	-	1,997	-
Accrued liabilities –				
Wages	20,718	19,405	40,123	
Compensated absences	-	32,022	32,022	-
Customer deposits	-	396,445	396,445	-
Interest	-	19,144	19,144	-
Other	4,746	26,998	31,744	-
Net pension liability	631,779	370,854	1,002,633	-
Long-term liabilities –				
Due within one year	-	606,025	606,025	9,049
Due in more than one year	95,342	7,075,958	7,171,300	98,106
Total liabilities	775,512	8,552,823	9,328,335	107,155
Deferred Inflows of Resources				
Pension	26,509	15,561	42,070	-
Total deferred inflows of resources	26,509	15,561	42,070	-
Net position				
Net investment in capital assets	7,658,985	7,471,317	15,130,302	21,237
Restricted for –				
Capital projects	1,583,218	-	1,583,218	-
Police activities	48	-	48	-
Unrestricted	6,571,149	1,821,354	8,392,503	79,552
Total net position	$ 15,813,400	$ 9,292,671	$ 25,106,071	$ 100,789

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total	Net (Expense) Revenue and Changes in Net Position: Downtown Development Authority
Primary government:							
Governmental activities:							
General government	$ 1,172,958	$ 17,750	$ 298,168	$ (857,040)	$ -	$ (857,040)	$ -
Public safety and courts	1,709,560	294,146	-	(1,415,414)	-	(1,415,414)	-
Public works	1,311,859	-	999,282	(312,577)	-	(312,577)	-
Parks and recreation	110,964	-	-	(110,964)	-	(110,964)	-
Planning and zoning	135,938	61,207	-	(74,731)	-	(74,731)	-
Community development	161,670	-	-	(161,670)	-	(161,670)	-
Total governmental activities	4,602,949	373,103	1,297,450	(2,932,396)	-	(2,932,396)	-
Business-type activities:							
Sewer	826,987	1,369,578	199,689	-	742,280	742,280	-
Water	1,684,275	1,145,775	38,679	-	(499,821)	(499,821)	-
Sanitation	409,140	401,739	26,656	-	19,255	19,255	-
Electric	3,448,180	3,519,827	-	-	71,647	71,647	-
Total business-type activities	6,368,582	6,436,919	265,024	-	333,361	333,361	-
Total primary government	$ 10,971,531	$ 6,810,022	$ 1,562,474	(2,932,396)	333,361	(2,599,035)	$ -
Component unit:							
Downtown Development Authority	$ 15,606	$ 10,540	$ -	-	-	-	(5,066)
Total component unit	$ 15,606	$ 10,540	$ -	-	-	-	(5,066)
General revenues:							
Franchise taxes				206,277	-	206,277	-
Sales taxes				2,187,205	-	2,187,205	-
Insurance premium taxes				400,462	-	400,462	-
Other taxes				125,364	-	125,364	-
Interest earnings				20,955	1,368	22,323	834
Other				419,202	-	419,202	-
Contributions not restricted to specific programs				-	-	-	9,296
Total general revenues				3,359,465	1,368	3,360,833	10,130
Transfers				253,571	(253,571)	-	-
Total general revenues and transfers				3,613,036	(252,203)	3,360,833	10,130
Change in net position				680,640	81,158	761,798	5,064
Net position – beginning of period				15,132,760	9,211,513	24,344,273	95,725
Net position – end of period				$ 15,813,400	$ 9,292,671	$ 25,106,071	$ 100,789

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	SPLOST IV Capital Projects	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 4,766,684	$ 1,585,215	$ 28,583	$6,380,482
Investments	2,122,178	-	-	2,122,178
Receivables (net of allowance for uncollectibles)				
Taxes	188,363	-	936	189,299
Fines	24,350	-	-	24,350
Loan	107,155	-	-	107,155
Total assets	$ 7,208,730	$ 1,585,215	$ 29,519	$8,823,464
Liabilities				
Accounts payable				
Operating	$ 20,930	$ -	$ -	$ 20,930
Capital	-	1,997	-	1,997
Accrued liabilities				
Wages	20,718	-	-	20,718
Other	4,746	-	-	4,746
Total liabilities	46,394	1,997	-	48,391
Fund balances				
Restricted	48	1,583,218	29,519	1,612,785
Unassigned	7,162,288	-	-	7,162,288
Total fund balances	7,162,336	1,583,218	29,519	8,775,073
Total liabilities and fund balances	$ 7,208,730	$ 1,585,215	$ 29,519	$8,823,464

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, 2016

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances – total governmental funds	$ 8,775,073
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	7,658,985
Net pension liability	(631,779)
Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.	132,972
Deferred inflows of resources related to the recording of the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	(26,509)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Accrued compensated absences	(95,342)
Net position of governmental activities	$ 15,813,400

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, 2016

	General	SPLOST IV Capital Projects	Other Governmental Funds	Total
REVENUES				
Taxes	$ 2,908,414	$ -	$ 10,894	$ 2,919,308
Intergovernmental	298,168	997,365	-	1,295,533
Fines and forfeitures	294,146	-	-	294,146
Miscellaneous	419,202	-	-	419,202
Licenses and permits	78,957	-	-	78,957
Investment income	20,929	1,909	34	22,872
Total revenues	4,019,816	999,274	10,928	5,030,018
EXPENDITURES				
Current:				
General government	1,121,230	-	-	1,121,230
Municipal court	115,529	-	-	115,529
Public safety	1,375,012	-	-	1,375,012
Highways and streets	334,380	-	-	334,380
Parks and recreation	50,969	-	-	50,969
Planning and zoning	125,432	-	-	125,432
Community development	146,406	-	7,120	153,526
Capital:				
General government	24,091	5,287	21,650	51,028
Public safety	68,466	70,090	11,424	149,980
Public utilities	-	420,024	-	420,024
Highways and streets	38,837	214,313	443,210	696,360
Parks and recreation	275,000	7,910	41,940	324,850
Planning and zoning	2,604	-	-	2,604
Community development	4,500	-	-	4,500
Total expenditures	3,682,456	717,624	525,344	4,925,424
Excess of revenues over expenditures	337,360	281,650	(514,416)	104,594
Other financing (uses) sources:				
Transfers	(253,803)	-	507,374	253,571
Total	(253,803)	-	507,374	253,571
Net change in fund balances	83,557	281,650	(7,042)	358,165
Fund balance – beginning of period	7,078,779	1,301,568	36,561	8,416,908
Fund balance – end of period	$ 7,162,336	$ 1,583,218	$ 29,519	$ 8,775,073

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, 2016

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances – total governmental funds		$ 358,165
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	902,732	
Depreciation expense for the current period	(502,144)	400,588
The net pension liability did not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		(54,239)
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		(23,874)
Change in net position of governmental activities		$ 680,640

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, 2016

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 2,792,939	$ 2,808,834	$ 2,908,414	$ 99,580
Fines and forfeitures	325,000	325,000	294,146	(30,854)
Miscellaneous	92,325	92,325	419,202	326,877
Intergovernmental	235,000	592,202	298,168	(294,034)
Investment income	8,498	8,498	20,929	12,431
Licenses and permits	25,000	29,462	78,957	49,495
Total revenues	3,478,762	3,856,321	4,019,816	163,495
EXPENDITURES				
Current:				
General government	1,261,596	1,267,696	1,121,230	146,466
Municipal court	145,630	145,630	115,529	30,101
Public safety	1,455,335	1,467,466	1,375,012	92,454
Highways and streets	387,742	399,937	334,380	65,557
Parks and recreation	75,883	75,883	50,969	24,914
Planning and zoning	177,217	179,780	125,432	54,348
Community development	119,585	122,085	146,406	(24,321)
Capital:				
General government	20,998	20,998	24,091	(3,093)
Public safety	60,700	60,700	68,466	(7,766)
Highways and streets	1,500	1,500	38,837	(37,337)
Parks and recreation	-	-	275,000	(275,000)
Planning and zoning	500	500	2,604	(2,104)
Community development	4,500	4,500	4,500	-
Total expenditures	3,711,186	3,746,675	3,682,456	64,219
Excess of revenues over expenditures	(232,424)	109,646	337,360	227,714
Other financing (uses) sources:				
Transfers	(601,000)	(1,606,902)	(253,803)	1,353,099
Total	(601,000)	(1,606,902)	(253,803)	1,353,099
Net change in fund balances	$ (833,424)	$ (1,497,256)	83,557	$ 1,580,813
Fund balance – beginning of year			7,078,779	
Fund balance – end of year			$ 7,162,336	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 1,480,948	$ 1,304,404
Receivables (net of allowance for uncollectibles) –		
Accounts	505,992	427,932
Materials and supplies inventory	637,920	644,363
Prepaid items	4,841	18,535
Total current assets	2,629,701	2,395,234
Non-current assets:		
Property, plant and equipment –		
Plant and distributions systems	21,175,513	21,175,513
Machinery and equipment	1,136,608	1,120,783
Vehicles	657,891	645,991
Construction in progress	-	25,430
Accumulated depreciation	(8,039,212)	(7,364,633)
Total capital assets (net of accumulated depreciation)	14,930,800	15,603,084
Intangible assets	222,500	237,500
Total non-current assets	15,153,300	15,840,584
Total assets	$ 17,783,001	$ 18,235,818
Deferred Outflows of Resources		
Pensions	$ 78,054	$ -
Liabilities		
Current liabilities		
Accounts payable –		
Operating	$ 5,972	$ 3,180
Accrued liabilities –		
Wages and compensated absences	51,427	42,490
Customer deposits	396,445	404,110
Interest	19,144	20,492
Other	26,998	21,470
Net pension liability	370,854	252,335
Notes payable – current portion	606,025	563,828
Total current liabilities	1,476,865	1,307,905
Long-term liabilities		
Notes payable	7,075,958	7,681,984
Total liabilities	$ 8,552,823	$ 8,989,889
Deferred Inflows of Resources		
Pensions	$ 15,561	$ 34,416
Net Position		
Net invested in capital assets	$ 7,471,317	$ 7,594,772
Unrestricted	1,821,354	1,616,741
Total net position	$ 9,292,671	$ 9,211,513

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, 2016

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2016	2015
Operating Revenues:		
Charges for services	$ 6,411,860	$ 6,090,497
Other	25,059	67,757
Total operating revenues	6,436,919	6,158,254
Operating Expenses:		
Purchases for resale	2,941,755	2,910,038
Personal services and benefits	1,156,408	1,096,949
Contractual services	658,907	627,242
Depreciation	674,579	688,015
Supplies	616,314	499,212
Other	66,966	53,064
Amortization	15,000	15,000
Total operating expenses	6,129,929	5,889,520
Income from operations	306,990	268,734
Non-operating revenues:		
Investment income	1,368	1,062
Interest expense	(238,653)	(254,612)
Income before contributions and transfers	69,705	15,184
Capital Contribution		
Sewer	199,689	251,692
Water	38,679	44,862
Electric	26,656	32,534
Transfers	(253,571)	(8,531)
Change in net position	81,158	335,741
Net position beginning of year	9,211,513	8,875,772
Net position end of year	$ 9,292,671	$ 9,211,513

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 6,351,194	$ 6,191,243
Cash paid to suppliers for goods and services	(4,534,765)	(4,297,763)
Cash paid to employees	(847,929)	(862,470)
Net cash provided by operating activities	968,500	1,031,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	1,368	1,062
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers	(253,571)	(8,531)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,295)	(151,021)
Repayment of notes payable	(539,299)	(523,379)
Proceeds from capital lease	-	73,591
Repayment of capital lease	(24,530)	(24,530)
Interest paid	(238,653)	(254,612)
Capital contributions	265,024	329,088
Net cash used in capital financing activities	(539,753)	(550,863)
NET CHANGE IN CASH	176,544	472,678
CASH AT BEGINNING OF YEAR	1,304,404	831,726
CASH AT END OF YEAR	$ 1,480,948	$ 1,304,404

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS – (CONTINUED)
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Reconciliation of Net Income to Net Cash
Provided by Operating Activities

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2016	2015
NET OPERATING INCOME	$ 306,990	$ 268,734
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	674,579	688,015
Amortization expense	15,000	15,000
(Increase) Decrease in receivables	(78,060)	15,234
Decrease in inventory	6,443	40,424
Decrease (Increase) in prepaid expenses	13,694	(2,141)
(Increase) Decrease in deferred outflows of resources	(78,054)	36,601
Increase in accounts payable	2,792	3,180
Increase (Decrease) in accrued salaries	8,937	(14,837)
(Decrease) Increase in other customer deposits	(7,665)	17,755
Decrease in accrued interest	(1,348)	(1,308)
Increase in other accrued expense	5,528	369
Increase (Decrease) in net pension liability	118,519	(45,693)
(Decrease) Increase in deferred inflows of resources	(18,855)	9,677
Total adjustments	661,510	762,276
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 968,500	$ 1,031,010

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 – net investment in capital assets; restricted; and unrestricted. The City first utilizes restricted resources to finance qualifying activities.

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

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

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

D. Basic Financial Statements – Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Basic Financial Statements – Fund Financial Statements (Continued)

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

SPLOST IV Capital Project Fund – The SPLOST IV Capital Project Fund accounts for capital projects financed by a one percent sales and use tax.

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. As of September 30, 2016, the City had no 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, 2016:

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, 2016 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 2016. 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.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned net position could be used, the City considers committed funds to have been spent first, then assigned and then unassigned.

Net Position

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

R. Fund Balances/Net Position (Continued)

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 "net investment in capital assets".

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, 2016.

6. Unexpended budget appropriations at period-end lapse.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

V. Pension Plans

The City provides a defined benefit pension plan to all eligible employees. It is the City's policy to fund this plan's normal cost annually, as determined by actuarial valuation.

W. Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Revenues, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in the statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City had no deferred outflows of resources in the current year.

In addition to liabilities, the statement of revenues, expenditures, and changes in fund balance will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Hampton Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS

Cash on Deposit

At year end, the carrying amount of the City's deposits was $7,861,430 and the bank balance was $8,204,759. 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, 2016:

Category	Bank Balance
1	$ 500,000
2	7,704,759
3	-
	$ 8,204,759

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, 2016. There was no property taxes receivable as of September 30, 2016.

4. RECEIVABLES

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

	Gross	Allowance	Net
General Fund			
Taxes	$ 188,363	$ -	$ 188,363
Fines	24,350	-	24,350
Loan	107,155	-	107,155
Other Governmental Funds			
Taxes	936	-	936
Utility Fund			
Accounts	967,505	461,513	505,992
Total	$ 1,288,309	$ 461,513	$ 826,796

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. There were no transfers for the year. Interfund balances for the year were as follows:

Interfund transfers:

From:	General Fund	$ 253,803
	Utility Fund	253,571
To:	Capital Improvements Fund	$ 507,374

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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 665,001	$ 27,500	$ -	$ 692,501
Construction in progress	175,991	4,800	175,991	4,800
Total capital assets, not being depreciated	840,992	32,300	175,991	697,301
Capital assets, being depreciated:				
Buildings	3,529,709	247,500	-	3,777,209
Improvements other than buildings	2,795,446	-	-	2,795,446
Infrastructure	2,592,900	641,713	-	3,234,613
Furniture and fixtures	33,032	-	-	33,032
Office furniture	262,880	-	-	262,880
Machinery and equipment	518,185	87,120	-	605,305
Vehicles	793,625	70,090	-	863,715
Total capital assets being depreciated	10,525,777	1,046,423	-	11,572,200
Less accumulated depreciation for:				
Buildings	554,092	105,190	-	659,282
Improvements other than buildings	1,136,189	147,470	-	1,283,659
Infrastructure	1,168,362	134,122	-	1,302,484
Furniture and fixtures	33,032	-	-	33,032
Office equipment	238,034	7,099	-	245,133
Machinery and equipment	349,849	42,902	-	392,751
Vehicles	628,814	65,361	-	694,175
Total accumulated depreciation	4,108,372	502,144	-	4,610,516
Total capital assets, being depreciated, net	6,417,405	544,279	-	6,961,684
Governmental activities capital assets, net	$ 7,258,397	$ 576,579	$ 175,991	$ 7,658,985

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

General government	$ 17,459
Public safety and courts	97,445
Public works	342,846
Parks and recreation	38,031
Planning and zoning	5,288
Community development	1,075
Total depreciation expense	$ 502,144

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 25,430	$ -	$ 25,430	$ -
Total capital assets, not being depreciated	25,430	-	25,430	-
Capital assets, being depreciated:				
Distribution and collection system	21,175,513	-	-	21,175,513
Machinery and equipment	1,120,783	15,825	-	1,136,608
Vehicles	645,991	11,900	-	657,891
Total capital assets being depreciated	22,942,287	27,725	-	22,970,012
Less accumulated depreciation for:				
Distribution and collection system	5,949,433	581,208	-	6,530,641
Machinery and equipment	879,013	40,254	-	919,267
Vehicles	536,187	53,117	-	589,304
Total accumulated depreciation	7,364,633	674,579	-	8,039,212
Total capital assets, being depreciated, net	15,577,654	(646,854)	-	14,930,800
Business-type activities capital assets, net	$ 15,603,084	$ (646,854)	$ 25,430	$ 14,930,800
Intangible assets:				
Loan fees	$ 300,000	$ -	$ -	$ 300,000
Less: accumulated amortization	62,500	15,000	-	77,500
Total intangible assets, net	$ 237,500	$ (15,000)	$ -	$ 222,500

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, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental-Type Activities:					
*Compensated absences	71,468	23,874	-	95,342	-
Governmental-Type Activities	71,468	23,874	-	95,342	-
Business-Type Activities:					
Capital leases	49,061	-	24,530	24,531	24,531
Notes payable	8,196,751	-	539,299	7,657,452	581,494
Business-Type Activities	8,245,812	-	563,829	7,681,983	606,025
Total	$ 8,317,280	$ 23,874	$ 563,829	$ 7,777,325	$ 606,025

* 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 $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:

Amortization of assets recorded under capital leases is included with depreciation expense.

Year	
2017	$ 26,004
Less: imputed interest	(1,473)
Present value of minimum lease payments	$ 24,531

Interest incurred during the current year was $1,474.

9. LONG-TERM DEBT – (Continued)

The City entered into a construction loan agreement with the Georgia Environmental Facilities Authority (GEFA) for the financing of the construction for the wastewater treatment facility. The terms of the loan allow the City to draw down funds up to $15,000,000 through the end of the construction. The amount outstanding as of September 30, 2016 was $7,657,452. During the subsequent fiscal year the client issued bonds as a way to refinance this loan. The following is a summary of the future minimum note payments based on the issued bonds, including the bond issuance fees:

Year	Interest	Principal
2017	$ 153,108	$ 581,494
2018	139,233	614,272
2019	126,834	626,671
2020	114,185	639,320
2021	101,281	652,224
2022 – 2026	303,540	3,463,987
2027 – 2028	22,123	1,245,708
	$ 960,304	$ 7,823,676

Interest incurred during the current year was $238,527.

10. RISK MANAGEMENT

The City of Hampton is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agent and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

10. RISK MANAGEMENT – (Continued)

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:	
Buildings and Contents (Blanket)	$ 8,515,020
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	$ 1,000,000
COVERAGE DESCRIPTION – CRIME:	
Blanket Bond	$ 1,000,000
Depositors Forgery	$ 1,000,000
Money and Securities – Loss Inside and Outside the Premises	$ 1,000,000
DEDUCTIBLE:	
All coverages, except automobile liability, are subject to a per occurrence deductible of	$ 2,500
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.

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.

11. EMPLOYEE BENEFITS PLANS

DEFINED BENEFIT PENSION PLAN

Plan Description –

The City, as authorized by the City Council, has established a non-contributory defined pension plan, City of Hampton Retirement Plan (HRP), covering all full-time employees. HRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia, 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire on reaching the age of 65, depending on their classification. Early retirement is possible on reaching the age of 55, depending on the member's classification. In addition, police officers can retire at age 55 and 10 years of service with full benefits. Benefits are calculated at 1.5% to 1.75% of the average monthly earnings for the period of the five highest years' earnings prior to retirement.

Current membership in the plan is as follows:

Retirees and beneficiaries currently receiving benefits	13
Terminated vested participants entitled to but not yet receiving benefits	16
Active participants	55
Total number of participants	84

Contributions: The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to the recommended contribution described below. For 2016, the actuarially determined contribution rate was 8.84% of covered payroll. For 2016, the City's contribution to the plan totaled $216,633.

Net Pension Liability of the City

Effective October 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

11. EMPLOYEE BENEFIT PLANS – (Continued)

The City's net pension liability was measured as of July 1, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of July 1, 2016.

Actuarial assumptions: The total pension liability in the March 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with se-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2016 valuation were based on results of an actuarial experience study for the period January 1, 2010 – June 30, 2014. There is no cost of living adjustment by the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2016 are summarized in the following table:

Asset Class	Allocation	Long-term Expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Cash	0%	0.00%

* Rates shows are net of the 3.25% assumed rate of inflation.

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Base on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

11. EMPLOYEE BENEFIT PLANS – (Continued)

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2015	$ 3,609,077	$ 2,942,205	$ 666,872
Changes for the year:			
Service cost	131,746	-	131,746
Interest	275,819	-	275,819
Differences between expected and actual experience	77,589	-	77,589
Contributions – employer	-	205,520	(205,520)
Net investment income	-	10,932	(10,932)
Benefit payments, including refunds of employee contributions	(100,236)	(100,236)	-
Administrative expense	-	(6,923)	6,923
Other	60,136	-	60,136
Net changes	445,054	109,293	335,761
Balances at September 30, 2016	$ 4,054,131	$ 3,051,498	$ 1,002,633

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 1,598,331	$ 1,002,633	$ 507,602

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2016, and the current sharing pattern of costs between employer and employee.

11. EMPLOYEE BENEFIT PLANS – (Continued)

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

For the year ended September 30, 2016, the City recognized pension expense of $281,369. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual expense	$ 64,660	$ (37,290)
Changes in assumptions	-	(4,780)
Net difference between projected and actual earnings on pension plan investments	146,366	-
Total	$ 211,026	$ (42,070)

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

Year ending June 30:	
2017	$ 38,580
2018	38,580
2019	38,580
2020	48,698
2021	4,518
	$ 168,956

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, 2016:

	Amount	Percent
Total collected	$ 10,894	100%
Amount remitted to Henry County Chamber of Commerce	$ 4,368	40%
Amount remitted for Public Relations	$ 2,752	25%

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, 2016, the General Fund's Fines and Forfeitures revenues of $30,854 did not exceed the fund's respective appropriations of $294,146. This was due to the police department continuing to increase their presence in the neighborhoods around the City, which has decreased the number of tickets and fines.

For the year ended September 30, 2016, the General Fund's Intergovernmental revenues of $298,168 did not exceed the fund's respective appropriations of $592,202. This was due to a grant that was received during the current year, but not for the amount expected and budgeted for.

For the year ended September 30, 2016, the General Fund's Community Development current expenditures of $146,406 exceeded the fund's respective appropriations of $122,085. This was due to an increase in events that were put on by the City during the current year.

For the year ended September 30, 2016, the General Fund's General Government current expenditures of $24,091 exceeded the fund's respective appropriations of $20,998. This was due to some minor work that required contracted services not included in the budget.

For the year ended September 30, 2016, the General Fund's Public Safety capital expenditures of $68,466 exceeded the fund's respective appropriations of $60,700. This was due to the police department purchasing equipment that had been budgeted for as current expenditures.

For the year ended September 30, 2016, the General Fund's Highways and Streets capital expenditures of $38,837 exceeded the fund's respective appropriations of $1,500. This was due to additional sidewalk maintenance and the purchase of street paving equipment.

14. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES – (Continued)

For the year ended September 30, 2016, the General Fund's Parks and Recreation capital expenditures of $275,000 exceeded the fund's respective appropriations of $0. This was due to the old library building and land being donated to the City.

For the year ended September 30, 2016, the General Fund's Planning and Zoning capital expenditures of $2,604 exceeded the fund's respective appropriations of $500. This was due to the City budgeting for equipment in current expenditures instead of budgeting the equipment as a capital expenditure.

For the year ended September 30, 2016, the Hotel/Motel Fund's Taxes revenue of $10,894 did not exceed the fund's respective appropriations of $13,000. This was due to an expected increase of travel in the area that did not happen in the current year.

For the year ended September 30, 2016, the SPLOST Capital Projects Fund's Highways and Streets capital expenditures of $2,818 exceeded the fund's respective appropriations of $0. This was due to closing out of the fund, which was not included in the budget.

For the year ended September 30, 2016, the SPLOST III Capital Projects Fund's Highways and Streets capital expenditures of $8,032 exceeded the fund's respective appropriations of $0. This was due to closing out of the fund, which was not included in the budget.

For the year ended September 30, 2016, the SPLOST IV Capital Projects Fund's Public Utilities capital expenditures of $5,287 exceeded the fund's respective appropriations of $0. This was due to minor City Hall repairs during the current year that were not budgeted for.

For the year ended September 30, 2016, the Other Capital Projects Fund's General Government capital expenditures of $21,650 exceeded the fund's respective appropriations of $20,000. This was due to additional expenses associated with the digital sign purchased in the current year.

For the year ended September 30, 2016, the Other Capital Projects Fund's transfers in of $507,374 did not exceed the fund's respective appropriations of $2,255,402. This was due to current year expenses not exceeding the budget.

CITY OF HAMPTON, GEORGIA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	$ 131,746	$ 128,596
Interest	275,819	257,215
Differences between expected and actual experience	77,589	(52,209)
Changes of assumptions	-	(6,690)
Changes of benefit terms	60,136	-
Benefit payments, including refunds of employee contributions	(100,236)	(73,476)
Net change in total pension liability	445,054	253,436
Total pension liability – beginning	3,609,077	3,355,641
Total pension liability – ending (a)	$ 4,054,131	$ 3,609,077
Plan fiduciary net position		
Contributions – employer	$ 205,520	$ 193,380
Net investment income	10,932	254,484
Benefit payments, including refunds of employee contributions	(100,236)	(73,476)
Administrative expenses	(6,923)	(6,214)
Net change in plan fiduciary net pension	109,293	368,174
Plan fiduciary net position – beginning	2,942,205	2,574,031
Plan fiduciary net position – ending (b)	$ 3,051,498	$ 2,942,205
City's net pension liability – ending (a) - (b)	$ 1,002,633	$ 666,872
Plan fiduciary net position as a percentage of the total pension liability	75.27%	81.5%
Covered-employee payroll	2,412,993	2,464,960
City's net pension liability as a percentage of covered employee payroll	41.55%	27.1%

Notes to the Schedule
The schedule will present 10 years of information once it is accumulated.

CITY OF HAMPTON, GEORGIA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

	2016	2015	2014
Actuarially determined contribution	$ 216,633	$ 197,578	$ 208,168
Contributions in relation to the actuarially determined Contribution	216,633	197,578	208,168
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	2,412,993	2,464,960	2,341,053
Contributions as a percentage of Covered-employee payroll	8.98%	8.02%	8.89%

Notes to the Schedule

Valuation date	July 1, 2016
Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increase	3.25% plus service based merit increases

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST CAPITAL PROJECTS FUND	SPLOST III CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
Assets					
Cash and cash equivalents	$ 28,583	$ -	$ -	$ -	$ 28,583
Receivables (net of allowance for uncollectibles)					
Taxes	936	-	-	-	936
Total assets	$ 29,519	$ -	$ -	$ -	$ 29,519
Fund balances					
Restricted	29,519	-	-	-	29,519
Total fund balances	29,519	-	-	-	29,519
Total liabilities and fund balances	$ 29,519	$ -	$ -	$ -	$ 29,519

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	SPLOST CAPITAL PROJECTS FUND	SPLOST III CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 10,894	$ -	$ -	$ -	$ 10,894
Investment income	26	-	1	7	34
Total revenues	10,920	-	1	7	10,928
EXPENDITURES					
Current:					
Community development	7,120	-	-	-	7,120
Capital:					
General government	-	21,650	-	-	21,650
Public safety	-	11,424	-	-	11,424
Highways and streets	-	432,360	2,818	8,032	443,210
Parks and recreation	-	41,940	-	-	41,940
Total expenditures	7,120	507,374	2,818	8,032	525,344
Excess (deficiency) of revenues over expenditures	3,800	(507,374)	(2,817)	(8,025)	(514,416)
Other financing sources:					
Transfers	-	507,374	-	-	507,374
Net change in fund balances	3,800	-	(2,817)	(8,025)	(7,042)
Fund balance – beginning of period	25,719	-	2,817	8,025	36,561
Fund balances – end of period	$ 29,519	$ -	$ -	$ -	$ 29,519

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	$ 13,000	$ 13,000	$ 10,894	$ (2,106)
Investment income	16	16	26	10
Total revenues	13,016	13,016	10,920	(2,096)
EXPENDITURES				
Current:				
Community development	13,016	13,016	7,120	5,896
Total expenditures	13,016	13,016	7,120	5,896
Net change in fund balances	$ -	$ -	3,800	$ 3,800
Fund balance – beginning of year			25,719	
Fund balance – end of year			$ 29,519	

CITY OF HAMPTON, GEORGIA
SPLOST CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Investment income	$ -	$ -	$ 1	$ 1
Total revenues	-	-	1	1
EXPENDITURES				
Capital:				
Highways and streets	-	-	2,818	(2,818)
Total expenditures	-	-	2,818	(2,818)
Net change in fund balances	$ -	$ -	(2,817)	$ (2,817)
Fund balance – beginning of year			2,817	
Fund balance – end of year			$ -	

CITY OF HAMPTON, GEORGIA
SPLOST III CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Investment income	$ -	$ -	$ 7	7
Total revenues	-	-	7	7
EXPENDITURES				
Capital:				
Highways and streets	-	-	8,032	(8,032)
Total expenditures	-	-	8,032	(8,032)
Net change in fund balances	$ -	$ -	(8,025)	$ (8,025)
Fund balance – beginning of year			8,025	
Fund balance – end of year			$ -	

CITY OF HAMPTON, GEORGIA
SPLOST IV CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ -	$ 429,135	$ 997,365	$ 568,230
Investment income	800	800	1,909	1,109
Total revenues	800	429,935	999,274	569,339
EXPENDITURES				
Capital:				
General government	-	-	5,287	(5,287)
Public safety	-	70,090	70,090	-
Public utilities	194,000	680,979	420,024	260,955
Highways and streets	634,231	420,097	214,313	205,784
Parks and recreation	25,800	112,000	7,910	104,090
Total expenditures	854,031	1,283,166	717,624	565,542
Net change in fund balances	$ (853,231)	$ (853,231)	281,650	$ 1,134,881
Fund balance – beginning of year			1,301,568	
Fund balance – end of year			$ 1,583,218	

CITY OF HAMPTON, GEORGIA
OTHER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
EXPENDITURES				
Capital:				
General government	$ -	$ 20,000	$ 21,650	$ (1,650)
Public safety	20,359	75,359	11,424	$ 63,935
Highways and streets	699,286	1,052,688	432,360	620,328
Parks and recreation	116,000	136,000	41,940	94,060
Sewer system improvements	1,185,826	1,185,826	-	1,185,826
Water system improvements	358,000	563,402	-	563,402
Electric system improvements	57,900	570,400	-	570,400
Total expenditures	2,437,371	3,603,675	507,374	3,096,301
Excess (deficiency) of revenues over expenditures	(2,437,371)	(3,603,675)	(507,374)	3,096,301
Other financing sources (uses):				
Transfers	1,249,500	2,255,402	507,374	(1,748,028)
Net change in fund balances – Budget basis	$ (1,187,871)	$ (1,348,273)	-	$ 1,348,273
Fund balance – beginning of year			-	
Fund balance – end of year			$ -	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Project	SPLOST Total Estimated Project Costs	Expenditures		
		Prior Years	Current Year	Total
SPLOST:				
Roads, streets, curbs, gutters sidewalks and bridges	$ 2,000,000	$ 2,818,646	$ 2,818	$ 2,821,464
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	53,623	-	53,623
	$ 3,043,885	$ 4,107,498	$ 2,818	$ 4,110,316
SPLOST III:				
Roads, bridges, sidewalks and transportation facilities	$ 1,300,000	$ 345,461	$ 8,032	$ 353,493
Public safety facilities and equipment	4,000,000	1,593,483	-	1,593,483
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	162,432	-	162,432
Construction and renovation of municipal buildings	30,000	-	-	-
	$ 8,400,000	$ 3,864,976	$ 8,032	$ 3,873,008

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS – (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Project	SPLOST Total Estimated Project Costs	Expenditures		Total
		Prior Years	Current Year	
SPLOST IV:				
Roads, bridges, sidewalks and transportation facilities	$ 2,675,000	$ 3,475	$ 214,313	$ 217,788
Public safety facilities and equipment	740,000	-	70,090	70,090
Public works facilities and equipment	1,710,000	42,240	420,024	462,264
Construction and renovation of municipal buildings	1,100,000	-	5,287	5,287
Parks and recreation facilities	600,000	-	7,910	7,910
Community development facilities	450,000	-	-	-
	$ 7,275,000	$ 45,715	$ 717,624	$ 763,339

FULTON KOZAK

CERTIFIED PUBLIC ACCOUNTANTS

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

To the 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, 2016, 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 28, 2017.

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.

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

Our consideration of internal control was for the limited purpose described in the 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, material weaknesses may exist that have not been identified.

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.*

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 28, 2017