CITY OF HAMPTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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CITY OF HAMPTON, GEORGIA

CITY OFFICIALS

CITY COUNCIL

Steve Hutchinson, Mayor

Stephanie Bodie

Elton Brown

Henry Byrd

Errol Mitchell

Ann Tarpley

Willie Turner

CITY CLERK

Pat Watson

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, 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, 2017, 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, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia as of September 30, 2017 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 27, 2018 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 27, 2018

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, 2017. 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, 2017 by $27,315,558. Of this amount unrestricted net position, of $10,104,194 may be used to meet the government's ongoing obligations to citizens and creditors. The $10,104,194 in unrestricted net position is further allocated $7,760,162 to governmental-type activities and $2,344,032 to business-type activities.

- The total net position increased by $2,108,698. Of this amount a net increase of $1,593,463 was associated with governmental activities, and an increase of $515,235 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 $10,448,234, an increase of $1,572,372 in comparison with the prior year. Of this amount $34,778 is non-spendable, $2,721,591 is restricted, and $7,691,865 is unassigned. The unassigned of $7,691,865 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 $2,344,032 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 $7,691,865 or 214 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 $654,686 to a total of $7,229,794.

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 2017 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, 2017, the City's assets exceeded liabilities by $27,315,558. The City's net position reflects its investment in capital assets (55.3 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, $2,106,196 (7.7 percent) is restricted for capital projects and other specified activities and $10,104,194 (37.0 percent) is unrestricted, allocated between the governmental activities ($7,760,162) and the business-type activities ($2,344,032).

City of Hampton's Net Position

	Governmental Activities		
	2017	2016	Change
Current and other assets	$ 10,526,514	$ 8,903,016	$ 1,623,498
Capital assets	7,662,594	7,787,377	(124,783)
Total assets	18,189,108	16,690,393	1,498,715
Deferred outflows of resources	32,757	132,972	(100,215)
Current liabilities	503,288	689,219	(185,931)
Long-term liabilities	72,351	193,448	(121,097)
Total liabilities	575,639	882,667	(307,028)
Deferred inflows of resources	138,574	26,509	112,065
Net position:			
Net investment in capital assets	7,641,294	7,680,222	(38,928)
Restricted	2,106,196	1,657,754	448,442
Unrestricted	7,760,162	6,576,213	1,183,949
Total net position	$ 17,507,652	$ 15,914,189	$ 1,593,463

City of Hampton's Net Position – Continued

	Business-type Activities		
	2017	2016	Change
Current and other assets	$ 3,183,198	$ 2,629,701	$ 553,497
Capital assets	14,610,977	15,153,300	(542,323)
Total assets	17,794,175	17,783,001	11,174
Deferred outflows of resources	18,971	78,054	(59,083)
Current liabilities	1,394,720	1,476,865	(82,145)
Long-term liabilities	6,530,266	7,075,958	(545,692)
Total liabilities	7,924,986	8,552,823	(627,837)
Deferred inflows of resources	80,254	15,561	64,693
Net position:			
Net investment in capital assets	7,463,874	7,471,317	(7,443)
Unrestricted	2,344,032	1,821,354	522,678
Total net position	$ 9,807,906	$ 9,292,671	$ 515,235

	Total		
	2017	2016	Change
Current and other assets	$ 13,709,712	$ 11,532,717	$ 2,176,995
Capital assets	22,273,571	22,940,677	(667,106)
Total assets	35,983,283	34,473,394	1,509,889
Deferred outflows of resources	51,728	211,026	(159,298)
Current liabilities	1,898,008	2,166,084	(268,076)
Long-term liabilities	6,602,617	7,269,406	(666,789)
Total liabilities	8,500,625	9,435,490	(934,865)
Deferred inflows of resources	218,828	42,070	176,758
Net position:			
Net investment in capital assets	15,105,168	15,151,539	(46,371)
Restricted	2,106,196	1,657,754	448,442
Unrestricted	10,104,194	8,397,567	1,706,627
Total net position	$ 27,315,558	$ 25,206,860	$ 2,108,698

A portion of the net position ($2,106,196) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($10,104,194) may be used to meet the government's ongoing obligations to citizens and creditors.

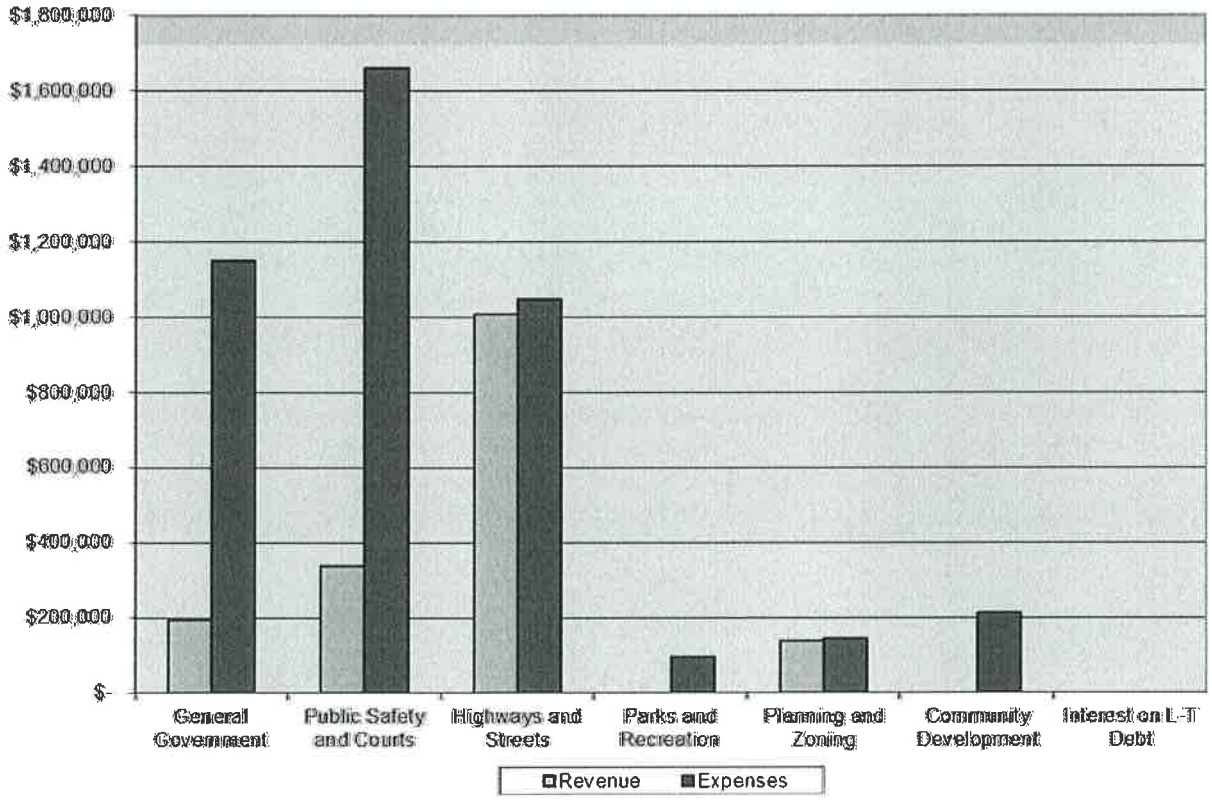
City of Hampton's Change in Net Position

(In millions of dollars)

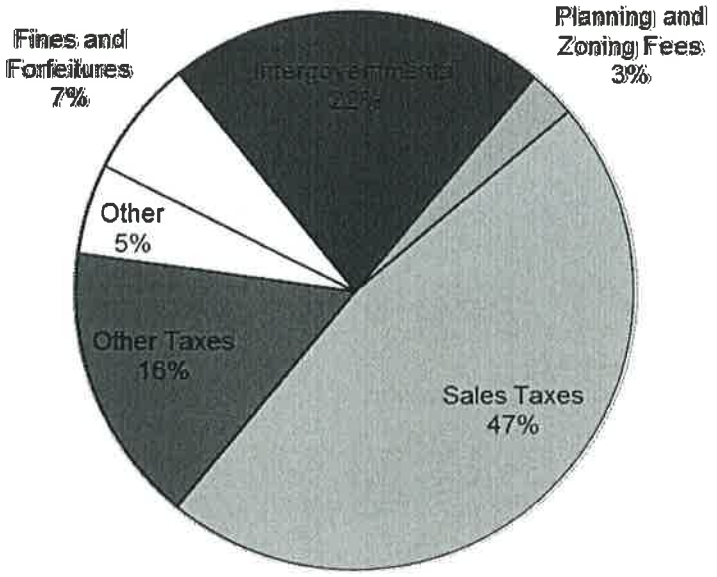
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program Revenues –						
Charges for services	$ 0.5	$ 0.4	$ 6.6	$ 6.4	$ 7.1	$ 6.8
Capital grants and contributions	1.1	1.3	0.4	0.3	1.5	1.6
General Revenues –						
Sales taxes	2.3	2.2	0.0	0.0	2.3	2.2
Other taxes	0.8	0.7	0.0	0.0	0.8	0.7
Interest	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.4	0.0	0.0	0.2	0.4
Contributions	0.6	0.1	0.0	0.0	0.6	0.1
Total Revenues	5.5	5.1	7.0	6.7	12.5	11.8
Expenses:						
General government	1.1	1.2	0.0	0.0	1.1	1.2
Public safety and courts	1.7	1.7	0.0	0.0	1.7	1.7
Parks and recreation	0.1	0.1	0.0	0.0	0.1	0.1
Highways and streets	1.0	1.3	0.0	0.0	1.0	1.3
Planning and zoning	0.1	0.1	0.0	0.0	0.1	0.1
Community development	0.2	0.2	0.0	0.0	0.2	0.2
Water	0.0	0.0	1.3	1.7	1.3	1.7
Sewer	0.0	0.0	1.0	0.8	1.0	0.8
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	4.3	4.6	6.1	6.3	10.4	10.9
Increase in net position before transfers	1.2	0.5	0.9	0.4	2.1	0.9
Transfers	0.4	0.3	(0.4)	(0.3)	0.0	0.0
Increase in net position	1.6	0.8	0.5	0.1	2.1	0.9
Net position – beginning of the year, as restated	15.9	15.1	9.3	9.2	25.2	24.3
Net position – end of year	$ 17.5	$ 15.9	$ 9.8	$ 9.3	$ 27.3	$ 25.2

Governmental activities. Governmental activities increased the City of Hampton's net position by $1,593,463.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

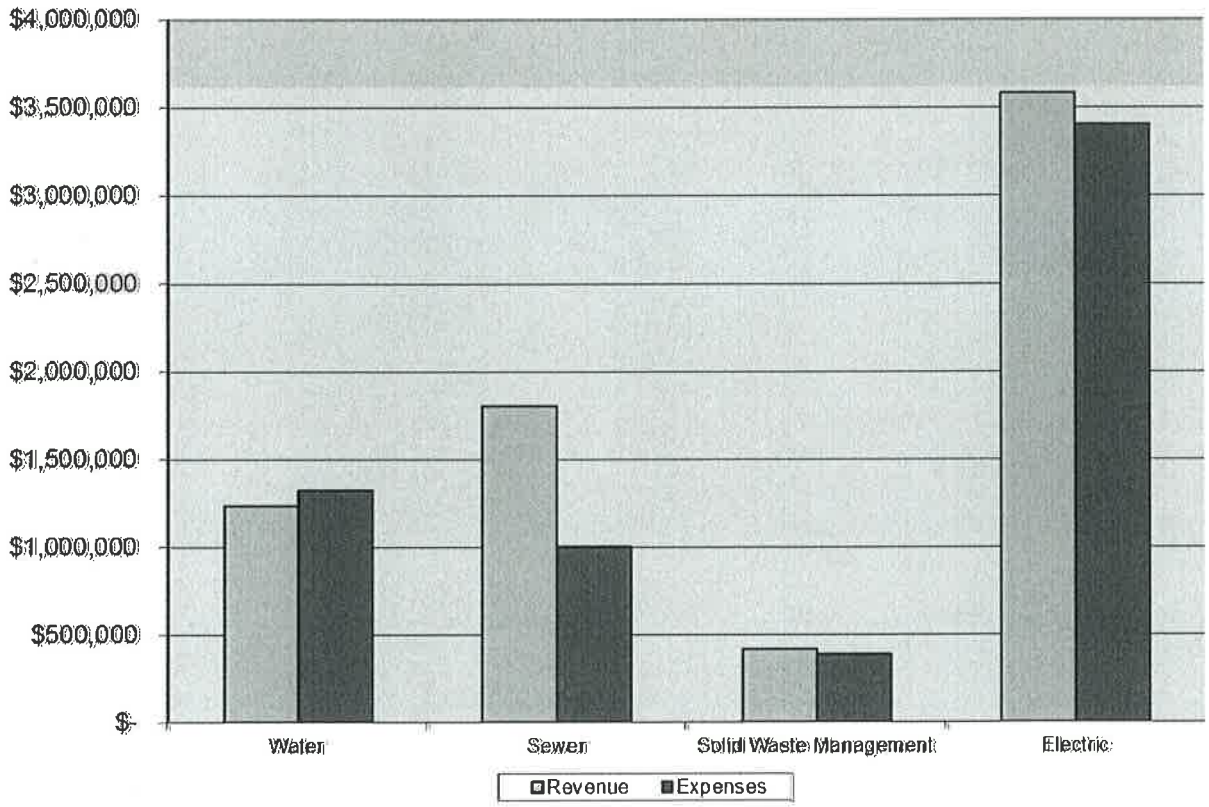


REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



Business–type activities. Business-type activities increased the City's net position by $515,235.

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, 2017 the City's governmental funds reported combined ending fund balances of $10,448,234, an increase of $1,572,372 in comparison to the prior year. Of this amount, $7,691,865 (73.6 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 ($2,106,147); 2) for Police Activities ($49); 3) for Hotel/Motel ($35,761), 4) for Downtown Development Authority ($579,634) and 5) for prepaid expenses which are not available for current government's spending discretion ($34,778).

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 $7,691,865 while the total fund balance totaled $7,726,692. 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 214 percent of the total general fund expenditures, while total fund balance represents 215 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by $564,356. The City collected a total of $2,347,166 in Local Option Sales Taxes for 2017, a decrease of 7.3% from 2016. Fines and forfeitures increased by 14.9% to $338,099 in 2017. Overall, the City's general fund revenue decreased by $54,632. At the same time, the expenditures decreased by $87,371 from 2016 amounts.

The City of Hampton received $1,006,050 in Special Purpose Local Option Sales Taxes in 2017. Major expenditures during 2017 of the SPLOST funds were: 1) Street improvements ($228,442); 2) City Hall improvements ($8,263); 3) park projects ($9,951); 4) public safety vehicles ($56,440); and 5) public works facilities ($182,631).

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 $2,344,032. 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 Licenses and Permits revenue budget of $65,088 was amended to $109,663, an increase of $44,575. This amendment was for an increase in construction in the City during the current year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2017 amounts to $22,126,844 (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:

- $ 336,675 for sidewalk, streets, and drainage projects
- $ 146,957 for new police and streets vehicles
- $ 90,061 for park renovations
- $ 63,644 for general, police, streets, and parks equipment
- $ 32,969 for sewer and water equipment
- $ 2,478 for vehicle for electrical department

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 $7,229,794 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

	Balance
Governmental Activities –	
Accrued compensated absences	$ 61,391
Capital leases	21,300
Business-Type Activities –	
Bonds	7,145,500
Capital leases	1,603
Total	$ 7,229,794

The City's total debt decreased by $654,686. 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 7,618,491	$ 2,004,117	$ 9,622,608
Investments	2,131,363	-	2,131,363
Receivables (net of allowance for uncollectibles)			
Taxes	222,523	-	222,523
Accounts	33,022	566,704	599,726
Fines	15,261	-	15,261
Loan	250,076	-	250,076
Materials and supplies inventory	-	591,894	591,894
Property held for sale	221,000	-	221,000
Prepaid items	34,778	20,483	55,261
Non-depreciable capital assets	746,220	103,888	850,108
Depreciable capital assets, net	6,916,374	14,360,362	21,276,736
Intangible assets	-	146,727	146,727
Total assets	$ 18,189,108	$ 17,794,175	$ 35,983,283
Deferred Outflows of Resources			
Pension	32,757	18,971	51,728
Total deferred outflows of resources	32,757	18,971	51,728
Liabilities			
Accounts payable			
Operating	$ 37,564	$ -	$ 37,564
Accrued liabilities –			
Wages	35,624	17,203	52,827
Compensated absences	-	34,941	34,941
Customer deposits	-	447,125	447,125
Interest	-	12,070	12,070
Other	5,092	26,391	31,483
Net pension liability	414,668	240,153	654,821
Long-term liabilities –			
Due within one year	10,340	616,837	627,177
Due in more than one year	72,351	6,530,266	6,602,617
Total liabilities	575,639	7,924,986	8,500,625
Deferred Inflows of Resources			
Pension	138,574	80,254	218,828
Total deferred inflows of resources	138,574	80,254	218,828
Net position			
Net investment in capital assets	7,641,294	7,463,874	15,105,168
Restricted for –			
Capital projects	2,106,147	-	2,106,147
Police activities	49	-	49
Unrestricted	7,760,162	2,344,032	10,104,194
Total net position	$ 17,507,652	$ 9,807,906	$ 27,315,558

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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
Primary government:						
Governmental activities:						
General government	$ 1,147,699	$ 16,597	$ 85,713	$ (1,045,389)	$ -	$ (1,045,389)
Public safety and courts	1,659,633	338,099	-	(1,321,534)	-	(1,321,534)
Public works	1,047,471	-	1,008,656	(38,815)	-	(38,815)
Parks and recreation	96,877	-	-	(96,877)	-	(96,877)
Planning and zoning	144,863	137,316	-	(7,547)	-	(7,547)
Community development	212,564	-	-	(212,564)	-	(212,564)
Total governmental activities	4,309,107	492,012	1,094,369	(2,722,726)	-	(2,722,726)
Business-type activities:						
Sewer	1,003,498	1,506,928	295,967	-	799,397	799,397
Water	1,326,156	1,178,736	55,089	-	(92,331)	(92,331)
Sanitation	385,026	414,101	38,806	-	67,881	67,881
Electric	3,404,171	3,544,712	-	-	140,541	140,541
Total business-type activities	6,118,851	6,644,477	389,862	-	915,488	915,488
Total primary government	$ 10,427,958	$ 7,136,489	$ 1,484,231	(2,722,726)	915,488	(1,807,238)
General revenues:						
Franchise taxes				239,509	-	239,509
Sales taxes				2,347,166	-	2,347,166
Insurance premium taxes				433,778	-	433,778
Other taxes				137,544	-	137,544
Interest earnings				23,941	1,743	25,684
Other				219,206	-	219,206
Contributions not restricted to specific programs				594,559	-	594,559
Loss on sale of assets				(81,510)	-	(81,510)
Total general revenues				3,914,193	1,743	3,915,936
Transfers				401,996	(401,996)	-
Total general revenues and transfers				4,316,189	(400,253)	3,915,936
Change in net position				1,593,463	515,235	2,108,698
Net position – beginning of period, as restated				15,914,189	9,292,671	25,206,860
Net position – end of period				$ 17,507,652	$ 9,807,906	$ 27,315,558

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General	SPLOST IV Capital Projects	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 5,402,840	$ 2,106,147	$ 109,504	$ 7,618,491
Investments	2,131,363	-	-	2,131,363
Receivables (net of allowance for uncollectibles)				
Taxes	220,730	-	1,793	222,523
Accounts	-	-	33,022	33,022
Fines	15,261	-	-	15,261
Loan	-	-	250,076	250,076
Land held for sale	-	-	221,000	221,000
Prepaid items	34,778	-	-	34,778
Total assets	$ 7,804,972	$ 2,106,147	$ 615,395	$ 10,526,514
Liabilities				
Accounts payable				
Operating	$ 37,564	$ -	$ -	$ 37,564
Accrued liabilities				
Wages	35,624	-	-	35,624
Other	5,092	-	-	5,092
Total liabilities	78,280	-	-	78,280
Fund balances				
Non-spendable: prepaid expenses	34,778	-	-	34,778
Restricted: police activities	49	-	-	49
Restricted: capital projects	-	2,106,147	-	2,106,147
Restricted: hotel/motel	-	-	35,761	35,761
Restricted: Downtown Development Authority	-	-	579,634	579,634
Unassigned	7,691,865	-	-	7,691,865
Total fund balances	7,726,692	2,106,147	615,395	10,448,234
Total liabilities and fund balances	$ 7,804,972	$ 2,106,147	$ 615,395	$ 10,526,514

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, 2017

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances – total governmental funds	$ 10,448,234
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	7,662,594
Net pension liability	(414,668)
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.	32,757
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.	(138,574)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Capital leases payable	(21,300)
Accrued compensated absences	(61,391)
Net position of governmental activities	$ 17,507,652

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, 2017

	General	SPLOST IV Capital Projects	Other Governmental Funds	Total
REVENUES				
Taxes	$ 3,145,925	$ -	$ 12,072	$ 3,157,997
Intergovernmental	85,713	1,006,050	-	1,091,763
Contributions not restricted for specific programs	-	-	594,559	594,559
Fines and forfeitures	338,099	-	-	338,099
Miscellaneous	219,206	-	-	219,206
Licenses and permits	153,913	-	-	153,913
Investment income	22,328	2,606	1,613	26,547
Total revenues	3,965,184	1,008,656	608,244	5,582,084
EXPENDITURES				
Current:				
General government	1,106,507	-	-	1,106,507
Municipal court	152,442	-	-	152,442
Public safety	1,411,728	-	-	1,411,728
Highways and streets	355,119	-	14,383	369,502
Parks and recreation	37,565	-	-	37,565
Planning and zoning	138,097	-	-	138,097
Community development	165,118	-	41,647	206,765
Capital:				
General government	22,874	8,263	9,764	40,901
Public safety	69,796	56,440	4,025	130,261
Public utilities	-	182,631	-	182,631
Highways and streets	118,504	228,442	124,971	471,917
Parks and recreation	-	9,951	87,513	97,464
Planning and zoning	2,109	-	-	2,109
Community development	3,609	-	-	3,609
Debt service:				
Principal	11,617	-	-	11,617
Total expenditures	3,595,085	485,727	282,303	4,363,115
Excess of revenues over expenditures	370,099	522,929	325,941	1,218,969
Other financing (uses) sources:				
Transfers	161,340	-	240,656	401,996
Proceeds from capital lease	32,917	-	-	32,917
Loss on sale of assets	-	-	(81,510)	(81,510)
Total	194,257	-	159,146	353,403
Net change in fund balances	564,356	522,929	485,087	1,572,372
Fund balance – beginning of period, as restated	7,162,336	1,583,218	130,308	8,875,862
Fund balance – end of period	$ 7,726,692	$ 2,106,147	$ 615,395	$10,448,234

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances – total governmental funds		$ 1,572,372
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	528,649	
Depreciation expense for the current period	(525,040)	3,609
Proceeds from capital lease		(21,300)
The net pension liability did not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.		4,831
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		33,951
Change in net position of governmental activities		$ 1,593,463

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, 2017

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 2,757,716	$ 2,757,716	$ 3,145,925	$ 388,209
Intergovernmental	210,000	210,000	85,713	(124,287)
Fines and forfeitures	275,000	275,000	338,099	63,099
Miscellaneous	99,125	99,125	219,206	120,081
Licenses and permits	65,088	109,663	153,913	44,250
Investment income	8,000	8,000	22,328	14,328
Total revenues	3,414,929	3,459,504	3,965,184	505,680
EXPENDITURES				
Current:				
General government	1,332,542	1,332,542	1,106,507	226,035
Municipal court	148,000	148,000	152,442	(4,442)
Public safety	1,520,563	1,520,563	1,411,728	108,835
Highways and streets	501,680	501,680	355,119	146,561
Parks and recreation	115,126	115,126	37,565	77,561
Planning and zoning	166,923	166,923	138,097	28,826
Community development	162,202	169,820	165,118	4,702
Capital:				
General government	11,948	11,948	22,874	(10,926)
Public safety	70,650	70,650	69,796	854
Highways and streets	1,500	1,500	118,504	(117,004)
Planning and zoning	2,500	2,500	2,109	391
Community development	3,000	3,610	3,609	1
Debt service:				
Principal	-	-	11,617	(11,617)
Total expenditures	4,036,634	4,044,862	3,595,085	449,777
Excess of revenues over expenditures	(621,705)	(585,358)	370,099	955,457
Other financing (uses) sources:				
Transfers	(180,000)	(180,000)	161,340	341,340
Proceeds from capital lease	-	-	32,917	32,917
Total	(180,000)	(180,000)	194,257	374,257
Net change in fund balances	$ (801,705)	$ (765,358)	564,356	$ 1,329,714
Fund balance – beginning of year			7,162,336	
Fund balance – end of year			$ 7,726,692	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
Assets	2017	2016
Current assets:		
Cash and cash equivalents	$ 2,004,117	$ 1,480,948
Receivables (net of allowance for uncollectibles) –		
Accounts	566,704	505,992
Materials and supplies inventory	591,894	637,920
Prepaid items	20,483	4,841
Total current assets	3,183,198	2,629,701
Non-current assets:		
Property, plant and equipment –		
Plant and distributions systems	21,175,513	21,175,513
Machinery and equipment	1,169,577	1,136,608
Vehicles	578,693	657,891
Construction in progress	103,888	-
Accumulated depreciation	(8,563,421)	(8,039,212)
Total capital assets (net of accumulated depreciation)	14,464,250	14,930,800
Intangible assets	146,727	222,500
Total non-current assets	14,610,977	15,153,300
Total assets	$ 17,794,175	$ 17,783,001
Deferred Outflows of Resources		
Pensions	$ 18,971	$ 78,054
Liabilities		
Current liabilities		
Accounts payable –		
Operating	$ -	$ 5,972
Accrued liabilities –		
Wages and compensated absences	52,144	51,427
Customer deposits	447,125	396,445
Interest	12,070	19,144
Other	26,391	26,998
Net pension liability	240,153	370,854
Notes payable – current portion	616,837	606,025
Total current liabilities	1,394,720	1,476,865
Long-term liabilities		
Notes payable	6,530,266	7,075,958
Total liabilities	$ 7,924,986	$ 8,552,823
Deferred Inflows of Resources		
Pensions	$ 80,254	$ 15,561
Net Position		
Net invested in capital assets	$ 7,463,874	$ 7,471,317
Unrestricted	2,344,032	1,821,354
Total net position	$ 9,807,906	$ 9,292,671

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, 2017

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2017	2016
Operating Revenues:		
Charges for services	$ 6,622,685	$ 6,411,860
Other	21,792	25,059
Total operating revenues	6,644,477	6,436,919
Operating Expenses:		
Purchases for resale	3,025,889	2,941,755
Personal services and benefits	1,027,797	1,156,408
Contractual services	727,174	658,907
Depreciation	605,885	674,579
Supplies	317,190	616,314
Other	14,049	66,966
Amortization	235,018	15,000
Total operating expenses	5,953,002	6,129,929
Income from operations	691,475	306,990
Non-operating revenues:		
Investment income	1,743	1,368
Interest expense	(165,849)	(238,653)
Income before contributions and transfers	527,369	69,705
Capital Contribution		
Sewer	295,967	199,689
Water	55,089	38,679
Electric	38,806	26,656
Transfers	(401,996)	(253,571)
Change in net position	515,235	81,158
Net position beginning of year	9,292,671	9,211,513
Net position end of year	$ 9,807,906	$ 9,292,671

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 6,634,445	$ 6,351,194
Cash paid to suppliers for goods and services	(4,306,075)	(4,534,765)
Cash paid to employees	(795,501)	(847,929)
Net cash provided by operating activities	1,532,869	968,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	1,743	1,368
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers	(401,996)	(253,571)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(139,335)	(2,295)
Repayment of notes payable	(511,952)	(539,299)
Proceeds from capital lease	2,478	-
Repayment of capital lease	(25,406)	(24,530)
Payment of loan fees	(159,245)	-
Interest paid	(165,849)	(238,653)
Capital contributions	389,862	265,024
Net cash used in capital financing activities	(609,447)	(539,753)
NET CHANGE IN CASH	523,169	176,544
CASH AT BEGINNING OF YEAR	1,480,948	1,304,404
CASH AT END OF YEAR	$ 2,004,117	$ 1,480,948

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS – (CONTINUED)
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Reconciliation of Net Income to Net Cash
Provided by Operating Activities

	BUSINESS-TYPE ACTIVITIES UTILITY FUND	
	2017	2016
NET OPERATING INCOME	$ 691,475	$ 306,990
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	605,885	674,579
Amortization expense	235,018	15,000
Increase in receivables	(60,712)	(78,060)
Decrease in inventory	46,026	6,443
(Increase) Decrease in prepaid expenses	(15,642)	13,694
Decrease (Increase) in deferred outflows of resources	59,083	(78,054)
(Decrease) Increase in accounts payable	(5,972)	2,792
Increase in accrued salaries	717	8,937
Increase (Decrease) in other customer deposits	50,680	(7,665)
Decrease in accrued interest	(7,074)	(1,348)
(Decrease) Increase in other accrued expense	(607)	5,528
(Decrease) Increase in net pension liability	(130,701)	118,519
Increase (Decrease) in deferred inflows of resources	64,693	(18,855)
Total adjustments	841,394	661,510
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 1,532,869	$ 968,500

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 blended component unit.

Complete financial statements 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)

C. Basic Financial Statements – Government-Wide Statements – (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, 2017, 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, 2017:

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 net realized value. 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, 2017 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 2017. 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, 2017.

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. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City reduces its exposure to this risk by requiring deposits of public funds to be collateralized in accordance with State law. As of September 30, 2017, none of the deposits of the City were subject to custodial credit risk.

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. The City's investments at September 30, 2017 are comprised of certificates of deposits totaling $2,131,363.

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities. As of September 30, 2017, none of the investments of the City were subject to custodial credit risk.

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, 2017. There was no property taxes receivable as of September 30, 2017.

4. RECEIVABLES

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

	Gross	Allowance	Net
General Fund			
Taxes	$ 220,730	$ -	$ 220,730
Fines	15,261	-	15,261
Other Governmental Funds			
Taxes	1,793	-	1,793
Accounts	33,022	-	33,022
Loan	250,076	-	250,076
Utility Fund			
Accounts	1,042,266	475,562	566,704
Total	$ 1,563,148	$ 475,562	$ 1,087,586

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	$ 240,656
To:	Capital Improvements Fund	$ 240,656
From:	Utility Fund	$ 401,996
To:	General Fund	$ 401,996

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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 692,501	$ -	$ -	$ 692,501
Construction in progress	4,800	53,719	4,800	53,719
Total capital assets, not being depreciated	697,301	53,719	4,800	746,220
Capital assets, being depreciated:				
Buildings	3,934,709	-	157,500	3,777,209
Improvements other than buildings	2,795,446	-	-	2,795,446
Infrastructure	3,234,613	278,893	-	3,513,506
Furniture and fixtures	33,032	-	-	33,032
Office furniture	262,880	-	76,931	185,949
Machinery and equipment	605,305	53,880	-	659,185
Vehicles	863,715	146,957	85,189	925,483
Total capital assets being depreciated	11,729,700	479,730	319,620	11,889,810
Less accumulated depreciation for:				
Buildings	688,390	110,303	31,127	767,566
Improvements other than buildings	1,283,659	145,775	-	1,429,434
Infrastructure	1,302,484	150,481	-	1,452,965
Furniture and fixtures	33,032	-	-	33,032
Office equipment	245,133	7,099	76,931	175,301
Machinery and equipment	392,751	48,136	-	440,887
Vehicles	694,175	65,265	85,189	674,251
Total accumulated depreciation	4,639,624	527,059	193,247	4,973,436
Total capital assets, being depreciated, net	7,090,076	(47,329)	126,373	6,916,374
Governmental activities capital assets, net	$ 7,787,377	$ 6,390	$ 131,173	$ 7,662,594

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

General government	$ 19,006
Public safety and courts	88,841
Public works	366,921
Parks and recreation	43,909
Planning and zoning	5,288
Community development	3,094
Total depreciation expense	$ 527,059

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 103,888	$ -	$ 103,888
Total capital assets, not being depreciated	-	103,888	-	103,888
Capital assets, being depreciated:				
Distribution and collection system	21,175,513	-	-	21,175,513
Machinery and equipment	1,136,608	32,969	-	1,169,577
Vehicles	657,891	2,478	81,676	578,693
Total capital assets being depreciated	22,970,012	35,447	81,676	22,923,783
Less accumulated depreciation for:				
Distribution and collection system	6,530,641	544,269	-	7,074,910
Machinery and equipment	919,267	37,906	-	957,173
Vehicles	589,304	23,710	81,676	531,338
Total accumulated depreciation	8,039,212	605,885	81,676	8,563,421
Total capital assets, being depreciated, net	14,930,800	(570,438)	-	14,360,362
Business-type activities capital assets, net	$ 14,930,800	$ (466,550)	$ -	$ 14,464,250
Intangible assets:				
Loan fees	$ 300,000	$ 159,245	$ 300,000	$ 159,245
Less: accumulated amortization	77,500	12,518	77,500	12,518
Total intangible assets, net	$ 222,500	$ 146,727	$ 222,500	$ 146,727

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, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental-Type Activities:					
*Capital leases	$ -	32,917	11,617	21,300	10,340
*Compensated absences	95,342	-	33,951	61,391	-
*Notes payable	107,155	-	107,155	-	-
Governmental-Type Activities	202,497	32,917	152,723	82,691	10,340
Business-Type Activities:					
Capital leases	24,531	2,478	25,406	1,603	778
Notes payable	7,657,452	-	7,657,452	-	-
Bonds payable	-	7,778,000	632,500	7,145,500	616,059
Business-Type Activities	7,681,983	7,780,478	8,315,358	7,147,103	616,837
Total	$ 7,884,480	$ 7,813,395	$ 8,468,081	$ 7,229,794	$ 627,177

* 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 $55,744 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.

Governmental-type activities:

Year	
2018	$ 11,618
2019	11,618
Less: imputed interest	(1,936)
Present value of minimum lease payments	$ 21,300

There was no interest incurred during the current year.

9. LONG-TERM DEBT – (Continued)

Business-type activities:

Year	
2018	$ 874
2019	874
Less: imputed interest	(145)
Present value of minimum lease payments	$ 1,603

Interest incurred during the current year was $1,473.

During the current year, the City refinanced its construction loan with Georgia Environmental Facilities Authority for the financing of the construction for the wastewater treatment facility. The loan was refinanced by issuing Combined Utility System Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"). The annual interest rate on the bonds is 2.00%, and the maturity date is June 1, 2028. The amount outstanding as of September 30, 2017 was $7,145,500. The following is a summary of the future minimum bond payments:

Year	Interest	Principal
2018	$ 137,446	$ 616,059
2019	124,847	628,658
2020	112,158	641,347
2021	99,213	654,293
2022	86,006	667,499
2023 – 2027	222,413	3,545,112
2028	2,399	392,532
	$ 784,482	$ 7,145,500

Interest incurred during the current year was $133,331.

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,

10. RISK MANAGEMENT – (Continued)

settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:	
Buildings and Contents (Blanket)	$ 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.

11. EMPLOYEE BENEFITS PLANS

DEFERRED COMPENSATION PLAN

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

11. EMPLOYEE BENEFITS PLANS – (Continued)

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	20
Terminated vested participants entitled to but not yet receiving benefits	19
Active participants	41
Total number of participants	80

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 2017, the actuarially determined contribution rate was 7.75% of covered payroll. For 2017, the City's contribution to the plan totaled $172,402.

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, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of July 1, 2017.

Actuarial assumptions: The total pension liability in the March 31, 2017 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 for healthy individuals were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Mortality rates for disabled individuals were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The actuarial assumptions used in the July 1, 2017 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%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
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, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2016	$ 4,054,131	$ 3,051,498	$ 1,002,633
Changes for the year:			
Service cost	126,889	-	126,889
Interest	308,179	-	308,179
Differences between expected and actual experience	(221,668)	-	(221,668)
Contributions – employer	-	184,289	(184,289)
Net investment income	-	387,385	(387,385)
Benefit payments, including refunds of employee contributions	(155,247)	(155,247)	-
Administrative expense	-	(10,462)	10,462
Net changes	58,153	405,965	(347,812)
Balances at September 30, 2017	$ 4,112,284	$ 3,457,463	$ 654,821

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	$ 1,219,784	$ 654,821	$ 185,429

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, 2017, 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, 2017, the City recognized pension expense of $172,533. At September 30, 2017, 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	$ 51,728	$ (207,168)
Changes in assumptions	-	(3,824)
Net difference between projected and actual earnings on pension plan investments	-	(7,836)
Total	$ 51,728	$ (218,828)

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:	
2018	$ (35,789)
2019	(35,789)
2020	(25,671)
2021	(69,851)
	$ (167,100)

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, 2017:

	Amount	Percent
Total collected	$ 12,072	100%
Amount remitted to Henry County Chamber of Commerce	$ 5,861	49%

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, 2017, the General Fund's Intergovernmental revenues of $85,713 did not exceed the fund's respective appropriations of $210,000. This was due to the City not being awarded all grants that they had applied for.

For the year ended September 30, 2017, the General Fund's Municipal Court current expenditures of $152,442 exceeded the fund's respective appropriations of $148,000. This was due to some minor accruals at year end that were not included in the budget.

For the year ended September 30, 2017, the General Fund's General Government capital expenditures of $22,874 exceeded the fund's respective appropriations of $11,948. This was due to some unexpected contracted services that were not included in the budget.

For the year ended September 30, 2017, the General Fund's Highways and Streets capital expenditures of $118,504 exceeded the fund's respective appropriations of $1,500. This was due to the purchase of vehicles that the City included in appropriations for current expenses.

For the year ended September 30, 2017, the General Fund's debt service principal expenditures of $11,617 exceeded the fund's respective appropriations of $0. This was due to the City including this balance in the appropriations for current expenses.

The City did not have a budget for the Downtown Development Authority for the current year.

15. CHANGE IN ACCOUNTING PRINCIPLE

The City has determined that restatements to the October 1, 2016 beginning net position of the governmental activities were required to recognize the change in accounting principle implementation of Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, through which accounting for the Downtown Development Authority was modified. This adjustment resulted in changes to the beginning net position of the governmental activities as follows:

	Governmental Activities
Beginning net position, October 1, 2016 as previously presented	$ 15,813,400
Change in accounting principle	100,789
Beginning net position, October 1, 2016 as restated	$ 15,914,189

CITY OF HAMPTON, GEORGIA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2017	2016	2015
Total pension liability			
Service cost	$ 126,889	$ 131,746	$ 128,596
Interest	308,179	275,819	257,215
Differences between expected and actual experience	(221,668)	77,589	(52,209)
Changes of assumptions	-	-	(6,690)
Changes of benefit terms	-	60,136	-
Benefit payments, including refunds of employee contributions	(155,247)	(100,236)	(73,476)
Net change in total pension liability	58,153	445,054	253,436
Total pension liability – beginning	4,054,131	3,609,077	3,355,641
Total pension liability – ending (a)	$ 4,112,284	$ 4,054,131	$ 3,609,077
Plan fiduciary net position			
Contributions – employer	$ 184,289	$ 205,520	$ 193,380
Net investment income	387,385	10,932	254,484
Benefit payments, including refunds of employee contributions	(155,247)	(100,236)	(73,476)
Administrative expenses	(10,462)	(6,923)	(6,214)
Net change in plan fiduciary net pension	405,965	109,293	368,174
Plan fiduciary net position – beginning	3,051,498	2,942,205	2,574,031
Plan fiduciary net position – ending (b)	$ 3,457,463	$ 3,051,498	$ 2,942,205
City's net pension liability – ending (a) - (b)	$ 654,821	$ 1,002,633	$ 666,872
Plan fiduciary net position as a percentage of the total pension liability	84.08%	75.27%	81.52%
Covered-employee payroll	$ 2,188,426	$ 2,412,993	$ 2,464,960
City's net pension liability as a percentage of covered employee payroll	29.92%	41.55%	27.05%

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

	2017	2016	2015
Actuarially determined contribution	$ 172,402	$ 216,633	$ 197,578
Contributions in relation to the actuarially determined Contribution	172,402	216,633	197,578
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	2,188,426	2,412,993	2,464,960
Contributions as a percentage of Covered-employee payroll	7.88%	8.98%	8.02%

Notes to the Schedule

Valuation date	July 1, 2017
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, 2017

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	DOWNTOWN DEVELOPMENT AUTHORITY	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
Assets				
Cash and cash equivalents	$ 33,968	$ -	$ 75,536	$ 109,504
Receivables (net of allowance for uncollectibles)				
Taxes	1,793	-	-	1,793
Accounts	-	-	33,022	33,022
Loan	-	-	250,076	250,076
Land held for sale	-	-	221,000	221,000
Total assets	$ 35,761	$ -	$ 579,634	$ 615,395
Fund balances				
Restricted: hotel/motel	$ 35,761	$ -	$ -	$ 35,761
Restricted: Downtown Development Authority	-	-	579,634	579,634
Total fund balances	35,761	-	579,634	615,395
Total liabilities and fund balances	$ 35,761	$ -	$ 579,634	$ 615,395

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	HOTEL/ MOTEL TAX FUND	OTHER CAPITAL PROJECTS FUND	DOWNTOWN DEVELOPMENT AUTHORITY	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 12,072	$ -	$ -	$ 12,072
Contributions not restricted for purpose	-	-	594,559	594,559
Investment income	31	-	1,582	1,613
Total revenues	12,103	-	596,141	608,244
EXPENDITURES				
Current:				
Highways and streets	-	14,383	-	14,383
Community development	5,861	-	35,786	41,647
Capital:				
General government	-	9,764	-	9,764
Public safety	-	4,025	-	4,025
Highways and streets	-	124,971	-	124,971
Parks and recreation	-	87,513	-	87,513
Total expenditures	5,861	240,656	35,786	282,303
Excess (deficiency) of revenues over expenditures	6,242	(240,656)	560,355	325,941
Other financing sources:				
Transfers	-	240,656	-	240,656
Loss on sale of assets	-	-	(81,510)	(81,510)
Net change in fund balances	6,242	-	478,845	485,087
Fund balance – beginning of period	29,519	-	100,789	130,308
Fund balances – end of period	$ 35,761	$ -	$ 579,634	$ 615,395

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, 2017

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 8,400	$ 8,400	$ 12,072	$ 3,672
Investment income	22	22	31	9
Total revenues	8,422	8,422	12,103	3,681
EXPENDITURES				
Current:				
Community development	8,422	8,422	5,861	2,561
Total expenditures	8,422	8,422	5,861	2,561
Net change in fund balances	$ -	$ -	6,242	$ 6,242
Fund balance – beginning of year			29,519	
Fund balance – end of year			$ 35,761	

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, 2017

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
EXPENDITURES				
Current:				
Highways and streets	$ 25,000	$ 25,000	$ 14,383	$ 10,617
Capital:				
General government	30,000	30,000	9,764	20,236
Public safety	6,000	6,000	4,025	1,975
Highways and streets	280,000	280,000	124,971	155,029
Parks and recreation	152,000	152,000	87,513	64,487
Sewer system improvements	1,177,826	1,177,826	-	1,177,826
Water system improvements	198,000	198,000	-	198,000
Electric system improvements	520,000	520,000	-	520,000
Total expenditures	2,388,826	2,388,826	240,656	2,148,170
Excess (deficiency) of revenues over expenditures	(2,388,826)	(2,388,826)	(240,656)	2,148,170
Other financing sources (uses):				
Transfers	745,000	745,000	240,656	(504,344)
Net change in fund balances – Budget basis	$ (1,643,826)	$ (1,643,826)	-	$ 1,643,826
Fund balance – beginning of year			-	
Fund balance – end of year			$ -	

CITY OF HAMPTON, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Contributions not restricted for purposes	$ -	$ -	$ 594,559	$ 594,559
Investment income	-	-	1,582	1,582
Total revenues	-	-	596,141	596,141
EXPENDITURES				
Current:				
Community development	-	-	35,786	(35,786)
Total expenditures	-	-	35,786	(35,786)
Excess of revenues over expenditures	-	-	560,355	560,355
Other financing (uses):				
Loss on sale of assets	-	-	(81,510)	(81,510)
Net change in fund balances	$ -	$ -	478,845	$ 478,845
Fund balance – beginning of year			100,789	
Fund balance – end of year			$ 579,634	

CITY OF HAMPTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Project	SPLOST Total Estimated Project Costs	Expenditures		
		Prior Years	Current Year	Total
SPLOST IV:				
Roads, bridges, sidewalks and transportation facilities	$ 2,675,000	$ 217,788	$ 228,442	$ 446,230
Public safety facilities and equipment	740,000	70,090	56,440	126,530
Public works facilities and equipment	1,710,000	462,264	182,631	644,895
Construction and renovation of municipal buildings	1,100,000	5,287	8,263	13,550
Parks and recreation facilities	600,000	7,910	9,951	17,861
Community development facilities	450,000	-	-	-
	$ 7,275,000	$ 763,339	$ 485,727	$ 1,249,066

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, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia as of and for the year ended September 30, 2017, 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 27, 2018.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of 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 27, 2018

CITY OF HAMPTON, GEORGIA
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2017-1

Criteria: The auditor had to make a high number of journal entries, some material, during the audit.

Condition: These misstatements were not discovered during the course of closing the books and records of the city indicating a deficiency in internal controls over the financial reporting process.

Effect: Without the adjustments made throughout the year, the financial statements that are given to the council for review are misstated and could lead to decisions being made on incomplete financial information.

Recommendations: We recommend that on a monthly basis city administration review the financials and work to close out the books, making any necessary adjustments.

Management Response: The City is aware there were several complicated accounting transactions during this audit term. Management will institute measures to ensure proper statement of financials at year end.

2017-2

Criteria: The City failed to prepare a budget for the Downtown Development Authority.

Condition: The City prepares a budget for all funds, except the Downtown Development Authority, which falls under the governmental activities.

Effect: A budget is a helpful tool in planning for the year and then making financial decisions during the year. Without proper planning and budgeting it makes decisions more difficult for council and the City unprepared.

Recommendation: We recommend that the City works with the Downtown Development Authority board to prepare a budget on an annual basis.

Management Response: Management concurs with the findings and will prepare a budget for the Downtown Development Authority going forward.