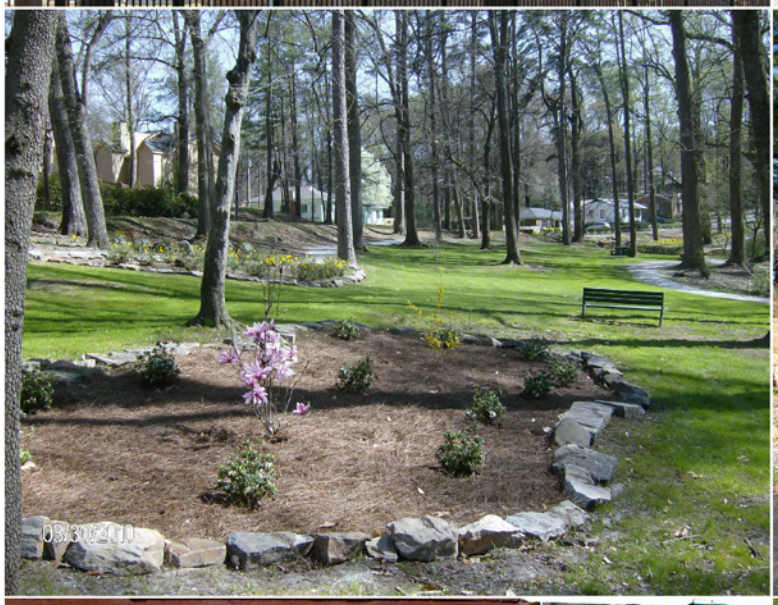
CITY OF HAPEVILLE ANNUAL AUDIT













FISCAL YEAR ENDING JUNE 30, 2012

1891 Hapeville GEORGIA



FISCAL YEAR ENDED
JUNE 30, 2012

City of Hapeville, Georgia
Annual Financial Report
For the Fiscal Year Ended
June 30, 2012

Prepared by
Department of Finance

City of Hapeville, Georgia
Annual Financial Report
Year Ended June 30, 2012

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Organization Chart	2
List of Elected and Appointed Officials	3
FINANCIAL SECTION	
Independent Auditors' Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	18
Statement of Activities	19-20
Fund Financial Statements	
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Statement of Fiduciary Net Assets – Pension Trust Fund	29
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	31
Notes to Financial Statements	32-52
Required Supplementary Information	
Retirement Plan - Schedule of Funding Progress	54
Other Supplementary Information	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Summary - Non-Major Governmental Funds	58
Combining Balance Sheet – Non-Major Special Revenue Funds	59
Combining Balance Sheet - Non-Major Capital Projects Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Summary - Non-Major Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	63
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-Major Government Funds	
Special Revenue Funds	
Asset Forfeiture Fund	64
Emergency Communications Fund	65
Hotel/Motel Tax Fund	66
Rental Motor Vehicle Excise Tax Fund	67
Other Special Revenue Funds	68

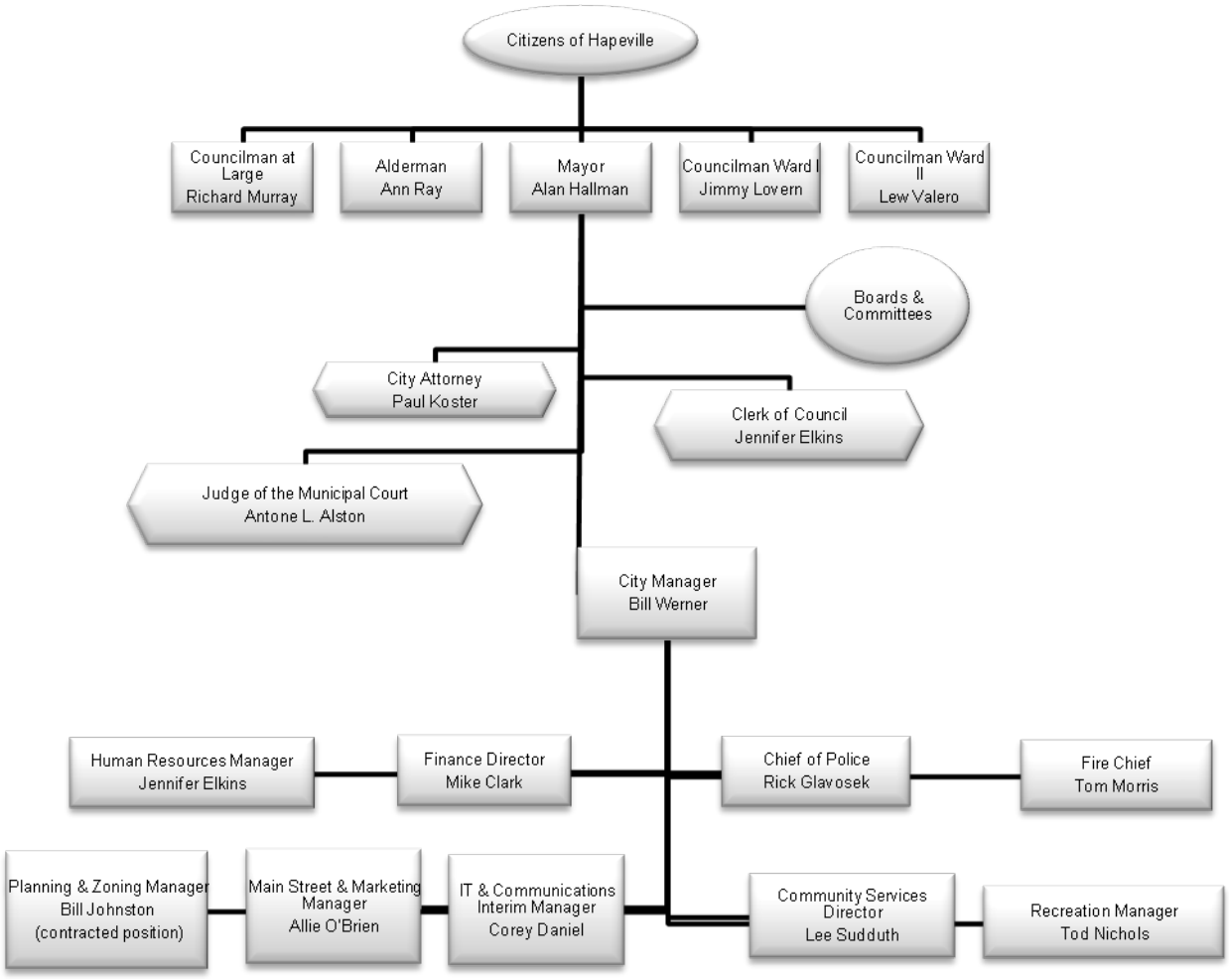
Capital Projects Funds
Depot Museum and Tourist Information Center Fund 69
Loop Access Road Fund 70
North Central Avenue Streetscape Fund 71
Virginia Avenue/Doug Davis Streetscape Fund 72
Dogwood Drive/North Avenue Streetscape Fund 73
Virginia Avenue Streetscape Fund 74
North Fulton Streetscape Fund 75
Tennis Courts Fund 76
I-75 Logo Fund 77
Other Capital Projects Fund 78
Debt Service Fund 79
Internal Service Funds - Workers' Compensation Fund and Information Technology Fund
Combining Statement of Net Assets 81
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets 82
Combining Statement of Cash Flows 83

STATISTICAL SECTION (UNAUDITED)
Financial Trends Information
Net Assets by Component 85
Changes in Net Assets 86-87
Fund Balances - Governmental Funds - 2003 - 2010 88
Fund Balances - Governmental Funds - 2011 - 2012 89
Changes in Fund Balances - Governmental Funds 90-91
General Governmental Tax Revenues by Source 92

COMPLIANCE SECTION
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 94-95
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 96-97
Schedule of Expenditures of Federal Awards 98
Schedule of Findings and Questioned Costs 99-100
Schedule of Prior Year Findings 101

INTRODUCTORY SECTION

City of Hapeville, Georgia
Organization Chart
June 30, 2012



City of Hapeville, Georgia
List of Elected and Appointed Officials
June 30, 2012

ELECTED OFFICIALS

Mayor	Alan Hallman
Council Member	Ann Ray
Council Member	Richard Murray
Council Member	Jimmy Lovern
Council Member	Lew Valero

APPOINTED OFFICIALS

City Manager	Bill Werner
Director of Finance	Mike Clark
Director of Community Services	Lee Sudduth
Chief of Police	Rick Glavosek
Fire Chief	Tom E. Morris, Jr.
City Clerk	Jennifer Elkins
Court of Clerk	Jenny Coley
Manager of Information Technology	Corey Daniel
Manager of Planning and Zoning	Bill Johnston (contracted position)
Manager of Recreation	Tod Nichols
City Attorney	Daley, Koster and LaVallee, LLC
City Auditor	J. K. Boatwright & Co., P. C.

FINANCIAL SECTION



BOATWRIGHT
CERTIFIED PUBLIC ACCOUNTANTS
www.boatwrightcpa.com

15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 *Fax:* 706-845-0057

February 20, 2013

Independent Auditors' Report

Honorable Mayor and
Members of City Council
City of Hapeville, Georgia

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013 on our consideration of City of Hapeville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 7 through 16 and 54 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hapeville, Georgia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit* Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yours truly,

J. K. Boatwright & Co., P.C.

J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants

Introduction

As management of the City of Hapeville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hapeville for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of City exceeded its liabilities at the close of the most recent fiscal year by $17,876,424. Of this amount $907,752 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased $409,630.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $3,119,568, a decrease of $933,589 in comparison with the prior year. Approximately 93.2% of this amount ($2,907,060) is available for spending at the government's discretion (*unassigned fund balance).*
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned,* and *unassigned* components of *fund balance)* for the general fund was $2,918,060, or approximately 28.2% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by $911,418 during the fiscal year due to payments made on bonds and pay-off of all capital leases.
- The City received $81,631 in operating grants and contributions and $1,651,861 in capital grants and contributions.
- Capital Project expenditures of $1,630,974 were used for Virginia Avenue/Doug Davis Streetscape, Virginia Avenue Streetscape, and numerous other projects with the largest expenditures in Streetscape and TE projects.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basis financial statements. The City's basis financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Note to financial statements

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the City's net assets 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 for some items that will only result in cash flows in future fiscal periods (e.g. Uncollected taxes and earned buy unused vacation leave.)

Both of the government-wide 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 through user fees and charges (*business-type activities).* The governmental activities of the City include general government; public safety; public works; culture and recreation; parks and grounds; planning, zoning and development; and trade and tourism. The business-type activities of the City include water and sewer; and sanitation

The government-wide statements include not only the City itself (known as the *primary government)* but also a legally separate development authority and a legally separate association for trade and tourism for which the City if financially accountable. Financial information for these component units if reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-20 of this report.

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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 financials, governmental fund financial statements focus on cash flows - in and out, as well as what monies are left at year-end that will be available for spending in the next year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental 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 *governmental funds* and *governmental activities.*

The City maintains seventeen individual governmental funds. 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 the general fund, which is considered to be the only major fund. Data from the other sixteen funds are combined into aggregated presentation for each of these three types of funds: the special revenue funds, the capital projects funds and the debt service fund. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund, special revenue funds, and debt service funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its Water and Sewer Fund and for its Sanitation Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks for workers compensation insurance and for information technology. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and for sanitation, both of which are considered to be nonmajor funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary funds. The *Pension trust fund* is used to report resources held in trust for retirees and beneficiaries.

The fiduciary fund financial statements can be found on pages 29-31 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 54 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 56-83 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net assets over time, may serve as a useful indicator of a government's financial position. In the case of the City of Hapeville, assets exceeded liabilities by $17,876,424 at the close of the most recent fiscal year.

City of Hapeville, Georgia's Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	$ 3,658,888	$ 4,880,186	$ 2,231,873	$ 1,966,031	$ 5,890,761	$ 6,846,217
Capital Assets	14,858,357	13,856,338	13,696,827	14,011,991	28,555,184	27,868,329
Total Assets	18,517,245	18,736,524	15,928,700	15,978,022	34,445,945	34,714,546
Long-Term Liabilities Outstanding	2,294,617	2,135,860	4,960,001	5,558,122	7,254,618	7,693,982
Other Liabilities	7,304,199	7,707,388	2,010,704	1,846,382	9,314,903	9,553,770
Total Liabilities	9,598,816	9,843,248	6,970,705	7,404,504	16,569,521	17,247,752
Net Assets						
Invested in Capital Assets, Net of Related Debt	7,959,122	6,735,028	8,309,831	8,106,862	16,268,953	14,841,890
Restricted	17,664	47,232	682,055	668,862	699,719	716,094
Unrestricted	941,643	2,111,016	(33,891)	(202,206)	907,752	1,908,810
Total Net Assets	$ 8,918,429	$ 8,893,276	$ 8,957,995	$ 8,573,518	$17,876,424	$17,466,794

By far, the largest portion of the net assets (91.0%) reflects the City's investment in capital assets (e.g. land, infrastructure, buildings, improvements, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Hapeville uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $907,752 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all of the governmental activities and positive balances in the overall net assets of the business-type activities. The deficit balance in the unrestricted business-type activities has improved from prior year by $168,315.

Also, the City's overall net position increased $409,630 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

During the current fiscal year, fund balance for governmental activities increased $25,153 from the prior fiscal year for an ending balance of $8,918,429. While the current recession certainly had an impact on the City, management was able to take various actions (e.g., increasing rates for certain revenue sources, delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs that neutralized its effect on governmental activities.

City of Hapeville, Georgia's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	$ 1,710,470	$ 1,740,491	$ 4,258,491	$ 3,604,871	$ 5,968,961	$ 5,345,362
Operating Grants	81,631	29,354	-	-	81,631	29,354
Capital Grants	1,651,861	2,236,472	-	-	1,651,861	2,236,472
General Revenues:						
Property Taxes	3,924,999	4,521,462	-	-	3,924,999	4,521,462
Other Taxes	5,124,937	4,826,683	-	-	5,124,937	4,826,683
Other	43,085	25,589	-	-	43,085	25,589
Transfers	290,322	141,143	(290,322)	(141,143)	-	-
Total Revenues	12,827,305	13,521,194	3,968,169	3,463,728	16,795,474	16,984,922
Expenses:						
General Government	1,663,338	1,656,739	-	-	1,663,338	1,656,739
Public Safety	6,282,263	6,352,891	-	-	6,282,263	6,352,891
Public Works	1,283,554	1,221,317	-	-	1,283,554	1,221,317
Culture and Recreation	599,769	505,923	-	-	599,769	505,923
Parks and Grounds	895,269	806,653	-	-	895,269	806,653
Planning, Zoning and Development	851,305	997,670	-	-	851,305	997,670
Trade and Tourism	894,111	966,864	-	-	894,111	966,864
Interest	332,543	336,976	-	-	332,543	336,976
Water, Sewer, Sanitation	-	-	3,583,692	3,873,986	3,583,692	3,873,986
Total Expenses	12,802,152	12,845,033	3,583,692	3,873,986	16,385,844	16,719,019
Increase (Decrease) in Net Assets	25,153	676,161	384,477	(410,258)	409,630	265,903
Prior Period Adjustment	-	134,563	-	(423,654)	-	(289,091)
Net Assets, July 1	8,893,276	8,082,552	8,573,518	9,407,430	17,466,794	17,489,982
Net Assets, June 30	$ 8,918,429	$ 8,893,276	$ 8,957,995	$ 8,573,518	$17,876,424	$17,466,794

Business-type Activities

For the City's business-type activities, the results for the current fiscal year were positive in that overall net assets increased to reach an ending balance of $8,957,995. The total increase in net position for business-type activities (water and sewer and sanitation) was $384,477 or 4.5% from the prior fiscal year. The growth, in large part, is attributable to an 11.7% minimum water rate increase enacted for the fiscal year 2011-12 budget. As a result, revenues from water and sewer activity charges for services increased $639,816 (21%), over the previous year's amount. Garbage rates have remained steady since 2010 resulting in a decrease of $15,410 (3.3%) in sanitation charges.

Financial Analysis of the City's Governmental Funds

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

Governmental Funds

The focus of the City of Hapeville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may be a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2012, the City's governmental funds reported combined fund balances of $3,119,568, a decrease of $933,589 in comparison with the prior year. Approximately 93.2% of this amount ($2,907,060) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form ($183,344), 2) legally required to be maintained intact ($0), 3) restricted for particular purposes $17,664), 4) committed for particular purposes ($0), or 5) assigned for particular purposes ($11,000).

The general fund is the chief operating fund of the City of Hapeville. At the end of the current fiscal year, unassigned fund balance of the General Fund was $2,907,060, while total fund balance decreased to $3,101,904. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 28.1% of total general fund expenditures, while total fund balance represents approximately 29.9 percent of that same amount.

The fund balance of the City's general fund decreased by $904,021 during the current fiscal year. This decrease is due to:

- Increase in worker's compensation claims and payments of over $70,000 from the previous year
- Purchase of fire truck of $350,000 which had been encumbered the previous year
- City had budgeted for an additional decrease of $482,626 in lieu of raising the tax millage rate
- Shortfalls in revenues which are discussed on the following page
- Increase in pension fund contribution from prior year

Nonmajor governmental funds had a decrease in fund balance of $29,568 a 62% decrease. This was due to decrease in special revenue funds. There was no change in the net assets of the debt service or capital projects funds. See pages 58-68 of report for detail on these special revenue funds.

At June 30, 2012, the governmental funds of City of Hapeville reported a combined fund balance of $3,119,568 a 23 percent decrease over the previous year. Included in this change in fund balance are:

- Proceeds from grants of $1,244,920.
- Capital outlay for infrastructure and equipment of $2,133,501.
- Principal payments on long-term debt of $468,762.

Proprietary Funds

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

Unrestricted net assets of the Water Sewer Fund and the Sanitation Fund at the end of the fiscal year was $2,056,250 and ($1,470,881), respectively. The increase (decrease) in net assets (liabilities) of both funds amounted to $511,217 and ($136,823), respectively. The unrestricted net assets of the internal service funds amounted to $26,591. Internal Service Funds include the Workers' Compensation Fund and the Information Technology Fund. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Hapeville's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City revised its operating budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

- Budgeted revenues and other financing sources revenues exceeded actual revenues by $310,935.
- Budgeted expenditures exceeded actual expenditures and other financing uses by $239,540.

Final budget compared to actual results.

The most significant differences between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated Revenues	Actual Revenues	Difference
Taxes	$ 8,381,475	$ 8,208,089	$ (173,386)
Licenses and permits	307,195	202,589	(104,606)
Charges for services	1,094,708	989,359	(105,349)

The shortfalls in the above revenue sources were partially caused by the recession experienced during the current year. The taxes were less than estimated because of the continuing decline in property tax values. Licenses and permits were less than estimated because there were less of these items purchased, particularly in the case of business licenses and building permits. The recession impacted the state and most other general and special-purpose governments.

Over the last decade the City has worked to identify and implement more charges for various programs and activities; however, customers have declined, so the City still had a shortfall from projected amount.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances. The City was able to maintain most of their expenditures within budgetary guidelines, with a result that each department in total fell below the final appropriated budget.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business–type activities as of June 30, 2012, totals $28,555,184 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges and other infrastructure assets. Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

Autos, trucks and equipment	$ 422,800
Building and land improvements	12,079
Infrastructure	35,263
Construction in progress	1,679,363
Total	$ 2,149,505

City of Hapeville's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	$ 1,367,730	$ 1,367,730	$ -	$ -	$ 1,367,730	$ 1,367,730
Construction in Progress	1,092,946	2,281,908	-	-	1,092,946	2,281,908
Land Improvements	1,014,999	1,088,149	-	-	1,014,999	1,088,149
Buildings and Improvements	3,028,123	2,627,050	-	-	3,028,123	2,627,050
Vehicles and Equipment	2,181,196	2,142,860	222,204	237,613	2,403,400	2,380,473
Infrastructure	6,173,363	4,348,641	13,474,623	13,774,378	19,647,986	18,123,019
Totals	$14,858,357	$13,856,338	$13,696,827	$14,011,991	$28,555,184	$27,868,329

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

- Police vehicles and pumper truck at a cost of $406,796.
- Additions to Christ Church and Depot at a cost of $21,818.
- Various projects related to streets, sidewalks, bike and pedestrian paths, tennis courts and bus stops at cost of $1,485,834.
- Building improvements for fire station, North Central houses and Hoyt Center at a cost of $172,791.
- Mural under construction at a cost of $11,000.
- Fiber optic cable extension at a cost of $35,264.

Additional information on the City's capital assets can be found in note 3-C of the Basic Financial Statements.

Long-term Debt

As of June 30, 2012, the City had total bonded debt outstanding in the Water Sewer Fund of $1,895,000. This debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Hapeville's Outstanding Debt (Capital Leases and Revenue Bonds)

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Certificates of participation	$ 165,000	$ 325,000	$ -	$ -
Capital leases	-	17,656	-	-
Note payable - vehicles	589,742	743,505	-	-
Contingent Liability	-	-	3,650,000	3,650,000
Revenue bonds	-	-	1,895,000	2,475,000
Total	$ 754,742	$ 1,086,161	$ 5,545,000	$ 6,125,000

The City's total debt decreased by $911,419 (12.64%) during the past fiscal year. The City continues to pay their debt as scheduled and has paid off all of their capital leases.

The City has no general obligation bonds outstanding and therefore, does not have a bond rating from either Moody's Investor Service or Standard and Poor's Corporation and Fitch Ratings.

Georgia general statutes limit the amount of general obligation debt that a unit of government can issue to 10% percent of the total assessed value of taxable property (adjusted for bond-exemptions) located within that government's boundaries. The legal debt margin for City of Hapeville is approximately $26,435,000, which is significantly in excess of the City's outstanding debt obligations. The City has $0 in bonds authorized but un-issued at June 30, 2012.

Additional information regarding the City's long-term debt can be found in note 3-D.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City and were considered in developing the 2012-2013 fiscal year budget:

- The tax millage rate of 16.61 did not change. However, property tax revenue is budgeted to increase by $80,000 in anticipation of a higher 2012 tax digest.
- Water rates for high consumption users increased on average by 50% per EPA requirements.
- Water rates for regular consumption users (less than 10,000 gallons per month) were unchanged.
- Sewer rates for high consumptions users increased on average by 8%.
- Sewer rates for regular consumption users (less than 10,000 gallons per month) increased on average by 8%.
- Local option sales tax revenue is budgeted to decrease by 3% or $30,000.
- The unemployment rate for the City of Hapeville is currently 9.3 percent (as of December 2012), which is a slight decrease from a rate of 9.3 percent a year ago because of the current recession. This compares to the National unemployment levels of 7.8% and 8.3% respectively. While the unemployment rate is likely to decrease, it is not expected to reach the pre-recession level for several years.
- On the expenditure side, increases of 10% or $128,500 are expected in health insurance premiums.

- The annual defined benefit plan contribution increased by $233,509 to $1,360,509, which includes a COLA of $70,000 for retirees.
- Fire safety equipment purchases are budgeted at $90,000 with 100% financing.
- Vehicle replacements, prioritized by urgency, are budgeted at $190,000 with 100% financing.

- General Fund debt service expenditures include bond payments associated with the Hapeville Development Authority in the amount of $293,000.
- Appropriated fund balance is budgeted to increase from $472,600 to $550,000.
- Economic Development expenditures budgeted to increase by $81,000 for consulting fees with $41,000 to be reimbursed by Hapeville Association of Trade and Tourism.
- No employee raises were budgeted.
- Service levels remain the same with no employee furloughs or reductions included.
- Porsche Cars North America, Inc. broke ground on its new North America Headquarters in 2012; a 155,000 square foot complex located in a multijurisdictional area, including Hapeville. The facility is expected to house 300 employees.

During the current fiscal year, the unassigned fund balance in the general fund was $2,907,060.The City has budgeted $11,855,390 in revenues and $11,855,390 in expenditures for 2012-2013, which is a 10.49% increase from prior year's budget. However, the overall budget position is projected to decrease due to the effects of an uncertain economy on property values and new business permits. Due to sound financial planning and controlled quality growth, the City has been building its reserves appropriate for years of financial stability and as a result has the ability to sustain its high level of services during a period of non-growth or downturn.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Manager, City of Hapeville P.O. Box 82311 Hapeville, Georgia 30354.

BASIC FINANCIAL STATEMENTS



City of Hapeville, Georgia
Statement of Net Assets
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hapeville Development Authority	Hapeville Association for Trade and Tourism
Assets					
Cash and Cash Equivalents	$ 2,009,634	$ 719,036	$ 2,728,670	$ 69,029	$ 4,145
Investments	36,435	-	36,435	-	-
Receivables:					
Water and Sewer, Net	-	641,616	641,616	-	-
Property Tax	426,262	-	426,262	-	-
Other Taxes	195,097	-	195,097	-	-
Other Receivables	520,746	-	520,746	-	-
Due from Primary Government	-	-	-	6,164,134	178,199
Internal Balance	(25,440)	25,440	-	-	-
Intergovernmental	272,203	-	272,203	-	-
Prepaid Assets	204,309	5,722	210,031	-	-
Restricted Cash and Cash Equivalents	-	682,055	682,055	-	-
Notes Receivable	-	-	-	151,424	-
Unamortized Bond Costs	19,642	158,004	177,646	87,603	-
Investment Property - Long-Term	-	-	-	2,630,202	-
Capital Assets:					
Nondepreciable Capital Assets	2,460,676	-	2,460,676	-	-
Depreciable Capital Assets, Net	12,397,681	13,696,827	26,094,508	-	-
Total Assets	18,517,245	15,928,700	34,445,945	9,102,392	182,344
Liabilities					
Current Liabilities					
Accounts Payable	220,091	1,138,211	1,358,302	-	-
Accrued Liabilities	278,693	19,695	298,388	-	-
Compensated Absences	151,187	40,002	191,189	-	-
Customer Deposits	9,625	168,096	177,721	-	-
Due to Hapeville Development Authority	6,164,134	-	6,164,134	-	-
Due to Hapeville Association for Trade and Tourism	178,199	-	178,199	-	-
Accrued Interest Payable	3,537	39,700	43,237	125,897	-
Current Portion of Long-Term Debt	298,733	605,000	903,733	355,000	-
Total Current Liabilities	7,304,199	2,010,704	9,314,903	480,897	-
Noncurrent Liabilities					
Compensated Absences	302,377	20,001	322,378	-	-
Noncurrent Portion of Long-Term Debt	456,010	1,290,000	1,746,010	9,730,000	-
Net OPEB Liability	1,536,230	-	1,536,230	-	-
Contingent Liability	-	3,650,000	3,650,000	-	-
Total Noncurrent Liabilities	2,294,617	4,960,001	7,254,618	9,730,000	-
Total Liabilities	9,598,816	6,970,705	16,569,521	10,210,897	-
Net Assets (Deficit)					
Invested in Capital Assets, Net of Related Debt	7,959,122	8,309,831	16,268,953	-	-
Restricted for:					
Program Purposes	17,664	-	17,664	-	-
Debt Service	-	682,055	682,055	-	-
Unrestricted	941,643	(33,891)	907,752	(1,108,505)	182,344
Total Net Assets (Deficit)	$ 8,918,429	$ 8,957,995	$ 17,876,424	$ (1,108,505)	$ 182,344

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Activities
For The Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Hapeville Development Authority	Component Units: Hapeville Association for Trade and Tourism
Primary Government									
Governmental Activities									
General Government	$ 1,663,338	$ 135,092	$ 29,791	$ 1,179,295	$ (319,160)	$ -	$ (319,160)	$ -	$ -
Public Safety	6,282,263	617,194	51,840	-	(5,613,229)	-	(5,613,229)	-	-
Public Works	1,283,554	-	-	-	(1,283,554)	-	(1,283,554)	-	-
Culture and Recreation	599,769	71,339	-	-	(528,430)	-	(528,430)	-	-
Parks and Grounds	895,269	-	-	-	(895,269)	-	(895,269)	-	-
Planning, Zoning and Development	851,305	82,137	-	-	(769,168)	-	(769,168)	-	-
Trade and Tourism	894,111	804,708	-	472,566	383,163	-	383,163	-	-
Interest Expense	332,543	-	-	-	(332,543)	-	(332,543)	-	-
Total Governmental Activities	12,802,152	1,710,470	81,631	1,651,861	(9,358,190)	-	(9,358,190)	-	-
Business-type Activities									
Water and Sewer Utilities	3,025,737	3,810,766	-	-	-	785,029	785,029	-	-
Sanitation Utilities	557,955	447,725	-	-	-	(110,230)	(110,230)	-	-
Total Business-type Activities	3,583,692	4,258,491	-	-	-	674,799	674,799	-	-
Total Primary Government	$ 16,385,844	$ 5,968,961	$ 81,631	$ 1,651,861	$ (9,358,190)	$ 674,799	$ (8,683,391)	$ -	$ -
Component Units									
Hapeville Development Authority									
General Government	21,426	$ -	$ -	$ -	$ -	$ -	$ -	$ (21,426)	$ -
Interest Expense	101,124	-	-	-	-	-	-	(101,124)	-
Hapeville Association for Trade and Tourism	1,217,709	884,294	1,800	-	-	-	-	-	(331,615)
Total Component Units	$ 1,340,259	$ 884,294	$ 1,800	$ -	$ -	$ -	$ -	$ (122,550)	$ (331,615)

(Continued)

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Activities
For The Year Ended June 30, 2012

(Continued)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hapeville Development Authority	Hapeville Association for Trade and Tourism
Changes in Net Assets					
General Revenues					
Taxes					
Property Taxes	$ 3,924,999	$ -	$ 3,924,999	$ -	$ -
Sales Taxes	1,598,359	-	1,598,359	-	-
Occupation Taxes	260,999	-	260,999	-	-
Franchise Taxes	762,675	-	762,675	-	-
Insurance Premium Tax	308,470	-	308,470	-	-
Tourism Development (Hotel/Motel) Taxes	1,545,360	-	1,545,360	-	-
Other Taxes	649,074	-	649,074	-	-
Total Taxes	9,049,936	-	9,049,936	-	-
Interest, Investment, and Penalties Revenues	1,726	-	1,726	9,334	-
Gain on Sale of Capital Assets	146	-	146	-	-
Other Revenues	41,213	-	41,213	-	-
Transfers	290,322	(290,322)	-	-	-
Total General Revenues and Transfers	9,383,343	(290,322)	9,093,021	9,334	-
Change in Net Assets	25,153	384,477	409,630	(113,216)	(331,615)
Net Assets/(Deficit) - Beginning	8,893,276	8,573,518	17,466,794	(995,289)	513,959
Net Assets/(Deficit) - Ending	$ 8,918,429	$ 8,957,995	$ 17,876,424	$ (1,108,505)	$ 182,344

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 1,841,505	$ 45,463	$ 1,886,968
Investments	36,435	-	36,435
Receivables			
Property Taxes	426,262	-	426,262
Other Taxes Receivable	97,104	97,993	195,097
Other Receivables	34,093	486,652	520,745
Intergovernmental Receivables	272,203	-	272,203
Interfund	558,337	-	558,337
Due from Component Units	351,063	-	351,063
Prepaid Assets	183,844	-	183,844
Total Assets	$ 3,800,846	$ 630,108	$ 4,430,954
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	$ 151,856	$ 54,107	$ 205,963
Accrued Liabilities	180,596	-	180,596
Customer Deposits	9,625	-	9,625
Unearned Revenue	356,865	-	356,865
Interfund Payable	-	558,337	558,337
Total Liabilities	698,942	612,444	1,311,386
Fund Balance			
Nonspendable:			
Prepaid Items	183,844	-	183,844
Restricted for:			
Program Purposes	-	17,664	17,664
Assigned - Mural Project	11,000	-	11,000
Unassigned	2,907,060	-	2,907,060
Total Fund Balance	3,101,904	17,664	3,119,568
Total Liabilities and Fund Balance	$ 3,800,846	$ 630,108	$ 4,430,954

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Total Governmental Fund Balances		$ 3,119,568
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.		
Cost of capital assets	$ 40,562,462	
Less accumulated depreciation	(25,704,105)	14,858,357
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property taxes		356,865
Bond issue costs are not financial resources and therefore not reported in the funds. However, the cost of these assets are capitalized and amortized over the life of the loan through the annual amortization expense.		
Debt issue costs	60,097	
Less accumulated amortization	(40,455)	19,642
Internal service funds are used by management to charge the costs of certain activities such as health insurance, worker's compensation and information technology to individual funds. Governmental activities net assets have been increased by the effect of the internal service funds net assets.		26,591
Plus accrued compensated absences payable included in Internal Service Funds		4,316
Less interfund payable to Enterprise Funds from eliminating entries of Internal Service Funds		(25,440)
Liabilities not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences payable		(453,564)
Accrued interest		(3,537)
Certificate of participation		(165,000)
Notes payable		(589,743)
Net OPEB obligation		(1,536,230)
Transfer of portion of bond proceeds from component unit to pay off debt of governmental fund and reported as due to component unit on government-wide statement of net assets		(6,693,396)
Net Assets of Governmental Activities		$ 8,918,429

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For The Year Ended June 30, 2012

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	$ 3,996,085	$ -	$ 3,996,085
Sales	1,598,359	-	1,598,359
Occupation	260,999	-	260,999
Franchise	762,675	-	762,675
Insurance Premium	308,470	-	308,470
Hotel-Motel	662,341	-	662,341
Other Taxes	619,160	912,933	1,532,093
Licenses and Permits	202,589	-	202,589
Charges for Services	989,349	65,186	1,054,535
Fines and Forfeitures	445,239	-	445,239
Interest on Investments	1,726	-	1,726
Contributions and Donations	20,140	-	20,140
Grant Revenue	4,135	1,240,785	1,244,920
Other Revenue	45,184	472,567	517,751
Total Revenues	9,916,451	2,691,471	12,607,922
Expenditures			
General			
General Government	1,608,800	-	1,608,800
Public Safety	5,907,657	274,000	6,181,657
Public Works	693,347	-	693,347
Culture and Recreation	543,248	12,475	555,723
Parks and Grounds	793,280	-	793,280
Planning, Zoning and Development	787,873	-	787,873
Trade and Tourism	22,092	883,019	905,111
Capital Outlay	-	1,630,974	1,630,974
Debt Service			
Principal	-	468,762	468,762
Interest	-	379,562	379,562
Total Expenditures	10,356,297	3,648,792	14,005,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	(439,846)	(957,321)	(1,397,167)
Other Financing Sources (Uses)			
Sale of Capital Assets	146	-	146
Transfers In	-	927,753	927,753
Transfers Out	(464,321)	-	(464,321)
Total Other Financing Sources (Uses)	(464,175)	927,753	463,578
Net Change in Fund Balances	(904,021)	(29,568)	(933,589)
Fund Balance, Beginning of Year	4,005,925	47,232	4,053,157
Fund Balance, End of Year	$ 3,101,904	$ 17,664	$ 3,119,568

The accompanying notes are an integral part of these financial statements.

City of Hapeville, 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 June 30, 2012

Net Change in Fund Balances - Total Governmental Funds		$ (933,589)
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (1,131,482)	
Capital outlay	2,133,501	1,002,019
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Deferred at June 30, 2012	356,865	
Deferred at June 30, 2011	(427,951)	(71,086)
Repayment of the capital leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		17,656
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal payments of long-term debt	313,762	
Amortization of debt issue costs	(7,638)	306,124
Some expenses reported in the government-wide statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absences (including a portion included in IT fund)		(142,752)
The repayment of principal and interest of long-term debt of component unit by governmental funds was recorded as an adjustment to the amount due to the component unit		198,705
Net OPEB Obligation in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(269,940)
Increase in internal balances due to elimination of internal service funds that were generated in business activities		(10,083)
Interest on long-term debt in the government-wide statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of financial resources. In the government-wide statement of activities interest expense is recognized as the interest accrues, regardless of when it is due. This year interest paid exceeded the interest accrued by this amount.		3,313
The net revenue (expense) of the internal service fund is included in the Government-Wide Statement of Activities and Changes in Net Assets.		(75,215)
Change in Net Assets of Governmental Activities		$ 25,152

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For The Year Ended June 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 8,226,475	$ 8,381,475	$ 8,208,089	$ (173,386)
Licenses and Permits	307,195	307,195	202,589	(104,606)
Charges for Services	1,082,958	1,094,708	989,349	(105,359)
Fines and Forfeitures	385,000	385,000	445,239	60,239
Interest Income	-	-	1,726	1,726
Contributions and Donations	18,200	18,200	20,140	1,940
Grant Revenue	-	5,080	4,135	(945)
Other Local Revenue	23,000	35,874	45,184	9,310
Total Revenues	10,042,828	10,227,532	9,916,451	(311,081)
Expenditures				
General				
General Government				
Administration	1,519,050	1,674,050	1,608,800	65,250
Public Safety				
Police Services	2,897,664	2,926,744	2,926,744	-
Fire Services	2,525,524	2,981,524	2,980,913	611
Total Public Safety	5,423,188	5,908,268	5,907,657	611
Public Works	633,507	693,507	693,347	160
Culture and Recreation	510,892	543,892	543,248	644
Parks and Grounds	863,941	863,941	793,280	70,661
Planning, Zoning and Development	853,649	872,149	787,873	84,276
Trade and Tourism	40,000	40,000	22,092	17,908
Total Expenditures	9,844,227	10,595,807	10,356,297	239,510
Excess of Revenues Over Expenditures	198,601	(368,275)	(439,846)	(71,571)
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	146	146
Transfers Out	(657,601)	(464,351)	(464,321)	30
Total Other Financing Sources (Uses)	(657,601)	(464,351)	(464,175)	176
Net Change in Fund Balances	(459,000)	(832,626)	(904,021)	(71,395)
Fund Balance, Beginning of Year	4,005,925	4,005,925	4,005,925	-
Fund Balance, End of Year	$ 3,546,925	$ 3,173,299	$ 3,101,904	$ (71,395)

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Sanitation Fund	Totals	
Assets				
Current Assets				
Cash and Cash Equivalents	$ 719,036	$ -	$ 719,036	$ 122,666
Accounts Receivable, net	604,451	37,165	641,616	-
Due from Sanitation Fund	1,461,115	-	1,461,115	-
Prepaid Expenses	2,038	3,684	5,722	20,465
Restricted Cash - Revenue Bonds	644,700	-	644,700	-
Total Current Assets	3,431,340	40,849	3,472,189	143,131
Noncurrent Assets				
Restricted Cash - Revenue Bonds	37,355	-	37,355	-
Unamortized Bond Costs	158,004	-	158,004	-
Capital Assets (Net of Accumulated Depreciation)	13,550,596	146,231	13,696,827	-
Total Noncurrent Assets	13,745,955	146,231	13,892,186	-
Total Assets	17,177,295	187,080	17,364,375	143,131
Liabilities				
Current liabilities				
Accounts Payable	1,131,718	6,493	1,138,211	14,128
Accrued Liabilities	11,446	8,249	19,695	98,096
Compensated Absences	16,087	23,915	40,002	1,032
Due to Water and Sewer Fund	-	1,461,115	1,461,115	-
Accrued Expenses Payable from Restricted Assets:				
Customer Deposits	168,096	-	168,096	-
Bond Interest Payable	39,700	-	39,700	-
Current Portion of Revenue Bonds Payable	605,000	-	605,000	-
Total Current Liabilities	1,972,047	1,499,772	3,471,819	113,256
Noncurrent Liabilities				
Compensated Absences	8,043	11,958	20,001	3,284
Revenue Bonds Payable	1,290,000	-	1,290,000	-
Contingent Liability	3,650,000	-	3,650,000	-
Total Liabilities	6,920,090	1,511,730	8,431,820	116,540
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	8,163,600	146,231	8,309,831	-
Restricted for:				
Debt Service	37,355	-	37,355	-
Unrestricted	2,056,250	(1,470,881)	585,369	26,591
Total Net Assets (Deficit)	$ 10,257,205	$ (1,324,650)	$ 8,932,555	$ 26,591
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			25,440	
Net Assets of Business-type Activities			$ 8,957,995	

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For The Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Sanitation Fund	Totals	
Operating Revenue				
Water Sales	$ 2,514,269	$ -	$ 2,514,269	$ -
Sewer Charges	1,180,733	-	1,180,733	-
Sanitation Charges	-	428,930	428,930	-
Other Services or Charges	115,420	18,750	134,170	695,251
Total Operating Revenue	3,810,422	447,680	4,258,102	695,251
Operating Expenses				
Salaries	298,008	252,813	550,821	58,137
Payroll Taxes and Employee Benefits	91,441	64,941	156,382	38,982
Water Purchased	1,719,430	-	1,719,430	-
Insurance and Claims	53,501	45,101	98,602	210,435
Utilities	22,984	-	22,984	-
Repairs and Maintenance	193,403	25,462	218,865	1,634
Communications	-	-	-	117,414
Contracted Services	12,629	-	12,629	-
Supplies and Miscellaneous	36,621	7,232	43,853	3,009
Vehicle and Equipment Expenses	50,146	56,213	106,359	165,961
Professional Fees	84,936	105,139	190,075	149
Dues	1,340	-	1,340	-
Travel, Education and Training	-	-	-	1,635
Depreciation	327,858	3,310	331,168	-
Amortization	61,867	-	61,867	-
Total Operating Expenses	2,954,164	560,211	3,514,375	597,356
Operating Income (Loss)	856,258	(112,531)	743,727	97,895
Non-Operating Revenue (Expense)				
Sale of Assets	344	45	389	-
Interest Expense	(79,400)	-	(79,400)	-
Income (Loss) Before Transfers	777,202	(112,486)	664,716	97,895
Transfers				
Transfers In/(Out)	(265,985)	(24,337)	(290,322)	(173,110)
Change in Net Assets	511,217	(136,823)	374,394	(75,215)
Total Net Assets (Deficit), Beginning of Year	9,745,988	(1,187,827)		101,806
Total Net Assets (Deficit), End of Year	$ 10,257,205	$ (1,324,650)		$ 26,591
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			10,083	
Change in Net Assets of Business-Type Activities			$ 384,477	

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water and Sewer Fund	Sanitation Fund	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 3,596,724	$ 462,745	$ 4,059,469	$ 695,251
Payments to Suppliers	(2,047,296)	(239,732)	(2,287,028)	(448,834)
Payments to Employees	(376,097)	(306,913)	(683,010)	(94,364)
Net Cash Provided (Used) by Operating Activities	1,173,331	(83,900)	1,089,431	152,053
Cash Flows from Non-Capital and Related Financing Activities				
Loan to Sanitation Fund	(124,196)	124,196	-	-
Transfers In (Out)	(265,985)	(24,337)	(290,322)	(173,110)
Net Cash Flows Provided (Used) by Non-Capital and Related Financing Activities	(390,181)	99,859	(290,322)	(173,110)
Cash Flows from Capital and Related Financing Activities				
Additions to Capital Assets	-	(16,004)	(16,004)	-
Principal Paid on Long-term Debt	(580,000)	-	(580,000)	-
Proceeds from Sale of Assets	344	45	389	-
Interest Paid on Long-term Debt	(91,551)	-	(91,551)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(671,207)	(15,959)	(687,166)	-
Net Increase (Decrease) in Cash	111,943	-	111,943	(21,057)
Cash, Beginning of Year	1,289,148	-	1,289,148	143,723
Cash, End of Year	$ 1,401,091	$ -	$ 1,401,091	$ 122,666
Classified As:				
Unrestricted - Cash and Cash Equivalents	$ 719,036	$ -	$ 719,036	$ 122,666
Restricted	682,055	-	682,055	-
	$ 1,401,091	$ -	$ 1,401,091	$ 122,666
Cash Flows from Operating Activities				
Operating Income (Loss)	$ 856,258	$ (112,531)	$ 743,727	$ 97,895
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation and Amortization	389,725	3,310	393,035	-
Changes in Assets and Liabilities				
Decrease (Increase) in Net Accounts Receivable	(228,532)	15,065	(213,467)	-
Decrease (Increase) in Prepaid Expenses	7,745	41	7,786	895
Increase (Decrease) in Accounts Payable	119,947	(626)	119,321	9,980
Increase (Decrease) in Accrued Expenses	13,354	10,841	24,195	43,283
Increase (Decrease) in Customer Utility Deposits	14,834	-	14,834	-
Net Cash Provided (Used) by Operating Activities	$ 1,173,331	$ (83,900)	$ 1,089,431	$ 152,053

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust Fund
Assets	
Investments at Fair Value	
Pooled Separate Accounts	
Money Market and Fixed Income Funds	$ 9,360,932
Large Capital and Growth Funds	6,881,898
Mid Capital and Growth funds	3,181,838
Small Capital Funds	1,022,141
Total Assets	20,446,809
Net Assets	
Held in Trust for Pension Benefits	$ 20,446,809

The accompanying notes are an integral part of these financial statements.

City of Hapeville, Georgia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Pension Trust Fund
Additions	
Contributions	
Employer	$ 1,288,513
Investment Income	
Net Appreciation (Depreciation) in Fair Value of Investments	(292,423)
Total Additions	996,090
Deductions	
Benefit Payments	2,216,353
Total Deductions	2,216,353
Change in Net Assets	(1,220,263)
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	21,667,072
End of Year	$ 20,446,809

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Hapeville, Georgia (the "City") have been prepared in accordance with generally accepted accounting principles in the United State of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the city are described below.

1-A. Reporting Entity

The City was incorporated in 1891, under the provisions of the State of Georgia. The City operates under a council/manager form of government. Major operations include police and fire protection, public works, highways and streets, sanitation, culture, recreation, community development, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. There are no blended component units.

The Hapeville Development Authority has been included as a discretely presented component unit in the accompanying financial statements. The City appoints all of the members of the Hapeville Development Authority's Board. The Board has the authority to issue bonded debt, its debt issuance and operational budgets must be approved by the City Council. The Hapeville Development authority's debts are guaranteed by the City.

The Hapeville Association for Tourism and Trade, Inc. has also been included as a discretely presented component unit in the accompanying financial statements. The Association's purpose is to improve the availability of basic goods and services within the City of Hapeville, develop the educational, cultural and economic potential of the City, improve and maintain the appeal of the City and increase City revenues by stabilizing the tax base, enhancing property values and increasing retail sales in the City of Hapeville. The City appoints all directors and approves the budget.

Financial information for the component units is available from the City Finance Director's office, 3468 N. Fulton Avenue, Hapeville, Georgia 30297.

1-B. Basis of Presentation

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Discretely presented component units are presented separately within the government-wide financial statements. Fiduciary activities are not included at the government-wide reporting level. The operating activity of the internal service funds is also eliminated to avoid duplicating revenues and expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1-C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City reports the following major governmental funds:

- The ***general fund*** is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports on the following major proprietary funds:

- The ***water and sewer fund*** is used to account for water and sewer service operations to the residents of the City. Activities of the fund include administration, operations and maintenance of the system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt.

- The ***sanitation fund*** is used to account for the collection of fees for garbage collection, disposal and recycling programs and related expenses.

The City reports the following fiduciary fund:

- The ***pension trust fund*** accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are by the City at rates determined by actuarial computations.

Additionally, the City reports the following fund types:

- The ***special revenue funds*** account for specific revenues that are legally restricted to expenditure for particular purposes.

- The ***capital projects funds*** account for construction projects over one year in length financed either by Federal or state grants or funded by the City.

- The ***debt service fund*** accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

- The ***internal service funds*** account for workers' compensation services and information technology services provided to other departments or agencies of the City on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer and sanitation funds and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer and sanitation funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-D. Assets, Liabilities and Fund Equity

1-D-1 Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes all demand savings accounts and certificates of deposits of the City. For the purposes of the Proprietary Fund Statement of Cash Flows, "Cash and Cash Equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Investments are carried at fair value. Additional cash and investment disclosures are presented in Note 2-A and Note 3-A.

1-D-2 Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are reported net of estimated uncollectible amounts.

Property taxes are levied based on a calendar year (January 1 through December 31). The property tax assessment is formally levied on September 1, based on property values as of the previous January 1 (the lien date). Tax bills are mailed in September, and due forty-five days later. On the forty-sixth day after they are mailed out the bills become delinquent and penalties and interest are assessed by the City.

1-D-3 Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

1-D-4 Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statement for proprietary funds. The City's infrastructure consists of roads, curbs, and gutters, sidewalks, bridges, drainage, traffic signals, and water and sewer lines. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of $5,000 or more and over two years of useful life. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. In the case of the initial capitalization of general infrastructure items (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date. All reported capital assets are depreciated except for land and construction in progress. Depreciation has been calculated on each class of depreciable property, using the straight-line method.

The estimated useful lives are as follows:

	Years
Infrastructure	10-30
Buildings and Building Improvements	15-50
Land Improvements	10-20
Furniture and Equipment	10-15
Autos, Trucks, and Equipment	5-10
Water and Sewer System	50

1-D-5 Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

1-D-6 Long – Term Obligations

The accounting treatment of long-term obligations depends on whether the related assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of certificates of participation notes payable, bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

1-D-7 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance

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

- ***Nonspendable*** – amounts that are not in a spendable form or are required to be maintained intact.

- ***Restricted*** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- ***Committed*** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

- ***Assigned*** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. City Council has the authority to assign fund balance through ordinance.

- ***Unassigned*** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: Committed, Assigned, Unassigned.

Net Assets

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

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

- ***Restricted net assets*** – consists of net assets with constraints placed on the 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*** – consists of net assets designated internally and undesignated.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-D-8 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted). Transfers between funds reported in the governmental activities column are eliminated.

Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

1-D-9 Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

By its nature as a local government unity, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2-A. Budgets and Budgetary Accounting

Prior to July 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. After revisions, if any, by the council, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding do not constitute expenditures or liabilities and are re-appropriated in the subsequent year. Unencumbered appropriations lapse at year-end.

The budgets for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles. Proprietary fund type budgets are adopted for management control purposes only.

2-B. Deposits and Investments Laws and Regulations

In accordance with state law, the City is required to obtain pledges of collateral from depository institutions for all uninsured deposits of municipal funds in financial institutions. As reflected in Note 3-A, all deposits of the City were fully insured or collateralized. Deposits for Hapeville Development Authority, as noted in Note 3-A were also fully insured.

Investments of the City are limited by state law to obligations to this state (Georgia) or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of this state. For the year ended June 30, 2012, the City complied, in all material respects, with these investment restrictions.

2-C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
E-911 Revenue	E-911 Emergency Services Purposes
Hotel/Motel Tax – 4%	Trade and Tourism
Water and Sewer Revenue	Debt Service and Utility Operations

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

2-D. Debt Restrictions

General Obligation Debt – Article 9, Section 5 of the Georgia Constitution limits the amount of outstanding general obligation bonded debt of the municipality to no more than 10% of the assessed value of all taxable property in the City. For the year ended June 30, 2012, the City had no outstanding general obligation debt.

Note 3 – Detail Notes on Transaction Classes/Accounts

3-A. Cash and Investments

Deposits – Custodial Credit Risk
Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of $4,977,883 at June 30, 2012, that was completely secured with depository insurance or collateral held by the City or by its agent in the City's name.

At year end, the carrying amount of the Hapeville Development Authority's (a discretely presented component unit) bank balance was $69,180, which was fully secured with federal depository insurance. Cash for Hapeville Association for Tourism and Trade, Inc. (a discretely presented component unit) was also entirely covered by federal depository insurance.

Investments – Credit Risk

As of June 30, 2012, the City had the following investments:

	Investment	Maturities	Fair Value
Governmental Funds:			
Georgia Extended Asset Pool	$ 36,435	varies	$ 36,435

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the City to invest in obligations of the State of Georgia; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the Georgia Extended Asset Pool, established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The City has no investment policy that would further limit its investment choices.

Georgia Extended Asset Pool, created by the Official Code of Georgia Annotated ("OCGA") 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. However, Georgia Extended Asset Pool operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The regulatory oversight agency for this pool is the Office of State Treasurer. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer.

3-B. Receivables

Accounts receivable for the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist primarily of franchise tax, property tax, occupation tax, hotel/motel tax and intergovernmental receivables arising from grants and due from the County from sales tax collections. An allowance for doubtful accounts was recorded for the utility receivables at $38,100 for year ended June 30, 2012.

3-C. Capital Assets

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

Governmental activities	Beginning Balance	Increases	Decreases	Transfers and Reclassifications	Ending Balance
Non-depreciable					
Land	$ 1,367,730	$ -	$ -	$ -	$ 1,367,730
Construction in Progress	2,281,908	1,679,363	-	(2,868,325)	1,092,946
Total non-depreciable assets	3,649,638	1,679,363	-	(2,868,325)	2,460,676
Depreciable					
Buildings and Improvements	4,702,039	12,079	-	501,876	5,215,994
Land Improvements	2,954,505	-	-	37,392	2,991,897
Autos, Trucks and Equipment	8,846,077	406,796	(1,340,824)	-	7,912,049
Infrastructure	19,617,526	35,263	-	2,329,057	21,981,846
Total depreciable assets	36,120,147	454,138	(1,340,824)	2,868,325	38,101,786
Less accumulated depreciation					
Buildings and Improvements	(2,074,989)	(112,882)	-	-	(2,187,871)
Land Improvements	(1,866,356)	(97,196)	-	(13,346)	(1,976,898)
Autos, Trucks and Equipment	(6,703,217)	(368,460)	1,340,824	-	(5,730,853)
Infrastructure	(15,268,885)	(552,944)	-	13,346	(15,808,483)
Total accumulated depreciation	(25,913,447)	(1,131,482)	1,340,824	-	(25,704,105)
Net depreciable assets	10,206,700	(677,344)	-	2,868,325	12,397,681
Governmental activities capital assets, net	$ 13,856,338	$ 1,002,019	$ -	$ -	$ 14,858,357

Business- type activities	Beginning Balance	Increases	Decreases	Transfers and Reclassifications	Ending Balance
Non-depreciable					
Construction in Progress	$ -	$ -	$ -	$ -	$ -
Total non-depreciable assets	-	-	-	-	-
Depreciable					
Water and Sewer System	18,065,425	-	-	-	18,065,425
Autos, Trucks and Equipment	830,071	16,004	(25,224)	-	820,851
Total depreciable assets	18,895,496	16,004	(25,224)	-	18,886,276
Less accumulated depreciation					
Water and Sewer System	(4,291,047)	(299,755)	-	-	(4,590,802)
Autos, Trucks and Equipment	(592,458)	(31,413)	25,224	-	(598,647)
Total accumulated depreciation	(4,883,505)	(331,168)	25,224	-	(5,189,449)
Net depreciable assets	14,011,991	(315,164)	-	-	13,696,827
Business-type capital assets, net	$ 14,011,991	$ (315,164)	$ -	$ -	$ 13,696,827

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

Governmental activities depreciation expense	
General Government	$ 75,267
Public Safety	291,255
Public Works	530,925
Culture and Recreation	43,871
Parks and Grounds	112,088
Planning, Zoning and Development	29,567
Trade and Tourism	48,509
Total Depreciation Expense	$ 1,131,482
Business-type activities	
Water and Sewer	$ 327,858
Sanitation	3,310
	$ 331,168

3-D. Long-Term Debt

Primary Government

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital Lease - Telephone Equipment	$ 9,260	$ -	$ 9,260	$ -	$ -
Capital Lease - Telecommunications	8,396	-	8,396	-	-
Certificates of Participation	325,000	-	160,000	165,000	165,000
Note Payable - Vehicles Purchased	743,505	-	153,762	589,743	133,733
Compensated Absences	308,505	619,335	474,276	453,564	151,187
Total	$ 1,394,666	$ 619,335	$ 805,694	$ 1,208,307	$ 449,920
Business-Type Activities					
Revenue Bonds Payable	$ 2,475,000	$ -	$ 580,000	$ 1,895,000	$ 605,000
Compensated Absences	39,366	59,508	38,871	60,003	40,002
Contingent Liability	3,650,000	-	-	3,650,000	-
Total	$ 6,164,366	$ 59,508	$ 618,871	$ 5,605,003	$ 645,002

For governmental funds, compensated absences are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the water and sewer fund and the sanitation fund. The contingent liability will be liquidated by the water and sewer fund.

Capital Leases

The City financed the purchase of telephone equipment through Key Government Finance, Inc. in 2007. The original amount of the lease was $47,078 with payments to be made over 60 months for $857 including interest at 3.56%. This debt was paid off during the fiscal year.

The City financed the purchase of telecommunications equipment through Key Government Finance, Inc. in 2006. The original amount of the lease was $154,673 with payments to be made over 60 months for $2,815 including interest at 3.52%. This debt was paid off during the fiscal year.

Certificates of Participation

In August 2007, the City entered into a lease purchase agreement with Government Capital Corporation (GCC). The funding of the lease was provided by the issuance of $1,010,000 (Series 2007A for $260,000 and Series 2007B for $750,000) Certificates of Participation by GCC. The net proceeds were used to purchase law enforcement system software and hardware.

With respect to the Series 2007A Certificate, the debt was paid in full as of June 30, 2011. For the Series 2007B Certificate, payments are due January 15 and July 15 of each year. The Series 2007B Certificate bears interest at the rate of 4.60% per annum and matures on January 15, 2013. Interest is paid on the payment dates.

The City's Series B certificate of participation debt service requirements to maturity are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2013	$ 165,000	$ 5,750	$ 170,750
	$ 165,000	$ 5,750	$ 170,750

Note Payable

In December 2010, the City financed the purchase of vehicles through SunTrust Bank. The original amount of the note was $825,477 with payments to be made over 120 months for $13,372 including interest at 2.75%.

The remaining note payable currently outstanding is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2013	$ 133,733	$ 13,356	$ 147,089
2014	112,006	10,890	122,896
2015	76,825	8,506	85,331
2016	66,610	6,435	73,045
2017	55,939	4,819	60,758
2018-2021	144,629	6,820	151,449
	$ 589,742	$ 50,826	$ 640,568

Revenue Bonds Payable

In December 2001, the City issued $6,590,000 in Water and Sewer Authority Revenue Bonds with an average rate of 4.2% to advance refund $5,080,000 of outstanding 1994 Series bonds with an average interest rate of 6.1% and to pay off $682,000 of capital leases. The net proceeds of $5.7 million (after payment of $143,400 in underwriting fees, insurance, other issuance costs and capital lease payment) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds were considered to be defeased and the liability for those bonds was removed from the books. On July 1, 2004, the bonds were called and paid in full.

Series 2001 Revenue Bonds Payable currently outstanding are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2013	$ 605,000	$ 66,726	$ 671,726
2014	630,000	40,853	670,853
2015	660,000	13,827	673,827
	$ 1,895,000	$ 121,406	$ 2,016,406

Contingent Liability

The City of Hapeville, Georgia is part of the Metro Atlanta Waste Water Treatment System, and as such entered into an agreement with the City of Atlanta to reimburse the City of Atlanta for Hapeville's proportionate share of costs to operate the system and to make capital improvements. This agreement is broken down into three areas:

1. The SB 500 Program, for capital improvement costs relating to phosphorous reductions
2. The Clean Water Atlanta Program, for strategic capital improvement costs relating to the Metropolitan Sewer System.
3. Operation and Maintenance Costs for Flint River Lift Station and South River WRC.

Hapeville is not in agreement with the City of Atlanta about the method of assessment and their calculations for these charges. As of June 30, 2007, Hapeville has previously paid $1 million to Atlanta against the SB500 assessment, recorded an additional $2,250,000 as a payable and recorded capital assets of $2,250,000.

During the year ending June 30, 2009, Hapeville's consultant in these matters reassessed the potential liability and advised the City of Hapeville to increase the liability to $3,500,000. Atlanta indicates an amount of $6,000,000 should be paid. Negotiations are ongoing with Atlanta to settle. No settlement has been reached and no payments on the $3,500,000 are being paid until an agreement is reached. Therefore the payable is classed as a noncurrent liability. Since Hapeville has some justification for not paying the entire $6 million and it is unknown whether Atlanta will accept the $3,500,000 as a final payment. During year ended June 30, 2010, the City recorded an additional $150,000 liability amount to increase the contingent liability to $3,650,000. No additional increase was warranted for the year ended June 30, 2012.

Hapeville Development Authority

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Revenue Bonds Payable					
Series 2004A	$ 4,615,000	$ -	$ 65,000	$ 4,550,000	$ 70,000
Series 2004B	3,795,000	-	185,000	3,610,000	195,000
Series 2007	2,015,000	-	90,000	1,925,000	90,000
	$ 10,425,000	$ -	$ 340,000	$ 10,085,000	$ 355,000

Series 2004A Revenue Bonds Payable

In June 2004, Hapeville Development Authority (the Authority) issued Tax Exempt Revenue Bonds – Series 2004A, in the amount of $4,855,000 to be used for paying off capital leases held by the City in the amount of $886,133 payable to Georgia Municipal Association, developing and maintaining a streetscape project, constructing improvements to the City's existing water and sewer system, paying capitalized interest and paying the costs of issuance of the bonds. $3,550,043 was deposited into the 2004A Project Account to pay cost of the Project including cost of issuing the Series 2004A Bonds. Fees to the placement agent were $48,550 and $370,275 was deposited into the 2004A Capitalized Interest Account with the project fund. The bond rate is 4.80% with a maturity date of August 1, 2024. The bond payments are due on August 1st each year beginning on August 1, 2007. Interest is payable semi-annually beginning on February 1 and August 1 each year beginning on February 1, 2005.

Series 2004A Revenue Bonds currently outstanding are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 70,000	$ 216,720	$ 286,720
2014	75,000	213,240	288,240
2015	75,000	209,640	284,640
2016	490,000	196,080	686,080
2017	515,000	171,960	686,960
2018-2022	2,970,000	454,800	3,424,800
2023-2025	355,000	26,280	381,280
	$ 4,550,000	$ 1,488,720	$ 6,038,720

Series 2004B Revenue Bonds Payable

In conjunction with the issuance of the Series 2004A bonds, the Authority also issued Taxable Revenue Bonds – Series 2004B, in the amount of $4,435,000 dated June 29, 2004 and to mature on August 1, 2024 at a rate based on the Wall Street Journal LIBOR Daily Floating Rate plus 2.5%. The application of the Series 2004B Bond is as follows: $3,296,417 deposited into the 2004B Project Account to pay costs of the 2004B project, including costs of issuance, $682,000 to pay off the Authority's debt to the City, $44,350 paid to the Placement Agent for its fee and $412,233 to be deposited into the 2004B Capitalized Interest Account with the Project Fund. Interest is payable semi-annually on February 1 and August 1 each year beginning on February 1, 2005.

Series 2004B Revenue Bonds currently outstanding (with interest computed at 2.75%) are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2013	$ 195,000	$ 97,735	$ 292,735
2014	205,000	91,696	296,696
2015	215,000	85,880	300,880
2016	230,000	79,718	309,718
2017	245,000	73,351	318,351
2018-2022	1,440,000	253,733	1,693,733
2023-2025	1,080,000	45,869	1,125,869
	$ 3,610,000	$ 727,982	$ 4,337,982

Series 2007 Revenue Bonds Payable

In January 2007 the Hapeville Development Authority issued Tax Exempt Revenue Bonds, Series 2007, in the amount of $2,180,000 to be used to finance all or a portion of the costs of certain public infrastructure projects of the City. The interest rate of the bonds is 4% through February 1, 2015, 4.25% from August 1, 2015 through February 1, 2023 and 4.275% from August 1, 2023 through February 1, 2027.

Series 2007 Revenue Bonds currently outstanding are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2013	$ 90,000	$ 81,881	$ 171,881
2014	100,000	78,281	178,281
2015	100,000	74,281	174,281
2016	105,000	70,281	175,281
2017	110,000	65,819	175,819
2018-2022	640,000	253,656	893,656
2023-2027	780,000	104,819	884,819
	$ 1,925,000	$ 729,018	$ 2,654,018

The Series 2004A, 2004B and 2007 Bonds are backed by intergovernmental contracts between the Authority and the City dated June 1, 2004 and January 4, 2007. The Authority appointed the City as its agent to acquire, construct and equip the 2004 and 2007 Projects. All real or tangible personal property acquired with the proceeds of the 2004 and 2007 Bonds shall be titled in the name of the City and be free of any liens and encumbrances and shall constitute part of the 2004 and 2007 Projects. The City shall make as necessary the contract payments with respect to the Series 2004 and 2007 Bonds to the Authority. The obligations of the City, to make the contract payments when due under the Intergovernmental Agreement, are an absolute and unconditional general obligation of the City.

3-E. Interfund Receivables, Payables and Transfers

The composition of interfund balances reported in the fund financial statements as of June 30, 2012, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Water & Sewer Fund	Sanitation Fund	$ 1,461,115
General Fund	Capital Project Funds	$ 439,598
General Fund	Special Revenue Funds	118,739
		$ 558,337

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Component unit - Hapeville Association for Trade and Tourism	Primary government - General Fund	$ 178,199
Component unit - Hapeville Development Authority	Primary government - General Fund	$ 6,164,134

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	Transfers Out				
Transfers In	General	Water & Sewer	Sanitation	Internal Service	Toal
Non-Major Governmental:					
Special Revenue	$ 79,429	$ -	$ -	$ -	$ 79,429
Debt Service	384,892	265,985	24,337	173,110	848,324
Total	$ 464,321	$ 265,985	$ 24,337	$ 173,110	$ 927,753

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounts in other funds in accordance with budgetary authorizations.

3-F. Pension Plan

Plan Description. City of Hapeville Retirement Plan (the "Plan"), a single-employer defined benefit pension plan, provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The Plan is administered by a Board of Trustees, who executed a trust agreement with MassMutual Financial Group to hold, manage, invest, and distribute contributions in accordance with the provisions of the Plan. All full time City employees and City Officials are eligible to participate in the plan. Benefits vest after ten years of service. Members may retire on reaching the age of 60 or 65, (55 for police or firefighters). Early retirement is possible on reaching the age 50 or 55, depending on the classification. Benefits are calculated at 1.00% to 2.50% of the average monthly earnings for the period of the five highest years prior to retirement, payable monthly for life. The City Council of Hapeville has the authority to establish or amend all Plan provisions. The Plan does not issue a separate financial statement.

Funding Policy. The City's plan is non-contributory, under this plan and the City's policy is to contribute 100% of an actuarially determined rate; the current rate approximates 24% of annual covered payroll.

Annual Pension Cost. For 2012, the City's annual pension cost of $1,288,513 for the Plan was equal to the City's required and actual contributions.

As of January 1, 2011, employee membership data related to the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	90
Terminated members entitled to but not yet receiving benefits	26
Active plan participants	110
Total	226

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
2007	$ 1,735,216	100%
2008	1,587,630	100%
2009	546,923	100%
2010	1,060,044	100%
2011	1,147,023	100%
2012	1,288,513	100%

Funding Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the plan was 58.15 percent funded. The actuarial accrued liability for benefits was $23.47 million, and the actuarial value of assets was $20.61 million, resulting in an unfunded actuarial accrued liability (UAAL) of $2.86 million. The covered payroll (annual payroll of active employees covered by the plan) was $4.69 million, and the ratio of the UAAL to the covered payroll was 58.15 percent.

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

Actuarial Methods and Assumptions. In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The UAAL is amortized over closed periods using level dollar payments. The amortization period is 15 years for gains and losses, 20 for Plan changes, and 30 for Assumption Changes. The UAAL was started anew as of January 1, 2007 and amortized over 15 years. The actuarial assumptions included (a) 7.125 percent investment rate of return and (b) projected salary increases of 3 percent per year. Both (a) and (b) included an inflation component of 2.5 percent. The Plan ceased having Cost of Living Adjustments (except discretionary ones) as of December 31, 2007. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a ten year period. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the annual pension costs.

3-G. Net Assets

	Governmental Activities
Invested in capital assets, net of related debt:	
Cost of capital assets	$ 40,562,462
Plus unamortized bond costs	19,642
Less related debt	(754,743)
Less payable to component unit for debt	(6,164,134)
Less accumulated depreciation	(25,704,105)
Total Net Assets Invested in Capital Assets, Net of Related Debt	$ 7,959,122

Note 4 – Other Notes

4-A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee disability and natural disasters. The City maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City.

Workers' Compensation Insurance. The City is partially self-insured for workers' compensation claims. The City has purchased insurance for individual claims exceeding $300,000 and aggregate claims per year exceeding $1,000,000. The following describes the activity related to these claims based on actual claims presented after year-end and historical experience.

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2012	$ 55,272	$ 169,253	$ 128,725	$ 95,800
2011	1,200	94,360	40,288	55,272
2010	3,584	16,359	18,743	1,200

4-B. Post Employment Healthcare Plan

A. Plan Description

The City maintains a single-employer defined benefit post-retirement health care plan, "The City of Hapeville Health Retirement Plan" ("OPEB Plan") to provide medical, dental and life insurance benefits to its eligible retirees. The benefits are provided in accordance with City ordinances and policies.

Eligible retirees are offered the same health and prescription drug coverage as active employees. Each fiscal year, the City determines the plan benefits and the premium rate for participants (active and retirees). However, dependent coverage which is not available for active employees has a co-pay of 50% of the active premium cost. The City also provides retiree life insurance with a face value of $19,500. Medical coverage changes to a Medicare supplement at age 65. All full-time employees who are also eligible to retire and receive unreduced benefits under the Defined Benefit Pension Plans are eligible for participation in the Plan.

As of July 1, 2011, employee membership data related to the OPEB plan was as follows:

Retirees and beneficiaries currently receiving benefits	62
Active plan participants	110
Total	172

The benefits provided are not guaranteed and are subject to change at any time. In addition, the benefits provisions are subject to annual appropriation of funds by the City's Mayor and Council members. The Plan does not provide for automatic or ad hoc postretirement benefit increases; however the benefits provisions provided by the Plan may be amended, established or terminated at any time by a vote of the City's Mayor and Council members. The Plan does not issue a stand-alone financial report.

B. Funding Policy

The plan is not funded but rather operated on a "pay-as-you-go" basis. The required contributions are based on projected "pay-as-you-go" financing requirements as determined annually by the City.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Government Accounting Standards Board Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents the level of finding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

Determination of Annual Required Contribution	Medical and Dental	Life Insurance	Total
Normal Cost at year end	$ 223,182	$ 14,568	$ 237,750
Amortization of UAAL	408,405	31,090	439,495
Interest	12,508	905	13,413
Annual Required Contribution (ARC)	$ 644,095	$ 46,563	$ 690,658
Determination of Net OPEB Obligation			
Annual Required Contributions	$ 644,095	$ 46,563	$ 690,658
Interest on net OPEB obligations	65,412	3,533	68,945
Adjustment to ARC	(69,475)	(5,088)	(74,563)
Annual OPEB cost	640,032	45,008	685,040
Contributions made:			
Employer *	(356,600)	(58,500)	(415,100)
Increase (Decrease) in net OPEB obligation	283,432	(13,492)	269,940
Net OPEB obligation - beginning of year	1,179,887	86,403	1,266,290
Net OPEB obligation - end of year	$ 1,463,319	$ 72,911	$ 1,536,230

***Employer contributions will be equal to the net expected employer benefits payments (gross benefit cost offset by the retiree's contributions) during the 2012 fiscal year plus any additional funds the City will place in a GASB 45 qualifying trust. GASB 45 defines contributions for this purpose to be actual benefit payments during the year plus contributions, if any, to a separate irrevocable trust.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Medical and Dental Benefits			
6/30/2010	$ 753,398	38.38%	$ 834,539
6/30/2011	$ 735,624	53.05%	$ 1,179,887
6/30/2012	$ 640,032	55.72%	$ 1,463,319
Life Insurance			
6/30/2010	$ 37,031	11.57%	$ 69,778
6/30/2011	$ 36,125	53.98%	$ 86,403
6/30/2012	$ 45,008	129.98%	$ 72,911

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $8,761,251. The City's funding includes employer and participant contributions. This amount is also the unfunded actuarial accrued liability (UAAL).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shows multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculators.

In the actuarial valuation dated July 1, 2011, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent discount rate for unfunded. Other actuarial assumptions include mortality rates using the 1983 GAM, withdrawal rates based on the age of the employee, disability rates, retirement rates and an annual healthcare cost trend rate of 5.0 percent. The UAAL is being amortized over open periods using level dollar payments. The amortization period is currently 27 years and will grade down to 15 years.

4-C. Deferred Compensation and Other Employee Benefit Plans

The City provides an opportunity for employees to participate in a deferred compensation plan, commonly referred to as a 457 Plan. The City does not make contributions to the plan. Employees elected contributions are maintained in separate accounts for each employee by the third party administrator.

The City also provides an opportunity for one employee to participate in a defined contribution money-purchase pension plan, known as City of Hapeville/City Manager Plan, administered by ICMA Retirement Corporation, whereby the City contributes 25% of the employee's salary. Mandatory participant contributions are required to be eligible for the employer contribution. There is no vesting period. Loans are not permitted under the Plan. Pension expense contributions made by the City under this plan for the year ended June 30, 2012 were $29,814.

4-D. Joint Ventures

Regional Commissions. Under Georgia law, the City, in conjunction with other cities and counties in the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, if assessed. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

4-E. Hotel/Motel Lodging Tax

During the year ended June 30, 2012, the City levied a 7% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. Total revenues of $1,545,360 were received. The three percent portion of $622,341 is reported as revenues in the General Fund. The remaining four percent of $883,019 was reported in the special revenue fund and then sent to the City's Component Unit, Hapeville Association for Travel and Tourism to spend on salaries and other expenditures related to tourism. Expenditures of $1,217,709 in the component unit exceeded the total revenues transferred in from the City during the year ended June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hapeville, Georgia
Required Supplementary Information
Retirement Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2011	$ 20,612,085	$ 23,469,080	$ 2,856,995	87.83%	$ 4,913,117	58.15%
1/1/2010	21,464,632	21,499,692	35,060	99.84%	4,691,586	0.75%
1/1/2009	22,473,567	21,223,571	(1,249,996)	105.89%	4,804,760	-26.02%
1/1/2008	25,440,801	25,696,305	255,504	99.01%	3,892,946	6.56%
1/1/2007	25,271,778	26,328,510	1,056,732	95.99%	5,177,036	20.41%
1/1/2006	24,742,151	34,133,906	9,391,755	72.49%	5,314,639	176.71%
1/1/2005	23,273,947	33,691,472	10,417,525	69.08%	5,274,394	197.51%
1/1/2004	22,114,732	32,366,209	10,251,477	68.33%	5,272,521	194.43%

Note: See assumptions used for the Schedule of Funding Progress in Note 3-F to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

City of Hapeville, Georgia
Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Asset Forfeitures Fund is used to account for the funds received for seized assets by the Police Department and transferred to the General Fund to use as needed for expenditures approved by City Council.

Emergency Communications Fund is used to account for the funds billed to wireless telecommunication connection subscribers by various wireless communication providers and transferred to the City related expenditures for E-911 equipment, maintenance and other related expenditures.

Hotel-Motel Tax Fund is used to account for the legally restricted portion (4%) of funds received and expended from the excise tax levied on charges made for room, lodgings, or accommodations furnished by hotels, motels, inns, and other accommodations regularly furnished for value.

Rental Motor Vehicle Excise Tax Fund is used to account for excise taxes collected from vehicle rentals within the City. The excise taxes are used for improvements to recreation facilities, improvements to pedestrian walkways, improvements to right of way and all related repairs and maintenance.

Other Special Revenues Fund is used to account for various other small projects funded with restricted funds.

Capital Projects Funds

Depot Museum and Tourist Information Center Fund is used to account for the Federal and local revenues and expenditures of grant funds that are restricted to use for construction, restoration, and expansion of the Depot Museum and Tourist Information Center.

Loop Access Road Fund is used to account for the Federal and local revenues and expenditures of grant funds that are restricted to use in the preliminary engineering and construction project for the completion of the Loop Road.

North Central Avenue Streetscape Fund is used to account for the revenues and expenditures of grant funds that are restricted to the construction project for North Central Avenue.

Virginia Avenue/Doug Davis Drive Fund is used to account for the Federal and local revenues and expenditures for the Virginia Avenue/Doug Davis Drive Streetscape grant project.

Dogwood Drive/North Avenue Streetscape Fund is used to account for the Federal and local revenues and expenditures for the Transportation Improvement Program/State Transportation Improvement Program (TIP/STIP) for scoping, preliminary engineering and construction phases of Dogwood Drive improvements.

Virginia Avenue Streetscape Fund is used to account for revenues and expenditures of grant funds that are restricted to the construction project for Virginia Avenue.

North Fulton Streetscape Fund is used to account for the Federal and local revenues and expenditures from the Transportation Enhancement Program to construct streetscape improvements to five corridors in Hapeville, beginning at North Central Avenue and ending at King Arnold Street.

Tennis Courts Fund is used to account for the revenues received from Fulton County Community Development Block Grant and expenditures made for park improvements to tennis courts.

I-75 Logo Fund is used to account for Grant funds received and expended to landscape the I-75 at State Route 3 and Central Avenue Interchange.

Other Capital Projects Fund is used to account for various other long-term and shorter-term projects. The projects included for this fiscal year consist of: the Pedestrian and Bike Pathway Study grant, the Hoyt Smith Recreation Center construction, MARTA Bus Stops Grant and improvements to buildings purchased for renovation and enhancement of City property...

Debt Service Funds

Debt service funds are used to account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Debt Service Fund is used to account for Series 2004A bonds, Series 2007 bonds and Certificates of Participation debt.

City of Hapeville, Georgia
Combining Balance Sheet - Summary
Non-Major Governmental Funds
June 30, 2012

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Non-Major Governmental Funds
Assets				
Cash and Cash Equivalents	$ 18,944	$ -	$ 26,519	$ 45,463
Other Taxes Receivable	97,993	-	-	97,993
Other Receivables	21,087	-	465,565	486,652
Total Assets	$ 138,024	$ -	$ 492,084	$ 630,108
Liabilities				
Accounts Payable	$ 1,621	$ -	$ 52,486	$ 54,107
Due to Other Funds	118,739	-	439,598	558,337
Total Liabilities	120,360	-	492,084	612,444
Fund Balance				
Restricted for:				
Program Purposes	17,664	-	-	17,664
Total Fund Balance	17,664	-	-	17,664
Total Liabilities and Fund Balance	$ 138,024	$ -	$ 492,084	$ 630,108

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2012

	Non-Major Special Revenue Funds					Total Non-Major Special Revenue Funds
	Asset Forfeiture	Emergency Communications	Hotel/ Motel Tax	Rental Motor Vehicle Excise Tax	Other Special Revenues	
Assets						
Cash and Cash Equivalents	$ 18,242	$ -	$ -	$ -	$ 702	$ 18,944
Other Taxes Receivable	-	-	97,993	-	-	97,993
Other Receivables	-	-	-	-	21,087	21,087
Total Assets	$ 18,242	$ -	$ 97,993	$ -	$ 21,789	$ 138,024
Liabilities						
Accounts Payable	$ 1,280	$ -	$ -	$ -	$ 341	$ 1,621
Due to General Fund	-	-	97,993	-	20,746	118,739
Total Liabilities	1,280	-	97,993	-	21,087	120,360
Fund Balance						
Restricted for Program Purposes	16,962	-	-	-	702	17,664
Total Liabilities and Fund Balance	$ 18,242	$ -	$ 97,993	$ -	$ 21,789	$ 138,024

City of Hapeville, Georgia
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2012

	Non-Major Capital Projects Funds										
	Depot Museum and Tourist Information Center	Loop Access Road	North Central Ave Streetscape	Virginia Ave/ Doug Davis Streetscape	Dogwood/ North Ave Streetscape	Virginia Ave Streetscape	North Fulton Streetscape	Tennis Courts	I-75 Logo	Other Capital Projects	Total Non-Major Capital Projects Funds
Assets											
Cash and Cash Equivalents	$ -	$ 2,529	$ -	$ -	$ 3,918	$ -	$ 1,760	$ -	$ 1,753	$ 16,559	$ 26,519
Other Receivables	75,216	10,116	3,336	132,287	15,672	158,779	-	56,690	-	13,469	465,565
Total Assets	$ 75,216	$ 12,645	$ 3,336	$ 132,287	$ 19,590	$ 158,779	$ 1,760	$ 56,690	$ 1,753	$ 30,028	$ 492,084
Liabilities											
Accounts Payable	$ -	$ 12,645	$ -	$ -	$ 19,590	$ -	$ 1,760	$ -	$ 1,753	$ 16,738	$ 52,486
Due to General Fund	75,216	-	3,336	132,287	-	158,779	-	56,690	-	13,290	439,598
Total Liabilities	75,216	12,645	3,336	132,287	19,590	158,779	1,760	56,690	1,753	30,028	492,084
Fund Balance											
Restricted for Construction of Capital Assets	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balance	$ 75,216	$ 12,645	$ 3,336	$ 132,287	$ 19,590	$ 158,779	$ 1,760	$ 56,690	$ 1,753	$ 30,028	$ 492,084

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and changes in Fund Balances - Summary
Non-Major Governmental Funds
For The Year Ended June 30, 2012

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Non-Major Governmental Funds
Revenues				
Other Taxes	$ 912,933	$ -	$ -	$ 912,933
Charges for Services	65,186	-	-	65,186
Grant Revenues	82,378	-	1,158,407	1,240,785
Other Revenues	-	-	472,567	472,567
Total Revenue	1,060,497	-	1,630,974	2,691,471
Expenditures				
Current:				
Public Safety	274,000	-	-	274,000
Culture and Recreation	12,475	-	-	12,475
Trade and Tourism	883,019	-	-	883,019
Capital Outlay	-	-	1,630,974	1,630,974
Debt Service:				
Principal	-	468,762	-	468,762
Interest	-	379,562	-	379,562
Total Expenditures	1,169,494	848,324	1,630,974	3,648,792
Excess Revenues Over (Under) Expenditures	(108,997)	(848,324)	-	(957,321)
Other Financing Sources (Uses)				
Transfers In (Out)	79,429	848,324	-	927,753
Net Change in Fund Balances	(29,568)	-	-	(29,568)
Fund Balance, Beginning of Year	47,232	-	-	47,232
Fund Balance, End of Year	$ 17,664	$ -	$ -	$ 17,664

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
June 30, 2012

	Non-Major Special Revenue Funds					Total Non-Major Special Revenue Funds
	Asset Forfeiture	Emergency Communications	Hotel/ Motel Tax	Rental Motor Vehicle Excise Tax	Other Special Revenues	
Revenues						
Taxes	$ -	$ -	$ 883,019	$ 29,914	$ -	$ 912,933
Charges for Services	-	65,186	-	-	-	65,186
Grant Revenues	51,840	-	-	-	30,538	82,378
Total Revenue	51,840	65,186	883,019	29,914	30,538	1,060,497
Expenditures						
Public Safety	82,110	142,191	-	29,914	19,785	274,000
Culture and Recreation	-	-	-	-	12,475	12,475
Trade and Tourism	-	-	883,019	-	-	883,019
Total Expenditures	82,110	142,191	883,019	29,914	32,260	1,169,494
Excess Revenues Over (Under) Expenditures	(30,270)	(77,005)	-	-	(1,722)	(108,997)
Other Financing Sources (Uses)						
Transfers In (Out)	-	77,005	-	-	2,424	79,429
Net Change in Fund Balances	(30,270)	-	-	-	702	(29,568)
Fund Balance, Beginning of year	47,232	-	-	-	-	47,232
Fund Balance, End of Year	$ 16,962	$ -	$ -	$ -	$ 702	$ 17,664

City of Hapeville, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Projects Funds
For The Year Ended June 30, 2012

	Non-Major Capital Projects Funds										
	Depot Museum and Tourist Information Center	**Loop Access Road**	**North Central Ave Streetscape**	**Virginia Ave/ Doug Davis Streetscape**	**Dogwood/ North Ave Streetscape**	**Virginia Ave Streetscape**	**North Fulton Streetscape**	**Tennis Courts**	**I-75 Logo**	**Other Capital Projects**	**Total Non-Major Capital Projects Funds**
Revenues											
Grant Revenues	$ -	$ 75,177	$ 31,400	$ 477,252	$ 82,440	$ 409,339	$ -	$ 69,330	$ -	$ 13,469	$ 1,158,407
Other Revenues	9,740	15,295	7,850	75,097	20,610	113,129	18,710	14,638	55,064	142,434	472,567
Total Revenue	9,740	90,472	39,250	552,349	103,050	522,468	18,710	83,968	55,064	155,903	1,630,974
Expenditures											
Capital Outlay	9,740	90,472	39,250	552,349	103,050	522,468	18,710	83,968	55,064	155,903	1,630,974
Excess Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

City of Hapeville, Georgia
Asset Forfeiture Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2012

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Grant Revenues	$ 52,000	$ 51,840	$ (160)
Expenditures			
Public Safety	99,232	82,110	17,122
Excess of Revenues Over (Under) Expenditures	(47,232)	(30,270)	16,962
Other Financing Sources (Uses)			
Transfers In (Out)	-	-	-
Net Change in Fund Balances	(47,232)	(30,270)	16,962
Fund Balance, Beginning of Year	47,232	47,232	-
Fund Balance, End of Year	$ -	$ 16,962	$ 16,962

City of Hapeville, Georgia
Emergency Communications Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2012

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Charges for Services	$ 100,000	$ 65,186	$ (34,814)
Expenditures			
Public Safety	100,000	142,191	(42,191)
Excess of Revenues Over (Under) Expenditures	-	(77,005)	(77,005)
Other Financing Sources (Uses)			
Transfers In (Out)	-	77,005	77,005
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

City of Hapeville, Georgia
Hotel-Motel Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2012

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Taxes	$ 917,100	$ 883,019	$ (34,081)
Expenditures			
Trade and Tourism	917,100	883,019	34,081
Excess of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers In (Out)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

City of Hapeville, Georgia
Rental Motor Vehicle Excise Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2012

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Taxes	$ 35,000	$ 29,914	$ (5,086)
Expenditures			
Public Safety	35,000	29,914	5,086
Excess of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfer In (Out)	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

City of Hapeville, Georgia
Other Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For The Year Ended June 30, 2012

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue			
Grant Revenues			
Bright Start Grant Revenue	$ 9,700	$ 9,651	$ (49)
GEMA Homeland Security Grant	21,350	19,785	(1,565)
Donations for Park Fountain	1,200	1,102	(98)
Total Revenue	32,250	30,538	(1,712)
Expenditures			
Public Safety	21,350	19,785	1,565
Culture and Recreation:			
Bright Start	12,200	12,075	125
Park Fountain	1,200	400	800
Total Expenditures	34,750	32,260	2,490
Excess of Revenues Over (Under) Expenditures	(2,500)	(1,722)	778
Other Financing Sources (Uses)			
Transfer In (Out)	2,500	2,424	(76)
Net Change in Fund Balance	-	702	702
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ 702	$ 702

City of Hapeville, Georgia

Depot Museum and Tourist Information Center Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Transportation				
Enhancement (TE) Grant	$ 97,736	$ -	$ 97,736	$ 641,460
Other Revenues - Local Match	59,946	9,740	69,686	180,014
Total Revenues	157,682	9,740	167,422	821,474
Expenditures:				
Capital Outlay - Depot Museum	157,682	9,740	167,422	821,474
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

Loop Access Road Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Engineering	$ 195,662	$ 75,177	$ 270,839	$ 600,000
Other Revenues - Local Match	48,957	15,295	64,252	150,000
Total Revenues	244,619	90,472	335,091	750,000
Expenditures:				
Capital Outlay - Preliminary Engineering	244,619	90,472	355,091	750,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

North Central Avenue Streetscape Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Phase	$ 93,368	$ 31,400	$ 124,768	$ 138,400
Other Revenues	23,342	7,850	31,192	34,600
Total Revenues	116,710	39,250	155,960	173,000
Expenditures:				
Capital Outlay - North Central Renovations	116,710	39,250	155,960	173,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

Virginia Avenue/Doug Davis Drive Streetscape Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
DOT Grant - Construction Phase	$ 50,219	$ 477,252	$ 527,471	$ 487,200
Other Revenues - Local Match	12,598	75,097	87,695	121,800
Total Revenues	62,817	552,349	615,166	609,000
Expenditures:				
Capital Outlay	62,817	552,349	615,166	609,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

Dogwood/North Avenue Streetscape Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
DOT Grant - Construction Phase	$ 21,456	$ 82,440	$ 103,896	$ 200,000
Other Revenues - Local Match	10,409	20,610	31,019	55,000
Total Revenues	31,865	103,050	134,915	255,000
Expenditures:				
Capital Outlay - Scoping Phase	5,045	-	5,045	5,000
Capital Outlay - Construction Infrastructure	26,820	103,050	129,870	250,000
Total Expenditures	31,865	103,050	134,915	255,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

Virginia Avenue Streetscape Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
Initiative (LCI) Grant - Preliminary Engineering	$ 221,704	$ -	$ 221,704	$ 237,600
Initiative (LCI) Grant - Construction Phase	664,260	409,339	1,073,599	1,346,400
Other Revenues - Local Share	221,491	113,129	334,620	396,000
Total Revenues	1,107,455	522,468	1,629,923	1,980,000
Expenditures:				
Capital Outlay - Prelliminary Expenses	277,130	-	277,130	297,000
Capital Outlay - Construction Expenses	830,325	522,468	1,352,793	1,683,000
Total Expenditures	1,107,455	522,468	1,629,923	1,980,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

North Fulton Streetscape Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental Agreement - CSD Grant				
North Fulton (TE) Grant	$ -	$ -	$ -	$ 1,057,600
Other Revenues - Local Match	-	18,710	18,710	264,400
Total Revenues	-	18,710	18,710	1,322,000
Expenditures:				
Capital Outlay - Infrastructure	-	18,710	18,710	1,322,000
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

Tennis Courts Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - CDBG Grant				
CDBG Grant for Tennis Courts	$ -	$ 69,330	$ 69,330	$ 69,330
Other Revenues - Local	-	14,638	14,638	14,638
Total Revenues	-	83,968	83,968	83,968
Expenditures:				
Capital Outlay - Tennis Courts Infrastructure	-	83,968	83,968	83,968
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

I-75 Logo Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budget
Revenues:				
Intergovernmental - Living Centers				
DOT Grant	$ -	$ -	$ -	$ 400,000
Other Revenues - Local	-	55,064	55,064	4,444
Total Revenues	-	55,064	55,064	404,444
Expenditures:				
Capital Outlay	-	55,064	55,064	404,444
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia

Other Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

From Inception and for the Year Ended June 30, 2012

	Prior Years	Current Year	Total to Date	Project Budgets
Revenues:				
Grant Revenues - Pedestrian & Bike Path	$ -	$ 9,750	$ 9,750	$ 9,750
Grant Revenues - MARTA Bus Stops	-	3,719	3,719	164,000
Grant Revenues - North Central LCI	-	-	-	218,400
Other Revenues - Local	447,141	142,434	589,575	413,900
Total Revenues	447,141	155,903	603,044	806,050
Expenditures:				
Capital Outlay -Pedestrian & Bike Path	-	16,785	16,785	29,500
Capital Outlay - North Central Building	170,950	57,390	228,340	273,000
Capital Outlay - MARTA Bus Stops	-	3,719	3,719	164,000
Capital Outlay - Hoyt Smith Recreation Center	276,191	78,009	354,200	339,550
Total Expenditures	447,141	155,903	603,044	806,050
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year		-		
Fund Balance, End of Year		$ -		

City of Hapeville, Georgia
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2012

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenue	$ -	$ -	$ -
Expenditures			
Debt Service			
Principal	411,770	468,762	(56,992)
Interest	476,706	379,562	97,144
Total Expenditures	888,476	848,324	40,152
Excess of Revenues Over (Under) Expenditures	(888,476)	(848,324)	40,152
Other Financing Sources (Uses)			
Transfers In (Out)	888,476	848,324	(40,152)
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost-reimbursement basis.

Workers Compensation Fund - This fund is used to account for the cost of workers' compensation insurance to other departments and such related costs.

Information Technology Fund - This fund is used to account for the cost of new information technology equipment, leases, software and related costs for maintenance and upgrades.

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Net Assets
June 30, 2012

	Workers' Compensation Fund	Information Technology Fund	Total
Assets			
Current Assets			
Cash and Cash Equivalents	$ 76,183	$ 46,483	$ 122,666
Prepaid Expenses	19,685	780	20,465
			-
Total Assets	95,868	47,263	143,131
Liabilities			
Current Liabilities			
Accounts Payable	66	14,062	14,128
Accrued Liabilities	95,800	2,296	98,096
Compensated Absences	-	1,032	1,032
Total Current Liabilities	95,866	17,390	113,256
Noncurrent Liabilities			
Compensated Absences	-	3,284	3,284
Total Liabilities	95,866	20,674	116,540
Net Assets			
Unrestricted	2	26,589	26,591
Total Net Assets	$ 2	$ 26,589	$ 26,591

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For The Year Ended June 30, 2012

	Workers' Compensation Fund	Information Technology Fund	Total
Operating Revenues			
Service Charges	$ 110,280	$ 584,971	$ 695,251
Total Operating Revenues	110,280	584,971	695,251
Operating Expenditures			
Salaries	-	58,137	58,137
Payroll Taxes and Employee Benefits	-	38,982	38,982
Communications	-	117,414	117,414
Travel, Education and Training	-	1,635	1,635
Insurance and Claims	210,435	-	210,435
Vehicle and Equipment Expenses	-	165,961	165,961
Professional Fees	-	149	149
Repairs and Maintenance	-	1,634	1,634
Supplies and Miscellaneous	1,990	1,019	3,009
Total Expenses	212,425	384,931	597,356
Operating Income (Loss)	(102,145)	200,040	97,895
Other Financing Sources (Uses)			
Transfers Out	-	(173,110)	(173,110)
Net Change in Fund Net Assets	(102,145)	26,930	(75,215)
Net Assets (Deficit), Beginning of Year	102,147	(341)	101,806
Net Assets, End of Year	$ 2	$ 26,589	$ 26,591

City of Hapeville, Georgia
Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2012

	Workers' Compensation Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	$ 110,280	$ 584,971	$ 695,251
Payments to Suppliers	(171,622)	(277,212)	(448,834)
Payments to Employees	-	(94,364)	(94,364)
Net Cash (Used by) Provided by Operating Activities	(61,342)	213,395	152,053
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	-	(173,110)	(173,110)
Net Cash Flows (Used by) Non-Capital & Related Financing Activities	-	(173,110)	(173,110)
Net Increase (Decrease) in Cash	(61,342)	40,285	(21,057)
Cash, Beginning of Year	137,525	6,198	143,723
Cash, End of Year	$ 76,183	$ 46,483	$ 122,666
Cash Flows from Operating Activities			
Operating Income (Loss)	$ (102,145)	$ 200,040	$ 97,895
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities			
Changes in Assets and Liabilities			
Decrease (Increase) in Prepaid	1,251	(356)	895
Increase (Decrease) in Accounts Payable	(976)	10,956	9,980
Increase (Decrease) in Accrued Expenses	40,528	2,755	43,283
Net Cash (Used by) Provided by Operating Activities	$ (61,342)	$ 213,395	$ 152,053

STATISTICAL SECTION
(UNAUDITED)



CITY OF HAPEVILLE, GEORGIA
Net Assets by Component (Unaudited) [1]
Last Ten Fiscal Years
(accrual basis of accounting)

	At June 30,									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Primary Government										
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	$ 11,928,258	$ 13,030,320	$ 10,339,330	$ 8,755,346	$ 6,793,080	$ 4,988,189	$ 4,340,118	$ 5,316,912	$ 6,735,028	$ 7,959,122
Restricted	-	-	-	-	-	-	-	-	47,232	17,664
Unrestricted	2,489,581	257,204	1,203,844	599,117	694,689	2,295,836	3,830,678	2,765,640	2,111,016	941,643
Total	$ 14,417,839	$ 13,287,524	$ 11,543,174	$ 9,354,463	$ 7,487,769	$ 7,284,025	$ 8,170,796	$ 8,082,552	$ 8,893,276	$ 8,918,429
Business-Type Activities										
Invested in Capital Assets,										
Net of Related Debt	$ 8,416,736	$ 6,405,631	$ 6,322,460	$ 6,189,381	$ 7,244,111	$ 6,896,947	$ 7,625,029	$ 7,829,260	$ 8,106,862	$ 8,309,831
Restricted	378,401	598,139	574,791	595,179	617,611	651,970	681,498	271,948	668,862	682,055
Unrestricted	464,921	1,405,840	653,840	1,185,255	594,265	1,600,507	1,211,638	906,222	(202,206)	(33,891)
Total	$ 9,260,058	$ 8,409,610	$ 7,551,091	$ 7,969,815	$ 8,455,987	$ 9,149,424	$ 9,518,165	$ 9,007,430	$ 8,573,518	$ 8,957,995
Total Primary Government										
Invested in Capital Assets,										
Net of Related Debt	$ 20,344,994	$ 19,435,951	$ 16,661,790	$ 14,944,727	$ 14,037,191	$ 11,885,136	$ 11,965,147	$ 13,146,172	$ 14,841,890	$ 16,268,953
Restricted	378,401	598,139	574,791	595,179	617,611	651,970	681,498	649,998	716,094	699,719
Unrestricted	2,954,502	1,663,044	1,857,684	1,784,372	1,288,954	3,896,343	5,042,316	3,693,812	1,908,810	907,752
Total	$ 23,677,897	$ 21,697,134	$ 19,094,265	$ 17,324,278	$ 15,943,756	$ 16,433,449	$ 17,688,961	$ 17,489,982	$ 17,466,794	$ 17,876,424

Notes:

[1] Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Georgia or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City. There are no restrictions currently reported as a result of enabling legislation.

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA
Changes in Net Assets - (Unaudited)
Last Ten Fiscal Years
(accrual basis of accounting)

	For The Fiscal Year Ended June 30,									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Expenses:										
Governmental Activities										
General Government	$ 1,402,311	$ 1,189,439	$ 1,240,899	$ 1,400,815	$ 1,280,910	$ 1,788,672	$ 1,989,413	$ 1,485,410	$ 1,656,739	$ 1,663,338
Public Safety	5,897,245	6,042,863	6,510,744	7,008,144	6,424,365	5,486,095	5,484,335	6,203,308	6,352,891	6,282,263
Public Works	1,945,116	1,708,415	1,758,487	1,625,190	1,367,043	1,245,904	1,258,880	1,393,790	1,221,317	1,283,554
Culture and Recreation	653,700	725,703	634,886	447,121	777,705	566,842	398,171	501,631	505,923	599,769
Parks and Grounds	903,224	754,831	624,976	717,302	892,599	653,652	716,252	735,937	806,653	895,269
Planning, Zoning & Development	312,660	261,071	644,406	734,039	677,387	566,481	649,217	944,020	997,670	851,305
Trade and Tourism	118,207	52,174	59,039	67,786	122,165	30,260	1,115,853	927,722	966,864	894,111
Debt-Related Expenses	62,022	86,659	23,096	77,577	84,994	95,207	144,944	175,689	336,976	332,543
Business-Type Activities										
Water and Sewer Utilities	2,778,838	2,818,028	2,978,050	3,321,382	2,932,767	3,194,968	2,743,568	2,915,006	3,329,691	3,025,737
Sanitation	483,387	849,145	794,507	614,126	488,764	381,659	410,936	506,144	538,295	557,955
Total Primary Government Expenses	$ 14,556,710	$ 14,488,328	$ 15,269,090	$ 16,013,482	$ 15,048,699	$ 14,009,740	$ 14,911,569	$ 15,788,657	$ 16,713,019	$ 16,385,844
Program Revenues:										
Governmental Activities										
Charges for Services	$ 815,814	$ 951,499	$ 1,156,888	$ 1,099,399	$ 1,370,694	$ 1,939,215	$ 1,862,404	$ 1,543,971	$ 1,740,491	$ 1,710,470
Operating Grants and Contributions	146,632	22,084	17,272	26,147	57,318	13,939	20,570	20,100	29,354	81,631
Capital Grants and Contributions	-	-	4,715,261	705,254	212,251	145,148	284,917	590,972	2,236,472	1,651,861
Business-Type Activities										
Charges for Services	3,006,139	3,585,671	3,454,088	3,621,120	3,472,504	3,123,013	3,180,364	3,242,115	3,604,871	4,258,491
Total Primary Government Program Revenues	$ 3,968,585	$ 4,559,254	$ 9,343,509	$ 5,451,920	$ 5,112,767	$ 5,221,315	$ 5,348,255	$ 5,397,158	$ 7,611,188	$ 7,702,453
Total Primary Government Net (Expense)	$ (10,588,125)	$ (9,929,074)	$ (5,925,581)	$ (10,561,562)	$ (9,935,932)	$ (8,788,425)	$ (9,563,314)	$ (10,391,499)	$ (9,107,831)	$ (8,683,391)

(continued)

CITY OF HAPEVILLE, GEORGIA

Changes in Net Assets - (Unaudited)

Last Ten Fiscal Years

(accrual basis of accounting)

(continued)

	For The Fiscal Year Ended June 30,									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
General Revenues:										
Governmental Activities										
Taxes [1]	$ 6,705,838	$ 6,543,525								
Property			$ 3,940,895	$ 4,030,352	$ 3,830,563	$ 4,866,883	$ 5,001,623	$ 4,785,375	$ 4,521,462	$ 3,924,999
Sales			1,373,830	1,563,603	1,648,432	1,664,596	1,487,305	1,492,207	1,503,326	1,598,359
Occupation			296,011	333,616	313,062	241,132	320,264	280,330	251,795	260,999
Franchise			693,113	702,545	731,273	622,223	678,640	661,534	682,581	762,675
Insurance Premium			287,689	312,780	323,831	337,842	355,584	350,546	344,731	308,470
Hotel/Motel			754,101	847,323	1,042,157	896,036	1,838,555	1,613,809	1,622,430	1,545,360
Other			520,156	623,453	637,102	576,005	947,893	572,989	421,820	649,075
Other Local Revenue	740,588	131,205	44,843	21,887	40,158	28,782	22,938	313,017	24,505	41,212
Unrestricted Investment Earnings	117,602	53,524	108,071	98,780	50,685	48,684	10,259	5,354	1,084	1,872
Transfers	142,211	865,176	378,893	(475,876)	(497,052)	(872,030)	(190,419)	-	141,143	290,322
Business-Type Activities										
Unrestricted Investment Income	80,045	53,493	44,926	45,501	60,565	35,119	-	-	-	-
Other	132,035	79,233	148,584	211,735	280,439	239,902	122,462	147,757	-	-
Transfers	(142,211)	(865,176)	(378,893)	475,876	497,052	872,030	190,419	-	(141,143)	(290,322)
Total Primary Government General Revenues	$ 7,776,108	$ 6,860,980	$ 8,212,219	$ 8,791,575	$ 8,958,267	$ 9,557,204	$ 10,785,523	$ 10,222,918	$ 9,373,734	$ 9,093,021
Total Primary Government Change in Net Assets	$ (2,812,017)	$ (3,068,094)	$ 2,286,638	$ (1,769,987)	$ (977,665)	$ 768,779	$ 1,222,209	$ (168,581)	$ 265,903	$ 409,630

Notes:

[1] The City did not breakdown the tax revenues in year 2003 and 2004. That data was not available

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA

Fund Balances - Governmental Funds (Unaudited)

Fiscal Years 2003 - 2010 [1]

(modified accrual basis of accounting)

	At June 30,							
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
General Fund								
Reserved	$ 137,698	$ 160,863	$ 181,222	$ 173,739	$ 160,862	$ 219,572	$ 167,317	$ 176,165
Unreserved	2,855,768	1,284,956	1,008,076	20,956	427,231	1,971,149	3,754,303	3,935,568
Total General Fund	2,993,466	1,445,819	1,189,298	194,695	588,093	2,190,721	3,921,620	4,111,733
All Other Governmental Funds								
Reserved, Reported in:								
Hotel-Motel Fund	-	-	-	-	76,517	82,575	2,100	12,152
Asset Forfeiture Fund	-	-	-	-	-	-	-	18,452
Debt Service Fund	-	-	-	-	-	-	-	(43,067)
Total All Other Governmental Funds	-	-	-	-	76,517	82,575	2,100	(12,463)
Total Governmental Funds	$ 2,993,466	$ 1,445,819	$ 1,189,298	$ 194,695	$ 664,610	$ 2,273,296	$ 3,923,720	$ 4,099,270

Notes:

[1] The City implemented GASB Statement No. 54 in fiscal year 2011, therefore the fund balances for 2011 and 2012 are presented on a subsequent table.

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA

Fund Balances - Governmental Funds (Unaudited)

Fiscal Year Ended June 30, 2011 and 2012 [1]

(modified accrual basis of accounting)

	At June 30,	
General Fund	**2011**	**2012**
Nonspendable - Prepaid Items	$ 176,165	$ 183,844
Assigned	350,000	11,000
Unassigned	3,479,760	2,907,060
Total General Fund	4,005,925	3,101,904
All Other Governmental Funds		
Restricted		
Special Revenue Fund	47,232	17,664
Total All Other Governmental Funds	47,232	47,232
Total Governmental Funds		
Nonspendable	176,165	183,844
Restricted for Program Purposes	47,232	17,664
Assigned	350,000	11,000
Unassigned	3,479,760	2,907,060
Total Governmental Funds	$ 4,053,157	$ 3,119,568

Notes:

The City implemented GASB Statement No. 54 in fiscal year 2011.

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA

Changes in Fund Balances - Governmental Funds (Unaudited)

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	$ 6,705,838	$ 6,547,728	$ 7,820,204	$ 8,098,236	$ 8,758,540	$ 9,120,904	$ 10,374,440	$ 9,919,404	$ 9,283,461	$ 9,121,022
Licenses and Permits	175,763	243,331	183,714	278,740	333,729	481,863	211,765	184,368	217,233	202,589
Charges for Services	207,271	260,547	311,387	302,493	428,531	831,618	1,138,522	1,027,030	1,006,773	1,054,535
Fines and Forfeitures	432,780	447,621	661,787	518,166	608,434	551,570	488,274	336,133	529,436	445,239
Grant Revenue	146,632	15,035	1,377,470	714,242	245,804	145,925	198,372	28,707	1,226,856	1,244,920
Contributions	-	7,049	4,570	17,159	23,765	13,162	20,570	20,100	22,288	20,140
Investment Earnings	117,602	53,524	108,071	98,780	50,685	48,684	6,981	804	861	1,726
Other Local Revenue	740,588	131,205	13,054	21,887	25,127	22,107	306,685	880,922	1,045,675	517,751
Total Revenues - All Governmental Fund	$ 8,526,474	$ 7,706,040	$ 10,480,257	$ 10,049,703	$ 10,474,615	$ 11,215,833	$ 12,745,609	$ 12,397,468	$ 13,332,583	$ 12,607,922
Expenditures:										
General Government	1,077,242	1,248,697	1,432,699	1,240,862	1,227,667	1,576,348	1,662,792	1,558,009	1,533,387	1,608,800
Public Safety	5,979,425	5,865,750	6,243,572	6,988,566	6,476,580	4,899,888	5,146,535	5,995,256	6,199,755	6,181,657
Public Works	1,002,002	764,593	821,330	1,070,878	1,444,407	530,255	604,873	747,055	686,546	693,347
Culture and recreation	732,003	716,721	637,908	760,103	654,730	539,595	411,293	459,633	510,646	555,723
Parks and Grounds	831,764	712,696	961,237	927,230	871,245	631,359	707,962	716,645	819,179	793,280
Planning, Zoning and Development	313,232	261,071	639,980	732,567	675,915	547,960	534,349	696,950	782,569	787,873
Trade and Tourism	55,060	52,174	58,820	67,786	122,165	30,260	1,115,853	962,202	981,864	905,111
Other	63,147	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	1,634,076	1,190,398	804,119	2,276,910	1,630,974
Debt Service										
Principal	434,327	1,396,061	244,133	250,000	284,720	93,755	305,386	446,534	409,437	468,762
Interest, Fees, and Bond Issue Costs	62,022	52,849	23,096	77,577	109,874	146,856	124,782	169,382	343,699	379,562
Total Expenditures	$ 10,550,224	$ 11,070,612	$ 11,062,775	$ 12,115,569	$ 11,867,303	$ 10,630,352	$ 11,804,223	$ 12,555,785	$ 14,543,992	$ 14,005,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (2,023,750)	$ (3,364,572)	$ (582,518)	$ (2,065,866)	$ (1,392,688)	$ 585,481	$ 941,386	$ (158,317)	$ (1,211,409)	$ (1,397,167)

(continued)

CITY OF HAPEVILLE, GEORGIA

Changes in Fund Balances - Governmental Funds (Unaudited)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Aid from Component Unit	$ -	$ 951,750	$ -	$ -	$ 2,089,792	$ 878,559	$ 677,537	$ -	$ -	$ -
Proceeds from Capital Leases	-	-	-	1,573,452	221,367	1,010,000	-	-	-	-
Proceeds from Note Payable	-	-	-	-	-	-	-	-	812,942	-
Sale of Capital Assets	-	-	-	-	14,411	6,675	1,170	-	223	146
Sale of Confiscated Goods	-	-	-	-	620	-	-	-	-	-
Transfers In	285,325	1,069,386	685,479	1,128,910	1,636,939	931,580	2,335,876	1,349,713	851,051	927,753
Transfers Out	(143,114)	(204,211)	(359,482)	(1,631,099)	(2,100,526)	(1,803,610)	(2,305,544)	(1,015,846)	(498,920)	(464,321)
Total Other Financing Sources (Uses)	142,211	1,816,925	325,997	1,071,263	1,862,603	1,023,204	709,039	333,867	1,165,296	463,578
Net Change in Fund Balances	(1,881,539)	(1,547,647)	(256,521)	(994,603)	469,915	1,608,685	1,650,425	175,550	(46,113)	(933,589)
Fund Balance Beginning of Year	4,875,005	2,993,466	1,445,819	1,189,298	194,695	664,610	2,273,295	3,923,720	4,099,270	4,053,157
Fund Balance End of Year	$ 2,993,466	$ 1,445,819	$ 1,189,298	$ 194,695	$ 664,610	$ 2,273,295	$ 3,923,720	$ 4,099,270	$ 4,053,157	$ 3,119,568

Data Source:

Applicable years' annual financial report.

CITY OF HAPEVILLE, GEORGIA

General Governmental Tax Revenues by Source (Unaudited)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property	Sales & Use	Occupation	Franchise	Insurance Premium	Hotel/ Motel [1]	Other	Total
2003	$ 2,864,456	$ 1,361,717	$ 328,140	$ 719,455	$ 246,309	$ 650,829	$ 1,458,841	$ 7,629,747
2004	2,880,594	1,303,929	308,092	668,055	265,463	616,710	1,377,513	7,420,356
2005	3,940,895	1,373,830	296,011	693,113	287,689	754,101	520,156	7,865,795
2006	3,714,916	1,563,603	333,616	702,545	312,780	847,323	623,453	8,098,236
2007	4,062,683	1,648,432	313,062	731,273	323,831	1,042,157	637,102	8,758,540
2008	4,783,070	1,664,596	241,132	622,223	337,842	896,036	576,005	9,120,904
2009	4,746,199	1,487,305	320,264	678,640	355,584	1,838,555	947,893	10,374,440
2010	4,947,989	1,492,207	280,330	661,534	350,546	1,613,808	572,990	9,919,404
2011	4,456,779	1,503,326	251,795	682,581	344,731	695,373	1,348,876	9,283,461
2012	3,996,085	1,598,359	260,999	762,675	308,470	662,341	1,532,093	9,121,022

Notes:

[1] Includes Hapeville Association for Tourism & Trade Component Unit (4%) through 2010

Data Source:

Applicable years' annual financial report.

COMPLIANCE SECTION

BOATWRIGHT
CERTIFIED PUBLIC ACCOUNTANTS
www.boatwrightcpa.com

15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 *Fax:* 706-845-0057

February 20, 2013

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*

Honorable Mayor and
Members of City Council
City of Hapeville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hapeville, Georgia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs (finding 2012-1) that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hapeville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Hapeville, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Hapeville, Georgia's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of City of Hapeville, Georgia, in a separate letter dated February 20, 2013.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants

BOATWRIGHT
CERTIFIED PUBLIC ACCOUNTANTS
www.boatwrightcpa.com

15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 *Fax:* 706-845-0057

February 20, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and
Members of City Council
City of Hapeville, Georgia

Compliance

We have audited City of Hapeville, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hapeville, Georgia's major federal programs for the year ended June 30, 20112. City of Hapeville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Hapeville, Georgia's management. Our responsibility is to express an opinion on City of Hapeville, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about Troup County, Georgia's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Hapeville, Georgia's compliance with those requirements.

In our opinion, City of Hapeville, Georgia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of City of Hapeville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Hapeville, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness

of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hapeville, Georgia's internal control over compliance.

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

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

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

J.K. Boatwright & Co., P.C.

J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants

City of Hapeville, Georgia
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U. S. Department of Transportation			
Passed through Georgia Department of Transportation:			
Earmark - Airport Loop Access Road	20.205	CSHPP-007-00(532)	$ 75,177
Streetscape-LCI - Virginia Ave Gateway	20.205	CSSTP-0006-00(273)	409,040
Streetscape-LCI - N Central Ave	20.205	CSSTP-0008-00(903)	31,400
Streetscape-LCI - Dogwood Drive	20.205	PI# 0010329	82,440
Transportation Enhancement - Va Ave/Doug Davis	20.205	CSTEE-0008-00(137)	441,924
Passed through Atlanta Regional Commission:			
LCI Supplemental Study	20.205	UP1113	9,750
Total for U.S. Department of Transportation			1,049,731
U. S. Department of Agriculture			
Passed through Georgia Department of Early Care and Learning (Bright from the Start)			
Summer Food Service Program	10.559	S001-65	9,651
U. S. Department of Homeland Security			
Passed through GeorgiaEmergency Management Agency			
Mobile Biometric Fingerprint ID System	97.067	2010-SS-TO-0034	19,785
U. S. Department of Housing and Urban Development			
Passed through Fulton County, Georgia			
Community Development Block Grant - Master Park Tennis Court Project	14.225	11-CDBG-01	69,330
U. S. Department of Justice			
Direct			
Bullet Proof Vest Program	16.607	2010	4,135
Equitable Sharing of Federally Forfeited Property	16.922	2011	47,232
Equitable Sharing of Federally Forfeited Property	16.922	2012	34,879
			86,246
Total Federal Financial Awards			$ 1,234,743

Note 1 - Basis of Presentation

This schedule of expenditures of federal awards includes the federal grant activity of City of Hapeville, Georgia, and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued	Unqualified
Internal control over financial reporting:	
Material Weakness(es) identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	None reported

Federal Awards

Internal Control over major programs:	
Material Weakness(es) identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .501(a)?	None reported

Identification of major programs:

CFDA Number	Name of Federal Program
20.205	Earmark
20.205	Streetscape - LCI
20.205	Transportation Enhancement

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2012-1

Criteria – There is lack of adequate segregation of duties and oversight, thus subjecting the financial information to errors, omissions and potential fraud.

Condition – There is a shortage of employees in the accounting functions thereby making the separation of duties difficult. The responsibility for authorizing transactions, recording transactions, and maintaining custody of assets is not always assigned to different personnel. Financial information reporting is also not timely.

Cause – The lack of segregation of duties and timeliness of reports is due to the limited number of employees in the finance department.

Effect – Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected. Timeliness of financial information also impacts the year-end close resulting in an untimely audit.

Recommendation –The City should place a priority on hiring an additional qualified staff person in the finance department. Separation of duties is a basic internal control measure. No one person should have complete control over the financial records. This finding was noted in the prior year.

Response – The City has been using a part time independent consultant during the past year after failing to hire an accounting manager. Realizing the need for full time help, the City will once again advertise for a full time accounting manager which should allow for proper segregation of duties and timely financial reporting.

Section III – Federal Award Findings and Questioned Costs

No matters are reported.

City of Hapeville, Georgia
Schedule of Prior Year Findings
For the Year Ended June 30, 2012

Finding 2011-1

Criteria – There is lack of adequate segregation of duties and oversight, thus subjecting the financial information to errors, omissions and potential fraud.

Condition – There is a shortage of employees in the accounting functions thereby making the separation of duties difficult. The responsibility for authorizing transactions, recording transactions, and maintaining custody of assets is not always assigned to different personnel.

Cause – The lack of segregation of duties is due to the limited number of employees in the finance department.

Effect – Failure to properly segregate between recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected. Timeliness of financial information also impacts the year-end close resulting in an untimely audit.

Recommendation – The City should place a priority on hiring an additional qualified staff person in the finance department. Separation of duties is a basic internal control measure. No one person should have complete control over the financial records.

Status of Corrective Action – Not corrected. Repeat finding.