CITY OF HEPHZIBAH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

CITY OF HEPHZIBAH, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Hephzibah, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hephzibah, Georgia, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements in not affected by this missing information. Accounting principles generally accepted in the United States of America require that the budgetary comparison information in section D, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hawkins & McNair, CPAs
Winder, Georgia
November 21, 2016

City of Hephzibah, Georgia
Management's Discussion and Analysis
Fiscal year ended June 30, 2016

The Management's Discussion and Analysis (MD&A) section is omitted in this presentation.

City of Hephzibah, Georgia
Statement of Net Position
As of June 30, 2016
(dollars are in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 7,588	$ 292	$ 7,880
Accounts receivable	33	48	81
Receivable - other governments	79	-	79
Prepaids	24	20	44
Grant receivable	41	-	41
Nondepreciable capital assets	1,132	79	1,211
Depreciable capital assets, net	9,150	2,031	11,181
TOTAL ASSETS	**18,047**	**2,470**	**20,517**
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	50	17	67
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**50**	**17**	**67**
LIABILITIES			
Accounts payable	9	6	15
Wages / benefits payable	-	-	-
Customer deposits	-	52	52
Noncurrent liabilities:			
Net pension liability, due in more than one year	199	70	269
Notes payable due within one year	-	-	-
Notes payable due in more than one year	-	-	-
Compensated absences payable due within one year	-	-	-
TOTAL LIABILITIES	**208**	**128**	**336**
DEFERRED INFLOWS OF RESOURCES			
Pension related items	30	11	41
TOTAL DEFERRED INFLOWS OF RESOURCES	**30**	**11**	**41**
NET POSITION (DEFICIT)			
Net investment in capital assets	10,282	2,110	12,392
Restricted for capital projects	6,878	-	6,878
Restricted for law enforcement	-	-	-
Unrestricted (deficit)	699	238	937
TOTAL NET POSITION (DEFICIT)	**$ 17,859**	**$ 2,348**	**$ 20,207**

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Activities
Year Ended June 30, 2016
(dollars are in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
General government	$ 401	$ 362	$ -	$ 186	$ 147
Public Safety:					
Police	335	54	-	-	(281)
Fire	520	-	-	-	(520)
Municipal Court	31	-	-	-	(31)
Cemetery	-	8	-	-	8
Public works	62	-	-	-	(62)
Total governmental activities	$ 1,349	$ 424	$ -	$ 186	$ (739)
Business-type activities:					
Water/Sewer	$ 616	$ 434	$ -	$ -	$ (182)
Total business-type activities	616	434	-	-	(182)
Total primary government	$ 1,965	$ 858	$ -	$ 186	$ (921)

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Activities (Continued)
Year Ended June 30, 2016
(dollars are in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Assets:			
Net (expense) revenue	$ (739)	$ (182)	$ (921)
General revenues:			
Taxes:			
Sales taxes	$ 691	$ -	$ 691
Insurance Premium Tax	231	-	231
Alcoholic Beverage Taxes	74	-	74
Franchise taxes (fees)	189	-	189
Other taxes	34	-	34
Unrestricted investment income	10	1	11
Miscellaneous	-	23	23
Total general revenues	$ 1,229	$ 24	$ 1,253
Sale of Capital Assets	490	(158)	332
Transfers In/Out	**(295)**	**295**	**-**
Change in net position	**195**	**137**	**332**
Net position—beginning	**17,664**	**2,211**	**19,875**
Net position—ending	**$ 17,859**	**$ 2,348**	**$ 20,207**

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Balance Sheet--Governmental Funds
As of June 30, 2016
(dollars are in thousands)

	General	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 729	$ 6,859	$ -	$ 7,588
Investments in C/Ds	-	-	-	-
Accounts receivables	33	-	-	33
Grant receivable	41	-	-	41
Due from other funds	-	-	-	-
Receivable from other Governments	60	19	-	79
Prepaids	24	-	-	24
Total assets	**$ 887**	**$ 6,878**	**$ -**	**$ 7,765**
LIABILITIES and FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 9	$ -	$ -	$ 9
Wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Payable to component units	-	-	-	-
Interest payable	-	-	-	-
Deferred revenue	-	-	-	-
Liabilities payable from restricted assets:				
Accounts payable	-	-	-	-
Other	-	-	-	-
Total liabilities	**$ 9**	**$ -**	**$ -**	**$ 9**
FUND BALANCES				
Nonspendable	$ -	$ -	$ -	$ -
Prepaid expense	24	-	-	24
Restricted for:				
Capital projects	-	6,878	-	6,878
Unassigned	854	-	-	854
Total fund balances	**878**	**6,878**	**-**	**7,756**
Total liabilities and fund balances	**$ 887**	**$ 6,878**	**$ -**	**$ 7,765**

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016
(dollars are in thousands)

CITY OF HEPHZIBAH, GEORGIA

Total fund balance – total governmental funds		$ 7,756
Amounts reported for *governmental activities* in the statement of net position are different because:		
Capital assets of $ 12,185, net of accumulated depreciation of ($ 1,903), are not financial resources and, therefore, are not reported in the funds. See Note III.A.4. for additional detail.		10,282
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Compensated absenses	-	
Notes payable	-	
Net pension liability	199	(199)
Deferred outflows of resources:		
Pension related items	50	
Deferred inflows of resources:		
Pension related items	(30)	20
Net position of governmental activities.		$ 17,859

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Revenues, Expenditures,
and Changes in Fund Balances
--Governmental Funds
Year Ended June 30, 2016
(dollars in thousands)

	General	Capital Project (SPLOST) Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Sales tax	$ 691	$ -	$ -	$ 691
Insurance Premium	231	-	-	231
Alcoholic Beverage Taxes	74	-	-	74
Other taxes:				
TAVT	33	-	-	33
Intangible	1	-	-	1
Franchise taxes (fees)	189	-	-	189
Licenses and permits	39	-	-	39
Fines and forfeitures	54	-	-	54
Investment income	1	9	-	10
Intergovernmental	53	133	-	186
Cemetery Income	8	-	-	8
Rents	320	-		320
Other	3	-	-	3
Total revenues	**$ 1,697**	**$ 142**	**$ -**	**$ 1,839**
EXPENDITURES				
Current:				
General government	$ 2,432	$ -	$ -	$ 2,432
Public safety:				
Police	305	-	-	305
Fire	486	-	-	486
Municipal Court	31	-	-	31
Public Works	62	-	-	62
Cemetery	-	-	-	-
Debt services:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	211	-	211
Total expenditures	**$ 3,316**	**$ 211**	**$ -**	**$ 3,527**
Excess (deficiency) of revenues over (under) expenditures	**$ (1,619)**	**$ (69)**	**$ -**	**$ (1,688)**
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(295)	-	(295)
Capital financing	-	-	-	-
Sale of capital assets	-	-	-	-
Premium on bonds	-	-	-	-
Long-term debt issued	-	-	-	-
Net other financing sources (uses)	**-**	**(295)**	**-**	**(295)**
Net change in fund balances	**$ (1,619)**	**$ (364)**	**$ -**	**$ (1,983)**
Fund balances, beginning	**2,497**	**7,242**	**-**	**9,739**
Fund balances, ending	**$ 878**	**$ 6,878**	**$ -**	**$ 7,756**

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
year ended June 30, 2016
(dollars are in thousands)

CITY OF HEPHZIBAH, GEORGIA

Net change in fund balances- total governmental funds	$ (1,983)
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 and reported as depreciation expense. This is the amount by which capital outlay of $ 2,467 exceeded depreciation pf $ (289) in the current period.	2,178
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contribution is reported as pension expense. This is the amount by which pension contributions exceed the cost of benefits earned net of employee contributions.	-
Change in net position of governmental activities.	$ 195

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2016
(dollars in thousands)

	Water/Sewer	Total Enterprise Funds
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 292	$ 292
Accounts receivable, net	48	48
Due from other funds	-	-
Prepaids	20	20
Total current assets	**360**	**360**
Restricted assets (current)		
Cash and cash equivalents	$ -	$ -
Total restricted assets (current)	**-**	**-**
Non-current assets:		
Capital assets:		
Land and construction in progress	$ 79	$ 79
Other capital assets, net of accumulated depreciation	2,031	2,031
Total non-current assets	2,110	2,110
Total assets	**2,470**	**2,470**
Deferred Outflow of Resources	**17**	**17**
LIABILITIES		
Current Liabilities		
Accounts payable	$ 6	$ 6
Due to other funds	-	-
Customer Deposits	52	52
Total current liabilities	**58**	**58**
Non-current liabilities:		
Net pension liability	$ 70	$ 70
Total non-current liabilities	70	70
Total liabilities	**128**	**128**
Deferred Inflows of Resources	**$ 11**	**$ 11**
NET POSITION		
Invested in capital assets	$ 2,110	$ 2,110
Restricted for debt service	-	-
Unrestricted (deficit)	238	238
Total net position	**$ 2,348**	**$ 2,348**

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
June 30, 2016
(dollars are in thousands)

	Water/Sewer	Total Enterprise Funds
OPERATING REVENUES		
Charges for services:		
Water charges	$ 390	$ 390
Sewer Charges	44	44
Internal service charges	-	-
Total charges for service	434	434
Total operating revenues	434	434
OPERATING EXPENSES		
Personal services	168	168
Maintenance, operations, and contractual services	280	280
Materials, supplies, and other	59	59
Depreciation	109	109
Total operating expenses	616	616
Operating income (loss)	(182)	(182)
NON-OPERATING REVENUE (EXPENSES)		
Grant income	-	-
Investment income	1	1
Interest on bonds, notes and lease obligations	-	-
Amortization	-	-
Payments from component units	-	-
Other revenue (expenses)	23	23
Total non-operating revenue (expenses)	24	24
Income (loss) before contributions and transfers	(158)	(158)
Capital contributions from developers	-	-
Capital contributions, other	-	-
Transfers from other funds	295	295
Transfers to other funds	-	-
Change in net position	137	137
Total net position, beginning (restated)	2,211	2,211
Total net position, ending	$ 2,348	$ 2,348

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and
Cash Equivalents
Proprietary Funds
June 30, 2016
(dollars are in thousands)

	Water/Sewer	Total Enterprise Funds
Cash flows from operating activities:		
Cash received from customers	$ 434	$ 434
Cash payments to suppliers for goods and services	(314)	(314)
Cash payments to employees	(168)	(168)
Payments for internal services	-	-
Other operating revenues	-	-
Net cash provided (used) by operating activities	**$ (48)**	**$ (48)**
Cash flows from non-capital financing activities:		
Receipts under interfund loan agreements	$ -	$ -
Payments under interfund loan agreements	-	-
Operating grants received	-	-
Transfers from other funds	-	-
Transfers to other funds	-	-
Payments from component units	-	-
Net cash provided (used) by non-capital financing activities	**$ -**	**$ -**
Cash flows from capital and related financing activities:		
Principal paid on bonds, notes, and lease obligations	$ -	$ -
Acquisition of capital assets	(301)	(301)
Interest paid on bonds, notes, and lease obligations	-	-
Proceeds from sale of assets	-	-
Capital contributions	295	295
Capital grants received	-	-
Net cash provided (used) by capital and related financing activities	**$ (6)**	**$ (6)**
Cash flows from investing activities:		
Purchase of investments	$ -	$ -
Proceeds from sale of investments	-	-
Interest earned	1	1
Net cash provided (used) by investing activities	**1**	**1**
Net increase (decrease) in cash and cash equivalents	(53)	(53)
Cash and cash equivalents at beginning of year	345	345
Cash and cash equivalents at end of year	**$ 292**	**$ 292**

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents
Proprietary Funds
June 30, 2016
(dollars are in thousands)

	Water/Sewer	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (182)	$ (182)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	109	109
Non-operating revenue (expenses)	23	23
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	-	-
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaids	-	-
(Increase) decrease in deferred Outflows of Resources	(17)	(17)
Increase (decrease) in accounts payable	-	-
Increase (decrease) in pension liability	18	18
Increase (decrease) in customer deposits	4	4
Increase (decrease) in deferred inflows of resources	(3)	(3)
Total adjustments	134	134
Net cash provided (used) by operating activities	$ (48)	$ (48)
Non-cash investing, capital, and financing activities:		
Net increase (decrease) in fair value of investments	$ -	$ -
Deferred interest expense on revenue bonds	-	-
Capital assets contributed by developers	-	-
Lessee improvements	-	-
Total non-cash investing, capital, and financing activities	$ -	$ -

See accompanying notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the City of Hephzibah (City) are discussed in subsequent sections of this Note. The remainders of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2016.

I. B. FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

I. B. 1. COMPONENT UNITS

Hephzibah operates under a City Commission form of government and provides the following services: Public Safety, Streets, Sanitation, and General and Administrative services. In addition, the City operates two water systems and one sewer system. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City does not have any component units.

I. B. 2. RELATED ORGANIZATIONS

-NONE-

I. B. 3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary funds and component units that are fiduciary in nature, such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures and other charges to user of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers.

These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund Financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns of non-major funds.

I. B. 4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or with in funds).

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits are recognized when due and payable in accordance with the terms of the plan. See Note VI.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditure in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. See Note III. A. 2.for related information.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and deprecation of capital assets.

Other revenues and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note III. A.3. for information describing restricted assets.

Allocation of Indirect Expenses

The City does not allocate indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services

I. B. 5. FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

SPLOST Fund – established as a capital projects fund to account for the City's Special Purpose Local Option Sales Tax Revenue and the use of those funds.

There are no none-major governmental funds.

Proprietary Funds

The City reports the following major enterprise funds:

Water/sewer – accounts for water and sewer operations.

During the current year, the City combined the operations of Hephzibah water and sewer with that of Oakridge water to create one system.

Other Fund Types

-NONE-

I. C. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

I. C. 1. CASH AND INVESTMENTS

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Cash deposits are reported at carrying amount which reasonably estimates fair value.

I. C. 2. INVENTORIES AND PREPAIDS

Inventories are not recorded by the City. Purchases of supplies (maintenance, office, etc.) are charged to expense when increased. Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

I. C. 3. CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of $100 or more as purchase and construction outlays occur.

The cost of normal maintenance and repairs that do not add to the asset value of materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	15-25
Water lines	10-12
Sewer lines	20
Improvements, other than building	5-30
Equipment	5-20
Furniture and fixtures	5-10
Vehicles	3
Water Tanks	40
Well/Pumps	12
Infrastructure	20

I. C. 4. CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

I. C. 5. LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNT/PREMIUMS

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance cost, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

I. C. 6. FUND EQUITY

The governmental fund financial statements report restricted fund balance for amounts not available for appropriation or legally restricted for specified purposes.

I. D. REVENUES, EXPENDITURES, AND EXPENSES

I. D. 1. LEASE REVENUE

-NONE-

I. D. 2. COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The City does not record a liability for accumulated vacation and sick leave.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

II.A. DEFICIT NET POSITION

Primary Government *(in thousands)*

The following deficit retained earnings balances existed at June 30, 2016.

-NONE-

II. B. BUDGETARY INFORMATION

II. B. 1. BUDGET POLICY AND PRACTICE

Each year the City Clerk, with the help and input of department supervisors, prepares a proposed budget for consideration by the City Commission.

Generally, 60 days prior to the beginning of the new fiscal year, the City holds a budget hearing seeking comments and fielding questions for citizens. A second budget hearing is held 30 days prior to the beginning of the New Year, at which time the City Commission examines changes to the original proposed budget and approves a final budget.

II. B. 2. BASIS OF BUDGETING

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department, which is the legal level of control. "Legal level of control" means the lowest level of budgetary detail at which a local government's management or budget officer may not reassign resources with out approval of the governing authority. The legal level of control shall be, at a minimum, expenditures for each department for each fund for which a budget is required. This does not preclude the governing authority of a local government from establishing a legal level of control at a more detailed level of budgetary control that the minimum required legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Commission. Within these control levels, management may transfer appropriations without Commission approval subject to dollar amount limitations.

The City was under budget in all departments.

The City adopted budgets for the general and capital projects fund on a basis which approximates generally accepted accounting principles (GAAP).

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

III. A. ASSETS

III. A. 1. DEPOSITS AND INVESTMENTS *(in thousands)*

Deposits (includes certificates of deposit)

It is the City's policy for deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent on the City's name.

Category 3 – Uncollateralized.

Deposits (in thousands), categorized by level of risk are:

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Primary Government					
Governmental Activities					
General Fund	738	-0-	-0-	738	729
SPLOST Fund	6,859	-0-	-0-	6,859	6,859
	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Business-type Activities					
Water/Sewer	301			301	292
Total deposits	7,898			7,898	7,880

Investments

Generally, the City's investing activities are managed under the custody of the City Commission Chairman. Investing is performed in accordance with investment policies complying with state statutes and the City Charter. City funds may be invested in: (1) direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Georgia is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank or Federal home loan

bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings banks, savings and loan associations and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the Unites States government, its agencies and instrumentalities, (5) money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized (domestic securities) and restrictions as specified in state law; (6) State and Local Government Series (SLGS); and (7) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment. The City had no such investments at June 30, 2016.

III. A. 2. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Enterprise Receivables, Uncollectible Accounts, and Deferred Revenue

Significant receivables include amounts due from customers primarily for utility services and the lease agreements for the Water Tank Antenna. These receivables are due within one year. Certain Enterprise funds reports accounts receivables net of allowance for uncollectibles accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund. Related amounts are shown in the following table (in thousands):

	Major Enterprise Funds	
	Water/Sewer	Total
Unrestricted accounts receivable	$ 86	$ 86
Restricted accounts receivable	-	-
Total accounts receivable, gross	86	86
Less: allowance for uncollectible accounts	38	38
Net accounts receivable	$ 48	$ 48

Property Taxes Receivables, Deferred Revenue, and Property Tax Calendar

The City does not receive property taxes.

III. A. 3. RESTRICTED ASSETS

Certain enterprise fund and similar component unit assets are restricted for construction funded through long-term debt and Federal grant revenues. Reserved retained earnings generally include the excess of assets over certain liabilities restricted for the debt service on revenue bonds and capital projects.

III. A. 4. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets (in thousands):

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	Land	Construction in Progress	Water System	Improvements and Buildings	Furniture, Machinery and Equipment	Total
Primary Government						
Governmental Activities						
Balance, June 30, 2015	$ 1,132	$ 5,909	$ -	$ 1,028	$ 1,649	$ 9,718
Increases	-	-	-	8,366	10	8,376
Decreases	-	(5,909)	-	-	-	(5,909)
Balance, June 30, 2016	$ 1,132	$ -	$ -	$ 9,394	$ 1,659	$ 12,185
Accumulated Depreciation						
Balance, June 30, 2015	$ -	$ -	$ -	$ 204	$ 1,410	$ 1,614
Increases	-	-	-	223	66	289
Decreases	-	-	-	-	-	-
Balance, June 30, 2016	$ -	$ -	$ -	$ 427	$ 1,476	$ 1,903
Governmental Activities						
Capital Assets, Net	$ 1,132	$ -	$ -	$ 8,967	$ 183	$ 10,282
Business-type Activities						
Balance, June 30, 2015	$ 79	$ 30	$ 3,311	$ 44	$ 355	$ 3,819
Increases	-	-	201	46	82	329
Decreases	-	(30)	-	-	-	(30)
Balance, June 30, 2016	$ 79	$ -	$ 3,512	$ 90	$ 437	$ 4,118
Accumulated Depreciation						
Balance, June 30, 2015	$ -	$ -	$ 1,569	$ 27	$ 303	$ 1,899
Increases	-	-	74	11	24	109
Decreases	-	-	-	-	-	-
Balance, June 30, 2016	$ -	$ -	$ 1,643	$ 38	$ 327	$ 2,008
Business-type Activities						
Capital Assets, Net	$ 79	$ -	$ 1,869	$ 52	$ 110	$ 2,110
Primary Government						
Capital Assets, Net	$ 1,211	$ -	$ 1,869	$ 9,019	$ 293	$ 12,392

Commitments

Construction projects included in governmental activities are substantially funded with Special Purpose Local Option Sales Tax.

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follow (in thousands):

Governmental Activities		Business-type Activities	
General Government	$ 225	Water/Sewer	$ 109
Cemetery	-	Total	$ 109
Police	30		
Fire	34		
Total	$ 289		

III. B. LIABILITIES

III. B. 1. LEASE COMMITMENTS AND NOTES PAYABLE

Capital Leases and Notes Payable (dollars in thousands)

The City had no capital leases or other notes payable at June 30, 2016.

Operating Leases

III. B. 2. LONG-TERM DEBT

Prior Year Defeasance of Debt

In prior years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At June 30, 2016, the following bonds are considered defeased:

Issuing Entity	Reporting Entity	Purpose	Bond	Defeased
Town of Hephzibah	Water Fund	Water System	1967	$73,000

III. B. 3. RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

All significant programs are covered by commercial insurance and no significant changes have occurred in coverage during the past three years. During the year ended June 30, 2016, the City paid 0 claims. The City is not aware of any claims which the City is liable for which were outstanding and unpaid at June 30, 2016. No provisions have been made in the financial statements for the year ended June 30, 2016 for any estimate of potential unpaid claims.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Hephzibah became a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The effective date of membership was March 1, 1988. The liability of the fund to the employees of any imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or deaths within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defending by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

The City joined the Georgia Interlocal Risk Management Agency which allows the City to share liability, crime, motor vehicle and property damage risks.

Chapter 85 Title 36 of the Official Code of Georgia Annotated authorities Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

--To pay all contributions, assessments or other sums due to GIRMA at such times and in such times and in such amounts as shall be established by GIRMA.

--To select a person to serve as a member representative.

--To allow GIRMA and its agent's reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

--To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

--To assist and cooperate in the defense and settlement of claims against the City.

--To furnish full cooperation and GIRMA's attorneys claims adjusters, Service Company, and any agent, employee officer or independent contractor of GIRMA relating to the purposes of GIRMA.

--To follow all loss reduction and prevention procedures established by GIRMA.

--To furnish to GIRMA such budget, operating and underwriting information as may be requested.

--To report as promptly as possible, and in accordance with any Coverage Description issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

--The City retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $ 1,000 deductible

--The basis for estimating the liabilities for unpaid claim is "IBNR" established by an actuary.

--During the year ended June 30, 2016, the City paid 0 claims. The City has not compiled a record of the claims paid up to the $ 1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the $ 1,000) which were outstanding and unpaid at June 30, 2016. No provisions have been made in the financial statements for the year ended June 30, 2016 for any estimate of potential unpaid claims.

III. C. BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

III. C. 1. RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-portion of interfund loans).

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

The City had no receivables and payables within the reporting entity at fiscal year-end.

III. C. 2. TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. The City's policy is to repay any internal balance in the following year. For the current year, the City showed the following transfers (in thousands):

	Transfers In	Transfers Out
SPLOST Fund	-0-	295
Water/Sewer Fund	295	-0-
	295	295

IV. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

IV. A. JOINTLY GOVERNED ORGANIZATION

-NONE-

IV. B. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Central Savannah River Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of the RC in Georgia. The RC 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 an RC. Separate financial statements may be obtained from:

Central Savannah River Regional Commission
P.O. Box 2800
Augusta, GA 30914-2800

V. RETIREMENT PLANS

The City participates in the Social Security Administration benefits plan, which is administered by others, is a separate legal entity and is not included in the City's financial statements.

V.A. GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM (GMEBS)

The City also participates in the Georgia Municipal Employees Benefit System (GMEBS) Retirement Fund, an agent multiple-employer defined benefit plan where contributions made by the City are commingled with contributions made by the other participants of the GMEBS Retirement Fund for investment purposes. The Plan periodically issues an overall report to the required agencies. A stand-alone financial report can be obtained at City Hall. The City implemented and adopted GASB 68 in the current year.

The specific benefit provisions of the City's Plan were established by an adoption agreement executed by the City Council. The plan provides for benefits upon retirement, death, disablement, and termination of employment. The Plan is affiliated with the Georgia Municipal Association (GMA). The City Council retains the authority to amend the adoption agreement, which defined the specific operational provisions of The Plan. An outline of the plan provisions follows.

(Continued on next page)

V. A. 1. PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

a. Pension expense for the year ended June 30, 2016

Service cost	$ 21,538
Interest of TPL	52,897
Employee Contributions	-0-
Administrative expenses	6,378
Expected return on assets	(39,610)
Expensed portion of current year period differences between expected and actual experience in TPL	(19)
Expensed portion of current year period assumption changes	-0-
Current year plan changes	-0-
Expensed portion of current year period differences between projected and actual investment earnings	(6,874)
Current year recognition of deferred inflows and outflows established in prior years	(11,032)
Total expense	$ 37,036

b. Deferred outflows/inflows of resources related to pensions

	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -0-	$ (28,238)
Changes in assumptions	-0-	(3,184)
Net difference between projected and actual earnings on pension plan investments	17,922	-0-
Total	17,922	$ (31,422)

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

c. Projected recognition of deferred outflows/(inflows)

	Year Established	Outstanding Balance at July 1, 2015	Amount Recognized During FYE June 30, 2016	Outstanding Balance at June 30, 2016
Fiscal Year Outflows				
Total Outflows	2016	$ 34,378	$ 6,874	$ 27,504
Fiscal Year Inflows				
Demographic	2015	$ (35,160)	$ (7,032)	$ (28,128)
Investment	2015	(12,776)	(3,194)	(9,582)
Assumption Change	2015	(3,980)	(796)	(3,184)
Demographic	2016	(129)	(19)	(110)
Total Inflows		**$ (52,045)**	**$ (11,041)**	**$ (41,004)**
Total		$ (17,667)	$ (4,167)	$ (13,500)

V. A. 2. ACTUARIAL VALUATION HISTORY FOR NOTES TO SCHEDULE

Changes of assumptions

- As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending 2016, the eligibility assumption has been changed from six months to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

- Amounts reported for the Fiscal Year ending in 2016 and later reflect the following assumption changes based on the results off an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

  - The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

  - The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on or after age 55. The select period rates were further constrained to not be less that the ultimate rates.

  - The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

  - The inflation assumption was decreased from 3.50% to 3.25%.

- The salary increase assumption was changed from select period rates the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit changes

- Effective January 1, 2015, the Plan was amended to provide for immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

Georgia Firefighters' Pension Fund

V. B. PLAN DESCRIPTION

The City also participates in the Georgia Firefighters' Pension Fund (the Fund), which was created in 1955 by an act of the Georgia General Assembly to provide retirement benefits for qualified firefighters. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plan – an amendment of GASB Statement No. 25.*

Any person employed as a firefighter or enrolled as a volunteer firefighter within the State of Georgia or any regular employee of the Fund is eligible for membership in the Fund. The various fire departments located within the State of Georgia, as the employers of the members of the Fund, do not make contributions to the fund. The State of Georgia provides nonemployer contributions are recognized as revenue by the Fund when collected from the insurers.

V. B. 1. ACTUARIAL VALUATION DATE

The collective total pension liability is based upon the June 30, 2014 actuarial valuation. An expected total pension liability is determined as of June 30, 2015 using standard roll-forward techniques. The roll-forward calculation adds the annual normal cost (also call service cost), subtracts the actual benefit payments and refunds for the year, and then applies the expected single equivalent interest rate for the period.

V. B. 2. COMPONENTS OF NET PENSION LIABILITY

The components of the collective net pension liability of the participating employers and nonemployers at June 30, 2015 were as follows:

Total pension liability	$ 622,766
Plan fiduciary net position	517,267
Net pension liability	$ 105,499

V. B. 3. ACTUARIAL ASSUMPTIONS

The collective total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

Mortality rates for pre-retirement and post-retirement were based on the RP-2000 Blended Mortality Table with Projects Scale AA. Mortality rates for post-disability mortality rates were based on the 1944 Railroad Board Ultimate table.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2001 – July 1, 2006.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

V. B. 4. DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions (dues) will be made at the current contribution rate and that nonemployer contributions (from insures) will continue to be made at the current rates. Based on those assumptions, the Fund's fiduciary net position was projected to available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the pension liability.

V. B. 5. SPECIAL FUNDING SITUATION

The State of Georgia, although not the employer of the Fund's members, makes contributions to the Fund thorough the collection of insurance premiums tax as specified by O.C.G.A. §47-7-61. The State makes all these contributions to the Fund on behalf of the employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity in the Fund.

Since the employers of the Fund's members do not contribute directly to the Fund, there is no net pension liability to recognize for each employer. However, the notes to each employer's financial statements must disclose the portion of the nonemployer contribution entity's share of the collective net pension liability that is associated with that employer. In addition, each employer must recognize its portion of the collective pension expense of the State as well as recognize revenue contributions from the State in an equal amount.

V. B. 6. ALLOCATION METHODOLOGY

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* requires participating employers and nonemployer contributing entities to recognize their proportionate share of collective net pension liability and pension expense. These schedules are prepared to provide employers and nonemployer contributing entities with their calculated proportionate share.

The fire departments, as employers of the Fund's members, do not make contributions to the Fund; therefore, the proportionate share allocation for each employer is 0%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated based on the number of active plan members employed by or volunteering for each fire department.

V. B. 7. COMPONENTS OF SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

Net Pension Liability: The employer proportionate share of the collective net pension liability is equal to the collective net pension liability multiplied by employer's proportionate share percentage for fiscal year ending June 30, 2015 as shown in the Schedule of Employer Allocations.

Deferred Outlfows of Resources: The Fund had deferred outflows of resources for the fiscal year ending June 30, 2015 of $ 17,922.

Deferred Inflows of Resources – Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments: The difference between the actual earnings on plan investments compared to the Plan's expected rate of return of 6.50% is amortized over a closed period of 5 years. The collective amount of the difference between projected and actual earnings for the fiscal year ending June 30, 2015 is $ 47,156. The first year amortization, $ 9,431, is recognized as pension expense with the remaining, $ 37,735, shown as deferred inflows of resources. The employer proportionate share of these collective amounts is equal to the collective amount multiplied by the employer's proportionate share of these collective amounts is equal to the collective amount multiplied by the employer's proportionate share percentage for fiscal year ending June 30, 2015 as shown in the Schedule of Employer Allocations.

V. B. 8. PENSION EXPENSE

The calculation of pension expense for the year ended June 30, 2015 is shown in the following table:

Service cost	$ 12,388
Interest of the total pension liability and net cash flow	36,290
Projected earnings on plan investment	(33,223)
Expensed portion of current period difference between expected and actual earnings on plan investments	(4,294)
Member contributions	(2,826)
Administrative expenses	852
Other	5,354
Pension Expense	$ 14,541

Peace Officers' Annuity and Benefit Fund of Georgia

V. C. PLAN DESCRIPTION

The City also participates in the Peace Officers' Annuity and Benefit Fund of Georgia (Fund) which was created in 1950 by the General Assembly of Georgia to provide retirement benefits to peace officers. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*

Members of the Fund are employed by units of government throughout the state of Georgia. The employers of the Fund's members do not make contributions to the Fund. The State of Georgia provides nonemployer contributions to the Fund through the collection of court fines and forfeitures. The nonemployer contributions are recognized as revenue by the Fund when collected from the courts.

V. C. 1. ACTUARIAL VALUATION DATE

The collective total pension liability is based upon the June 30, 2015 actuarial valuation.

V. C. 2. COMPONENTS OF NET PENSION LIABILITY

The components of the collective net pension liability of the participating employers and nonemployers at June 30, 2015 were as follows:

Total pension liability	$ 220,068
Net position	(216,288)
Net pension liability (asset)	$ 3,780

V. C. 3. ACTUARIAL ASSUMPTIONS

The collective total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, Including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with blue collar adjustment projected on a fully generational mortality basis using scale AA for healthy lives and the RP-2000 Disabled Mortality Table for disabled lives.

The long-term expected rate of return on pension plan investments was calculated by the Fund's investment manager as 6.66% using a Monte Carlo simulation in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage. The Fund's administrator determined that 7.00% was a reasonable assumption for the long-term rate of return on plan assets based on the calculation by the Fund's investment manager.

V. C. 4. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

V. C. 5. SPECIAL FUNDING SITUATION

The State of Georgia, although not the employer of the Fund's members, makes contributions to the Fund through the collection of court fines and forfeitures as specified by O.C.G.A. §47-17-60. The State makes all these contributions on behalf of the employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68.

Since the employers of the Fund's members do not contribute directly to the Fund, there is no net pension liability to recognize for each employer. However, the notes to each employer's financial statements must disclose the portion of the nonemployer contributing entity's share of the collective net pension liability that is associated with that employer. In addition, each employer must recognize its portion of the collective pension expense of the State as well as recognized revenue contributions from the State in an equal amount.

V. C. 6. ALLOCATION METHODOLOGY

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* requires participating employers and nonemployer contributing entities to recognize their proportionate share of collective net pension liability and pension expense. These schedules are prepared to provide employers and nonemployer contributing entities with calculated proportionate share.

Members of the Fund are employees of units of government throughout the state. The employers of the Fund's members do not make contributions to the Fund; therefore, the proportionate share allocation for each employer is 0%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated to each employer based on the number of Fund members employed as of June 30, 2014.

V. C. 7. COMPONENTS OF SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

Net Pension Liability: The employer proportionate share of the collective net position liability is equal to the collective net pension liability multiplied by the employer's proportionate share percentage for the fiscal year ending June 30, 2014 as shown in the Schedule of Employer Allocations.

Difference between Projected and Actual Investment Earnings on Pension Plan Investments: The difference between the actual earnings on plan investments compared to the Plan's expected rate of return of 7.00% is amortized over a closed period of 5 years. The amounts of the difference between projected and actual earnings for the fiscal year ending June 30, 2014 are $ 14,335. The first year amortization, $ (2,867), is recognized as pension expense with the remaining $ (11,468) shown as deferred inflows of resources.

Pension Expense: The calculation of pension expense for the fiscal year ending June 30, 2015 is shown in the following table:

Service cost	$ 4,022
Interest of the total pension liability and net cash flow	14,463
Projected earnings on plan investments	(14,919)
Expensed portion of the current period differences between projected and actual earnings on plan investments	(1,284)
Member contributions	(1,087)
Administrative expenses	232
Pension expense	$ 1,427

VI. RELATED PARTY TRANSACTIONS

The City was not involved in any related party transaction during the fiscal year June 30, 2016.

VII. CONTINGENCIES

VII. A. LITIGATION

The City is party to various legal proceeding which normally occurs in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

VII. B. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant fund from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

City of Hephzibah, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended June 30, 2016
(dollars are in thousands)

	Original Budget	Revised Budget	Total Actual	Variance
REVENUES				
Taxes:				
Sales Tax	$ 800	$ 670	$ 691	$ 21
Insurance Premium Taxes	216	216	231	15
Alcoholic Beverage Taxes	63	63	74	11
Other Taxes	2	2	34	32
Total taxes	1,081	951	1,030	79
Licenses and permits:				
Licenses	29	29	29	-
Permits	9	9	10	1
Franchise taxes (fees)	180	180	189	9
Other fees	-	-	-	-
Total licenses and permits	218	218	228	10
Fines and forfeitures	50	50	54	4
Investment income	2	2	1	(1)
Intergovernmental	52	52	53	1
Rental Income	504	504	320	(184)
Cemetery	5	5	8	3
Other	-	-	3	3
Total revenues before prior year fund balance	1,912	1,782	1,697	(85)
Prior year fund balances				
Appropriated for current year budget	2,497	2,497	2,497	-
Reappropriated for prior year encumbrances	-	-	-	-
Total revenues and prior year fund balances	$ 4,409	$ 4,279	$ 4,194	$ (85)

City of Hephzibah, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended June 30, 2016
(dollars are in thousands)

	Original Budget	Revised Budget	Total Actual	Variance
EXPENDITURES AND ENCUMBRANCES				
General government:				
Personal services	$ 110	$ 110	$ 105	$ 5
Recreation	3,712	2,067	2,002	65
Other services and charges	175	385	362	23
Capital outlay	25	25	25	-
Total general government	4,022	2,587	2,494	93
Public safety:				
Police/Court				
Personal services	255	255	177	78
Other services and charges	57	57	150	(93)
Supplies	4	4	5	(1)
Capital outlay	12	12	4	8
Fire:				
Personal services	425	425	273	152
Other services and charges	50	50	188	(138)
Supplies	15	15	15	-
Capital outlay	11	11	10	1
Total public safety	829	829	822	7
Expenditures and encumbrances related to prior year budgets (2)	-	-	-	-
Total expenditures and encumbrances	4,851	3,416	3,316	100
Excess of revenues over expenditures and encumbrances	$ (442)	$ 863	$ 878	$ 15

City of Hephzibah, Georgia
General Fund
Schedule of Revenues, Expenditures, Encumbrances,
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended June 30, 2016
(dollars are in thousands)

	Original Budget	Revised Budget	Total Actual	Variance
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Grants Management Fund	$ -	$ -	$ -	$ -
Capital Project	-	-	-	-
Sanitation	-	-	-	-
Total transfers from other funds	-	-	-	-
Sale of Capital Assets	-	-	-	-
Transfers to other funds:				
General government:				
Non-departmental:				
Sanitation	-	-	-	-
Grants Management Fund	-	-	-	-
Risk Management Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Total transfers to other funds	-	-	-	-
Excess of revenues and other sources over expenditures, encumbrances, and other uses	**(442)**	**863**	**878**	**15**
Fund balances, beginning (-GAAP budgetary basis)	**2,497**	**2,497**	**2,497**	**-**
Less prior year fund balances (1)	(2,497)	(2,497)	(2,497)	-
Fund balance, ending (GAAP budgetary basis)	**$ (442)**	**$ 863**	**$ 878**	**$ 15**

(1) The General Fund budget included $ 2,497 thousand in fund balance carried over from prior years. It is not a revenue of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balance has been reduced for prior year fund balance to reflect the budgetary ending fund balance projected.

See accompanying notes to financial statements.

Note 1 – Budgetary Information

Budgets for the general fund are adopted on a basis that is consistent with accounting principles generally accepted in the United States as applied to governments.

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INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

November 21, 2016

To the Honorable Chairman and City Commission
City of Hephzibah, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Hephzibah, Georgia for the year ended June 30, 2016. This schedule is the responsibility of the City of Hephzibah, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis as described in Note 1.B.4. and is not intended to be a complete presentation of the City of Hephzibah, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Hephzibah, Georgia's resolution or ordinance calling for the tax for the year ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

Hawkins & McNair, CPAs

CITY OF HEPHZIBAH, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		EXPENDITURES				
	ORIGINAL ESTIMATED COST	CURRENT ESTIMATED COSTS	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
SPLOST						
dministrative Costs	$ -	$ 150,000	$ 144,898	$ 305	$ 145,203	97%
SPLOST Administrative Cost	-	150,000	144,898	305	145,203	97%
PLOST V						
ıew Well	148,000	148,000	228,008	-	228,008	100%
New Water Tank	860,000	860,000	915,335	-	915,335	100%
upporting Water Lines	240,000	240,000	253,797	1,080	254,877	100%
. ark-Murphy/Reynolds Streets	15,000	15,000	-	-	-	0%
Fire Ladder/Pumper Truck	391,000	391,000	140,194	-	140,194	36%
olice Vehicles/Equipment	360,000	360,000	84,694	-	84,694	24%
/ater Department Vehicles/Equipment	155,000	155,000	48,740	65,900	114,640	74%
Paving	230,000	230,000	534,187	198,858	733,045	100%
ewer Expansion	2,000,000	2,000,000	486,229	-	486,229	24%
ity Hall Expansion	94,000	94,000	-	-	-	0%
ractor/Supporting Equipment	51,000	51,000	2,792	-	2,792	5%
Fire/Admin Building Project	-	2,200,000	463,233	-	463,233	15%
dmin/Bank Charges	-	-	-	-	-	21%
Total SPLOST V	4,544,000	6,744,000	3,157,209	265,838	3,423,047	51%
PLOST VI						
ew Pump House	180,000	180,000	-	645	645	0%
Sewerage Expansion	3,259,000	3,259,000	-	-	-	0%
ty Cemetery Expansion	675,000	675,000	235,048	-	235,048	35%
te Prep.-Fire Station	150,000	150,000	-	-	-	0%
Rescue/Brush Fire Truck	80,000	80,000	-	1,179	1,179	0%
olice Vehicle	60,000	60,000	64,970	-	64,970	100%
adio Equipment Upgrade	20,000	20,000	20,000	-	20,000	100%
Total SPLOST VI	4,424,000	4,424,000	320,018	1,824	321,842	7%
PLOST VII						
ater System Upgrade (Equipment)	480,000	480,000	-	227,486	227,486	47%
Alternative Energy	150,000	150,000	-	6,931	6,931	5%
arks, Recreation & Culture	1,900,000	1,900,000	-	3,277	3,277	0%
oad Improvement	330,000	330,000	-	825	825	0%
Agricultural Center	2,100,000	2,100,000	-	-	-	0%
ublic Safety Equipment	140,000	140,000	-	-	-	0%
e Department Facilities/Equipment	1,300,000	1,300,000	-	-	-	0%
City Hall Expansion	100,000	100,000	-	-	-	0%
Total SPLOST VII	6,500,000	6,500,000	-	238,519	238,519	4%

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and City Commission
City of Hephzibah, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Hephzibah, Georgia, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Hawkins & McNair, CPAs
Winder, Georgia
November 21, 2016

City of Hephzibah, Georgia
Pension Plans
Supplemental Schedules

(GASB 68 Requirements)

City of Hephzibah, Georgia
Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2015	2016
Total Pension Liability		
Service cost	$ 18,058	$ 21,538
Interest on total pension liability	53,755	52,897
Differences between expected and actual experience	(42,191)	(129)
Changes in assumptions	-	-
Other	(4,775)	-
Benefit payments, including refunds of employee contributions	(38,952)	(32,896)
Net change in total pension liability	**(14,105)**	**41,410**
Total pension liability - beginning	**713,095**	**698,990**
Total pension liability - ending (a)	**$ 698,990**	**$ 740,400**
Plan fiduciary net position		
Contributions - employer	$ 51,793	$ 50,230
Admin. Expense	(5,171)	(6,378)
Net investment income	50,913	5,232
Benefit payments	(38,952)	(32,896)
Net change in plan fiduciary net position	**58,583**	**16,188**
Plan fiduciary net position - beginning	**447,031**	**505,614**
Plan fiduciary net position - ending (b)	**$ 505,614**	**$ 521,802**
Net pension liability - ending (a) - (b)	$ 193,376	$ 218,598
Plan fiduciary net position as a percentage of the total pension liability	72.33%	70.48%
Covered - employee payroll	560,456	569,183
Net pension liability as percentage of covered-employee payroll	34.50%	38.41%

Notes to Schedule:
Benefit changes - In 2015, benefit terms were modified to base miscellaneous employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes is assumptions - In 2015, amounts reported as changes in assumptions resulted primarily from adjustment to expected retirement ages of miscellaneous employees.

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2015	2016
Actuarially determined contribution	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 560,456	$ -
Contributions as a percentage of covered-employee payroll	-	-

Notes to Schedule

Valuation Date: The actuarially determined contribution rate was determined as of January 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	See Section 5, Exhibit II for summary of assumption and Section 4, Exhibit 6 for the history of changes to this assumption, in any.
Mortality	See Section 5, Exhibit II for summary of assumption and Section 4, Exhibit 6 for the history of changes to this assumption, in any.
Other information:	See Section 4, Exhibit 6 for the history of changes to plan provisions, if any.

* - Fiscal year 2016 information will be determined after the fiscal year end and will be included in the 2017 valuation report.

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Peace Officer's Annuity & Benefit Fund of Georgia
Cost Sharing Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years*
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	2015	2016
Proportion of the net pension liability	0.0232396%	0.0307430%
Proportionate share of the net pension liability/(asset)	$ (5,863)	$ 3,780
Covered - employee payroll	$ 140,669	$ 145,640
Proportionate share of the net pension/(asset) as percentage of covered-employee payroll	4.168%	2.595%
Plan's fiduciary net position	$ 162,418	$ 216,288
Plan fiduciary net position as a percentage of the total pension liability	103.74%	98.28%

Notes to Schedule:

Benefit changes: In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Peace Officer's Annuity & Benefit Fund of Georgia
Cost Share Plan Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2015	2016
Contractually required contribution (actuarially determined)	$ 18,044	$ 11,462
Contributions in relation to the actuarially determined contributions	18,044	11,462
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 140,669	$ 145,640
Contributions as a percentage of covered-employee payroll	12.83%	7.87%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014
Methods and assumption used to determine contribution rates:		
Single and Agent Employers Example		Entry age
Amortization method		Level percentage of payroll, closed
Remaining amortization period		15 years
Asset valuation method		5-year smoothed market
Inflation		3.50%
Salary increases		4.5%, average, including inflation
Investment rate of return		pension plan investment expense,
Retirement age		57 years
Mortality		RP-2000 Healthy Annuitant

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Georgia's Firefighters' Pension Fund
Cost Sharing Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years*
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

	2015	2016
Proportion of the net pension liability	0.06228%	0.067411%
Proportionate share of the net pension liability	$ 59,494	$ 105,499
covered - employee payroll	$ 236,679	$ 236,308
Proportionate share of the net pension liability as percentage of covered-employee payroll	25.14%	44.64%
Plan's fiduciary net position	$ 519,292	$ 517,267
Plan fiduciary net position as a percentage of the total pension liability	89.72%	83.06%

Notes to Schedule:

Benefit changes: In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

See accompanying notes to financial statements.

City of Hephzibah, Georgia
Georgia Firefighters' Pension Fund
Cost Share Plan Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2015	2016
Contractually required contribution (actuarially determined)	$ 21,961	$ 21,291
Contributions in relation to the actuarially determined contributions	$ 21,961	$ 21,291
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 236,679	$ 236,308
Contributions as a percentage of covered employee payroll	9.28%	9.01%
Notes to Schedule:		
Variation date:	6/30/2013	6/30/2014
Methods and assumptions used to determine contribution rates:		
Single and Agent Employers Example	Entry age normal	
Amortization method	Level dollar, open	
Remaining amortization period	30 years	
Asset valuation method	5-year smoothed market with 15% corridor	
Inflation	3.00%	
Salary increases	N/A	
Investment rate of return	6.5% net of pension plan investment expense, including inflation	
Retirement age	55 years	
Mortality	RP-2000 Healthy Blended Mortality Table with projection scale AA	

See accompanying notes to financial statements.