CITY OF HIRAM, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

JAMES L. WHITAKER, P.C.

CERTIFIED PUBLIC ACCOUNTANT

SNELLVILLE, GEORGIA 30078

CITY OF HIRAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	PAGE
Independent Auditor's Report	i
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Reconciliation of Fund Balance in Governmental Funds to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	7
Statement of Net Assets - Proprietary Funds	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
Notes to the Financial Statements	12
Analysis of Pension Plan Funding Progress	32
Combining Statements of Non-Major Funds:	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	34

CITY OF HIRAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PAGE

Individual Fund Statements -

Hotel / Motel Tax Fund -
Schedule of Revenues, Expenditures and changes in Fund Balance - Budget and Actual 35

Confiscated Asset Fund -
Schedule of Revenues, Expenditures and changes in Fund Balance - Budget and Actual 36

SPLOST 1 Fund -
Schedule of Revenues, Expenditures and changes in Fund Balance - Budget and Actual From Inception 37

SPLOST 2 Fund -
Schedule of Revenues, Expenditures and changes in Fund Balance - Budget and Actual From Inception 45 38

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hiram, Georgia (the City) 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 the City'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, each major fund and the aggregate remaining fund information of the City of Hiram, Georgia, as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 25, 2013 on our consideration of City of Hiram's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The City of Hiram has not presented the Management Discussion and Analysis, supplementary information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The historical pension information on page 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information and reviewing information supplied by the City's pension fund consultants. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiram, Georgia's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James L. Whitaker, P.C.

Snellville, Georgia
January 25, 2013

CITY OF HIRAM, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 237,512	$ 75,830	$ 313,342
Investments	7,227,185	328,018	7,555,203
Receivables (net of allowance for uncollectibles)			
Taxes	97,071	-	97,071
Intergovernmental	152,120	-	152,120
Accounts	-	10,688	10,688
Interest	9,583	72	9,655
Interfund Balances	210,034	(210,034)	-
Prepaid Items	88,391	-	88,391
Restricted Assets -			
Cash	840,537	-	840,537
Deposits	-	300	300
Non-Depreciable Capital Assets	747,275	-	747,275
Depreciable Capital Assets, Net	4,994,907	169,160	5,164,067
Total Assets	14,604,615	374,034	14,978,649
Liabilities			
Accounts Payable			
Operating	87,606	2,079	89,685
Accrued Liabilities -			
Salaries	11,155	-	11,155
Customer Deposits	-	7,200	7,200
Long-Term Liabilities -			
Due Within One Year	5,000	-	5,000
Due In More Than One Year	196,446	4,339	200,785
Total Liabilities	300,207	13,618	313,825
Net Assets			
Invested in Capital Assets	5,742,182	169,160	5,911,342
Restricted for -			
Police Activities	4,905	-	4,905
Capital Outlay	1,042,854	-	1,042,854
Promotion	14,342	-	14,342
Unrestricted	7,500,125	191,256	7,691,381
Total Net Assets	$ 14,304,408	$ 360,416	$ 14,664,824

See accompanying notes to the basic financial statements.

CITY OF HIRAM, 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
Governmental Activities:				
General Government	$ 728,805	$ 34,433	$ -	$ -
Public Safety and Courts	2,157,901	903,924	12,976	172,197
Public Works	654,974	-	-	486,593
Parks and Recreation	160,114	40,447	-	162,197
Total Governmental Activities	3,701,794	978,804	12,976	820,987
Business-Type Activities				
Water	124,823	84,484	-	-
Sanitation	44,165	45,014	-	-
Total Business-Type Activities	168,988	129,498	-	-
Total	$ 3,870,782	$ 1,108,302	$ 12,976	$ 820,987
General Revenues:				
Taxes:				
Sales				
Franchise				
Occupational				
Insurance premium				
Alcohol beverage				
Hotel/Motel				
Investment earnings				
Other				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning of Year				
Prior period adjustment				
Net Assets - Beginning As Adjusted				
Net Assets - End of Year				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (694,372)	$ -	$ (694,372)
(1,068,804)	-	(1,068,804)
(168,381)	-	(168,381)
42,530	-	42,530
(1,889,027)	-	(1,889,027)
-	(40,339)	(40,339)
-	849	849
-	(39,490)	(39,490)
(1,889,027)	(39,490)	(1,928,517)
479,566	-	479,566
303,547	-	303,547
277,431	-	277,431
166,322	-	166,322
443,477	-	443,477
83,835	-	83,835
34,862	1,785	36,647
16,408	-	16,408
-	-	-
1,805,448	1,785	1,807,233
(83,579)	(37,705)	(121,284)
14,162,465	398,121	14,560,586
225,522	-	225,522
14,387,987	398,121	14,786,108
$ 14,304,408	$ 360,416	$ 14,664,824

CITY OF HIRAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL	SPLOST 2 CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Cash and Cash Equivalents	$ 237,512	$ 697,648	$ 142,889	$ 1,078,049
Investments	7,227,185	-	-	7,227,185
Receivables (net of allowance for uncollectibles)				
Taxes	89,444	-	7,627	97,071
Interest	9,583	-	-	9,583
Intergovernmental	-	152,120	-	152,120
Due from Other Funds	210,034	-	72,172	282,206
Prepaid Items	88,391	-	-	88,391
Total Assets	$ 7,862,149	$ 849,768	$ 222,688	$ 8,934,605
Liabilities				
Accounts Payable - Operating	$ 77,251	$ -	$ 10,355	$ 87,606
Accrued Liabilities - Salaries	11,155	-	-	11,155
Due to Other Funds	72,172	-	-	72,172
Total Liabilities	160,578	-	10,355	170,933
Fund Balances				
Nonspendable	88,391	-	-	88,391
Restricted -				
Police activities	-	-	4,905	4,905
Capital outlay	-	849,768	193,086	1,042,854
Restricted	-	-	14,342	14,342
Assigned -				
Approriated for next year's budget	411,616	-	-	411,616
Unassigned	7,201,564	-	-	7,201,564
Total Fund Balances	7,701,571	849,768	212,333	8,763,672
Total Liabilities and Fund Balances	$ 7,862,149	$ 849,768	$ 222,688	$ 8,934,605

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances -- total governmental funds	$ 8,763,672
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,742,183
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term portion of OPEB obligation	(181,819)
Long-term portion of compensated absences	(19,628)
Net assets of governmental activities	$ 14,304,408

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

CITY OF HIRAM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL	SPLOST 2 CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 1,538,994	$ -	$ 83,835	$ 1,622,829
Licenses and permits	162,493	-	-	162,493
Intergovernmental	-	819,757	-	819,757
Charges for services	55,440	-	-	55,440
Fines and forfeitures	880,551	-	1,200	881,751
Investment income	34,813	798	481	36,092
Miscellaneous	39,852	-	-	39,852
Total Revenues	2,712,143	820,555	85,516	3,618,214
EXPENDITURES				
Current:				
General Government	641,868	-	33,534	675,402
Municipal Court	391,603	-	-	391,603
Public Safety	1,595,078	-	2,117	1,597,195
Public Works	462,321	-	-	462,321
Parks and Recreation	139,906	-	-	139,906
Capital:				
Public Safety	-	147,374	37,071	184,445
Public Works	-	5,573	221,409	226,982
Parks and Recreation	-	11,679	69	11,748
Total Expenditures	3,230,776	164,626	294,200	3,689,602
Excess (Deficiency) of Revenues Over Expenditures	(518,633)	655,929	(208,684)	(71,388)
Other Financing Sources (Uses):				
Transfers	48,548	-	(48,548)	-
Net Change in Fund Balance	(470,085)	655,929	(257,232)	(71,388)
Fund Balance - Beginning of the Year	8,171,656	69,108	528,685	8,769,449
Prior Period Adjustment	-	124,731	(59,120)	65,611
Fund Balance - Beginning as adjusted	8,171,656	193,839	469,565	8,835,060
Fund Balance - End of Year	$ 7,701,571	$ 849,768	$ 212,333	$ 8,763,672

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances -- total governmental funds	$	(71,388)
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.		
Capital outlay		358,251
Depreciation		(275,859)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in long-term portion of accrued compensated absences		229
Change in long-term portion of OPEB obligation		(94,812)
Change in net assets of governmental activities	$	(83,579)

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

CITY OF HIRAM, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGET AMOUNTS			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,420,000	$ 1,480,000	$ 1,538,994	$ 58,994
Licenses and permits	172,000	160,800	162,493	1,693
Intergovernmental	15,000	6,750	-	(6,750)
Charges for services	90,500	51,200	55,440	4,240
Fines and forfeitures	730,000	825,000	880,551	55,551
Investment income	30,000	30,000	34,813	4,813
Miscellaneous	32,500	31,700	39,852	8,152
Total Revenues	2,490,000	2,585,450	2,712,143	126,693
EXPENDITURES				
Current:				
General Government	803,900	666,270	641,868	24,402
Municipal Court	346,585	393,480	391,603	1,877
Public Safety	1,413,205	1,594,710	1,595,078	(368)
Public Works	386,040	394,190	462,321	(68,131)
Parks and Recreation	374,493	146,400	139,906	6,494
Total Expenditures	3,324,223	3,195,050	3,230,776	(35,726)
Excess (Deficiency) of Revenues Over Expenditures	(834,223)	(609,600)	(518,633)	90,967
Other Financing Sources (Uses):				
Transfers	50,000	50,000	48,548	(1,452)
Net Change in Fund Balances	(784,223)	(559,600)	(470,085)	89,515
Fund Balance:				
Beginning of Year	8,171,656	8,171,656	8,171,656	-
End of Year	$ 7,387,433	$ 7,612,056	$ 7,701,571	$ 89,515

See accompanying notes to the basic financial statements.

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CITY OF HIRAM, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	WATER	SANITATION	TOTAL
ASSETS:			
CURRENT ASSETS			
Cash	$ 75,830	$ -	$ 75,830
Investments	328,018	-	328,018
Accounts receivable, net of reserve for doubtful accounts	7,654	3,034	10,688
Interest receivable	72		72
Deposits	300	-	300
Due from other funds	4,368	-	4,368
Total Current Assets	416,242	3,034	419,276
NONCURRENT ASSETS			
Captial Assets -			
Buildings	14,864	-	14,864
Utility system	277,282	-	277,282
Machinery and equipment	100,539	-	100,539
Less: accumulated depreciation	(223,525)	-	(223,525)
Total Capital Assets, net of depreciation	169,160	-	169,160
Total Noncurrent Assets	169,160	-	169,160
Total Assets	585,402	3,034	588,436
LIABILITIES:			
CURRENT LIABILITIES			
Accounts payable	2,079	-	2,079
Customer deposits	7,200	-	7,200
Due to other funds	203,275	11,127	214,402
Total Current Liabilities	212,554	11,127	223,681
NONCURRENT LIABILITIES			
OPEB liability	4,339	-	4,339
Total Liabilities	216,893	11,127	228,020
NET ASSETS:			
Invested in capital assets	169,160	-	169,160
Unrestricted	199,349	(8,093)	191,256
Total Net Assets	$ 368,509	$ (8,093)	$ 360,416

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	WATER	SANITATION	TOTAL
OPERATING REVENUES:			
Charges for services	$ 80,781	$ 45,014	$ 125,795
Penalties and fifas	3,127	-	3,127
Miscellaneous	576	-	576
Total Operating Revenues	84,484	45,014	129,498
OPERATING EXPENSES:			
Current -			
Salaries and benefits	45,315	-	45,315
Contracted services	27,205	44,165	71,370
Supplies	35,747	-	35,747
Depreciation	16,556	-	16,556
Total Operating Expenses	124,823	44,165	168,988
Operating Income (Loss)	(40,339)	849	(39,490)
NON-OPERATING INCOME (EXPENSES):			
Interest revenues	1,785	-	1,785
Net Income (Loss) before Transfers	(38,554)	849	(37,705)
Transfers - in	-	-	-
NET INCOME	(38,554)	849	(37,705)
NET ASSETS - BEGINNING	407,063	(8,942)	398,121
NET ASSETS - ENDING	$ 368,509	$ (8,093)	$ 360,416

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2012

	WATER	SANITATION	TOTAL
Cash flows from operating activities:			
Cash received from customers and users	$ 84,476	$ 45,075	$ 129,551
Cash paid to suppliers	(75,501)	(47,886)	(123,387)
Cash paid to employees	(34,362)	-	(34,362)
Net Cash Provided by Operating Activities	(25,387)	(2,811)	(28,198)
Cash flows from investing activities:			
Interest received	2,179	-	2,179
Purchase of investments	(2,076)	-	(2,076)
	103	-	103
Cash flows from non-capital financing activities:			
Change in due to/from other funds	(1,369)	2,811	1,442
Transfers	-	-	-
Net Cash Provided by (Used in) Non-capital Financing Activities	(1,369)	2,811	1,442
Cash flows from capital financing activities:			
Purchase/construction of capital assets	(6,501)	-	(6,501)
Net increase in cash and cash equivalents	(33,154)	-	(33,154)
Cash and cash equivalents - Beginning of Year	108,984	-	108,984
Cash and cash equivalents - End of Year	$ 75,830	$ -	$ 75,830

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

Reconciliation of Net Income to Net Cash Provided By Operating Activities

	WATER	SANITATION	TOTAL
Operating income (loss)	$ (40,339)	$ 849	$ (39,490)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	16,556	-	16,556
(Increase) decrease in receivables	(18)	61	43
(Increase) decrease in deposits	(300)	-	(300)
Increase (decrease) in accounts payable	693	(3,721)	(3,028)
Increase (decrease) in customer deposits	10	-	10
Increase (decrease) in accrued liabilities	(256)	-	(256)
Increase (decrease) in OPEB liability	(1,733)	-	(1,733)
Total Adjustments	14,952	(3,660)	11,292
Net Cash Provided by Operating Activities	$ (25,387)	$ (2,811)	$ (28,198)

See accompanying notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

The City of Hiram, Georgia (the "City") was incorporated in 1871 under the provisions of the State of Georgia. The City operates under a mayor / council form of government and provides the following services: police, highways and streets, sanitation, parks and recreation, water, and general and administrative services. The City's comprehensive annual financial report includes the accounts of all City operations.

Governmental Accounting Standards Board Statement No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City. The City has no component units.

C. Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property, sales, excise, occupational and franchise taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

D. Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises it assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The City has two major governmental funds. The City also has two enterprise funds and considers both of them to be major funds. Separate financial statements are provided for governmental funds and proprietary funds. All major funds are reported in separate columns in the fund financial statements.

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

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

SPLOST Capital Projects Fund – This fund is used by the City to account for acquisition and construction of major capital improvements and equipment that were approved by the voters of Paulding County, Georgia through the Special Purpose Local Option Sales Tax referendum.

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Sanitation Enterprise Fund – The Sanitation Enterprise Fund is used to account for the revenues generated from the charges for sanitation provided to the residential and commercial users of the City.

Water Enterprise Fund – This fund is used to account for activities connected with the development, operation and maintenance of water in the City.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

E. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.
On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, fines, penalties and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after year end are recorded as deferred revenues.

G. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

H. Investments

The City's investments consist of certificates of deposit with a maturity date greater than three months from the date of purchase. For reporting purposes, all investments are recorded at fair value with accrued interest, if any, recorded under a separate category.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2012:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items subject to involuntary participation in an external pool; c) items associated with a fund other than the fund to which the income is assigned.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

I. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory, if any, in the General Fund consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are used, rather than in the period purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

J. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items and are expensed during the period benefited.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets purchased or acquired with an original cost of $500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during fiscal year ended June 30, 2012. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Infrastructure	10-20 years
Building and improvements	30-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	5-10 years
Water lines	10-40 years

The City only reports infrastructure assets purchased subsequent to June 15, 2003.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

N. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

O. Compensated Absences

The City accrues accumulated unpaid vacation costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. No liability is reported for non vesting accumulating rights to receive sick leave.

P. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Q. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the City.

R. Contributions of Capital

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Budgets and Budgetary Accounting

Georgia law requires an annual balanced budget for the General Fund and Special Revenue Funds and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Council so that a budget may be prepared. The budget is prepared by fund, function (department), and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Budgets for the General Fund, Special Revenue Funds and Capital Project Funds are prepared using the modified accrual basis of accounting.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the Mayor and Council for review. The Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the manager or the revenues estimates must be changed by an affirmative vote of a majority of the Council, except for emergencies as defined by the charter and unanimously voted by the Council. Last year's budget subject to amendment becomes the current year's budget if Council fails to act. Expenditures may not legally exceed budgeted appropriations at the function level. The legal level of budgetary control is at the department level.

Both the 2005 SPLOST Capital Projects Fund and the 2011 SPLOST Capital Projects Fund have a project length budget which was adopted when voters approved the respective SPLOST referendums. This budget is prepared for the projected total SPLOST tax revenues and capital outlays for the life of the intergovernmental agreement.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

U. Fund Balance – Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of City of Hiram's Council. Hiram's Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2012, fund balances are composed of the following:

	General Fund	SPLOST 2 Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaids	$ 88,391	$ -	$ -	$ 88,391
Restricted:				
Capital Outlay	-	849,768	193,086	1,042,854
Police Activities	-	-	4,905	4,905
Promotion	-	-	14,342	14,342
Committed	-	-	-	-
Assigned - Next Year's Budget	411,616	-	-	411,616
Unassigned	7,201,564	-	-	7,201,564
Total Fund Balances	$ 7,701,571	$ 849,768	$ 212,333	$ 8,763,672

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditures is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

(See Independent Auditor's Report).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

V. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City's government-wide statement of net assets reports $1,062,101 of restricted net assets, of which the total amount is restricted by enabling legislation.

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

2. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of June 30, 2012, $3,575,664 of the government's bank balance of $8,748,938 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Uninsured and collateral held by pledging bank's agent in the City's name	3,575,664
Total	$ 3,575,664

In accordance with state law, the City of Hiram can invest in: 1. Obligations issued by the U.S. Government, any state, any political subdivision of the State of Georgia, or Local Government Investment Pool established by state law; 2. Prime banks' acceptances; and 3. Repurchase agreements.

Investments as of June 30, 2012 of $7,555,203 consisted of non-participating certificates of deposit, which are included in the above-mentioned bank balances.

3. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied approximately October 1 of each year and are due 60 days after issuance. A local option sales tax is in force. Proceeds from this tax are remitted to the City monthly and are utilized to give property tax owners tax relief. No property taxes were levied for the year ended June 30, 2012.

(See Independent Auditor's Report).

4. RECEIVABLES

Governmental Funds

	General	SPLOST 2	Other Governmental	Total
Taxes	$ 89,444	$ -	$ 7,627	$ 97,071
Intergovernmental	-	152,120	-	152,120
Interest	9,583	-	-	9,583
Other	-	-	-	-
Total	99,027	152,120	7,627	258,774
Less: Allowance for uncollectibles	-	-	-	-
Net	$ 99,027	$ 152,120	$ 7,627	$ 258,774

Proprietary Funds

	Water	Sanitation	Total
Accounts	$ 9,047	$ 3,382	$ 12,429
Interest	72	-	72
Total	9,119	3,382	12,501
Less: Allowance for uncollectibles	(1,393)	(348)	(1,741)
Net	$ 7,726	$ 3,034	$ 10,760

5. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables for the year ended June 30, 2012 consist of the following:

	Revenue	Receivable
SPLOST 2 Fund -		
Paulding County - SPLOST	$ 809,757	$ 142,120
State of Georgia - Police Grant	10,000	10,000
Total Intergovernmental Revenues	$ 819,757	$ 152,120

(See Independent Auditor's Report)

6. INTER-FUND TRANSACTIONS

Individual fund interfund receivables and payable balances at June 30, 2012 were as follows:

Payable To	Payable From General	Water	Sanitation	Total
General	$ -	$ 203,275	$ 6,759	$ 210,034
Non-major Funds	72,172	-	-	72,172
Water	-	-	4,368	4,368
Totals	$ 72,172	$ 203,275	$ 11,127	$ 286,574

Outstanding balances between the General Fund and the Water and Sanitation Funds include outstanding charges by one fund to another for services, goods or short term lending/borrowing arrangements and outstanding balances at year end are presented as amounts due to or from another fund. The amount payable to SPLOST 1 (a nonmajor fund) is the result of the SPLOST 1 Fund paying for expenditures that did not qualify as being an eligible SPLOST 1 expenditure and therefore the General Fund must reimburse the SPLOST 1 Fund for these expenditures amounting to $72,172.

Individual fund interfund transfers for the year ended June 30, 2012 were as follows:

Transfer To	Transfer From Non Major	Total
General	$ 48,548	$ 48,548

The City reports the income from hotel / motel taxes in the Hotel / Motel Tax Fund along with the required 40% payment to the Paulding County Chamber of Commerce in accordance with an agreement that specifies the money is to be used to promote tourism, trade shows and conventions. The remaining monies are transferred to the General Fund to help finance the General Fund budgetary appropriations which amounted to $48,548 for the year ended June 30, 2012.

7. LITIGATION:

As of June 30, 2012 there were no lawsuits or complaints that management believes will have a material effect on the financial condition of the City.

(See Independent Auditor's Report)

8. PROPERTY, PLANT AND EQUIPMENT

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 747,275	$ -	$ -	$ 747,275
Construction in progress	-	-	-	-
Total	747,275	-	-	747,275
Capital assets being depreciated:				
Infrastructure	2,417,648	12,970	-	2,430,618
Buildings and improvements	2,574,600	37,402	-	2,612,002
Furniture and fixtures	333,100	5,011	-	338,111
Machinery and equipment	744,657	302,868	-	1,047,525
Total capital assets being depreciated	6,070,005	358,251	-	6,428,256
Less accumulated depreciation for:				
Infrastructure	365,921	71,859	-	437,780
Buildings and improvements	379,064	62,005	-	441,069
Furniture and fixtures	87,119	19,900	-	107,019
Machinery and equipment	325,385	122,096	-	447,481
Total accumulated depreciation	1,157,489	275,860	-	1,433,349
Total capital assets being depreciated, net	4,912,516	82,391	-	4,994,907
Governmental capital assets, net	$ 5,659,791	$ 82,391	$ -	$ 5,742,182

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

General Government	$ 41,969
Public Safety and Courts	97,194
Public Works	100,357
Parks and Recreation	36,340
Total depreciation expense	$ 275,860

(See Independent Auditor's Report)

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Stormwater Management Fund -				
Capital assets, not being depreciated:				
Construction in progress	$ -	$ -	$ -	$ -
Total	-	-	-	-
Capital assets being depreciated:				
Buildings and improvements	14,864	-	-	14,864
Infrastructure	270,781	6,501		277,282
Machinery and equipment	100,539	-	-	100,539
Total capital assets being depreciated	386,184	6,501	-	392,685
Less accumulated depreciation for:				
Buildings and improvements	4,321	522	-	4,843
Infrastructure	147,989	5,732		153,721
Machinery and equipment	54,659	10,302	-	64,961
Total capital assets being depreciated	206,969	16,556	-	223,525
Total capital assets being depreciated, net	179,215	(10,055)	-	169,160
Business - Type Activities capital assets, net of depreciation	$ 179,215	$ (10,055)	$ -	$ 169,160

The depreciation expense was charged to the Water Fund.

(See Independent Auditor's Report)

9. LONG-TERM DEBT

Changes in General Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Accrued Compensated Absences	$ 19,857	$ 32,375	$ (32,604)	$ 19,628	$ 5,000
OPEB Obligation	87,007	94,812	-	181,819	-
Total Governmental-Type Activity Long-Term Debt	$ 106,864	$ 127,187	$ (32,604)	$ 201,447	$ 5,000
Business-Type Activities					
Accrued Compensated Absences	$ 256	$ -	$ (256)	$ -	$ -
OPEB Obligation	6,072	-	(1,733)	4,339	-
Total Business-Type Activity Long-Term Debt	$ 6,328	$ -	$ (1,989)	$ 4,339	$ -

The General Fund is typically used to liquidate all governmental activity long-term debt.

The Water Fund is typically used to liquidate all business-type activity long-term debt.

10. SPECIAL PURPOSE LOCAL OPTION SALES TAX

On August 24, 2004 Paulding County voters approved a referendum for a Special Local Option Sales Tax at a rate of 1% to be imposed in Paulding County for a period of time not to exceed twenty four calendar quarters to be used for eligible capital outlay projects as determined by the intergovernmental agreement between Paulding County and the City of Hiram. Actual collections of the tax began April 1, 2005. The City of Hiram's distributive share of the revenue was projected to be $3,420,000 and used for public safety facilities, road, street, and bridge purposes, and recreational facilities.

On July 20, 2010 Paulding County voters approved a referendum for a Special Local Option Sales Tax at a rate of 1% to be imposed in Paulding County for a period of time not to exceed twenty four calendar quarters to be used for eligible capital outlay projects as determined by the intergovernmental agreement between Paulding County and the City of Hiram. Actual collections of the tax began April 1, 2011. The City of Hiram's distributive share of the revenue was projected to be $5,358,000 and used for public safety facilities, road, street, and bridge purposes, and recreational facilities.

(See Independent Auditor's Report)

11. HOTEL / MOTEL TAX

The City is currently collecting a five percent Hotel / Motel Tax and is remitting forty percent of the amount collected to the Paulding County Chamber of Commerce in accordance with an agreement that specifies the money is to be used to promote tourism, trade shows or conventions. Total collections and related disbursements to the Paulding County Chamber of Commerce for the year ended June 30, 2012 were as follows:

	Amount	Percent
Total Collections	$ 83,835	100%
Total Remittances	$ 33,534	40.0%

The City was in compliance with the state laws regulating hotel/motel taxes and the related expenditures as of June 30, 2012.

12. JOINT VENTURE

Under Georgia law, the city, in conjunction with other cities and counties is a member of the Northwest Georgia Regional Commission (NGRC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The membership of the NGRC includes 15 Counties and the related municipalities. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

Northwest Georgia Regional Commission
1 Jackson Hill Drive
Rome, Georgia 30162

13. RISK MANAGEMENT

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

As part of these risks pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agent and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds. The City pays an annual premium to GIRMA for its general insurance and has coverage of $1,000,000 for the risks discussed above, except for buildings, which are covered at 100% of the value of the City's holdings. The City's coverage for worker's compensation claims is statutory.

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

The City continues to carry commercial insurance for all other risks of loss, employee health and accident insurance. Settled claims in the past three years have not exceeded the commercial insurance coverage.

(See Independent Auditor's Report)

14. DEFINED BENEFIT PENSION PLAN

Plan Description-

The City's defined pension plan, City of Hiram Retirement Plan (HRP), provides retirement, disability and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. HRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

Funding Policy-

HRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 4.5% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost-

For fiscal year ending June 30, 2012, the City's annual pension cost of $36,498 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases for inflation of 3.5% per year plus age and service based merit increases. The actuarial value of HRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. HRP's unfunded actuarial accrued liability is being amortized over a 30 year period from January 1, 1984 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. The amortization periods, if applicable, are closed for this plan year.

Three-Year Trend Information for HRP

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$ 36,498	100%	$ -
6/30/2011	$ 35,415	100%	$ -
6/30/2010	$ 48,496	100%	$ -

(See Independent Auditor's Report)

14. DEFINED BENEFIT PENSION PLAN – (Continued)

Funding Progress:

The following table discloses funding progress for the last three years based on actuarial valuations.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	$ 582,945	$ 688,731	$ 105,786	84.64%	$1,124,351	9.41%
1/1/2011	$ 571,360	$ 628,903	$ 57,543	90.85%	$ 797,544	7.22%
1/1/2010	$ 543,870	$ 612,985	$ 69,115	88.72%	$ 772,828	8.94%

Trend Information-

Annual trend information required by generally accepted accounting principles is presented on page 32 and reveals the progress made in accumulating sufficient assets to pay benefits when due.

15. OTHER POST-EMPLOYMENT BENEFITS

Plan Description – The City of Hiram OPEB Plan is a single-employer defined benefit healthcare plan administered by Coventry Health Care of GA Inc. As authorized by City Council, the City provides certain healthcare benefits for retired employees and their spouses. In accordance with City policy, any employee who retires with 20 years of service or more and age 55 or older can maintain their current health coverage. The City will provide healthcare benefits until the recipient becomes eligible for Medicare, at which time the City's contribution will stop. Inasmuch as the Plan has no assets, reporting an employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand—alone report issued.

Funding Policy – The City currently funds the plan on a pay-as-you-go basis. Employees / retirees are not required to contribute to the plan. Contribution rates are determined by the Plan Administrator.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 as of June 30, 2011 with results projected backwards to July 1, 2010. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The annual required contribution of $93,079 is 7.6% of covered payroll.

(See Independent Auditor's Report)

15. OTHER POST-EMPLOYMENT BENEFITS – (Continued)

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:

Annual Required Contribution	$ 93,079
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	93,079
Contributions Made	-
Interest on Employer Contributions	-
Increase in Net OPEB Obligation	93,079
Net OPEB Obligation - Beginning of Year	93,079
Net OPEB Obligation - End of Year	$ 186,158

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2012 and 2011 were as follow:

Two-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
6/30/2012	$ 93,079	0%	$ 186,158
6/30/2011	$ 93,079	0%	$ 93,079

Funding Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $252,990, resulting in an unfunded actuarial accrued liability of $252,990. The covered payroll was $1,212,489 and the ratio of the UAAL to the covered payroll was 20.9%. Actuarial valuations of an ongoing plan involve estimates of the value of the 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 presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

(See Independent Auditor's Report)

15. OTHER POST-EMPLOYMENT BENEFITS – (Continued)

Actuarial Methods and Assumptions –

Measurement Date	June 30, 2011 with results projected backwards to July 1, 2010 on a "no loss/no gain" basis.
Discount Rate	4.00%
Salary Scale	3.00%
Cost Method	Projected Unit Credit with linear proration to decrement.
Amortization	Level % of pay over thirty years based on an open group.
Employer Funding Policy	Pay as you go basis.
Monthly Premiums Effective July 1, 2011	Employee $ 383.28 Employee / Spouse $ 754.39

Health Care Trend Rates

FYE	Rates	FYE	Rates
2012	10.0%	2017	7.5%
2013	9.5%	2018	7.0%
2014	9.0%	2019	6.5%
2015	8.5%	2020	6.0%
2016	8.0%	2021	5.5%

The following is the funding status of the plan as of the most recent valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	$ -	$ 252,990	$ 252,990	0.00%	$1,212,489	20.87%

(See Independent Auditor's Report)

16. PRIOR PERIOD ADJUSTMENT

The fund balances / net assets as of July 1, 2011 were adjusted to record additional accruals of receivables and payables that pertain to the fiscal year ended June 30, 2011 and to correct the amount reported as the liability for the City's healthcare post employment benefit as follows:

	Governmental Activities	SPLOST 1	SPLOST 2
Fund Balance / Net Assets - Beginning of year	$ 14,162,465	$ 510,323	$ 69,108
Adjustments for :			
Receivables	65,611	(59,120)	124,731
OPEB liability	159,911	-	-
Net adjustment	225,522	(59,120)	124,731
Fund Balance / Net Assets - Beginning of year, adjusted	$ 14,387,987	$ 451,203	$ 193,839

17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures, as a part of the combined statements to provide an overview, of certain information concerning individual funds including-

A. Deficit fund balances or net assets balances of individual funds – The City's Sanitation Fund had a negative net asset balance of $8,093 at June 30, 2012. Management plans to correct this situation through additional revenues within the Sanitation Fund or transfers from other funds.

B. Excess of expenditures over appropriations in individual funds are as follows:

Material excesses (if both over 5 percent and greater than $10,000) of expenditures over appropriations at the department level (the legal level of control) are presented below:

	Final Budget	Actual	Variance
General Fund - Public Works	$ 394,190	$ 462,321	$ (68,131)

Management will closely monitor budgets for all funds in the future.

(See Independent Auditor's Report)

CITY OF HIRAM, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	$ 582,945	$ 688,731	$ 105,786	84.64%	$ 1,124,351	9.41%
1/1/2011	$ 571,360	$ 628,903	$ 57,543	90.85%	$ 797,544	7.22%
1/1/2010	$ 543,870	$ 612,985	$ 69,115	88.72%	$ 772,828	8.94%
1/1/2009	$ 428,935	$ 604,429	$ 175,494	70.97%	$ 735,620	23.86%
1/1/2008	$ 522,330	$ 577,321	$ 54,991	90.47%	$ 614,749	8.95%
1/1/2007	$ 501,143	$ 553,179	$ 52,036	90.59%	$ 533,037	9.76%
1/1/2006	$ 473,892	$ 556,023	$ 82,131	85.23%	$ 328,600	24.99%
1/1/2005	$ 428,203	$ 492,524	$ 64,321	86.94%	$ 270,462	23.78%
1/1/2004	$ 390,325	$ 452,635	$ 62,310	86.23%	$ 257,541	24.19%
1/1/2003	$ 351,272	$ 388,617	$ 37,345	90.39%	$ 250,481	14.91%

UNFUNDED ACTUARIAL ACCRUED LIABILITY

Changes to the unfunded actuarial accrued liability as of January 1, 2012 were as follows:

Unfunded actuarial accrued liability as of January 1, 2011	$ 57,543
Change due to contribution policy	(4,590)
Change due to actuarial (gains) or losses	52,833
Change in plan provisions and assumptions	-
Unfunded actuarial accrued liability as of January 1, 2011	$ 105,786

(See Independent Auditor's Report)

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CITY OF HIRAM, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUND	Total Non-Major Governmental Funds
	Hotel / Motel Tax Fund	Confiscated Fund	SPLOST 1	
ASSETS				
Cash	$ 16,250	$ 4,905	$ 121,734	$ 142,889
Receivables -				
Taxes	7,627	-	-	7,627
Due from other funds	-	-	72,172	72,172
Total Assets	$ 23,877	$ 4,905	$ 193,906	$ 222,688
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	$ 9,535	$ -	$ 820	$ 10,355
Accrued liabilities	-	-	-	-
Total Liabilities	9,535	-	820	10,355
Fund Equity:				
Restricted -				
Police activities	-	4,905	-	4,905
Capital outlay	-	-	193,086	193,086
Promotion	14,342	-	-	14,342
Unassigned	-	-	-	-
Total Fund Equity	14,342	4,905	193,086	212,333
Total Liabilities and Fund Equity	$ 23,877	$ 4,905	$ 193,906	$ 222,688

CITY OF HIRAM, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUND	Total Non-Major Governmental Funds
	Hotel / Motel Tax Fund	Confiscated Fund	SPLOST 1	
Revenues:				
Taxes	$ 83,835	$ -	$ -	$ 83,835
Forfeitures	-	1,200	-	1,200
Interest	41	8	432	481
Total Revenue	83,876	1,208	432	85,516
Expenditures:				
Current				
Contract services	33,534	-	-	33,534
Supplies	-	2,117	-	2,117
Capital Outlay	-	-	258,549	258,549
Total Expenditures	33,534	2,117	258,549	294,200
Excess of Revenues Over (Under) Expenditures Before Other Sources and (Uses)	50,342	(909)	(258,117)	(208,684)
Other Sources and (Uses)				
Transfers	(48,548)	-	-	(48,548)
Excess of Revenues Over (Under) Expenditures and Other Uses	1,794	(909)	(258,117)	(257,232)
Fund Balance - Beginning of Year	12,548	5,814	510,323	528,685
Prior Period Adjustment	-	-	(59,120)	(59,120)
Fund Balance - Beginning as Adjusted	12,548	5,814	451,203	469,565
Fund Balance - End of Year	$ 14,342	$ 4,905	$ 193,086	$ 212,333

CITY OF HIRAM, GEORGIA
HOTEL / MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	JUNE 30, 2012			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 83,334	$ 83,334	$ 83,835	$ 501
Interest	-	-	41	41
Total Revenues	83,334	83,334	83,876	542
EXPENDITURES				
Current -				
Tourism and Promotion-				
Contracted services	33,334	33,334	33,534	(200)
Total Expenditures	33,334	33,334	33,534	(200)
Excess (Deficiency) of Revenues Over Expenditures	50,000	50,000	50,342	342
Other Financing Sources (Uses):				
Transfers	(50,000)	(50,000)	(48,548)	1,452
Total	(50,000)	(50,000)	(48,548)	1,452
Net Change in Fund Balance	-	-	1,794	1,794
Fund Balance - Beginning of Year	12,548	12,548	12,548	-
Fund Balance - End of Year	$ 12,548	$ 12,548	$ 14,342	$ 1,794

CITY OF HIRAM, GEORGIA
CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Confiscations	$ 2,000	$ 2,000	$ 1,200	$ (800)
Interest	5	5	8	3
Total Revenues	2,005	2,005	1,208	(797)
EXPENDITURES				
Current:				
Police services	6,356	6,356	2,117	4,239
Total Expenditures	6,356	6,356	2,117	4,239
Excess (Deficiency) of Revenues Over Expenditures	(4,351)	(4,351)	(909)	3,442
Other Financing Sources (Uses):				
Sale of capital assets	-	-	-	-
Transfers	(1,000)	(1,000)	-	1,000
Net Change in Fund Balances	(5,351)	(5,351)	(909)	4,442
Fund Balance:				
Beginning of year	5,814	5,814	5,814	-
End of year	$ 463	$ 463	$ 4,905	$ 4,442

CITY OF HIRAM, GEORGIA
SPLOST 1 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - FROM INCEPTION
FOR THE YEAR ENDED JUNE 30, 2012

	PRIOR YEARS	CURRENT YEAR	TOTAL TO DATE	PROJECT AUTHORIZATION
REVENUES				
Intergovernmental				
Splost	* $ 3,205,595	$ -	$ 3,205,595	$ 3,420,000
Grants	-	-	-	-
Miscellaneous	10,643	-	10,643	-
Interest	76,748	432	77,180	-
Total Revenues	3,292,986	432	3,293,418	3,420,000
EXPENDITURES				
Capital Outlay				
Public Works	2,375,802	221,409	2,597,211	2,736,000
Public Safety	436,920	37,071	473,991	513,000
Parks and Recreation	326,860	69	326,929	171,000
Total Expenditures	3,139,582	258,549	3,398,131	3,420,000
Excess of revenues over (under) expenditures	153,404	(258,117)	(104,713)	-
Other financing sources (uses)				
Proceeds from asset disposal	2,500		2,500	
Transfers	295,299	-	295,299	-
Total other financing sources (uses)	297,799	-	297,799	-
Excess (deficiency) of revenues and other financing sources over (under) other financing uses	$ 451,203	$ (258,117)	$ 193,086	$ -
FUND BALANCE				
Beginning		* 451,203		
Ending		$ 193,086		

* Restated for prior period adjustment

CITY OF HIRAM, GEORGIA
SPLOST 2 CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - FROM INCEPTION
FOR THE YEAR ENDED JUNE 30, 2012

	PRIOR YEARS	CURRENT YEAR	TOTAL TO DATE	PROJECT AUTHORIZATION
REVENUES				
Intergovernmental				
Splost	* $ 193,839	$ 809,757	$ 1,003,596	$ 5,358,000
Grants	-	10,000	10,000	
Interest	-	798	798	-
Total Revenues	193,839	820,555	1,014,394	5,358,000
EXPENDITURES				
Capital Outlay				
Public Works	-	5,573	5,573	3,214,800
Public Safety	-	147,374	147,374	1,071,600
Parks and Recreation	-	11,679	11,679	1,071,600
Total Expenditures	-	164,626	164,626	5,358,000
Excess of revenues over (under) expenditures	193,839	655,929	849,768	-
Other financing sources (uses)				
Transfers	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) other financing uses	$ 193,839	$ 655,929	$ 849,768	$ -
FUND BALANCE				
Beginning		* 193,839		
Ending		$ 849,768		

* Restated for prior period adjustment