CITY OF HIRAM, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

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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 City of Hiram, Georgia (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly , in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hiram, Georgia, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and the Seized Assets Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Historical Pension Information on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The combining and individual fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 2013 on our consideration of City of Hiram, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Hiram, Georgia's internal control over financial reporting and compliance.

James L. Whitaker, P.C.

Snellville, Georgia
December 23, 2013

CITY OF HIRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hiram, we offer readers of the City of Hiram's financial statements this narrative overview and analysis of the financial activities of the City of Hiram for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented in this analysis with their review of the financial statements. Management encourages readers to review the attached charts that show where the City's revenue comes from and how the revenue is appropriated and expended.

Financial Highlights

- The assets of the City of Hiram exceeded its liabilities at June 30, 2013 by $15,052,513. Of this amount unrestricted net position of $7,614,901 may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net position increased by $387,689. Of this amount an increase of $372,747 was associated with governmental and an increase of $14,942 was from business-type activities.

- As of the close of the current fiscal year, the City of Hiram's governmental funds reported combined ending fund balances of $9,053,260 an increase of $289,588 in comparison with the prior year. Of this amount $7,023,648 is unassigned and available for spending; $6,016 is restricted for Police Activities; $36,806 is restricted for promotional purposes; $351,982 is assigned for next year's budget; $1,592,943 is restricted for Capital Outlay and $41,865 is non-spendable related to prepaid expenses.

- At the end of the current year, unassigned fund balance for the general fund was $7,023,648 or 219.8 percent of total General Fund expenditures.

- The City of Hiram's total long term debt obligations consisted of accrued compensated absences of $63,939 and a long term payable of $25,925 which is associated with hotel / motel tax fund activities. It has been a past and present policy of the City of Hiram's Mayor and Council to keep the City of Hiram out of debt and financially sound.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hiram include general government, public safety and courts, streets and maintenance, parks and recreation, library, and community development.

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

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

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

The City maintains two major governmental funds. The City's major governmental funds are the General and the SPLOST 2 Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds.

The City of Hiram adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the FY 13 budget. This statement can be found beginning on page 18. Non-major fund budgets and capital project fund's project length budgets can be found in the individual fund statements and schedules.

Proprietary funds. The City of Hiram maintains two proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in Statement of Net Position of the Sanitation Enterprise Fund and the Water Fund and the Statement of Revenues, Expenses and Changes in Fund Net Position for the Sanitation Enterprise Fund andWater Fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of budget comparison for the General Fund's revenues and expenditures, and required supplemental information regarding the City's defined Benefit Pension Plan.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2013, the City's assets exceeded liabilities by $15,052,513. The City's net position reflects its investment in capital assets of $5,801,847 (38.5 percent). As of June 30, 2013, there was no debt related to capital assets. Capital assets are used to provide services to citizens and they are not available for future spending. Of the total net position of $15,052,513 only $1,635,765 or 10.9 percent is restricted for Police, Promotional and Capital Improvement Projects and $7,614,901 (50.6 percent) is unrestricted. The following table provides a summary of the City's net position at June 30:

City of Hiram's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 9,320,065	$ 13,357,843	$ 251,338	$ 204,874	$ 9,571,403	$ 13,562,717
Capital assets	5,648,946	1,246,772	152,901	169,160	5,801,847	1,415,932
Total assets	14,969,011	14,604,615	404,239	374,034	15,373,250	14,978,649
Current liabilities	201,992	98,761	28,881	9,279	230,873	108,040
Long-term liabilities	89,864	201,446	-	4,339	89,864	205,785
Total liabilities	291,856	300,207	28,881	13,618	320,737	313,825
Net position:						
Invested in capital assets,	5,648,946	5,742,182	152,901	169,160	5,801,847	5,911,342
Restricted	1,635,765	1,047,759	-	-	1,635,765	1,047,759
Unrestricted	7,392,444	7,514,467	222,457	191,256	7,614,901	7,705,723
Total net position	$ 14,677,155	$ 14,304,408	$ 375,358	$ 360,416	$ 15,052,513	$ 14,664,824

A portion of the net position (10.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at June 30, 2013 ($7,614,901) may be used to meet the government's ongoing obligations to citizens and creditors.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased for business type activities by $14,942 and increased for governmental activities by $372,747. The City's financial position continues to be positive with an unrestricted net position balance of $7,614,901.

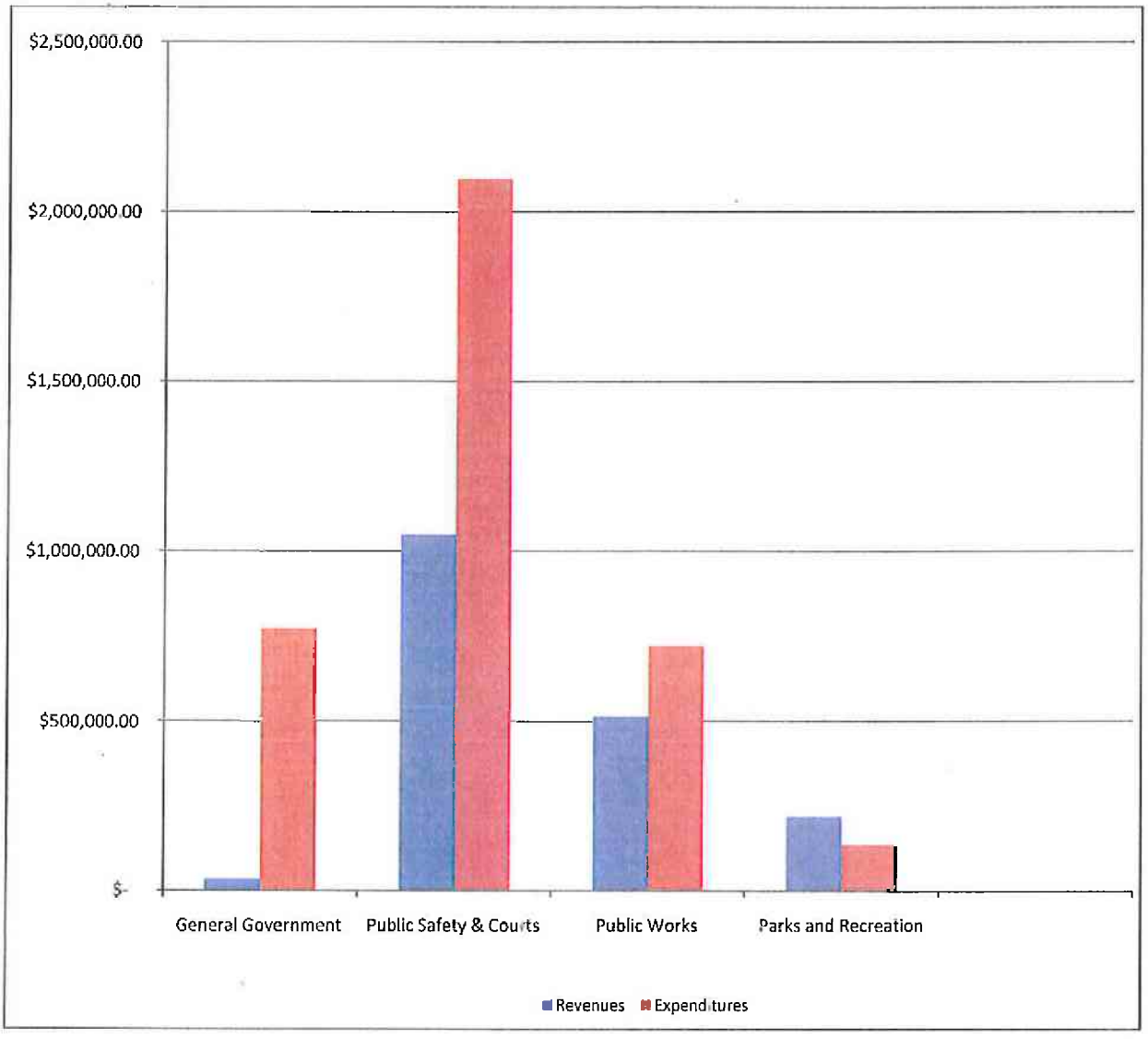
City of Hiram's Change in Net Position
For The Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues -						
Charges for services	$ 952,743	$ 978,804	$ 136,149	$ 129,498	$ 1,088,892	$ 1,108,302
Operating grants and contributions	7,537	12,976	-	-	7,537	12,976
Capital grants and contributions	854,763	820,987	-	-	854,763	820,987
General Revenues-						
Sales taxes	523,076	479,566	-	-	523,076	479,566
Other taxes	1,538,168	1,274,612	-	-	1,538,168	1,274,612
Interest	30,797	34,862	2,906	1,785	33,703	36,647
Other	5,297	16,408	-	-	5,297	16,408
	3,912,381	3,618,215	139,055	131,283	4,051,436	3,749,498
Expenses:						
General government	771,122	728,805	-	-	771,122	728,805
Public safety and courts	2,095,815	2,157,901	-	-	2,095,815	2,157,901
Public works	720,424	654,974	-	-	720,424	654,974
Parks and recreation	134,092	160,114	-	-	134,092	160,114
Water	-	-	79,971	124,823	79,971	124,823
Sanitation	-	-	44,142	44,165	44,142	44,165
	3,721,453	3,701,794	124,113	168,988	3,845,566	3,870,782
Increase (decrease) in net position before transfers	190,928	(83,579)	14,942	(37,705)	205,870	(121,284)
Transfers	-	-	-	-	-	-
Special items	181,819	-	-	-	181,819	-
Increase (decrease) in net position	372,747	(83,579)	14,942	(37,705)	387,689	(121,284)
Net position - beginning of year, adjusted	14,304,408	14,387,987	360,416	398,121	14,664,824	14,786,108
Net position - end of year	$ 14,677,155	$ 14,304,408	$ 375,358	$ 360,416	$ 15,052,513	$ 14,664,824

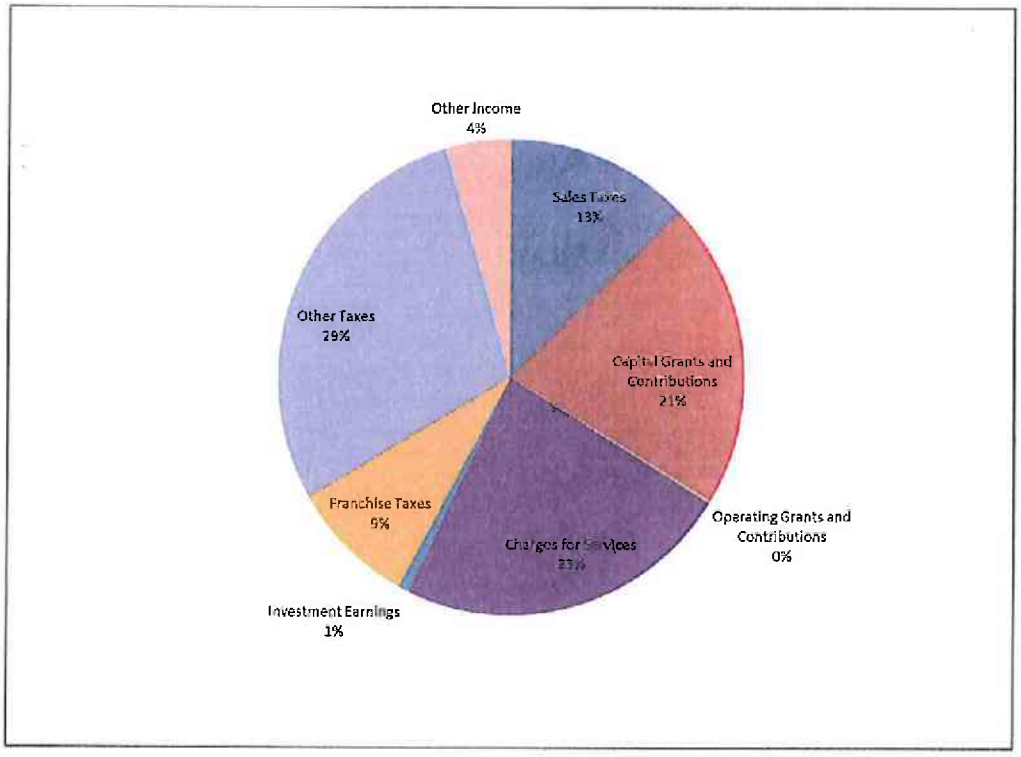
Governmental activities. Governmental activities increased the City's net position $372,747 accounting for 96.1% of the increase in net position for the year. Key elements of this increase are as follows:

- The City's share of Local Option Sales Tax increased from 3.3% to 4.00% (an increase of .07%) beginning at mid-fiscal year which provided an estimated annualized increase of $119,000. A portion of this increase was recognized as additional revenue beginning in January 2013.
- SPLOST revenues increased $43,510 or 9% from f/y/e June 30, 2012.
- New State legislation which modified the collection of the Title Ad Valorem Tax (TAVT) resulted in a net increase of revenue to the City. This additional source of revenue began in March 2013, four months before the end of the fiscal year.
- The City conducted an analysis of its Hotel/Motel Tax and alcoholic beverage licensing collections which resulted in a net increase in revenue. Specifically, one Hotel failed to remit its legally required allocation and the amount in arrears is being collected over a period of thirty (30) months.
- Expenditures related to salaries and benefits decreased across the board as a greater portion of the healthcare costs was passed on to the employees and two vacant positions within the police department were frozen.

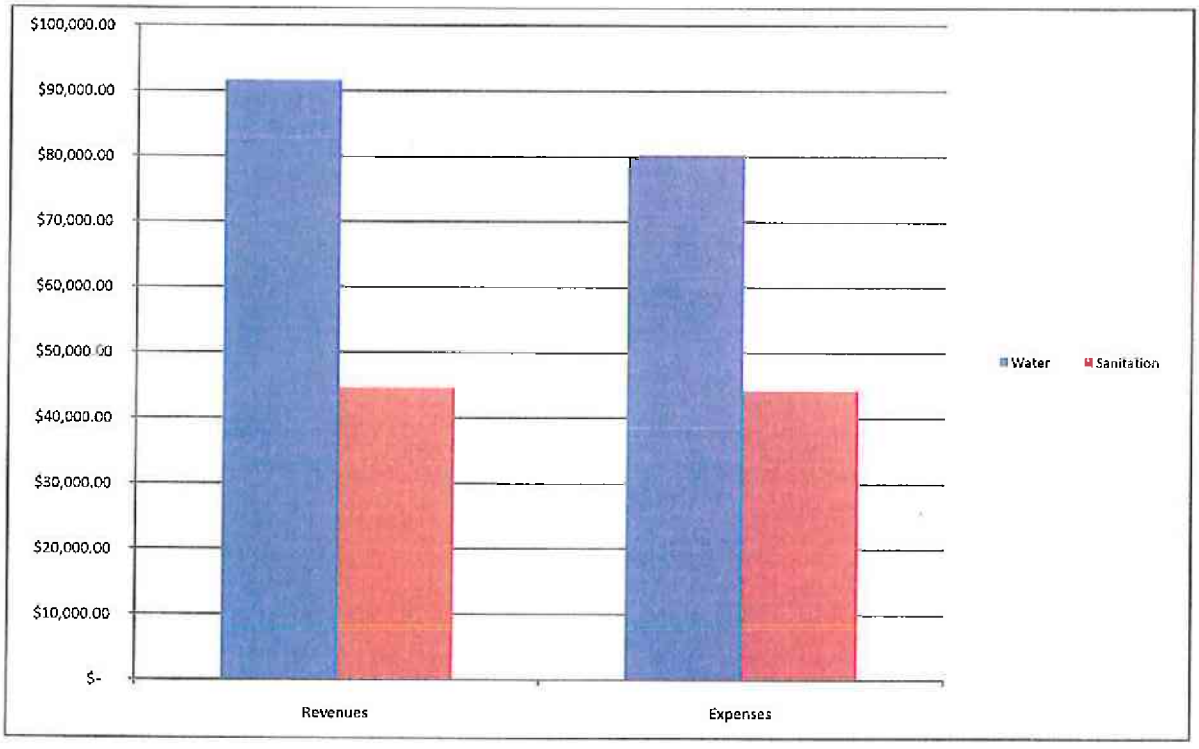
Expenses and Program Revenues-Governmental Activities
For The Fiscal Year Ended June 30, 2013



Revenue by Source-Governmental Activities
For The Fiscal Year Ended June 30, 2013



Expenses and Program Revenues-Business-Type Activities
For The Year Ended June 30, 2013



Financial Analysis of the Government's Funds

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

Governmental Funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2013 the city's governmental funds reported combined ending fund balances of $9,053,260. Of this amount, $7,023,648 (77.6 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because $6,016 is restricted for Police Activities, $351,982 is assigned for next year's budget, $1,592,943 is restricted for Capital Projects, $36,806 is restricted for promotional purposes and $41,865 are non-spendable resources related to prepaid expenses.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $7,023,648 while the total fund balance totaled $7,417,495. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 219.8 percent of the total general fund expenditures, while total fund balance represents 232.2 percent of that same amount.

During the current fiscal year the fund balance of the City's general fund decreased by $284,076. The main factor in the decrease of fund balance was that management budgeted for a decrease of $787,543 thereby expecting to use reserves to fund excess expenditures. Revenues for the year increased from fiscal year 2012 by $164,962 which included the increase from two major sources of revenue being the Local Option Sales Tax (LOST) and Title Ad Valorem Tax (TAVT). Expenditures actually decrease from fiscal year 2012 amounts by $38,738 or 1.1% which is basically due to the reduction of the City's workforce and the reduction of the City's contribution towards employee healthcare.

The SPLOST 2 Capital Projects Fund was created by the City to account for the acquisition and construction of major capital improvements and equipment that were approved by the voters of Paulding County through the SPLOST referendum. During the fiscal year ended June 30, 2013 the SPLOST 2 Fund received $809,833 in revenues and spent $172,777 on capital improvements. Fund balance in this fund at June 30, 2013 amounted to $1,486,824.

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

Unrestricted net position of the Sanitation Fund at the end of the year amounted to a negative $7,666. Operating revenues amounted to $44,569 while operating expenses amounted to $44,142, resulting in operating income of $427. As has been the practice in previous fiscal years, the City of Hiram sought to operate this enterprise fund with administrative subsidies. This endeavor was accomplished by setting the consumer sanitation rates consistent with the rates charged by the contracted service provider, thereby, allowing the limited availability to cover the administrative expenditures associated with operating a solid waste enterprise fund.

Unrestricted net position of the Water Fund amounted to $230,123 as of June 30, 2013. Operating revenues amounted to $91,580 while operating expenses amounted to $79,971 resulting in an operating income of $11,609.

General Fund Budgetary Highlights

The general fund's final budgeted expenditures were $3,372,705. Actual expenditures totaled $3,195,035 thus producing a positive variance of $177,667 or 5.3%.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2013 amounts to $5,801,847 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles, equipment, and parks. Purchases of capital assets during the year included:

- $110,000 for the city's portion of public safety radio system infrastructure and equipment
- $93,000 in street improvements including stormwater projects
- $19,000 in building improvements

A more detail analysis of capital asset transactions for the year can be found on page 34.

Long-term debt. At the end of the current fiscal year, the city's long term debt amounted to $89,864. Long-term debt consisted of accrued compensated absences and a long term payable associated with hotel / motel tax fund activities. An analysis of the City's long-term debt transactions for the year can be found on page 36.

Economic Factors and Next Year's Budgets and Rates

The City's elected officials and management considered many factors when adopting the budget for the year ending June 30, 2013. Budget calculations were based on, but not limited to the following factors:

- The City's goal is to become less reliant on its reserves while postponing the need to assess real and personal property taxes.
- The City changed its form of government and employed a city manager to ensure revenues were projected using sound fiscal management practices and expenditures are allocated based on defined operational needs as determined through in-depth analysis and industry standards.
- The governing body allocated funds from the cash reserves to balance the budget in conjunction with ensuring operating expenditures were reduced and existing and new sources of revenues were captured over the course of the fiscal year.
- Departmental expenditures were budgeted by incorporating anticipated needs and trends while seeking reductions in the allocation to personal services, specifically salaries and benefits.
- Our biggest challenge is to maintain and enhance city services to residential and commercial citizens with limited sources of revenue and the absence of property taxes by the rolling back of the millage rate to zero.

Economic activity in Hiram during the year is reliant more on national and regional trends in the areas of consumer spending and retail/industry development as opposed to revenues that are derived from real and personal property taxes. Consequently, trends in residential and commercial real estate do not necessarily reflect the same impact with other local governments that fund operations using property taxes. Nonetheless, Hiram recognizes the direct correlation between the real estate market and the variances associated with the ancillary revenues derived from growth and development. So the overall economic development is a key factor to establishing a fiscally sound budget and managing the service delivery strategies of our municipal government.

Requests for Information

This financial report is designed to provide a general overview of the City of Hiram's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 943-3726 or at the following address:

City Clerk
City of Hiram
217 Main Street
Hiram, GA 30141

CITY OF HIRAM, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 885,300	$ 148,662	$ 1,033,962
Investments	6,497,022	125,175	6,622,197
Receivables (net of allowance for uncollectibles)			
Taxes	185,978	-	185,978
Intergovernmental	128,162	-	128,162
Accounts	-	21,502	21,502
Interest	9,951	10	9,961
Interfund Balances	44,311	(44,311)	-
Prepaid Items	41,865	-	41,865
Restricted Assets -			
Cash	1,527,476	-	1,527,476
Deposits	-	300	300
Non-Depreciable Capital Assets	775,094	-	775,094
Depreciable Capital Assets, Net	4,873,852	152,901	5,026,753
Total Assets	14,969,011	404,239	15,373,250
Liabilities			
Accounts Payable			
Operating	163,412	3,192	166,604
Accrued Liabilities -			
Salaries	34,586	-	34,586
Customer Deposits / Overpayments	-	12,220	12,220
Other	3,994	-	3,994
Unearned revenues	-	13,469	13,469
Long-Term Liabilities -			
Due Within One Year	21,112	-	21,112
Due In More Than One Year	68,752	-	68,752
Total Liabilities	291,856	28,881	320,737
Net Position			
Investment in Capital Assets	5,648,946	152,901	5,801,847
Restricted for -			
Police Activities	6,016	-	6,016
Capital Outlay	1,592,943	-	1,592,943
Promotion	36,806	-	36,806
Unrestricted	7,392,444	222,457	7,614,901
Total Net Position	$ 14,677,155	$ 375,358	$ 15,052,513

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General Government	$ 771,122	$ 34,712	$ -	$ -
Public Safety and Courts	2,095,815	861,584	7,537	178,805
Public Works	720,424	-	-	513,986
Parks and Recreation	134,092	56,447	-	161,972
Total Governmental Activities	3,721,453	952,743	7,537	854,763
Business-Type Activities				
Water	79,971	91,580	-	-
Sanitation	44,142	44,569	-	-
Total Business-Type Activities	124,113	136,149	-	-
Total	$ 3,845,566	$ 1,088,892	$ 7,537	$ 854,763

General Revenues:
Taxes:
Sales
Franchise
Occupational
Insurance premium
Alcohol beverage
Hotel/Motel
Title ad valorem
Investment earnings
Other
Total General Revenues

Change in Net Position Before Transfers and Special Items

Transfers
Special Items

Change in Net Position
Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (736,410)	$ -	$ (736,410)
(1,047,889)	-	(1,047,889)
(206,438)	-	(206,438)
84,327	-	84,327
(1,906,410)	-	(1,906,410)
-	11,609	11,609
-	427	427
-	12,036	12,036
(1,906,410)	12,036	(1,894,374)
523,076	-	523,076
355,964	-	355,964
312,927	-	312,927
176,662	-	176,662
464,995	-	464,995
170,169	-	170,169
57,451	-	57,451
30,797	2,906	33,703
5,297	-	5,297
2,097,338	2,906	2,100,244
190,928	14,942	205,870
-	-	-
181,819	-	181,819
372,747	14,942	387,689
14,304,408	360,416	14,664,824
$ 14,677,155	$ 375,358	$ 15,052,513

CITY OF HIRAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL	SPLOST 2 CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Cash and Cash Equivalents	$ 885,300	$ 1,360,045	$ 167,431	$ 2,412,776
Investments	6,497,022	-	-	6,497,022
Receivables (net of allowance for uncollectibles)				
Taxes	105,807	-	80,171	185,978
Interest	9,951	-	-	9,951
Intergovernmental	-	128,162	-	128,162
Due from Other Funds	44,311	5,570	22,801	72,682
Prepaid Items	41,865	-	-	41,865
Total Assets	$ 7,584,256	$ 1,493,777	$ 270,403	$ 9,348,436
Liabilities				
Accounts Payable - Operating	$ 99,810	$ 6,953	$ 56,649	$ 163,412
Accrued Liabilities -				
Salaries	34,586	-	-	34,586
Other	3,994	-	-	3,994
Due to Other Funds	28,371	-	-	28,371
Total Liabilities	166,761	6,953	56,649	230,363
Deferred Inflows:				
Unavailable revenues	-	-	64,813	64,813
Fund Balances				
Nonspendable	41,865	-	-	41,865
Restricted -				
Police activities	-	-	6,016	6,016
Capital outlay	-	1,486,824	106,119	1,592,943
Promotion	-	-	36,806	36,806
Assigned -				
Approriated for next year's budget	351,982	-	-	351,982
Unassigned	7,023,648	-	-	7,023,648
Total Fund Balances	7,417,495	1,486,824	148,941	9,053,260
Total Liabilities and Fund Balances	$ 7,584,256	$ 1,493,777	$ 270,403	$ 9,348,436

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 POSITION
JUNE 30, 2013

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances -- total governmental funds	$ 9,053,260
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,648,946
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	64,813
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term payable	(25,925)
Long-term portion of compensated absences	(63,939)
Net assets of governmental activities	$ 14,677,155

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, 2013

	GENERAL	SPLOST 2 CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 1,747,558	$ -	$ 105,356	$ 1,852,914
Licenses and permits	167,191	-	-	167,191
Intergovernmental	-	807,767	40,453	848,220
Charges for services	79,495	-	-	79,495
Fines and forfeitures	838,245	-	2,787	841,032
Investment income	30,777	2,066	182	33,025
Miscellaneous	13,839	-	11,887	25,726
Total Revenues	2,877,105	809,833	160,665	3,847,603
EXPENDITURES				
Current:				
General Government	647,613	-	42,757	690,370
Municipal Court	355,151	-	-	355,151
Public Safety	1,564,059	-	14,945	1,579,004
Public Works	531,492	-	-	531,492
Parks and Recreation	96,723	-	-	96,723
Capital:				
Public Safety	-	82,283	15,313	97,596
Public Works	-	62,614	117,185	179,799
Parks and Recreation	-	27,880	-	27,880
Total Expenditures	3,195,038	172,777	190,200	3,558,015
Excess (Deficiency) of Revenues Over Expenditures	(317,933)	637,056	(29,535)	289,588
Other Financing Sources (Uses):				
Transfers	33,857	-	(33,857)	-
Net Change in Fund Balance	(284,076)	637,056	(63,392)	289,588
Fund Balance - Beginning of the Year	7,701,571	849,768	212,333	8,763,672
Fund Balance - End of Year	$ 7,417,495	$ 1,486,824	$ 148,941	$ 9,053,260

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, 2013

Net change in fund balances -- total governmental funds	$	289,588
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		234,985
Depreciation		(328,221)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between the beginning and ending unavailable revenue balances in the current period.		64,812
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 payables		(25,925)
Change in long-term portion of accrued compensated absences		(44,311)
Change in long-term portion of OPEB obligation		181,819
Change in net position of governmental activities	$	372,747

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, 2013

	BUDGET AMOUNTS			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,512,662	$ 1,512,662	$ 1,747,558	$ 234,896
Licenses and permits	160,000	160,000	167,191	7,191
Intergovernmental	-	-	-	-
Charges for services	52,500	52,500	79,495	26,995
Fines and forfeitures	830,000	830,000	838,245	8,245
Investment income	30,000	30,000	30,777	777
Miscellaneous	-	-	13,839	13,839
Total Revenues	2,585,162	2,585,162	2,877,105	291,943
EXPENDITURES				
Current:				
General Government	785,542	766,209	647,613	118,596
Municipal Court	399,096	399,096	355,151	43,945
Public Safety	1,564,985	1,564,985	1,564,059	926
Public Works	524,298	524,298	531,492	(7,194)
Parks and Recreation	98,784	118,117	96,723	21,394
Total Expenditures	3,372,705	3,372,705	3,195,038	177,667
Excess (Deficiency) of Revenues Over Expenditures	(787,543)	(787,543)	(317,933)	469,610
Other Financing Sources (Uses):				
Transfers	48,024	48,024	33,857	(14,167)
Net Change in Fund Balances	(739,519)	(739,519)	(284,076)	455,443
Fund Balance:				
Beginning of Year	7,701,571	7,701,571	7,701,571	-
End of Year	$ 6,962,052	$ 6,962,052	$ 7,417,495	$ 455,443

See accompanying notes to the basic financial statements.

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CITY OF HIRAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	WATER	SANITATION	TOTAL
ASSETS:			
CURRENT ASSETS			
Cash	$ 148,662	$ -	$ 148,662
Investments	125,175	-	125,175
Accounts receivable, net of reserve for doubtful accounts	8,893	12,609	21,502
Interest receivable	10	-	10
Deposits	300	-	300
Due from other funds	281	-	281
Total Current Assets	283,321	12,609	295,930
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	(239,784)	-	(239,784)
Total Capital Assets, net of depreciation	152,901	-	152,901
Total Noncurrent Assets	152,901	-	152,901
Total Assets	436,222	12,609	448,831
LIABILITIES:			
CURRENT LIABILITIES			
Accounts payable	3,192	-	3,192
Customer deposits / overpayments	9,857	2,363	12,220
Due to other funds	40,149	4,443	44,592
Unearned revenues	-	13,469	13,469
Total Current Liabilities	53,198	20,275	73,473
Total Liabilities	53,198	20,275	73,473
NET POSITION:			
Net investment in capital assets	152,901	-	152,901
Unrestricted	230,123	(7,666)	222,457
Total Net Position	$ 383,024	$ (7,666)	$ 375,358

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	WATER	SANITATION	TOTAL
OPERATING REVENUES:			
Charges for services	$ 83,751	$ 44,569	$ 128,320
Penalties and fifas	3,170	-	3,170
Miscellaneous	4,659	-	4,659
Total Operating Revenues	91,580	44,569	136,149
OPERATING EXPENSES:			
Current -			
Salaries and benefits	-	-	-
Contracted services	31,614	44,142	75,756
Supplies	32,098	-	32,098
Depreciation	16,259	-	16,259
Total Operating Expenses	79,971	44,142	124,113
Operating Income (Loss)	11,609	427	12,036
NON-OPERATING INCOME (EXPENSES):			
Interest revenues	2,906	-	2,906
Net Income (Loss) before Transfers	14,515	427	14,942
Transfers - in	-	-	-
NET INCOME	14,515	427	14,942
NET POSITION - BEGINNING	368,509	(8,093)	360,416
NET POSITION - ENDING	$ 383,024	$ (7,666)	$ 375,358

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2013

	WATER	SANITATION	TOTAL
Cash flows from operating activities:			
Cash received from customers and users	$ 88,659	$ 50,826	$ 139,485
Cash paid to suppliers	(62,599)	(44,142)	(106,741)
Cash paid to employees	-	-	-
Net Cash Provided by Operating Activities	26,060	6,684	32,744
Cash flows from investing activities:			
Interest received	2,968	-	2,968
(Purchase) redemption of investments	202,843	-	202,843
	205,811	-	205,811
Cash flows from non-capital financing activities:			
Change in due to/from other funds	(159,039)	(6,684)	(165,723)
Transfers	-	-	-
Net Cash Provided by (Used in) Non-capital Financing Activities	(159,039)	(6,684)	(165,723)
Cash flows from capital financing activities:			
Purchase/construction of capital assets	-	-	-
Net increase in cash and cash equivalents	72,832	-	72,832
Cash and cash equivalents - Beginning of Year	75,830	-	75,830
Cash and cash equivalents - End of Year	$ 148,662	$ -	$ 148,662

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)	$ 11,609	$ 427	$ 12,036
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	16,259	-	16,259
(Increase) decrease in receivables	(1,239)	(9,575)	(10,814)
(Increase) decrease in deposits	-	-	-
Increase (decrease) in accounts payable	1,113	-	1,113
Increase (decrease) in customer deposits	2,657	2,363	5,020
Increase (decrease) in accrued liabilities	(4,339)	-	(4,339)
Increase (decrease) in unearned revenues	-	13,469	13,469
Total Adjustments	14,451	6,257	20,708
Net Cash Provided by Operating Activities	$ 26,060	$ 6,684	$ 32,744

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 as amended by GASB No. 61 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on organizations for which the primary government is financial accountable 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 Position presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position. 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 position resulting from the current year's activities.

(See Independent Auditor's Report)

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 position, 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 position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of government-wide financial 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 position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

(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, 2013:

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, 2013 are recorded as prepaid items and are expensed during the period benefited.

K. Capital Assets

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

Capital assets purchased or acquired with an original cost of $5,000 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, 2013. 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, 2013, 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 approved by City Council prior to end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

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 through passage of a resolution. Unlike commitments, assignments generally only exist temporarily and do not normally have to have an additional action taken for their removal.

Unassigned – all other spendable amounts.

As of June 30, 2013, fund balances are composed of the following:

	General Fund	SPLOST 2 Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaids	$ 41,865	$ -	$ -	$ 41,865
Restricted:				
Capital Outlay	-	1,486,824	106,119	1,592,943
Police Activities	-	-	6,016	6,016
Promotion	-	-	36,806	36,806
Committed	-	-	-	-
Assigned - Next Year's Budget	351,982	-	-	351,982
Unassigned	7,023,648	-	-	7,023,648
Total Fund Balances	$ 7,417,495	$ 1,486,824	$ 148,941	$ 9,053,260

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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, 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 position is 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 position reports $1,635,765 of restricted net position, of which $1,633,664 is restricted by enabling legislation.

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

W. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has no items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from hotel / motel taxes.

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, 2013, $4,514,961 of the government's bank balance of $9,187,898 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	4,514,961
Total	$ 4,514,961

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, 2013 of $6,622,197 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, 2013.

4. RECEIVABLES

Governmental Funds

	General	SPLOST 2	Other Governmental	Total
Taxes	$ 105,807	$ -	$ 80,171	$ 185,978
Intergovernmental	-	128,162	-	128,162
Interest	9,951	-	-	9,951
Other	-	-	-	-
Total	115,758	128,162	80,171	324,091
Less: Allowance for uncollectibles	-	-	-	-
Net	$ 115,758	$ 128,162	$ 80,171	$ 324,091

Proprietary Funds

	Water	Sanitation	Total
Accounts	$ 10,286	$ 12,957	$ 23,243
Interest	10	-	10
Total	10,296	12,957	23,253
Less: Allowance for uncollectibles	(1,393)	(348)	(1,741)
Net	$ 8,903	$ 12,609	$ 21,512

5. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables for the year ended June 30, 2013 consist of the following:

	Revenue	Receivable
SPLOST 2 Fund -		
Paulding County - SPLOST	$ 807,767	$ 128,162
Non-major Funds -		
State of Georgia - LMIG	27,990	-
State of Georgia - Police Grant	12,463	-
Total Intergovernmental Revenues	$ 848,220	$ 128,162

(See Independent Auditor's Report)

6. INTER-FUND TRANSACTIONS

Individual fund interfund receivables and payable balances at June 30, 2013 were as follows:

Payable To	Payable From General	Water	Sanitation	Total
General	$ -	$ 40,149	$ 4,162	$ 44,311
SPLOST 2	5,570	-	-	5,570
Non-major Funds	22,801	-	-	22,801
Water	-	-	281	281
Totals	$ 28,371	$ 40,149	$ 4,443	$ 72,963

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 2 and SPLOST 1 (a nonmajor fund) is the result of the SPLOST Funds paying for expenditures that did not qualify as being an eligible SPLOST expenditure and therefore the General Fund must reimburse the SPLOST Funds for these expenditures amounting to $28,371.

Individual fund interfund transfers for the year ended June 30, 2013 were as follows:

Transfer To	Transfer From Non Major	Total
General	$ 33,857	$ 33,857

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 $40,157 for the year ended June 30, 2013. In addition, the General Fund transferred $6,300 to the newly formed Grant Fund (a nonmajor fund) to provide matching requirement under grant agreements.

7. LITIGATION:

As of June 30, 2013 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, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 747,275	$ 10,474	$ -	$ 757,749
Construction in progress	-	17,345	-	17,345
Total	747,275	27,819	-	775,094
Capital assets being depreciated:				
Infrastructure	2,430,618	65,212	-	2,495,830
Buildings and improvements	2,612,002	19,135	-	2,631,137
Furniture and fixtures	338,111	-	-	338,111
Machinery and equipment	1,047,525	122,819	-	1,170,344
Total capital assets being depreciated	6,428,256	207,166	-	6,635,422
Less accumulated depreciation for:				
Infrastructure	437,780	85,499	-	523,279
Buildings and improvements	441,069	73,774	-	514,843
Furniture and fixtures	107,019	23,672	-	130,691
Machinery and equipment	447,481	145,276	-	592,757
Total accumulated depreciation	1,433,349	328,221	-	1,761,570
Total capital assets being depreciated, net	4,994,907	(121,055)	-	4,873,852
Governmental capital assets, net	$ 5,742,182	$ (93,236)	$ -	$ 5,648,946

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

General Government	$ 50,250
Public Safety and Courts	118,736
Public Works	124,327
Parks and Recreation	34,908
Total depreciation expense	$ 328,221

(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	277,282			277,282
Machinery and equipment	100,539	-	-	100,539
Total capital assets being depreciated	392,685	-	-	392,685
Less accumulated depreciation for:				
Buildings and improvements	4,843	521	-	5,364
Infrastructure	153,721	6,026		159,747
Machinery and equipment	64,961	9,712	-	74,673
Total capital assets being depreciated	223,525	16,259	-	239,784
Total capital assets being depreciated, net	169,160	(16,259)	-	152,901
Business - Type Activities capital assets, net of depreciation	$ 169,160	$ (16,259)	$ -	$ 152,901

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, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Actiivities					
Accrued Compensated Absences	$ 19,628	$ 76,915	$ (32,604)	$ 63,939	$ 10,000
Long-Term Payable	-	25,925	-	25,925	11,112
OPEB Obligation	181,819	-	(181,819)	-	-
Total Governmental-Type Activity Long-Term Debt	$ 201,447	$ 102,840	$ (214,423)	$ 89,864	$ 21,112
Business-Type Activities					
Accrued Compensated Absences	$ -	$ -	$ -	$ -	$ -
OPEB Obligation	4,339	-	(4,339)	-	-
Total Business-Type Activity Long-Term Debt	$ 4,339	$ -	$ (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, 2013 were as follows:

	Amount	Percent
Total Collections	$ 105,356	100%
Total Remittances	$ 42,142	40.0%

The City was in compliance with the state laws regulating hotel/motel taxes and the related expenditures as of June 30, 2013.

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 5.03% 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, 2013, the City's annual pension cost of $57,506 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2012 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 9 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
6/30/2013	$ 57,506	100%	$ -
6/30/2012	$ 36,498	100%	$ -
6/30/2011	$ 35,415	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)
1/1/2013	$ 611,513	$ 699,245	$ 87,732	87.45%	$1,149,824	7.63%
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%

Trend Information-

Annual trend information required by generally accepted accounting principles is presented on page 42 and reveals the progress made in accumulating sufficient assets to pay benefits when due.

15. OTHER POST-EMPLOYMENT BENEFITS

Plan Termination – During fiscal year ended June 30, 2011 the Mayor and Council approved a new health care plan and administrator for the City's employees. The new health care plan does not include health care benefits for retired employees and therefore the City of Hiram's OPEB plan was discontinued as of July 1, 2012. A special item has been recognized in the Statement of Activities in the amount of $181,819 under the Governmental Activities for the removal of the net OPEB obligation as of July 1, 2012.

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

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.

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

(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%
Inflation Rate	4.00%
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. 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 position balances of individual funds – The City's Sanitation Fund had a negative net asset balance of $7,666 at June 30, 2013. 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:

	Budget	Actual	Variance
Hotel / Motel Tax Fund	$ 32,016	$ 42,757	$ (10,741)
Grant Fund			
Police	16,500	28,573	(12,073)
Streets	-	27,990	(27,990)

Management will closely monitor budgets for all funds in the future and will obtain amendments when required.

(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)
1/1/2013	$ 611,513	$ 699,245	$ 87,732	87.45%	$1,149,824	7.63%
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%

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	$ 105,786
Change due to contribution policy	7,845
Change due to actuarial (gains) or losses	(25,899)
Change in plan provisions and assumptions	-
Unfunded actuarial accrued liability as of January 1, 2011	$ 87,732

(See Independent Auditor's Report)

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CITY OF HIRAM, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS	
	Hotel / Motel Tax Fund	Confiscated Fund	SPLOST 1 Fund	Grant Fund
ASSETS				
Cash	$ 37,087	$ 6,364	$ 92,604	$ 31,376
Receivables -				
Taxes	80,171	-	-	-
Due from other funds	-	-	22,801	-
Total Assets	$ 117,258	$ 6,364	$ 115,405	$ 31,376
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY				
Liabilities:				
Accounts payable	$ 15,639	$ 348	$ 11,387	$ 29,275
Accrued liabilities	-	-	-	-
Total Liabilities	15,639	348	11,387	29,275
Deferred Inflows:				
Unavailable revenues	64,813	-	-	-
Fund Balance:				
Restricted -				
Police activities	-	6,016	-	-
Capital outlay	-	-	104,018	2,101
Promotion	36,806	-	-	-
Unassigned	-	-	-	-
Total Fund Equity	36,806	6,016	104,018	2,101
Total Liabilities, Deferred Outflows and Fund Balance	$ 117,258	$ 6,364	$ 115,405	$ 31,376

Total Non-Major Governmental Funds
$ 167,431
80,171
22,801
$ 270,403
$ 56,649
-
56,649
64,813
6,016
106,119
36,806
-
148,941
$ 270,403

CITY OF HIRAM, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS	
	Hotel / Motel Tax Fund	Confiscated Fund	SPLOST 1 Fund	Grant Fund
Revenues:				
Taxes	$ 105,356	$ -	$ -	$ -
Intergovernmental	-	-	-	40,453
Forfeitures	-	2,787	-	-
Interest	22	9	127	24
Miscellaneous	-	-	-	11,887
Total Revenue	105,378	2,796	127	52,364
Expenditures:				
Current				
Contract services	42,757	263	-	13,260
Supplies	-	1,422	-	-
Capital Outlay	-	-	89,195	43,303
Total Expenditures	42,757	1,685	89,195	56,563
Excess of Revenues Over (Under) Expenditures Before Other Sources and (Uses)	62,621	1,111	(89,068)	(4,199)
Other Sources and (Uses)				
Transfers	(40,157)	-	-	6,300
Excess of Revenues Over (Under) Expenditures and Other Uses	22,464	1,111	(89,068)	2,101
Fund Balance - Beginning of Year	14,342	4,905	193,086	-
Fund Balance - End of Year	$ 36,806	$ 6,016	$ 104,018	$ 2,101

Total Non-Major Governmental Funds
$ 105,356
40,453
2,787
182
11,887
160,665
56,280
1,422
132,498
190,200
(29,535)
(33,857)
(63,392)
212,333
$ 148,941

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, 2013

	JUNE 30, 2013			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 80,000	$ 80,000	$ 105,356	$ 25,356
Interest	40	40	22	(18)
Total Revenues	80,040	80,040	105,378	25,338
EXPENDITURES				
Current -				
Tourism and Promotion-				
Contracted services	32,016	32,016	42,757	(10,741)
Total Expenditures	32,016	32,016	42,757	(10,741)
Excess (Deficiency) of Revenues Over Expenditures	48,024	48,024	62,621	14,597
Other Financing Sources (Uses):				
Transfers	(48,024)	(48,024)	(40,157)	7,867
Total	(48,024)	(48,024)	(40,157)	7,867
Net Change in Fund Balance	-	-	22,464	22,464
Fund Balance - Beginning of Year	14,342	14,342	14,342	-
Fund Balance - End of Year	$ 14,342	$ 14,342	$ 36,806	$ 22,464

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, 2013

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Confiscations	$ 2,510	$ 2,510	$ 2,787	$ 277
Interest	10	10	9	(1)
Total Revenues	2,520	2,520	2,796	276
EXPENDITURES				
Current:				
Police services	2,510	2,510	1,685	825
Total Expenditures	2,510	2,510	1,685	825
Excess (Deficiency) of Revenues Over Expenditures	10	10	1,111	1,101
Other Financing Sources (Uses):				
Sale of capital assets	-	-	-	-
Transfers	-	-	-	-
Net Change in Fund Balances	10	10	1,111	1,101
Fund Balance:				
Beginning of year	4,905	4,905	4,905	-
End of year	$ 4,915	$ 4,915	$ 6,016	$ 1,101

CITY OF HIRAM, GEORGIA
GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE--BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	JUNE 30, 2013			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ 33,990	$ 33,990	$ 48,203	$ 14,213
Interest	-	-	24	24
Miscellaneous	4,000	4,000	4,137	137
Total Revenues	37,990	37,990	52,364	14,374
EXPENDITURES				
Current -				
Police	16,500	16,500	13,260	3,240
Streets	-	-	-	-
Capital -				
Police	-	-	15,313	(15,313)
Streets	-	-	27,990	(27,990)
Total Expenditures	16,500	16,500	56,563	(40,063)
Excess (Deficiency) of Revenues Over Expenditures	21,490	21,490	(4,199)	(25,689)
Other Financing Sources (Uses):				
Transfers	7,000	7,000	6,300	(700)
Total	7,000	7,000	6,300	(700)
Net Change in Fund Balance	28,490	28,490	2,101	(26,389)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ 28,490	$ 28,490	$ 2,101	$ (26,389)

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, 2013

	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	77,180	127	77,307	-
Total Revenues	3,293,418	127	3,293,545	3,420,000
EXPENDITURES				
Capital Outlay				
Public Works	2,597,211	95,340	2,692,551	2,736,000
Public Safety	473,991	-	473,991	513,000
Parks and Recreation (1)	326,929	(6,145)	320,784	171,000
Total Expenditures	3,398,131	89,195	3,487,326	3,420,000
Excess of revenues over (under) expenditures	(104,713)	(89,068)	(193,781)	-
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	$ 193,086	$ (89,068)	$ 104,018	$ -
FUND BALANCE				
Beginning		193,086		
Ending		$ 104,018		

* Restated for prior period adjustment

(1) Current year credit represents reimbursement for park expenditures recorded in a previous year.

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, 2013

	PRIOR YEARS	CURRENT YEAR	TOTAL TO DATE	PROJECT AUTHORIZATION
REVENUES				
Intergovernmental				
Splost	$ 1,003,596	$ 807,767	$ 1,811,363	$ 5,358,000
Grants	10,000	-	10,000	
Interest	798	2,066	2,864	-
Total Revenues	1,014,394	809,833	1,824,227	5,358,000
EXPENDITURES				
Capital Outlay				
Public Works	5,573	62,614	68,187	3,214,800
Public Safety	147,374	82,283	229,657	1,071,600
Parks and Recreation	11,679	27,880	39,559	1,071,600
Total Expenditures	164,626	172,777	337,403	5,358,000
Excess of revenues over (under) expenditures	849,768	637,056	1,486,824	-
Other financing sources (uses)				
Transfers	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) other financing uses	$ 849,768	$ 637,056	$ 1,486,824	$ -
FUND BALANCE				
Beginning		849,768		
Ending		$ 1,486,824		