CITY OF HIRAM, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Hiram, Georgia (the City) as of and for the year ended June 30, 2014, 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, 2014 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and the Hotel / Motel Tax 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 11 and the Historical Pension Information on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiram, Georgia's basic financial statements. The combining mnmajor fund financial statements and individual fund budget schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 8, 2014 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 8, 2014

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, 2014. 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, 2014 by $15,267,037. Of this amount unrestricted net position of $7,572,355 may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net position increased by $214,524. Of this amount an increase of $219,126 was associated with governmental and a decrease of $4,602 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 $8,223,288 a decrease of $829,972 in comparison with the prior year. Of this amount $7,028,364 is unassigned and available for spending; $1,403 is restricted for Police Activities; $68,437 is restricted for promotional purposes; $306,552 is assigned for next year's budget; $775,704 is restricted for Capital Outlay and $42,828 is non-spendable related to prepaid expenses.

- At the end of the current year, unassigned fund balance for the general fund was $7,028,364 or 212.6 percent of total General Fund expenditures.

- The City of Hiram's total long term debt obligations consisted of accrued compensated absences of $82,136 and a long term payable of $14,815 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 four major governmental funds. The City's major governmental funds are the General, Hotel / Motel Tax, Grant and the SPLOST 2 Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for 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 14 budget. This statement can be found beginning on page 17. 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 all of the governmental funds 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, 2014, the City's assets exceeded liabilities by $15,267,037. The City's net position reflects its investment in capital assets of $6,849,138 (44.8 percent). As of June 30, 2014, 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 $15,267,037 only $845,544 or 5.5 percent is restricted for Police, Promotional and Capital Improvement Projects and $7,572,355 (46.0 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 8,451,672	$ 9,320,065	$ 311,853	$ 251,338	$ 8,763,525	$ 9,571,403
Capital assets	6,731,094	5,648,946	118,044	152,901	6,849,138	5,801,847
Total assets	15,182,766	14,969,011	429,897	404,239	15,612,663	15,373,250
Current liabilities	189,534	201,992	59,141	28,881	248,675	230,873
Long-term liabilities	96,951	89,864	-	-	96,951	89,864
Total liabilities	286,485	291,856	59,141	28,881	345,626	320,737
Net position:						
Invested in capital assets,	6,731,094	5,648,946	118,044	152,901	6,849,138	5,801,847
Restricted	845,544	1,635,765	-	-	845,544	1,635,765
Unrestricted	7,319,643	7,392,444	252,712	222,457	7,572,355	7,614,901
Total net position	$ 14,896,281	$ 14,677,155	$ 370,756	$ 375,358	$ 15,267,037	$ 15,052,513

A portion of the net position (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at June 30, 2014 ($7,572,355) 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 decreased for business type activities by $4,602 and increased for governmental activities by $219,126. The City's financial position continues to be positive with an unrestricted net position balance of $7,572,355.

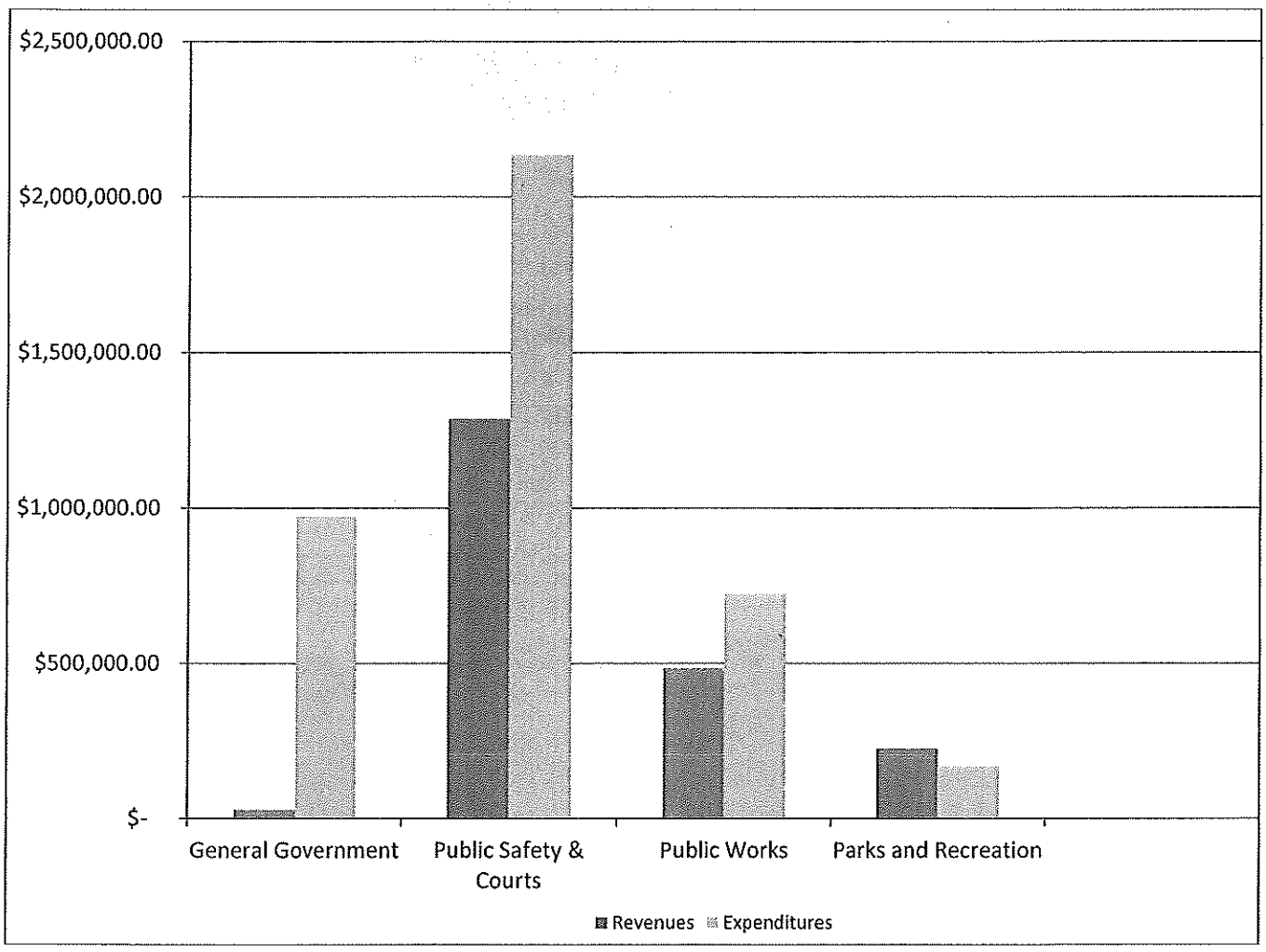
City of Hiram's Change in Net Position
For The Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues -						
Charges for services	$ 1,213,864	$ 952,743	$ 194,503	$ 136,149	$ 1,408,367	$ 1,088,892
Operating grants and contributions	8,184	7,537	-	-	8,184	7,537
Capital grants and contributions	803,138	854,763	-	-	803,138	854,763
General Revenues-						
Sales taxes	565,236	523,076	-	-	565,236	523,076
Other taxes	1,608,050	1,538,168	-	-	1,608,050	1,538,168
Interest	18,611	30,797	251	2,906	18,862	33,703
Other	-	5,297	-	-	-	5,297
	4,217,083	3,912,381	194,754	139,055	4,411,837	4,051,436
Expenses:						
General government	972,037	771,122	-	-	972,037	771,122
Public safety and courts	2,133,776	2,095,815	-	-	2,133,776	2,095,815
Public works	723,083	720,424	-	-	723,083	720,424
Parks and recreation	169,061	134,092	-	-	169,061	134,092
Water	-	-	117,137	79,971	117,137	79,971
Sanitation	-	-	82,219	44,142	82,219	44,142
	3,997,957	3,721,453	199,356	124,113	4,197,313	3,845,566
Increase (decrease) in net position before transfers	219,126	190,928	(4,602)	14,942	214,524	205,870
Transfers	-	-	-	-	-	-
Special items	-	181,819	-	-	-	181,819
Increase (decrease) in net position	219,126	372,747	(4,602)	14,942	214,524	387,689
Net position - beginning of year, adjuste	14,677,155	14,304,408	375,358	360,416	15,052,513	14,664,824
Net position - end of year	$ 14,896,281	$ 14,677,155	$ 370,756	$ 375,358	$ 15,267,037	$ 15,052,513

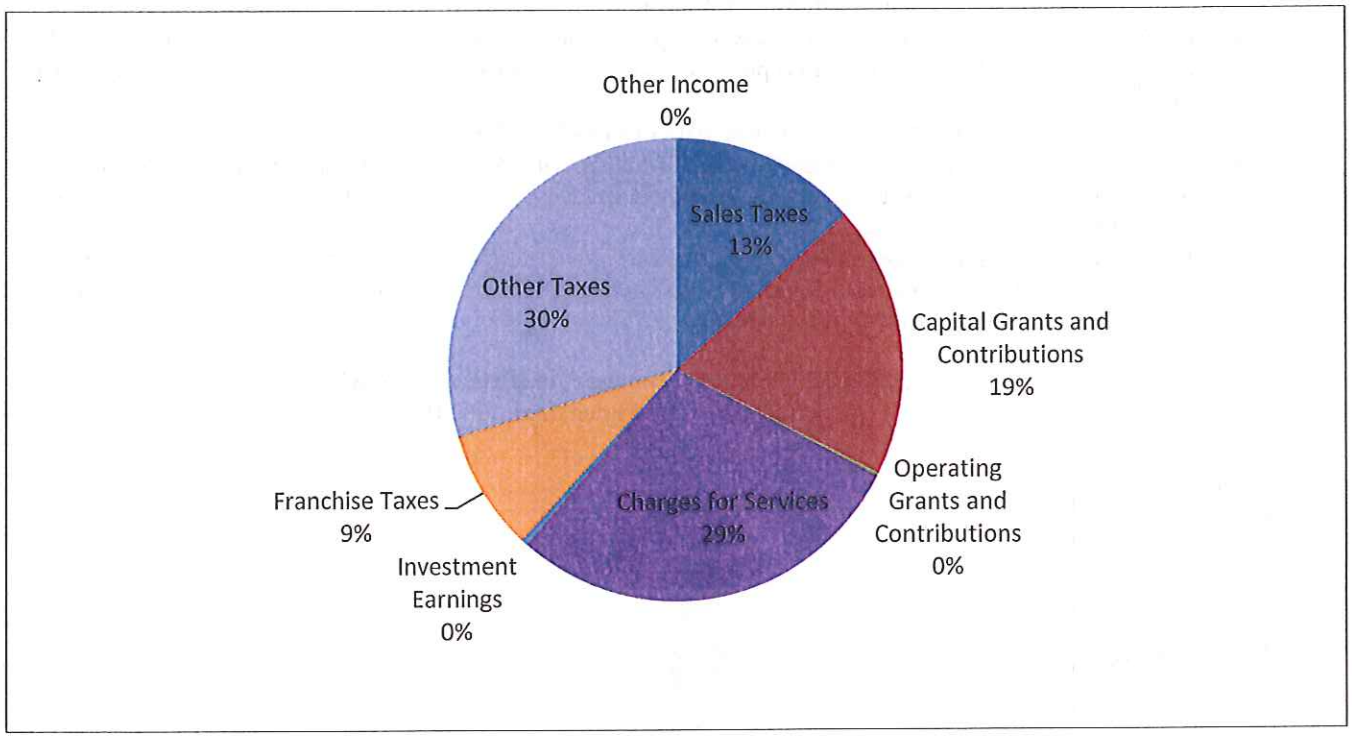
Governmental activities. Governmental activities increased the City's net position $219,126 accounting for all of the increase in net position for the year. Key elements of this increase are as follows:

- 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 2014. The amended budget projected this source of revenue to be $593,750 which resulted in a 13% increase over FY2013.
- In FY2013, probation services payments were separated out leaving court fines collected at $506,330. After reviewing previous FY revenues minus probation service payments, the City projected collections for FY2014 to be $600,000.
- SPLOST revenues had a slight decrease over 2013 of $10,870 or 1.3%.
- New State legislation which modified the collection of the Title Ad Valorem Tax (TAVT) that went into effect in FY 2013 resulted in a net increase of revenue to the City. This additional source of revenue resulted in $126,619 in additional revenues.
- Expenditures related to salaries and benefits decreased over 3% from $2,092,706 to $2,028,846. This s a result of reducing overtime expenditures, postponing the funding of two frozen police officer positions and addressing vacant positons with part-time staff as opposed to FTE's.

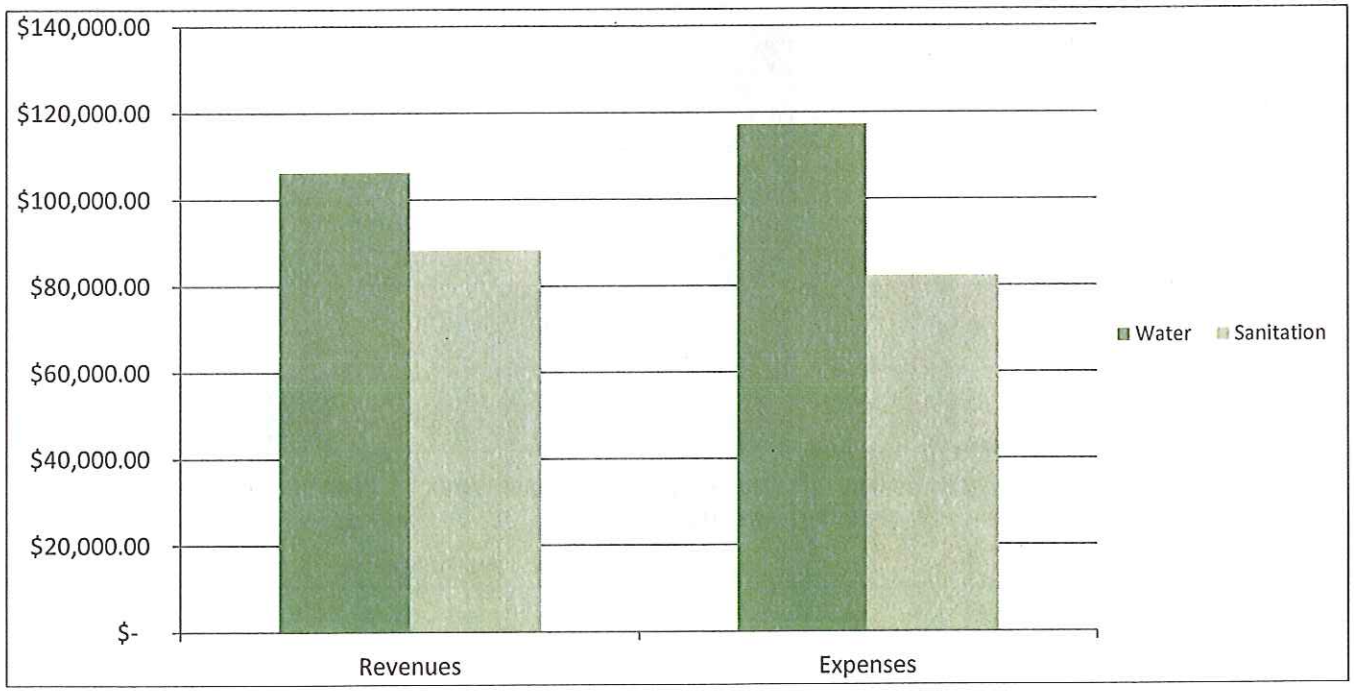
Expenses and Program Revenues-Governmental Activities
For The Fiscal Year Ended June 30, 2014



Revenue by Source-Governmental Activities
For The Fiscal Year Ended June 30, 2014



Expenses and Program Revenues-Business-Type Activities
For The Year Ended June 30, 2014



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, 2014 the city's governmental funds reported combined ending fund balances of $8,223,288. Of this amount, $7,028,364 (85.4 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 $1,403 is restricted for Police Activities, $306,552 is assigned for next year's budget, $775,704 is restricted for Capital Projects, $68,437 is restricted for promotional purposes and $42,828 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 $7,028,364 while the total fund balance totaled $7,377,744. 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 212.6 percent of the total general fund expenditures, while total fund balance represents 232.2 percent of that same amount.

With the City not having property taxes as its primary source of revenue, it relies on diversified revenue sources in order to prevent unsustainable loss due to unforeseen event(s). In the past as well as this fiscal year, the City has appropriated cash reserves in order to meet the service demands. In FY2013, $601,982.46 was redeemed from a Certificate of Deposit (CD). A portion of those funds, $351,982.46, was included in the budget process as undesignated. Under the leadership of the Mayor and Council and fiscal responsibility on the part of all the City staff, this $351,981.46 was not utilized. These funds, however, remained in an interest bearing Money Market account. The remaining balance of $250,000 was allocated and made available for use by the General Fund. Additionally, a Water Fund CD in the amount of $201,615.78 which matured November 18th, 2012 was redeemed to address the budgetary needs of City operations which include the subsidy of the Water Fund. The total of all "Other Financing Sources" is 20.44% less than FY2013 at $556,383 compared to $699,375 from FY2012.

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 ending June 30, 2014 the SPLOST 2 Fund received $796,895 in revenues and spent $1,528,675 on capital improvements. Fund balance in this fund at June 30, 2014 amounted to $756,704.

The Hotel / Motel Tax Fund

For FY2013, the City projected approximately $80,040. The City projected $145,906 for FY2014 which will be a 45.14% increase over FY2013. This increase can be attributed to a fund balance from FY13 of $19,294, an increase in collection due to an audit in the previous fiscal year and delinquency payments in the amount of $27,777.

The Grant Fund

There was no significant change from FY13 to FY14 within the Grants Fund. However, during the audit year (FY2014), the City was awarded a Livable Centers Initiative (LCI) Grant in the amount of $75,000 from the Atlanta Regional Commission (ARC). While this effort began in the spring of FY14, the City will budget a 20% match in FY2015 for this grant.

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 $1,602. Operating revenues amounted to $88,283 while operating expenses amounted to $82,219, resulting in operating income of $6,064. 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 $254,314 as of June 30, 2014. Operating revenues amounted to $106,220 while operating expenses amounted to $84,786 resulting in an operating income of $21,434.

General Fund Budgetary Highlights

The general fund's final budgeted expenditures were $3,499,763. Actual expenditures totaled $3,305,556 thus producing a positive variance of $194,207 or 5.5%.

The City began offering fingerprinting services to the general public which will provide a small source of additional revenue.

A new rental facility was renovated using SPLOST 2 funds during this fiscal year. This facility became available for rental in January 2014. This new rental facility will generate some revenue to offset the maintenance and operational costs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2014 amounts to $6,849,138 (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:

- $60,000 for the city's portion of public safety radio system infrastructure and equipment
- $1,014,000 in street improvements including stormwater projects
- $303,000 for the 855 building
- $99,000 for an excavator and tract loader
- $50,000 for police equipment including a 2014 Taurus

A more detail analysis of capital asset transactions for the year can be found beginning on page 35.

Long-term debt. At the end of the current fiscal year, the city's long term debt amounted to $96,951. 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 37.

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, 2015. Budget calculations were based on, but not limited to the following factors:

- ✓ Evaluate, enrich and refine existing services
  The City has seen a reduction in force over the last three years from 18 officers and one part-time to 15 officers and two part-time, one being strictly for code enforcement. However, the calls for service have only increased especially with the edition of a new eight-floor, 295,000-square foot hospital with 56 beds and the ability to expand to 112 beds. In an effort to meet the demand, the City has refined how police services are delivered by implementing Section 7(k) of the Fair Labor Standards Act (FLSA). This act provides a partial overtime pay exemption for public employees in law enforcement activities. Under section 7(k), when a public employer establishes a work period between 7 and 28 consecutive days, overtime compensation is not required until the employee satisfies the maximum hours standard under the regulations.

- ✓ Streamline operating efficiencies and initiatives
  One of the areas that is oftentimes overlooked and underfunded in an organization is the information technology support and infrastructure. The hardware and components required to operate in an efficient and effective matter become dated and obsolete over a relatively short period of time. As a matter of practice and to maximize support while minimizing personnel overhead and expenditures, the information technology services are completely out-sourced to a third-party vendor. The initial cost up-front will require additional funding within the City's IT budget, but this initiative will eliminate the need to replace servers and other hardware.

- ✓ Allocate resources to encourage vibrancy through tourism and trade opportunities
  Hiram was recently named an award recipient for the Livable Centers Initiative (LCI) Grant. This is a federally funded planning grant administered through the Atlanta Regional Commission (ARC). Hiram's award of $75,000, with a 20% ($15,000) match from the City, is designated for a City Center plan centered on the historic downtown area. The intent is to seek community involvement and develop a plan that will revitalize and redevelop the immediate downtown and create a mixed-use development.

- ✓ Strategically allocate capital programming to expand infrastructure
  In conjunction with the aforementioned initiative encouraging vibrancy through tourism and trade, the City Council specifically allocated approximately $1.3M from the reserved for a Capital Improvement Program (CIP). This CIP is being utilized to fund sewer infrastructure and sidewalks in the immediate downtown area. The sewer project, which will consist of a lift station, force-mail and gravity service line, will provide the much needed sewer access and capacity to existing business that are currently operating with a large capacity field septic system and optimize the utilization of other vacant downtown buildings that are in need of this infrastructure to be leased/purchased.

- ✓ Maximize revenues and control expenditures to offset the reliance on cash reserves
  The City has addressed several areas within the Municipal Code that directly relate to the fee schedule for services provided. There were some areas, such as pawn shop operations and sign permits, that were not regulated in accordance with State law as well as surrounding communities. Controlling expenditures is a day-to-day operational philosophy by all employees. From reducing overtime by fifty percent to managing the inmate population to reduce the housing fees, no rock is left unturned. The latter, inmate housing, will be funded at a lower level for FY2015 due to the daily monitoring of inmates who are housed in a county detention facility. A combination of capturing fees and strategically managing expenditures has allowed the City to reduce its reliance on the reserves by 53% over three last three years.

Throughout the last several years, local governments have been severely impacted by the economic recession. And Hiram, within Paulding County, has experienced a decline in property values and assessments just as other cities across the United States. Even though the gross digest which includes real and personal property, motor vehicles, and mobile homes is 20.30% greater than Fiscal Year 2014, the City of Hiram does not benefit financially from property taxes. Our annual operating budget relies on other sources of revenue as will be illustrated in the Budget Summary section of this document. One of the areas impacted by the economic conditions and is used to help fund operations is the Local Option Sales Tax (LOST). 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

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CITY OF HIRAM, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 1,939,277	$ 210,835	$ 2,150,112
Investments	5,358,929	125,175	5,484,104
Receivables (net of allowance for uncollectibles)			
Taxes	161,529	-	161,529
Intergovernmental	137,299	-	137,299
Accounts	15,341	15,881	31,222
Interest	6,245	261	6,506
Interfund Balances	40,599	(40,599)	-
Prepaid Items	42,828	-	42,828
Restricted Assets -			
Cash	749,625	-	749,625
Deposits	-	300	300
Non-Depreciable Capital Assets	1,751,671	-	1,751,671
Depreciable Capital Assets, Net	4,979,423	118,044	5,097,467
Total Assets	15,182,766	429,897	15,612,663
Liabilities			
Accounts Payable			
Operating	123,673	21,666	145,339
Accrued Liabilities -			
Salaries	37,899	-	37,899
Customer Deposits / Overpayments	-	14,082	14,082
Other	123	-	123
Unearned revenues	27,839	23,393	51,232
Long-Term Liabilities -			
Due Within One Year	21,112	-	21,112
Due In More Than One Year	75,839	-	75,839
Total Liabilities	286,485	59,141	345,626
Net Position			
Investment in Capital Assets	6,731,094	118,044	6,849,138
Restricted for -			
Police Activities	1,403	-	1,403
Capital Outlay	775,704	-	775,704
Promotion	68,437	-	68,437
Unrestricted	7,319,643	252,712	7,572,355
Total Net Position	$ 14,896,281	$ 370,756	$ 15,267,037

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General Government	$ 972,037	$ 28,184	$ 550	$ -
Public Safety and Courts	2,133,776	1,119,439	7,634	159,711
Public Works	723,083	-	-	483,716
Parks and Recreation	169,061	66,241	-	159,711
Total Governmental Activities	3,997,957	1,213,864	8,184	803,138
Business-Type Activities				
Water	117,137	106,220	-	-
Sanitation	82,219	88,283	-	-
Total Business-Type Activities	199,356	194,503	-	-
		-		
Total	$ 4,197,313	$ 1,408,367	$ 8,184	$ 803,138

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
$ (943,303)	$ -	$ (943,303)
(846,992)	-	(846,992)
(239,367)	-	(239,367)
56,891	-	56,891
(1,972,771)	-	(1,972,771)
-	(10,917)	(10,917)
-	6,064	6,064
-	(4,853)	(4,853)
(1,972,771)	(4,853)	(1,977,624)
565,236	-	565,236
356,758	-	356,758
305,172	-	305,172
182,917	-	182,917
450,650	-	450,650
134,919	-	134,919
177,634	-	177,634
18,611	251	18,862
-	-	-
2,191,897	251	2,192,148
219,126	(4,602)	214,524
-	-	-
-	-	-
219,126	(4,602)	214,524
14,677,155	375,358	15,052,513
$ 14,896,281	$ 370,756	$ 15,267,037

CITY OF HIRAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	HOTEL / MOTEL TAX FUND	GRANT FUND	SPLOST 2 FUND
Assets				
Cash and Cash Equivalents	$ 1,939,277	$ 71,179	$ 37,269	$ 622,262
Investments	5,358,929	-	-	-
Receivables (net of allowance for uncollectibles)				
Taxes	107,808	53,721	-	-
Interest	6,245	-	-	-
Intergovernmental	-	-	1,814	135,485
Other	15,341	-	-	-
Due from Other Funds	40,599	-	-	-
Prepaid Items	42,828	-	-	-
Total Assets	$ 7,511,027	$ 124,900	$ 39,083	$ 757,747
Liabilities				
Accounts Payable -				
Operating	$ 95,261	$ 19,427	$ 6,629	$ 1,043
Accrued Liabilities -				
Salaries	37,899	-	-	-
Other	123	-	-	-
Unearned Revenues	-	-	27,839	-
Total Liabilities	133,283	19,427	34,468	1,043
Deferred Inflows:				
Unavailable revenues	-	37,036	1,814	-
Fund Balances				
Nonspendable	42,828	-	-	-
Restricted -				
Police activities	-	-	-	-
Capital outlay	-	-	2,801	756,704
Promotion	-	68,437	-	-
Assigned -				
Approriated for next year's budget	306,552	-	-	-
Unassigned	7,028,364	-	-	-
Total Fund Balances	7,377,744	68,437	2,801	756,704
Total Liabilities and Fund Balances	$ 7,511,027	$ 124,900	$ 39,083	$ 757,747

See accompanying notes to the basic financial statements.

NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 18,915	$ 2,688,902
-	5,358,929
-	161,529
-	6,245
-	137,299
-	15,341
-	40,599
-	42,828
$ 18,915	$ 8,451,672
$ 1,313	$ 123,673
-	37,899
-	123
-	27,839
1,313	189,534
-	38,850
-	42,828
1,403	1,403
16,199	775,704
-	68,437
-	306,552
-	7,028,364
17,602	8,223,288
$ 18,915	$ 8,451,672

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CITY OF HIRAM, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances -- total governmental funds	$ 8,223,288
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,731,094
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	38,850
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term payable	(14,815)
Long-term portion of compensated absences	(82,136)
Net assets of governmental activities	$ 14,896,281

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, 2014

	GENERAL FUND	HOTEL / MOTEL TAX FUND	GRANT FUND	SPLOST 2 FUND
REVENUES				
Taxes	$ 1,906,919	$ 162,696	$ -	$ -
Licenses and permits	162,560	-	-	-
Intergovernmental	-	-	4,175	796,895
Charges for services	91,192	-	-	-
Fines and forfeitures	1,085,507	-	-	-
Investment income	18,607	4	2	1,660
Miscellaneous	7,520	550	6,227	-
Total Revenues	3,272,305	163,250	10,404	798,555
EXPENDITURES				
Current:				
General Government	657,498	131,619	-	-
Municipal Court	558,535	-	-	-
GCIC	284,266	-	-	-
Public Safety	1,125,454	-	11,627	-
Public Works	570,493	-	-	-
Parks and Recreation	109,310	-	-	-
Capital:				
Public Safety	-	-	-	123,086
Public Works	-	-	4,577	1,069,391
Parks and Recreation	-	-	-	336,198
Total Expenditures	3,305,556	131,619	16,204	1,528,675
Excess (Deficiency) of Revenues Over Expenditures	(33,251)	31,631	(5,800)	(730,120)
Other Financing Sources (Uses):				
Transfers	(6,500)	-	6,500	-
Net Change in Fund Balance	(39,751)	31,631	700	(730,120)
Fund Balance - Beginning of the Year	7,417,495	36,806	2,101	1,486,824
Fund Balance - End of Year	$ 7,377,744	$ 68,437	$ 2,801	$ 756,704

See accompanying notes to the basic financial statements.

NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ 2,069,615
-	162,560
-	801,070
-	91,192
1,721	1,087,228
1	20,274
-	14,297
1,722	4,246,236
-	789,117
-	558,535
-	284,266
6,334	1,143,415
-	570,493
-	109,310
	-
-	123,086
87,438	1,161,406
382	336,580
94,154	5,076,208
(92,432)	(829,972)
-	-
(92,432)	(829,972)
110,034	9,053,260
$ 17,602	$ 8,223,288

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, 2014

Net change in fund balances -- total governmental funds	$	(829,972)
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		1,570,385
Depreciation		(339,068)
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. This is the amount of net book value of assets disposed of during the current period.		(149,170)
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.		(25,963)
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		11,111
Change in long-term portion of accrued compensated absences		(18,197)
Change in long-term portion of OPEB obligation		-
Change in net position of governmental activities	$	219,126

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, 2014

	BUDGET AMOUNTS			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,748,031	$ 1,748,031	$ 1,906,919	$ 158,888
Licenses and permits	163,000	163,000	162,560	(440)
Intergovernmental	-	-	-	-
Charges for services	46,600	50,100	91,192	41,092
Fines and forfeitures	890,750	890,750	1,085,507	194,757
Investment income	25,000	25,000	18,607	(6,393)
Miscellaneous	35,500	35,500	7,520	(27,980)
Total Revenues	2,908,881	2,912,381	3,272,305	359,924
EXPENDITURES				
Current:				
Elected Officials	99,964	99,964	81,624	18,340
General Government	597,088	637,048	575,874	61,174
Municipal Court	570,320	570,320	558,535	11,785
GCIC	295,516	295,516	284,266	11,250
Public Safety	1,180,992	1,180,992	1,125,454	55,538
Public Works	596,158	590,698	570,493	20,205
Parks and Recreation	125,225	125,225	109,310	15,915
Total Expenditures	3,465,263	3,499,763	3,305,556	194,207
Excess (Deficiency) of Revenues Over Expenditures	(556,382)	(587,382)	(33,251)	554,131
Other Financing Sources (Uses):				
Transfers	-	-	(6,500)	(6,500)
Net Change in Fund Balances	(556,382)	(587,382)	(39,751)	547,631
Fund Balance:				
Beginning of Year	7,417,495	7,417,495	7,417,495	-
End of Year	$ 6,861,113	$ 6,830,113	$ 7,377,744	$ 547,631

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
HOTEL / MOTEL TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE--BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	JUNE 30, 2014			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 126,584	$ 126,584	$ 162,696	$ 36,112
Contributions	-	-	550	550
Interest	25	25	4	(21)
Total Revenues	126,609	126,609	163,250	36,641
EXPENDITURES				
Current -				
Tourism and Promotion-				
Contracted services	145,916	145,916	131,619	14,297
Total Expenditures	145,916	145,916	131,619	14,297
Excess (Deficiency) of Revenues Over Expenditures	(19,307)	(19,307)	31,631	50,938
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balance	(19,307)	(19,307)	31,631	50,938
Fund Balance - Beginning of Year	36,806	36,806	36,806	-
Fund Balance - End of Year	$ 17,499	$ 17,499	$ 68,437	$ 50,938

See accompanying notes to the basic financial statements.

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CITY OF HIRAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	WATER	SANITATION	TOTAL
ASSETS:			
CURRENT ASSETS			
Cash	$ 208,235	$ 2,600	$ 210,835
Investments	125,175	-	125,175
Accounts receivable, net of reserve for doubtful accounts	13,089	2,792	15,881
Interest receivable	261	-	261
Deposits	300	-	300
Due from other funds	-	23,703	23,703
Total Current Assets	347,060	29,095	376,155
NONCURRENT ASSETS			
Captial Assets -			
Utility system	219,363	-	219,363
Machinery and equipment	79,265	-	79,265
Less: accumulated depreciation	(180,584)	-	(180,584)
Total Capital Assets, net of depreciation	118,044	-	118,044
Total Noncurrent Assets	118,044	-	118,044
Total Assets	465,104	29,095	494,199
LIABILITIES:			
CURRENT LIABILITIES			
Accounts payable	14,362	7,304	21,666
Customer deposits / overpayments	14,082	-	14,082
Due to other funds	64,302	-	64,302
Unearned revenues	-	23,393	23,393
Total Current Liabilities	92,746	30,697	123,443
Total Liabilities	92,746	30,697	123,443
NET POSITION:			
Investment in capital assets	118,044	-	118,044
Unrestricted	254,314	(1,602)	252,712
Total Net Position	$ 372,358	$ (1,602)	$ 370,756

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, 2014

	WATER	SANITATION	TOTAL
OPERATING REVENUES:			
Charges for services	$ 95,979	$ 88,283	$ 184,262
Penalties and fifas	6,523	-	6,523
Miscellaneous	3,718	-	3,718
Total Operating Revenues	106,220	88,283	194,503
OPERATING EXPENSES:			
Current -			
Salaries and benefits	-	-	-
Contracted services	22,529	80,899	103,428
Supplies	49,383	1,320	50,703
Depreciation	12,874	-	12,874
Total Operating Expenses	84,786	82,219	167,005
Operating Income (Loss)	21,434	6,064	27,498
NON-OPERATING INCOME (EXPENSES):			
Loss on disposal of assets	(32,351)	-	(32,351)
Interest revenues	251	-	251
Net Income (Loss) before Transfers	(10,666)	6,064	(4,602)
Transfers - in	-	-	-
NET INCOME	(10,666)	6,064	(4,602)
NET POSITION - BEGINNING	383,024	(7,666)	375,358
NET POSITION - ENDING	$ 372,358	$ (1,602)	$ 370,756

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2014

	WATER	SANITATION	TOTAL
Cash flows from operating activities:			
Cash received from customers and users	$ 106,249	$ 105,661	$ 211,910
Cash paid to suppliers	(60,742)	(74,915)	(135,657)
Cash paid to employees	-	-	-
Net Cash Provided by Operating Activities	45,507	30,746	76,253
Cash flows from investing activities:			
Interest received	1	-	1
(Purchase) redemption of investments	-	-	-
	1	-	1
Cash flows from non-capital financing activities:			
Change in due to/from other funds	24,434	(28,146)	(3,712)
Transfers	-	-	-
Net Cash Provided by (Used in) Non-capital Financing Activities	24,434	(28,146)	(3,712)
Cash flows from capital financing activities:			
Purchase/construction of capital assets	(10,369)	-	(10,369)
Net increase in cash and cash equivalents	59,573	2,600	62,173
Cash and cash equivalents - Beginning of Year	148,662	-	148,662
Cash and cash equivalents - End of Year	$ 208,235	$ 2,600	$ 210,835

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)	$ 21,434	$ 6,064	$ 27,498
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	12,874	-	12,874
(Increase) decrease in receivables	(4,196)	9,817	5,621
(Increase) decrease in deposits	-	-	-
Increase (decrease) in accounts payable	11,170	7,304	18,474
Increase (decrease) in customer deposits	4,225	(2,363)	1,862
Increase (decrease) in accrued liabilities	-	-	-
Increase (decrease) in unearned revenues	-	9,924	9,924
Total Adjustments	24,073	24,682	48,755
Net Cash Provided by Operating Activities	$ 45,507	$ 30,746	$ 76,253

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 four 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.

Hotel / Motel Tax Fund – The Hotel / Motel Tax Fund is used to account for the proceeds of the City's five percent Hotel / Motel Tax Ordinance. The proceeds from the tax is to be used to finance promotional activities.

Grant Fund – This capital projects fund is used to account for the proceeds of various state and federal grants and restricted contributions that the City may receive.

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, 2014:

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, 2014 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, 2014. 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, 2014, 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, 2014, fund balances are composed of the following:

	General Fund	Hotel / Motel Tax Fund	Grant Fund	SPLOST 2 Fund	Non-Major Funds	Total
Nonspendable:						
Prepaids	$ 42,828	$ -	$ -	$ -	$ -	$ 42,828
Restricted:						
Capital Outlay	-	-	2,801	756,704	16,199	775,704
Police	-				1,403	1,403
Promotion	-	68,437	-	-	-	68,437
Assigned - Next Year's Budget	306,552	-	-	-	-	306,552
Unassigned	7,028,364	-	-	-	-	7,028,364
Total Fund Balances	$ 7,377,744	$ 68,437	$ 2,801	$ 756,704	$ 17,602	$ 8,223,288

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 $845,544 of restricted net position, of which $842,743 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, 2014.

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 and grants.

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, 2014, $7,639,174 of the government's bank balance of $8,389,174 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	7,639,174
Total	$ 7,639,174

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, 2014 of $5,358,929 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, 2014.

4. RECEIVABLES

Governmental Funds

	General Fund	Hotel / Motel Tax Fund	Grant Fund	SPLOST 2 Fund	Total
Taxes	$ 107,808	$ 53,721	$ -	$ -	$ 161,529
Intergovernmental	-	-	1,814	135,485	137,299
Interest	6,245	-	-	-	6,245
Other	15,341	-	-	-	15,341
Total	129,394	53,721	1,814	135,485	320,414
Less: Allowance for uncollectibles	-	-	-	-	-
Net	$ 129,394	$ 53,721	$ 1,814	$ 135,485	$ 320,414

Proprietary Funds

	Water Fund	Sanitation Fund	Total
Accounts	$ 14,789	$ 3,617	$ 18,406
Interest	261	-	261
Total	15,050	3,617	18,667
Less: Allowance for uncollectibles	1,700	825	2,525
Net	$ 13,350	$ 2,792	$ 16,142

5. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables for the year ended June 30, 2014 consist of the following:

	Revenue	Receivable
SPLOST 2 Fund -		
Paulding County - SPLOST	$ 796,895	$ 135,485
Grant Fund-		
LMIG	2,768	-
LCI	-	1,814
Other	1,407	-
Total	$ 801,070	$ 137,299

(See Independent Auditor's Report)

6. INTER-FUND TRANSACTIONS

Individual fund interfund receivables and payable balances at June 30, 2014 were as follows:

Payable To	Payable From General	Water	Sanitation	Total
General	$ -	$ 64,302	$ -	$ 64,302
Sanitation	23,703	-	-	23,703
Totals	$ 23,703	$ 64,302	$ -	$ 88,005

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.

Individual fund interfund transfers for the year ended June 30, 2014 were as follows:

Transfer To	Transfer From General Fund	Total
Grant Fund	$ 6,500	$ 6,500

The General Fund transferred $6,500 to the Grant Fund (a nonmajor fund) to provide matching requirement under grant agreements.

7. LITIGATION:

As of June 30, 2014 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, 2014 was as follows:

	Beginning Balance	Increases	Adjustments And Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 757,749	$ -	$ 70	$ 757,819
Construction in progress	17,345	976,507	-	993,852
Total	775,094	976,507	70	1,751,671
Capital assets being depreciated:				
Infrastructure	2,495,830	49,950	140,566	2,686,346
Buildings and improvements	2,631,137	303,403	17,393	2,951,933
Furniture and fixtures	338,111	-	(318,989)	19,122
Machinery and equipment	1,170,344	240,527	(284,642)	1,126,229
Total capital assets being depreciated	6,635,422	593,880	(445,672)	6,783,630
Less accumulated depreciation for:				
Infrastructure	523,279	85,782	23,341	632,402
Buildings and improvements	514,843	80,384	27,714	622,941
Furniture and fixtures	130,691	2,162	(123,707)	9,146
Machinery and equipment	592,757	170,740	(223,779)	539,718
Total accumulated depreciation	1,761,570	339,068	(296,431)	1,804,207
Total capital assets being depreciated, net	4,873,852	254,812	(149,241)	4,979,423
Governmental capital assets, net	$ 5,648,946	$ 1,231,319	$ (149,171)	$ 6,731,094

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

General Government	$ 42,295
Public Safety and Courts	129,873
Public Works	131,986
Parks and Recreation	34,914
Total depreciation expense	$ 339,068

For the fiscal year ended June 30, 2014 the City performed a physical inventory of capital assets and adjusted its inventory to write-off items below the new capitalization threshold of $5,000. The Governmental assets of $445,672 net of accumulated depreciation of $296,431 were written off during the fiscal year. The Water Fund capital assets of $104,426 net of accumulated depreciation of $72,074 were also written off.

(See Independent Auditor's Report)

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

	Beginning Balance	Increases	Adjustments And Decreases	Ending Balance
Business-Type Activities: Water Fund				
Capital assets, not being depreciated:				
Construction in progress	$ -	$ -	$ -	$ -
Total	-	-	-	-
Capital assets being depreciated:				
Buildings and improvements	14,864	-	(14,864)	-
Infrastructure	277,282		(57,919)	219,363
Machinery and equipment	100,539	10,369	(31,643)	79,265
Total capital assets being depreciated	392,685	10,369	(104,426)	298,628
Less accumulated depreciation for:				
Buildings and improvements	5,364	-	(5,364)	-
Infrastructure	159,747	4,241	(39,284)	124,704
Machinery and equipment	74,673	8,633	(27,426)	55,880
Total capital assets being depreciated	239,784	12,874	(72,074)	180,584
Total capital assets being depreciated, net	152,901	(2,505)	(32,352)	118,044
Business - Type Activities capital assets, net of depreciation	$ 152,901	$ (2,505)	$ (32,352)	$ 118,044

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, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Actiivities					
Accrued Compensated Absences	$ 63,939	$ 89,507	$ (71,310)	$ 82,136	$ 10,000
Long-Term Payable	25,925	-	(11,110)	14,815	11,112
Total Governmental-Type Activity Long-Term Debt	$ 89,864	$ 89,507	$ (82,420)	$ 96,951	$ 21,112

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

The Water Fund, although had no long-term debt as of the fiscal year ended June 30, 2014, is typically used to liquidate all business-type activity long-term debt.

The Long-Term Payable of $14,815 is related to a receivable in the Hotel / Motel Tax Fund and is not payable until the receivable is paid to the City. The payable is expected to be due and payable during fiscal year ending June 30, 2015 and 2016 in the amounts of $11,112 and $3,703 respectively. No interest is being charged in relation to this payable.

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, 2014 were as follows:

	Amount	Percent
Total Collections	$ 162,696	100%
Total Remittances	$ 65,078	40%

The City was in compliance with the state laws regulating hotel/motel taxes and the related expenditures as of June 30, 2014.

12. JOINT VENTURE

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

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

13. RISK MANAGEMENT

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

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

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

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

(See Independent Auditor's Report)

14. DEFINED BENEFIT PENSION PLAN

Plan Description-

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

Funding Policy-

HRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 4.89% 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, 2014, the City's annual pension cost of $57,217 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2013 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 8 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
6/30/2014	$ 57,217	100%	$ -
6/30/2013	$ 57,506	100%	$ -
6/30/2012	$ 36,498	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)
1/1/2014	$ 662,096	$ 835,964	$ 173,868	79.20%	$1,181,813	14.71%
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%

Trend Information-

Annual trend information required by generally accepted accounting principles is presented on page 41 and reveals the progress made in accumulating sufficient assets to pay benefits when due.

15. 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 $1,602 at June 30, 2014. 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:

There were no 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) for the fiscal year ended June 30, 2014.

(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)
1/1/2014	$ 662,096	$ 835,964	$ 173,868	79.20%	$1,181,813	14.71%
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%

UNFUNDED ACTUARIAL ACCRUED LIABILITY

Changes to the unfunded actuarial accrued liability as of January 1, 2014 were as follows:

Unfunded actuarial accrued liability as of January 1, 2013		$ 87,732
Change due to contribution policy		(8,571)
Change due to actuarial (gains) or losses		71,374
Change in plan provisions and assumptions	*	23,333
Unfunded actuarial accrued liability as of January 1, 2014		$ 173,868

* Effective January 1, 2013, employees become vested after five years of service instead of ten years and the City Manager has no waiting period to participate and is immediately vested.

(See Independent Auditor's Report)

CITY OF HIRAM, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	SPECIAL REVENUE	CAPITAL PROJECT	Total
	Confiscated Fund	SPLOST 1 Fund	Non-Major Governmental Funds
ASSETS			
Cash	$ 2,045	$ 16,870	$ 18,915
Receivables -			
Taxes	-	-	-
Intergovernmental	-	-	-
Due from other funds	-	-	-
Total Assets	$ 2,045	$ 16,870	$ 18,915
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY			
Liabilities:			
Accounts payable	$ 642	$ 671	$ 1,313
Unearned revenues	-	-	-
Total Liabilities	642	671	1,313
Deferred Inflows:			
Unavailable revenues	-	-	-
Fund Balance:			
Restricted -			
Police activities	1,403	-	1,403
Capital outlay	-	16,199	16,199
Promotion	-	-	-
Unassigned	-	-	-
Total Fund Equity	1,403	16,199	17,602
Total Liabilities, Deferred Outflows and Fund Balance	$ 2,045	$ 16,870	$ 18,915

CITY OF HIRAM, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE	CAPITAL PROJECT	Total
	Confiscated Fund	SPLOST 1 Fund	Non-Major Governmental Funds
Revenues:			
Taxes	$ -	$ -	$ -
Intergovernmental	-	-	-
Forfeitures	1,721	-	1,721
Interest	-	1	1
Miscellaneous	-	-	-
Total Revenue	1,721	1	1,722
Expenditures:			
Current			
Contract services	6,334	-	6,334
Supplies	-	-	-
Capital Outlay	-	87,820	87,820
Total Expenditures	6,334	87,820	94,154
Excess of Revenues Over (Under) Expenditures Before Other Sources and (Uses)	(4,613)	(87,819)	(92,432)
Other Sources and (Uses)			
Transfers	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Uses	(4,613)	(87,819)	(92,432)
Fund Balance - Beginning of Year	6,016	104,018	110,034
Fund Balance - End of Year	$ 1,403	$ 16,199	$ 17,602

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, 2014

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Confiscations	$ 2,500	$ 2,500	$ 1,721	$ (779)
Interest	10	10	-	(10)
Total Revenues	2,510	2,510	1,721	(789)
EXPENDITURES				
Current:				
Police services	9,143	9,143	6,334	2,809
Total Expenditures	9,143	9,143	6,334	2,809
Excess (Deficiency) of Revenues Over Expenditures	(6,633)	(6,633)	(4,613)	2,020
Other Financing Sources (Uses):				
Sale of capital assets	-	-	-	-
Transfers	-	-	-	-
Net Change in Fund Balances	(6,633)	(6,633)	(4,613)	2,020
Fund Balance:				
Beginning of year	6,016	6,016	6,016	-
End of year	$ (617)	$ (617)	$ 1,403	$ 2,020

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, 2014

	JUNE 30, 2014			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ 40,607	$ 40,607	$ 4,175	$ (36,432)
Interest	-	-	2	2
Miscellaneous	-	-	6,227	6,227
Total Revenues	40,607	40,607	10,404	(30,203)
EXPENDITURES				
Current -				
Police	16,500	16,500	11,627	4,873
Streets	-	-	-	-
Capital -				
Police	-	-	-	-
Streets	30,607	30,607	4,577	26,030
Total Expenditures	47,107	47,107	16,204	30,903
Excess (Deficiency) of Revenues Over Expenditures	(6,500)	(6,500)	(5,800)	700
Other Financing Sources (Uses):				
Transfers	6,500	6,500	6,500	-
Total	6,500	6,500	6,500	-
Net Change in Fund Balance	-	-	700	700
Fund Balance - Beginning of Year	2,101	2,101	2,101	-
Fund Balance - End of Year	$ 2,101	$ 2,101	$ 2,801	$ 700

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, 2014

	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	77,307	1	77,308	-
Total Revenues	3,293,545	1	3,293,546	3,420,000
EXPENDITURES				
Capital Outlay				
Public Works	2,692,551	87,438	2,779,989	2,736,000
Public Safety	473,991	382	474,373	513,000
Parks and Recreation	320,784	-	320,784	171,000
Total Expenditures	3,487,326	87,820	3,575,146	3,420,000
Excess of revenues over (under) expenditures	(193,781)	(87,819)	(281,600)	-
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	$ 104,018	$ (87,819)	$ 16,199	$ -
FUND BALANCE				
Beginning		104,018		
Ending		$ 16,199		

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, 2014

	PRIOR YEARS	CURRENT YEAR	TOTAL TO DATE	PROJECT AUTHORIZATION
REVENUES				
Intergovernmental				
Splost	$ 1,811,363	$ 796,895	$ 2,608,258	$ 5,358,000
Grants	10,000	-	10,000	-
Interest	2,864	1,660	4,524	-
Total Revenues	1,824,227	798,555	2,622,782	5,358,000
EXPENDITURES				
Capital Outlay				
Public Works	68,187	1,069,391	1,137,578	3,214,800
Public Safety	229,657	123,086	352,743	1,071,600
Parks and Recreation	39,559	336,198	375,757	1,071,600
Total Expenditures	337,403	1,528,675	1,866,078	5,358,000
Excess of revenues over (under) expenditures	1,486,824	(730,120)	756,704	-
Other financing sources (uses)				
Transfers	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) other financing uses	$ 1,486,824	$ (730,120)	$ 756,704	$ -
FUND BALANCE				
Beginning		1,486,824		
Ending		$ 756,704		

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