CITY OF HIRAM, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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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, 2015, 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, 2015 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 pages 45 through 47 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 non-major 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 non-major 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 22, 2015 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 22, 2015

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, 2015. 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, 2015 by $15,209,961. Of this amount unrestricted net position of $6,157,814 may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net position increased by $272,129. Of this amount an increase of $236,509 was associated with governmental and a decrease of $35,620 was from business-type activities. The increase in Governmental Net Position was subsequent to a restatement of the net position as of June 30, 2014 due to the implementation of GASB Statement No. 68 regarding accounting for pensions. As a result of the implementation, the net position for governmental activities was decreased by $329,205 to record the beginning balances of the net pension liability and related deferred items.

- As of the close of the current fiscal year, the City of Hiram's governmental funds reported combined ending fund balances of $7,319,589 a decrease of $903,699 in comparison with the prior year. Of this amount $5,814,305 is unassigned and available for spending; $1,787 is restricted for Police Activities; $88,483 is restricted for promotional purposes; $423,675 is assigned for next year's budget; $957,201 is restricted for Capital Outlay and $34,138 is non-spendable related to prepaid expenses.

- At the end of the current year, unassigned fund balance for the general fund was $5,814,305 or 140.7 percent of total General Fund expenditures.

- The City of Hiram's total long term debt obligations consisted of a net pension liability of $374,312, accrued compensated absences of $86,815 and a long term payable of $3,704 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 decreases 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 15 budget. This statement can be found on page 18. Non-major fund budgets and capital project fund's project length budgets can be found in the individual fund statements and schedules.

Proprietary funds. The City of Hiram maintains two proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in Statement of Net Position of the Sanitation Enterprise Fund and the Water Fund and the Statement of Revenues, Expenses and Changes in Fund Net Position for the Sanitation Enterprise Fund and Water 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, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $15,209,961. The City's net position reflects its investment in capital assets of $8,004,676 (52.6 percent). As of June 30, 2015, 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 $15,209,961 only $1,047,471 or 6.9 percent is restricted for Police, Promotional and Capital Improvement Projects and $6,157,814 (40.5 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 7,999,121	$ 15,182,766	$ 367,327	$ 429,897	$ 8,366,448	$ 15,612,663
Capital assets	7,897,040	6,731,094	107,636	118,044	8,004,676	6,849,138
Deferred outflows	66,526	-	-	-	66,526	-
Total assets and deferred outflows	15,962,687	21,913,860	474,963	547,941	16,437,650	22,461,801
Current liabilities	670,273	286,485	68,587	59,141	738,860	345,626
Long-term liabilities	464,831	96,951	-	-	464,831	96,951
Deferred inflows	23,998	-	-	-	23,998	-
Total liabilities and deferred inflows	1,159,102	383,436	68,587	59,141	1,227,689	442,577
Net position:						
Invested in capital assets	7,897,040	6,731,094	107,636	118,044	8,004,676	6,849,138
Restricted	1,047,471	845,544	-	-	1,047,471	845,544
Unrestricted	5,859,074	7,319,643	298,740	252,712	6,157,814	7,572,355
Total net position	$ 14,803,585	$ 14,896,281	$ 406,376	$ 370,756	$ 15,209,961	$ 15,267,037

A portion of the net position (6.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at June 30, 2015 ($6,157,814) may be used to meet the government's ongoing obligations to citizens and creditors.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased for business type activities by $35,620 and increased for governmental activities by $236,509. The City's financial position continues to be positive with an unrestricted net position balance of $6,157,814.

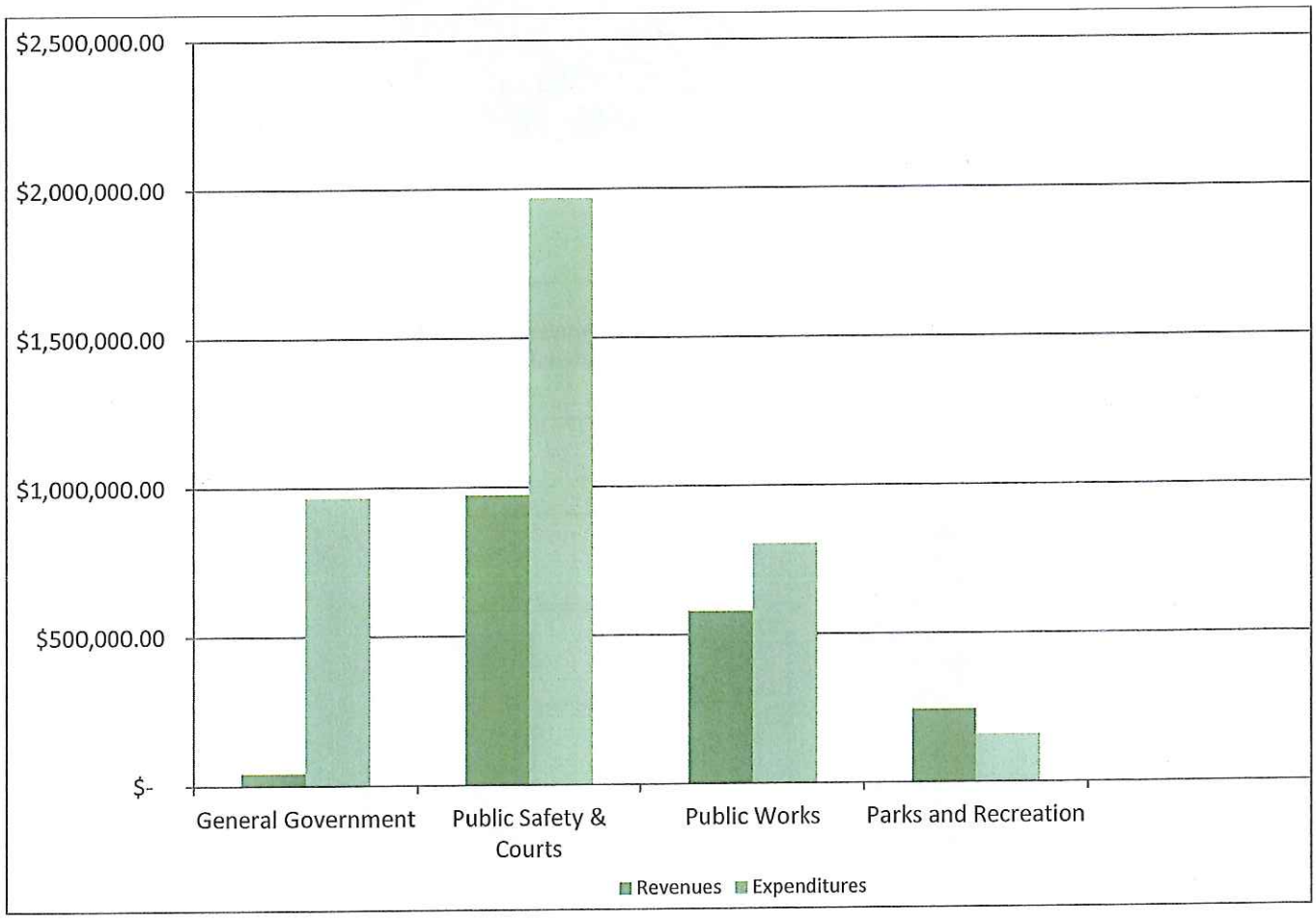
City of Hiram's Change in Net Position
For The Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues -						
Charges for services	$ 893,840	$ 1,213,864	$ 218,975	$ 194,503	$ 1,112,815	$ 1,408,367
Operating grants and contributions	33,891	8,184	-	-	33,891	8,184
Capital grants and contributions	916,834	803,138	-	-	916,834	803,138
General Revenues-						
Sales taxes	595,559	565,236	-	-	595,559	565,236
Other taxes	1,690,843	1,608,050	-	-	1,690,843	1,608,050
Interest	9,050	18,611	324	251	9,374	18,862
Other	150	-	-	-	150	-
	4,140,167	4,217,083	219,299	194,754	4,359,466	4,411,837
Expenses:						
General government	967,304	972,037	-	-	967,304	972,037
Public safety and courts	1,969,682	2,133,776	-	-	1,969,682	2,133,776
Public works	805,932	723,083	-	-	805,932	723,083
Parks and recreation	160,740	169,061	-	-	160,740	169,061
Water	-	-	75,560	117,137	75,560	117,137
Sanitation	-	-	108,119	82,219	108,119	82,219
	3,903,658	3,997,957	183,679	199,356	4,087,337	4,197,313
Increase (decrease) in net position before transfers	236,509	219,126	35,620	(4,602)	272,129	214,524
Transfers	-	-	-	-	-	-
Special items	-	-	-	-	-	-
Increase (decrease) in net position	236,509	219,126	35,620	(4,602)	272,129	214,524
Net position - beginning, adjusted	14,567,076	14,677,155	370,756	375,358	14,937,832	15,052,513
Net position - end of year	$ 14,803,585	$ 14,896,281	$ 406,376	$ 370,756	$ 15,209,961	$ 15,267,037

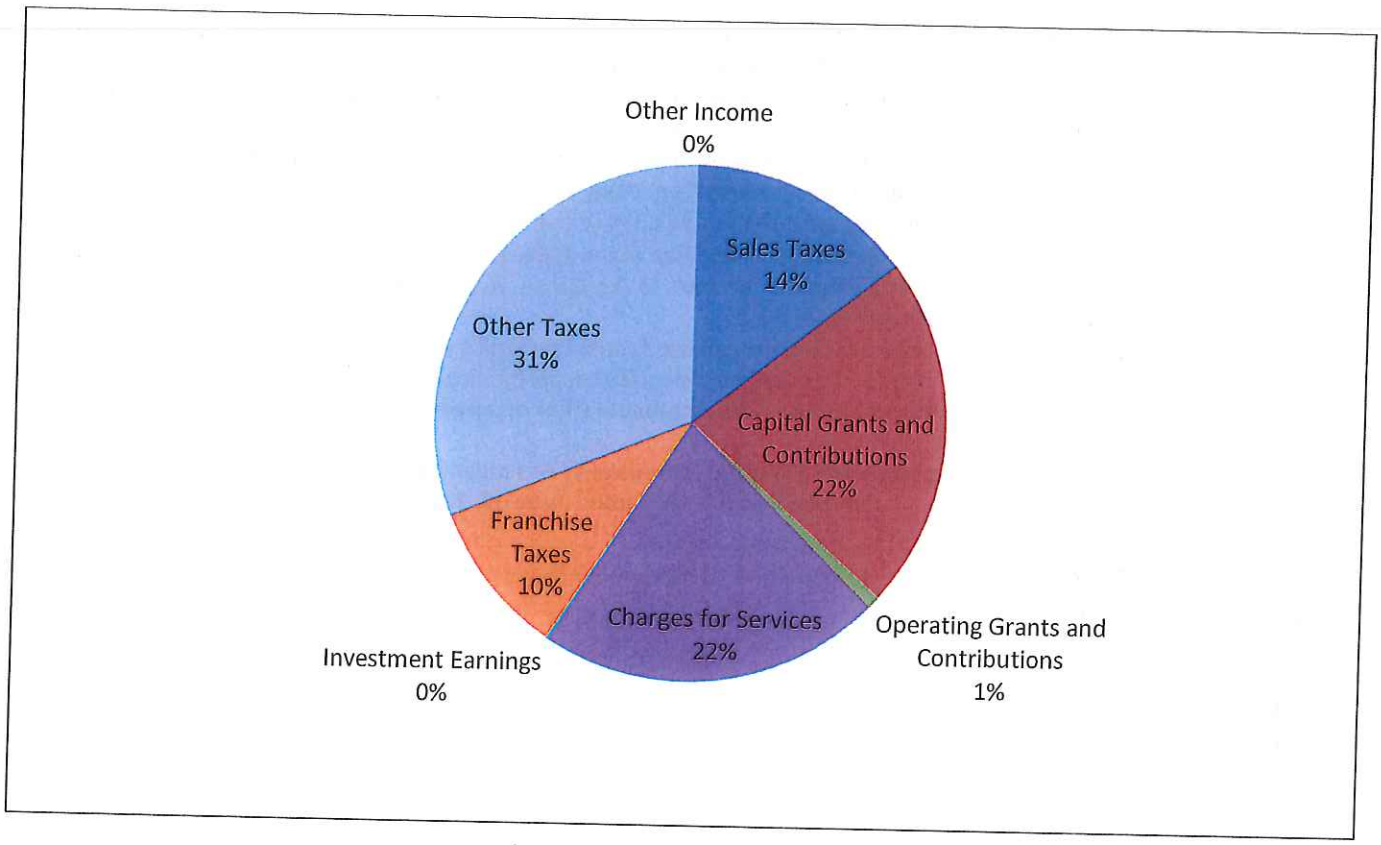
Governmental activities. Governmental activities increased the City's net position $236,509 accounting for 86.9% of the increase in net position for the year. Key elements of this increase are as follows:

- 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 of 2014 which provided an estimated annualized increase of $119,000. A portion of this increase was recognized as additional revenue beginning in January 2014. The budget for f/y 2015 projected this source of revenue to be $593,750 which resulted in a 13% increase over FY2013.
- Fines and forfeitures for f/y 2015 decreased by approximately $338,000 over f/y 2014. This decrease was the result of the police department's patrol personnel not being fully staffed...
- SPLOST revenues had an increase over 2014 of $43,334 or 5.4%.
- 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 $161,786 in additional revenues for f/y 2015.
- Expenditures related to salaries and benefits remained consistent with f/y 2014 after reductions were made during f/y 2013. This is 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.

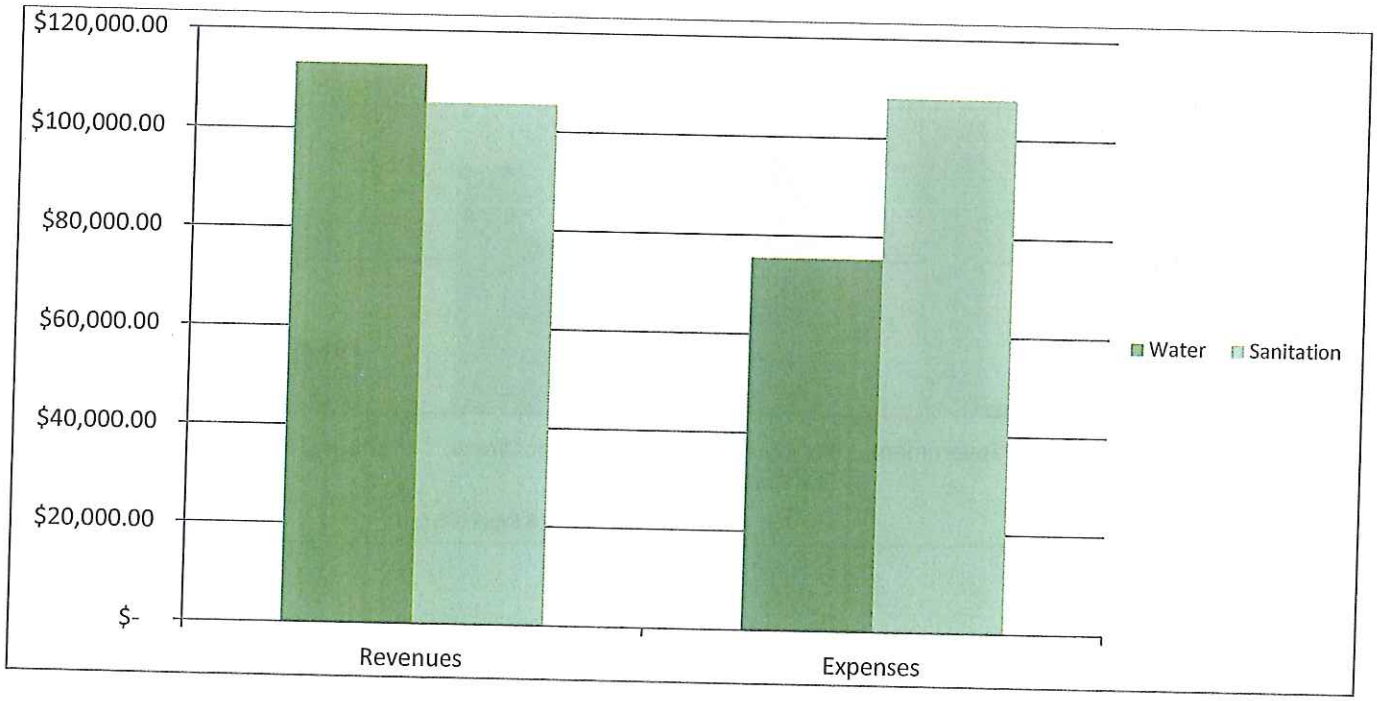
Expenses and Program Revenues-Governmental Activities
For The Fiscal Year Ended June 30, 2015



Revenue by Source-Governmental Activities
For The Fiscal Year Ended June 30, 2015



Expenses and Program Revenues-Business-Type Activities
For The Year Ended June 30, 2015



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, 2015 the city's governmental funds reported combined ending fund balances of $7,319,589. Of this amount, $5,814,305 (79.4 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 $1,787 is restricted for Police Activities, $423,675 is assigned for next year's budget, $957,201 is restricted for Capital Projects, $88,483 is restricted for promotional purposes and $34,138 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 $5,814,305 while the total fund balance totaled $6,272,118. 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 140.7 percent of the total general fund expenditures, while total fund balance represents 151.8 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. During f/y 2015 the City had a net change in the fund balance of the General Fund of a negative $1,105,626. The decrease in the fund balance was mainly due to the expenditures of approximately $937,000 for the construction of the new sewer system. An additional item resulting in the decrease in fund balance was the decrease in fines and forfeitures of approximately $338,000, which was the result of a reduction in the City's patrol personnel.

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, 2015 the SPLOST 2 Fund received $840,229 in revenues and spent $647,795 on capital improvements. Fund balance in this fund at June 30, 2015 amounted to $950,299.

The Hotel / Motel Tax Fund

For FY2015, the City received $180,000 in hotel / motel tax revenues. Expenditures in this fund for f/y 2015 included $72,200 of remittances to the Paulding County Chamber of Commerce, $10,000 donation to the Olde Town Hiram Business Association and approximately $80,000 for promotional events.

The Grant Fund

During the audit year (FY2015), the City utilized a Livable Centers Initiative (LCI) Grant in the amount of $60,000 from the Atlanta Regional Commission (ARC) to perform a study on the City's infrastructure investment policy. While this grant was awarded during f/y 2014, the study was actually begun and completed during f/y 2015. The City was required to provide a 20% match under the grant agreement. The City also accounts for the annual LMIG grants in this fund. The LMIG grant revenue is used to provide maintenance and improvement activities for public streets.

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 $4,095. Operating revenues amounted to $105,625 while operating expenses amounted to $108,119, resulting in an operating loss of $2,494. 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 $302,835 as of June 30, 2015. Operating revenues amounted to $113,350 while operating expenses amounted to $75,560 resulting in an operating income of $37,790.

General Fund Budgetary Highlights

The general fund's final budgeted expenditures were $4,740,654. Actual expenditures totaled $4,132,323 thus producing a positive variance of $608,331 or 12.8%.

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 fiscal year 2014. This facility became available for rental in January 2014. This new rental facility generated revenues of $44,745 during 2015 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, 2015 amounts to $8,004,676 (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:

- $937,000 for construction of the City's new sewer system.
- $144,000 in street improvements.
- $245,000 for the new public works building
- $172,000 for police equipment including 3 fully equipped vehicles and $30,000 for firearms.

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 $464,831. Long-term debt consisted of a net pension liability of $374,312, accrued compensated absences of $86,815 and a long term payable associated with hotel / motel tax fund activities in the amount of $3,704. 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, 2016. Budget calculations were based on, but not limited to the following factors:

- The unemployment rate in the City of Hiram is in line with the State and Nation.
- Inflationary trends in the region compare favorably to national indices.
- The occupancy rate of the City's downtown and highway commercial areas have remained consistent.
- Sales Tax and Special Purpose Sales Tax receipts have increased by $30,000 and $43,000, respectively, over f/y 2014 receipts. The SPLOST tax is an important source of revenues to finance the cost of major improvements to the City's transportation and recreation infrastructure, along with the purchase of equipment for those same services and public safety services.
- The City approved a change in the business license / occupational tax method from one of a fee based on the number of employees to where the fee for the occupational tax is based on gross receipts. This change is expected to bring in a significant amount of additional revenues and is thought to be a fairer way of assessing the tax.

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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 2,357,035	$ 269,569	$ 2,626,604
Investments	4,305,206	125,551	4,430,757
Receivables (net of allowance for uncollectibles)			
Taxes	152,221	-	152,221
Intergovernmental	147,506	-	147,506
Accounts	14,921	12,387	27,308
Interest	383	202	585
Interfund Balances	40,682	(40,682)	-
Prepaid Items	34,138	-	34,138
Restricted Assets -			
Cash	947,029	-	947,029
Deposits	-	300	300
Non-Depreciable Capital Assets	2,952,576	-	2,952,576
Depreciable Capital Assets, Net	4,944,464	107,636	5,052,100
Total Assets	15,896,161	474,963	16,371,124
Deferred Outflows			
Deferred pension outflows	66,526	-	66,526
Total Assets and deferred outflows	15,962,687	474,963	16,437,650
Liabilities			
Accounts Payable			
Operating	590,389	12,413	602,802
Accrued Liabilities -			
Salaries	40,512	-	40,512
Customer Deposits / Overpayments	-	26,335	26,335
Other	759	-	759
Unearned revenues	38,613	29,839	68,452
Long-Term Liabilities -			
Due Within One Year	13,704	-	13,704
Due In More Than One Year	451,127	-	451,127
Total Liabilities	1,135,104	68,587	1,203,691
Deferred Inflows			
Deferred pension inflows	23,998	-	23,998
Total Liabilities and Deferred Inflows	1,159,102	68,587	1,227,689
Net Position			
Investment in Capital Assets	7,897,040	107,636	8,004,676
Restricted for -			
Police Activities	1,787	-	1,787
Capital Outlay	957,201	-	957,201
Promotion	88,483	-	88,483
Unrestricted	5,859,074	298,740	6,157,814
Total Net Position	$ 14,803,585	$ 406,376	$ 15,209,961

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General Government	$ 967,304	$ 28,065	$ 15,500	$ -
Public Safety and Courts	1,969,682	787,838	18,391	168,278
Public Works	805,932	-	-	580,278
Parks and Recreation	160,740	77,937	-	168,278
Total Governmental Activities	3,903,658	893,840	33,891	916,834
Business-Type Activities				
Water	75,560	113,350	-	-
Sanitation	108,119	105,625	-	-
Total Business-Type Activities	183,679	218,975	-	-
		-		
Total	$ 4,087,337	$ 1,112,815	$ 33,891	$ 916,834

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, Restated	
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
$ (923,739)	$ -	$ (923,739)
(995,175)	-	(995,175)
(225,654)	-	(225,654)
85,475	-	85,475
(2,059,093)	-	(2,059,093)
-	37,790	37,790
-	(2,494)	(2,494)
-	35,296	35,296
(2,059,093)	35,296	(2,023,797)
595,559	-	595,559
401,834	-	401,834
325,803	-	325,803
191,468	-	191,468
457,181	-	457,181
152,771	-	152,771
161,786	-	161,786
9,050	324	9,374
150	-	150
2,295,602	324	2,295,926
236,509	35,620	272,129
-	-	-
-	-	-
236,509	35,620	272,129
14,567,076	370,756	14,937,832
$ 14,803,585	$ 406,376	$ 15,209,961

CITY OF HIRAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	HOTEL / MOTEL TAX FUND	GRANT FUND	SPLOST 2 FUND
Assets				
Cash and Cash Equivalents	$ 2,357,035	$ 90,474	$ 40,950	$ 813,818
Investments	4,305,206	-	-	-
Receivables (net of allowance for uncollectibles)				
Taxes	124,071	28,150	-	-
Interest	383	-	-	-
Intergovernmental	-	-	4,891	142,615
Other	14,921	-	-	-
Due from Other Funds	68,605	-	-	-
Prepaid Items	34,138	-	-	-
Total Assets	$ 6,904,359	$ 118,624	$ 45,841	$ 956,433
Liabilities				
Accounts Payable - Operating	$ 563,047	$ 20,882	$ 326	$ 6,134
Accrued Liabilities -				
Salaries	40,512	-	-	-
Other	759	-	-	-
Due to other funds	27,923	-	-	-
Unearned Revenues	-	-	38,613	-
Total Liabilities	632,241	20,882	38,939	6,134
Deferred Inflows:				
Unavailable revenues	-	9,259	-	-
Fund Balances				
Nonspendable	34,138	-	-	-
Restricted -				
Police activities	-	-	-	-
Capital outlay	-		6,902	950,299
Promotion	-	88,483	-	-
Assigned -				
Appropriated for next year's budget	423,675	-	-	-
Unassigned	5,814,305	-	-	-
Total Fund Balances	6,272,118	88,483	6,902	950,299
Total Liabilities, Deferred Inflows and Fund Balances	$ 6,904,359	$ 118,624	$ 45,841	$ 956,433

See accompanying notes to the basic financial statements.

NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
$ 1,787	$ 3,304,064
-	4,305,206
-	152,221
-	383
-	147,506
-	14,921
-	68,605
-	34,138
$ 1,787	$ 8,027,044
$ -	$ 590,389
-	40,512
-	759
-	27,923
-	38,613
-	698,196
-	9,259
-	34,138
1,787	1,787
-	957,201
-	88,483
-	423,675
-	5,814,305
1,787	7,319,589
$ 1,787	$ 8,027,044

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CITY OF HIRAM, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances -- total governmental funds	$ 7,319,589
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,897,040
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	9,259
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:	
Deferred outflows	66,526
Deferred inflows	(23,998)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(374,312)
Long-term payable	(3,704)
Long-term portion of compensated absences	(86,815)
Net position of governmental activities	$ 14,803,585

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, 2015

	GENERAL FUND	HOTEL / MOTEL TAX FUND	GRANT FUND	SPLOST 2 FUND
REVENUES				
Taxes	$ 1,991,291	$ 180,547	$ -	$ -
Licenses and permits	172,778	-	-	-
Intergovernmental	-	-	89,390	840,229
Charges for services	99,449	-	-	-
Fines and forfeitures	747,020	-	-	-
Investment income	9,028	12	9	1,161
Miscellaneous	7,131	15,500	6,259	-
Total Revenues	3,026,697	196,059	95,658	841,390
EXPENDITURES				
Current:				
General Government	752,197	176,013	-	-
Municipal Court	423,807	-	-	-
GCIC	276,032	-	-	-
Public Safety	1,087,877	-	15,768	-
Public Works	548,823	-	-	-
Parks and Recreation	106,575	-	-	-
Capital:				
Public Safety	-	-	-	189,522
Public Works	937,012	-	75,789	416,441
Parks and Recreation	-	-	-	41,832
Total Expenditures	4,132,323	176,013	91,557	647,795
Excess (Deficiency) of Revenues Over Expenditures	(1,105,626)	20,046	4,101	193,595
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Net Change in Fund Balance	(1,105,626)	20,046	4,101	193,595
Fund Balance - Beginning of the Year	7,377,744	68,437	2,801	756,704
Fund Balance - End of Year	$ 6,272,118	$ 88,483	$ 6,902	$ 950,299

See accompanying notes to the basic financial statements.

NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ 2,171,838
-	172,778
-	929,619
-	99,449
-	747,020
-	10,210
9,951	38,841
9,951	4,169,755
-	928,210
-	423,807
-	276,032
9,567	1,113,212
-	548,823
-	106,575
	-
-	189,522
16,199	1,445,441
-	41,832
25,766	5,073,454
(15,815)	(903,699)
-	-
(15,815)	(903,699)
17,602	8,223,288
$ 1,787	$ 7,319,589

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, 2015

Net change in fund balances -- total governmental funds	$ (903,699)
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	1,556,523
Depreciation	(390,577)
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.	-
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.	(29,591)
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	(4,679)
Change in net pension liability and related deferred items	(2,579)
Change in net position of governmental activities	$ 236,509

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, 2015

	BUDGET AMOUNTS			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,854,500	$ 1,861,243	$ 1,991,291	$ 130,048
Licenses and permits	159,750	164,900	172,778	7,878
Intergovernmental	-	-	-	-
Charges for services	90,000	90,000	99,449	9,449
Fines and forfeitures	970,000	970,000	747,020	(222,980)
Investment income	8,000	8,000	9,028	1,028
Miscellaneous	1,078	16,281	7,131	(9,150)
Total Revenues	3,083,328	3,110,424	3,026,697	(83,727)
EXPENDITURES				
Current:				
Elected Officials	92,775	92,775	82,945	9,830
General Government	711,331	721,331	669,252	52,079
Municipal Court	548,262	545,624	423,807	121,817
GCIC	294,025	296,663	276,032	20,631
Public Safety	1,169,774	1,169,774	1,087,877	81,897
Public Works	1,801,267	1,798,532	1,485,835	312,697
Parks and Recreation	113,220	115,955	106,575	9,380
Total Expenditures	4,730,654	4,740,654	4,132,323	608,331
Excess (Deficiency) of Revenues Over Expenditures	(1,647,326)	(1,630,230)	(1,105,626)	524,604
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Net Change in Fund Balances	(1,647,326)	(1,630,230)	(1,105,626)	524,604
Fund Balance:				
Beginning of Year	7,377,744	7,377,744	7,377,744	-
End of Year	$ 5,730,418	$ 5,747,514	$ 6,272,118	$ 524,604

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, 2015

	JUNE 30, 2015			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Taxes	$ 131,940	$ 131,940	$ 180,547	$ 48,607
Contributions	-	-	15,500	15,500
Interest	10	25	12	(13)
Total Revenues	131,950	131,965	196,059	64,094
EXPENDITURES				
Current -				
Tourism and Promotion-				
Contracted services	151,491	151,491	176,013	(24,522)
Total Expenditures	151,491	151,491	176,013	(24,522)
Excess (Deficiency) of Revenues Over Expenditures	(19,541)	(19,526)	20,046	39,572
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balance	(19,541)	(19,526)	20,046	39,572
Fund Balance - Beginning of Year	68,437	68,437	68,437	-
Fund Balance - End of Year	$ 48,896	$ 48,911	$ 88,483	$ 39,572

See accompanying notes to the basic financial statements.

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CITY OF HIRAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	WATER	SANITATION	TOTAL
ASSETS:			
CURRENT ASSETS			
Cash	$ 266,968	$ 2,601	$ 269,569
Investments	125,551	-	125,551
Accounts receivable, net of reserve for doubtful accounts	9,365	3,022	12,387
Interest receivable	202	-	202
Deposits	300	-	300
Due from other funds	-	29,931	29,931
Total Current Assets	402,386	35,554	437,940
NONCURRENT ASSETS			
Capital Assets -			
Utility system	219,363	-	219,363
Machinery and equipment	79,265	-	79,265
Less: accumulated depreciation	(190,992)	-	(190,992)
Total Capital Assets, net of depreciation	107,636	-	107,636
Total Noncurrent Assets	107,636	-	107,636
Total Assets	510,022	35,554	545,576
LIABILITIES:			
CURRENT LIABILITIES			
Accounts payable	2,603	9,810	12,413
Customer deposits / overpayments	26,335	-	26,335
Due to other funds	70,613	-	70,613
Unearned revenues	-	29,839	29,839
Total Current Liabilities	99,551	39,649	139,200
Total Liabilities	99,551	39,649	139,200
NET POSITION:			
Investment in capital assets	107,636	-	107,636
Unrestricted	302,835	(4,095)	298,740
Total Net Position	$ 410,471	$ (4,095)	$ 406,376

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, 2015

	WATER	SANITATION	TOTAL
OPERATING REVENUES:			
Charges for services	$ 100,249	$ 105,625	$ 205,874
Penalties and fifas	6,106	-	6,106
Miscellaneous	6,995	-	6,995
Total Operating Revenues	113,350	105,625	218,975
OPERATING EXPENSES:			
Current -			
Salaries and benefits	-	-	-
Contracted services	23,605	104,736	128,341
Supplies	41,547	1,208	42,755
Other	-	2,175	2,175
Depreciation	10,408	-	10,408
Total Operating Expenses	75,560	108,119	183,679
Operating Income (Loss)	37,790	(2,494)	35,296
NON-OPERATING INCOME (EXPENSES):			
Loss on disposal of assets	-	-	-
Interest revenues	323	1	324
Net Income (Loss) before Transfers	38,113	(2,493)	35,620
Transfers - in	-	-	-
NET INCOME	38,113	(2,493)	35,620
NET POSITION - BEGINNING	372,358	(1,602)	370,756
NET POSITION - ENDING	$ 410,471	$ (4,095)	$ 406,376

See accompanying notes to the basic financial statements.

CITY OF HIRAM, GEORGIA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015

	WATER	SANITATION	TOTAL
Cash flows from operating activities:			
Cash received from customers and users	$ 129,327	$ 111,841	$ 241,168
Cash paid to suppliers	(87,319)	(105,613)	(192,932)
Cash paid to employees	-	-	-
Net Cash Provided by Operating Activities	42,008	6,228	48,236
Cash flows from investing activities:			
Interest received	382	1	383
(Purchase) redemption of investments	(376)	-	(376)
	6	1	7
Cash flows from non-capital financing activities:			
Change in due to/from other funds	6,311	(6,228)	83
Transfers	-	-	-
Net Cash Provided by (Used in) Non-capital Financing Activities	6,311	(6,228)	83
Cash flows from capital financing activities:			
Purchase/construction of capital assets	10,408	-	10,408
Net increase in cash and cash equivalents	58,733	1	58,734
Cash and cash equivalents - Beginning of Year	208,235	2,600	210,835
Cash and cash equivalents - End of Year	$ 266,968	$ 2,601	$ 269,569

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)	$ 37,790	$ (2,494)	$ 35,296
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	-	-	-
(Increase) decrease in receivables	3,724	(230)	3,494
(Increase) decrease in deposits	-	-	-
Increase (decrease) in accounts payable	(11,759)	2,506	(9,253)
Increase (decrease) in customer deposits	12,253	-	12,253
Increase (decrease) in accrued liabilities	-	-	-
Increase (decrease) in unearned revenues	-	6,446	6,446
Total Adjustments	4,218	8,722	12,940
Net Cash Provided by Operating Activities	$ 42,008	$ 6,228	$ 48,236

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. Non-major 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, 2015:

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, 2015 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, 2015. 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.

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Hiram Retirement Plan (HRP) and additions to/deductions from HRP's fiduciary net position have been determined on the same basis as they are reported in the HRP. For this purpose, benefit payments (including refunds of employee contributions, if applicable) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(See Independent Auditor's Report)

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

V. Fund Balance – Governmental Funds

As of June 30, 2015, 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, 2015, fund balances are composed of the following:

	General Fund	Hotel / Motel Tax Fund	Grant Fund	SPLOST 2 Fund	Non-Major Funds	Total
Nonspendable:						
Prepaids	$ 34,138	$ -	$ -	$ -	$ -	$ 34,138
Restricted:						
Capital Outlay	-	-	6,902	950,299	-	957,201
Police	-	-	-	-	1,787	1,787
Promotion	-	88,483	-	-	-	88,483
Assigned - Next Year's Budget	423,675	-	-	-	-	423,675
Unassigned	5,814,305	-	-	-	-	5,814,305
Total Fund Balances	$ 6,272,118	$ 88,483	$ 6,902	$ 950,299	$ 1,787	$ 7,319,589

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):

W. Net Position

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

The City's government-wide statement of net position reports $1,047,471 of restricted net position, of which $1,040,569 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.

X. 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 one item that qualifies for reporting in this category as of June 30, 2015 which is deferred pension outflows recognized in the Statement of Net Position.

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 recognizes deferred pension inflows in its Statement of Net Position and also recognizes unavailable revenue, which 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, 2015, $7,333,532 of the government's bank balance of $8,083,532 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	7,333,532
Total	$ 7,333,532

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, 2015 of $4,305,206 consisted of non-participating certificates of deposit, which are included in the above-mentioned bank balances.

(See Independent Auditor's Report).

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, 2015.

4. RECEIVABLES

Governmental Funds

	General Fund	Hotel / Motel Tax Fund	Grant Fund	SPLOST 2 Fund	Total
Taxes	$ 124,071	$ 28,150	$ -	$ -	$ 152,221
Intergovernmental	-	-	4,891	142,615	147,506
Interest	383	-	-	-	383
Other	14,921	-	-	-	14,921
Total	139,375	28,150	4,891	142,615	315,031
Less: Allowance for uncollectibles	-	-	-	-	-
Net	$ 139,375	$ 28,150	$ 4,891	$ 142,615	$ 315,031

Proprietary Funds

	Water Fund	Sanitation Fund	Total
Accounts	$ 11,065	$ 6,022	$ 17,087
Interest	202	-	202
Total	11,267	6,022	17,289
Less: Allowance for uncollectibles	1,700	3,000	4,700
Net	$ 9,567	$ 3,022	$ 12,589

5. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues and receivables for the year ended June 30, 2015 consist of the following:

	Revenue	Receivable
SPLOST 2 Fund -		
Paulding County - SPLOST	$ 840,229	$ 142,615
Grant Fund-		
LMIG	17,259	-
LCI	60,000	4,891
Other	12,131	-
Total	$ 929,619	$ 147,506

(See Independent Auditor's Report)

6. INTER-FUND TRANSACTIONS

Individual fund interfund receivables and payable balances at June 30, 2015 were as follows:

Payable To	Payable From General	Water	Sanitation	Total
General	$ -	$ 68,605	$ -	$ 68,605
Sanitation	27,923	-	-	27,923
Totals	$ 27,923	$ 68,605	$ -	$ 96,528

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.

There were no individual fund interfund transfers for the year ended June 30, 2015.

7. LITIGATION:

As of June 30, 2015 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, 2015 was as follows:

	Beginning Balance	Increases	Adjustments And Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 757,819	$ 124,600	$ -	$ 882,419
Construction in progress	993,852	1,076,305	-	2,070,157
Total	1,751,671	1,200,905	-	2,952,576
Capital assets being depreciated:				
Infrastructure	2,686,346	18,064	-	2,704,410
Buildings and improvements	2,951,933	120,400	-	3,072,333
Furniture and fixtures	19,122	-	-	19,122
Machinery and equipment	1,126,229	217,154	-	1,343,383
Total capital assets being depreciated	6,783,630	355,618	-	7,139,248
Less accumulated depreciation for:				
Infrastructure	632,402	86,042	-	718,444
Buildings and improvements	622,941	92,489	-	715,430
Furniture and fixtures	9,146	1,162	-	10,308
Machinery and equipment	539,718	210,884	-	750,602
Total accumulated depreciation	1,804,207	390,577	-	2,194,784
Total capital assets being depreciated, net	4,979,423	(34,959)	-	4,944,464
Governmental capital assets, net	$ 6,731,094	$ 1,165,946	$ -	$ 7,897,040

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

General Government	$ 45,203
Public Safety and Courts	157,950
Public Works	143,048
Parks and Recreation	44,376
Total depreciation expense	$ 390,577

(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	-	-	-	-
Infrastructure	219,363		-	219,363
Machinery and equipment	79,265	-	-	79,265
Total capital assets being depreciated	298,628	-	-	298,628
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Infrastructure	124,704	10,408	-	135,112
Machinery and equipment	55,880	-	-	55,880
Total capital assets being depreciated	180,584	10,408	-	190,992
Total capital assets being depreciated, net	118,044	(10,408)	-	107,636
Business - Type Activities capital assets, net of depreciation	$ 118,044	$ (10,408)	$ -	$ 107,636

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, 2015:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Actiivities					
Net Pension Liability	$ 372,118	$ 2,194	$ -	$ 374,312	$ -
Accrued Compensated Absences	82,136	77,273	(72,594)	86,815	10,000
Long-Term Payable	14,815	-	(11,111)	3,704	3,704
Total Governmental-Type Activity Long-Term Debt	$ 469,069	$ 79,467	$ (83,705)	$ 464,831	$ 13,704

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, 2015, is typically used to liquidate all business-type activity long-term debt.

The Long-Term Payable of $3,704 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, 2016. No interest is being charged in relation to this payable.

The beginning balance of Governmental Activities long term debt was restated due to the implementation of GASB Statement Number 68, Accounting and Financial Reporting for Pensions. The restatement resulted in the recognition of the Net Pension Liability as of June 30, 2014 which amounted to $372,118.

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, 2015 were as follows:

	Amount	Percent
Total Collections	$ 180,547	100%
Total Remittances	$ 72,219	40%

The City was in compliance with the state laws regulating hotel/motel taxes and the related expenditures as of June 30, 2015.

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.

14. DEFINED BENEFIT PENSION PLAN, GMA ADMINISTERED

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Hiram Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by State law, benefit provisions for Participants in GMEBS are established and amended by the respective employers. As authorized by the City Council, the Plan provides pension benefits and death and disability benefits for Plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week, are eligible to participate immediately upon hiring. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 1.50% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he or she has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to $41 for each year of service after reaching normal retirement age. Ten years of service is required for nonservice related disability benefits. Disability benefits are paid out at 20% of an employee's current salary. Death benefits are calculated using an actuarial reserve.

At January 1, 2015, the date of the most recent actuarial valuation, there were 39 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	6
Terminated vested participants not yet receiving benefits	4
Active employees - vested	15
Active employees - nonvested	14
Total	39

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standard law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For fiscal year 2015, the actuarially determined contribution rate was 6.38% of covered payroll.

For fiscal year ended June 30, 2015, the City's recommended and actual contribution was $76,671 which was actuarially determined and is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The amount of employer contributions recognized in the actuarial report date January 1, 2015 and recognized as an expense in the Government-Wide Statement of Activity was $79,249.

(See Independent Auditor's Report)

14. DEFINED BENEFIT PENSION PLAN – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Outflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of $374,312 for its net pension liability. The net pension liability was measured as of September 30, 2014 and was determined by an actuarial valuation as of January 1, 2015. The changes in the Net Pension Liability for the year ended September 30, 2014 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2013	$ 988,601	$ 616,483	$ 372,118
Changes for the year-			
Service cost	54,269	-	54,269
Interest	74,846	-	74,846
Differences between expected and actual experience	(7,055)	-	(7,055)
Contributions - Employer	-	62,080	(62,080)
Net investment income	-	70,596	(70,596)
Benefit payments, including refunds of employee contributions	(45,693)	(45,693)	-
Administrative expense	-	(2,496)	2,496
Other	10,314	-	10,314
Net Changes	86,681	84,487	2,194
Balance at September 30, 2014	$ 1,075,282	$ 700,970	$ 374,312

Effective January 1, 2015, the Plan was amended to provide for immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits. As a result of this change, all Employees are now included in the valuation. This change has minimal impact on the Plan's liability.

(See Independent Auditor's Report)

14. DEFINED BENEFIT PENSION PLAN – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	$ 54,269
Interest on The Pension Liability (TPL)	74,846
Administrative expenses	2,496
Expected return on assets	(48,316)
Deferred Outflows -	
Contributions subsequent to the measurement date	-
Deferred Inflows -	
Expensed portion of current year period differences between expected and actual experience in TPL	(881)
Expensed portion of current year period assumption changes	1,291
Expensed portion of current year period differences between projected and actual investment earnings	(4,456)
Total expense	$ 79,249

$57,503 reported as deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

F/Y/E June 30,	Defeered Outflows	Deferred Inflows
2016	$ 1,289	$ (5,338)
2017	1,289	(5,338)
2018	1,289	(5,338)
2019	1,289	(5,338)
2020	1,289	(882)
2021 and thereafter	2,578	(1,764)
	$ 9,023	$ (23,998)

Outstanding balances of deferred outflows/inflows of resources related to pensions as of June 30, 2015 are as follow:

	Outflows	Inflows
Contributions subsequent to the measurement date	$ 57,503	$ -
Differences between expected and actual experience	-	6,174
Investment	-	17,824
Assumption change	9,023	-
Total	$ 66,526	$ 23,998

14. DEFINED BENEFIT PENSION PLAN – (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates -	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50.00%	5.95%	9.20%
International equity	15.00%	6.45%	9.70%
Fixed income	25.00%	1.55%	4.80%
Real estate	10.00%	3.75%	7.00%
Cash	0.00%		
Total	100.00%		

(See Independent Auditor's Report)

14. DEFINED BENEFIT PENSION PLAN – (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability
To Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	$528,465	$ 374,312	$ 247,346

Pension Plan Net Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Hiram Retirement Plan financial report.

15. PRIOR PERIOD ADJUSTMENT

The City implemented the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, for the City of Hiram Retirement Plan (HRP). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by pension plans that are within its scope.

The implementation of GASB Statement No. 68 had the following effect:

	Governmental Activities
Net position, June 30, 2014	$ 14,896,281
Recognition of deferred pension outflows	42,913
Recognition of net pension liabilities	(372,118)
Restated net position, June 30, 2014	$ 14,524,163

(See Independent Auditor's Report)

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit fund balances or net position balances of individual funds – The City's Sanitation Fund had a negative net asset balance of $4,095 at June 30, 2015. 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 was one 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, 2015 as follows:

	Final Budget	Actual	Variance
Hotel / Motel Tax Fund- Tourism and Promotion	$ 151,491	$ 176,013	$ (24,522)

(See Independent Auditor's Report)

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CITY OF HIRAM, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service cost	$ 54,269									
Interest	74,846									
Differerences between expected and actual experience	(7,055)		(Historical information prior to implementation of GASB 67/68 is not required)							
Changes of assumptions	10,314									
Benefit payments	(45,693)									
Net changes in total pension liability	86,681									
Total pension liability - beginning	988,601									
Total pension liability - ending	$ 1,075,282									
Plan Fiduciary Net Position										
Contributions - employer	$ 62,080									
Net investment income	70,596									
Benefit payments	(45,693)		(Historical information prior to implementation of GASB 67/68 is not required)							
Administrative expense	(2,496)									
Other	-									
Net cvhange in fiduciary net position	84,487									
Plan fiduciary net position - beginning	616,483									
Plan dicuciary net position - ending	$ 700,970									
Net Pension Liability										
Net pension liability	$ 374,312									
Plan's fiduciary net position as a percentage of the total pension liability	65.19%		(Historical information prior to implementation of GASB 67/68 is not required)							
Covered-employee payroll	$ 1,233,001									
Net pension liability as a percentage of covered payroll	30.36%									

CITY OF HIRAM, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Actuarially determined contributions	76,671									
Contributions in relation to the actuarially determined contribution	(76,671)		(Historical information prior to implementation of GASB 67/68 is not required)							
Contribution deficiency (excess)	-									
Covered-employee payroll	1,181,813									
Contributions as a percentage of covered-employee payroll	6.49%									

CITY OF HIRAM, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

Note 1

Significant methods and assumptions used in calculating the actuarially determined calculations are as follow:

Methods and assumptions used to determine contribution rates:

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

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates -	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

No significant factors changed that significantly affected trends in the amounts reported such as changes in benefit terms, the size or composition of the population covered by the benefit terms, or assumptions used.

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CITY OF HIRAM, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	SPECIAL REVENUE	CAPITAL PROJECT	Total
	Confiscated Fund	SPLOST 1 Fund	Non-Major Governmental Funds
ASSETS			
Cash	$ 1,787	$ -	$ 1,787
Receivables -			
Taxes	-	-	-
Intergovernmental	-	-	-
Due from other funds	-	-	-
Total Assets	$ 1,787	$ -	$ 1,787
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Unearned revenues	-	-	-
Total Liabilities	-	-	-
Deferred Inflows:			
Unavailable revenues	-	-	-
Fund Balance:			
Restricted -			
Police activities	1,787	-	1,787
Capital outlay	-	-	-
Promotion	-	-	-
Unassigned	-	-	-
Total Fund Equity	1,787	-	1,787
Total Liabilities, Deferred Outflows and Fund Balance	$ 1,787	$ -	$ 1,787

CITY OF HIRAM, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE	CAPITAL PROJECT	Total
	Confiscated Fund	SPLOST 1 Fund	Non-Major Governmental Funds
Revenues:			
Taxes	$ -	$ -	$ -
Intergovernmental	-	-	-
Forfeitures	-	-	-
Interest	-	-	-
Miscellaneous	9,951	-	9,951
Total Revenue	9,951	-	9,951
Expenditures:			
Current			
Contract services	-	-	-
Supplies	9,567	-	9,567
Capital Outlay	-	16,199	16,199
Total Expenditures	9,567	16,199	25,766
Excess of Revenues Over (Under) Expenditures Before Other Sources and (Uses)	384	(16,199)	(15,815)
Other Sources and (Uses)			
Transfers	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Uses	384	(16,199)	(15,815)
Fund Balance - Beginning of Year	1,403	16,199	17,602
Fund Balance - End of Year	$ 1,787	$ -	$ 1,787

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, 2015

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Confiscations	$ -	$ -	$ -	$ -
Other	10	10	9,951	9,941
Total Revenues	10	10	9,951	9,941
EXPENDITURES				
Current:				
Police services	-	-	9,567	(9,567)
Total Expenditures	-	-	9,567	(9,567)
Excess (Deficiency) of Revenues Over Expenditures	10	10	384	374
Other Financing Sources (Uses):				
Sale of capital assets	-	-	-	-
Transfers	-	-	-	-
Net Change in Fund Balances	10	10	384	374
Fund Balance:				
Beginning of year	1,403	1,403	1,403	-
End of year	$ 1,413	$ 1,413	$ 1,787	$ 374

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, 2015

	JUNE 30, 2015			
	BUDGET AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
REVENUES				
Intergovernmental	$ 96,500	$ 98,000	$ 89,390	$ (8,610)
Interest	-	-	9	9
Miscellaneous	32	32	6,259	6,227
Total Revenues	96,532	98,032	95,658	(2,374)
EXPENDITURES				
Current -				
Police	8,500	8,500	15,768	(7,268)
Streets	-	-	-	-
Capital -				
Police	-	-	-	-
Streets	88,032	88,032	75,789	12,243
Total Expenditures	96,532	96,532	91,557	4,975
Excess (Deficiency) of Revenues Over Expenditures	-	1,500	4,101	2,601
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balance	-	1,500	4,101	2,601
Fund Balance - Beginning of Year	2,101	2,101	2,801	-
Fund Balance - End of Year	$ 2,101	$ 3,601	$ 6,902	$ 2,601

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, 2015

	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	77,308	-	77,308	-
Total Revenues	3,293,546	-	3,293,546	3,420,000
EXPENDITURES				
Capital Outlay				
Public Works	2,779,989	16,199	2,796,188	2,736,000
Public Safety	474,373	-	474,373	513,000
Parks and Recreation	320,784	-	320,784	171,000
Total Expenditures	3,575,146	16,199	3,591,345	3,420,000
Excess of revenues over (under) expenditures	(281,600)	(16,199)	(297,799)	-
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	$ 16,199	$ (16,199)	$ -	$ -
FUND BALANCE				
Beginning		16,199		
Ending		$ -		

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, 2015

	PRIOR YEARS	CURRENT YEAR	TOTAL TO DATE	PROJECT AUTHORIZATION
REVENUES				
Intergovernmental				
Splost	$ 2,608,258	$ 840,229	$ 3,448,487	$ 5,358,000
Grants	10,000	-	10,000	-
Interest	4,524	1,161	5,685	-
Total Revenues	2,622,782	841,390	3,464,172	5,358,000
EXPENDITURES				
Capital Outlay				
Public Works	1,137,578	416,441	1,554,019	3,214,800
Public Safety	352,743	189,522	542,265	1,071,600
Parks and Recreation	375,757	41,832	417,589	1,071,600
Total Expenditures	1,866,078	647,795	2,513,873	5,358,000
Excess of revenues over (under) expenditures	756,704	193,595	950,299	-
Other financing sources (uses)				
Transfers	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) other financing uses	$ 756,704	$ 193,595	$ 950,299	$ -
FUND BALANCE				
Beginning		756,704		
Ending		$ 950,299		