

CITY OF HIAWASSEE, GEORGIA

Annual Financial Report

For the fiscal year ended June 30, 2018

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CITY OF HIAWASSEE, GEORGIA
ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2018

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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Hiawassee, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the Nonmajor Hotel/Motel Tax Fund of the City of Hiawassee, Georgia, as of and for the year ended June 30, 2018, 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 Nonmajor Hotel/Motel Tax Fund of the City of Hiawassee, Georgia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison of the General 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 and the required supplementary information on pages 3 through 12 and 59 through 62 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 Hiawassee, Georgia's basic financial statements. The individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 schedules and the schedule of projects financed with special purpose local option sales tax report are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the City of Hiawassee, Georgia internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hiawassee, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
December 12, 2018

Mayor
Liz Ordiales

City Clerk
Bonnie Kendrick

Court Clerk
Cenyla Galloway

City Attorney
Thomas A. Mitchell



City Council
Amy Barrett
Kris Berrong
Anne Mitchell-MPT
Nancy Noblet
Patsy Owens

Building Inspector
Randy Day

Chief of Police
Paul Smith

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Hiawassee management is proud to present this narrative discussion and analysis of the City of Hiawassee's financial performance, making available an overview of the activities for the year ended June 30, 2018. This report is drafted annually to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Hiawassee. As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis affords comparisons with the previous fiscal year.

Financial Highlights

- City of Hiawassee's assets exceeded its liabilities at June 30, 2018 by \$9,973,487 (*net position*). Of this amount, \$1,283,498 is reported as unrestricted net position. This is a decrease of \$101,875 from the previous year for unrestricted. Total net position decreased by \$134,662 from the previous year.
- As of June 30, 2018, City of Hiawassee's governmental funds reported combined ending fund balances of \$393,036. Approximately 40% of this total amount, or \$156,372, is reported as unassigned and available for spending at the City's discretion. Approximately 47%, or \$185,385, is reported as restricted. Information about the City of Hiawassee's policy on fund balance can be found in Note 2Q in the *Notes to the Financial Statements* beginning on page 26.

More detailed information regarding these activities and funds begins on page 13.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Hiawassee's basic financial statements. The City of Hiawassee's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole). The focus of the government-wide financial statements is on the overall financial position and activities of the City of Hiawassee and is designed to provide a broad overview of the City's financial activities in a manner similar to a private business enterprise.



The City's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These two statements report information about the City of Hiawassee using the accrual basis of accounting, which is similar to the accounting used by non-public businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the **Statement of Net Position** (pages 13-14) is to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. While the purpose of City Government is not to accumulate net position, as this amount increases it can indicate the strength of the City's financial position as a whole. When this amount decreases it can indicate a weakening of the City's financial position.

The **Statement of Activities** (page 15) presents the revenues and expenses of the City. Under the accrual basis of accounting, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The Statement of Activities primary focus is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through user fees, special revenues, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide the City of Hiawassee into three types of activities:

- **Governmental activities** – Most of the City's basic services are reported under this category which includes: judicial, public safety, and general administration. Taxes such as real property, sales, insurance premium and intangible finance most of these services.
- **Business-type or enterprise activities** – The City charges fees to customers to assist in recovering the cost for providing certain services. The City's water and sewerage system and water treatment plant are reported in this category.

The City's government-wide financial statements are presented on pages 13-15.

Fund Financial Statements (Reporting the City's Major Funds).

The focus of fund financial statements is directed at specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 16. The City's funds are divided into two broad categories: governmental and proprietary. They use different prescribed accounting methodologies.

- **Governmental Funds** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on the short-term view of the City's general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these 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 so doing, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided following each statement.

The City of Hiawassee maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and SPLOST Capital Projects Fund, which are considered major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. The City only has one non-major governmental fund, which is presented on the same statements as the major funds.

The City of Hiawassee adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been included for the General Fund to show the final result of actual revenues and expenditures as compared to the initial projections.

The City's basic governmental fund financial statements are presented on pages 16-19 of this report.

- **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or internally to departments of the City, these services are generally reported in proprietary funds. The City maintains one type of proprietary funds: Enterprise Funds. These proprietary funds are prepared using the same accrual basis of accounting as the government-wide financial statements.

Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Hiawassee uses enterprise funds to account for its water and sewerage and water treatment plant functions.

The City's proprietary fund financial statements are presented on pages 21-25 of this report.

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. The notes to the financial statements can be found on pages 26-58 of this report.

Required Supplementary Information.

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's defined benefit pension plan. The required supplementary information can be found on pages 59-62 of this report.

Other Supplementary Information.

Other supplementary information includes two schedules (pages 17 and 19) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements but as deferred inflows of resources on the fund statements.
- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this fiscal year is summarized as follows based on the information included in the government-wide financial statements (see pages 13-15):

City of Hiawassee Net Position Fiscal Years 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current	\$ 437,983	\$ 492,370	\$ 1,954,972	\$ 1,983,090	\$ 2,392,955	\$ 2,475,460
Noncurrent	1,097,020	1,027,690	11,361,328	11,881,337	12,458,348	12,909,027
Total assets	<u>1,535,003</u>	<u>1,520,060</u>	<u>13,316,300</u>	<u>13,864,427</u>	<u>14,851,303</u>	<u>15,384,487</u>
Deferred outflows of resources	<u>18,799</u>	<u>55,847</u>	<u>46,792</u>	<u>109,342</u>	<u>65,591</u>	<u>165,189</u>
Liabilities:						
Current	34,679	60,602	360,273	386,510	394,952	447,112
Noncurrent	48,728	99,339	4,258,919	4,674,041	4,307,647	4,773,380
Total liabilities	<u>83,407</u>	<u>159,941</u>	<u>4,619,192</u>	<u>5,060,551</u>	<u>4,702,599</u>	<u>5,220,492</u>
Deferred inflows of resources	<u>92,362</u>	<u>244,781</u>	<u>148,446</u>	<u>136,195</u>	<u>240,808</u>	<u>380,976</u>
Net position:						
Net investment in capital assets	1,093,605	1,000,275	6,747,723	6,843,272	7,841,328	7,843,547
Restricted	185,385	273,327	663,276	605,902	848,661	879,229
Unrestricted	<u>99,043</u>	<u>57,524</u>	<u>1,184,455</u>	<u>1,327,849</u>	<u>1,283,498</u>	<u>1,385,373</u>
Total net position	<u>\$ 1,378,033</u>	<u>\$ 1,331,126</u>	<u>\$ 8,595,454</u>	<u>\$ 8,777,023</u>	<u>\$ 9,973,487</u>	<u>\$ 10,108,149</u>

Net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Hiawassee exceeded liabilities by \$9,973,487 at the close of 2018. Approximately 79% of the City of Hiawassee's net position is reflected in its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire them. This is an increase from 78% at June 30, 2017. The City uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 9% of total net position. This amount represents resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position makes up the remaining 13%.

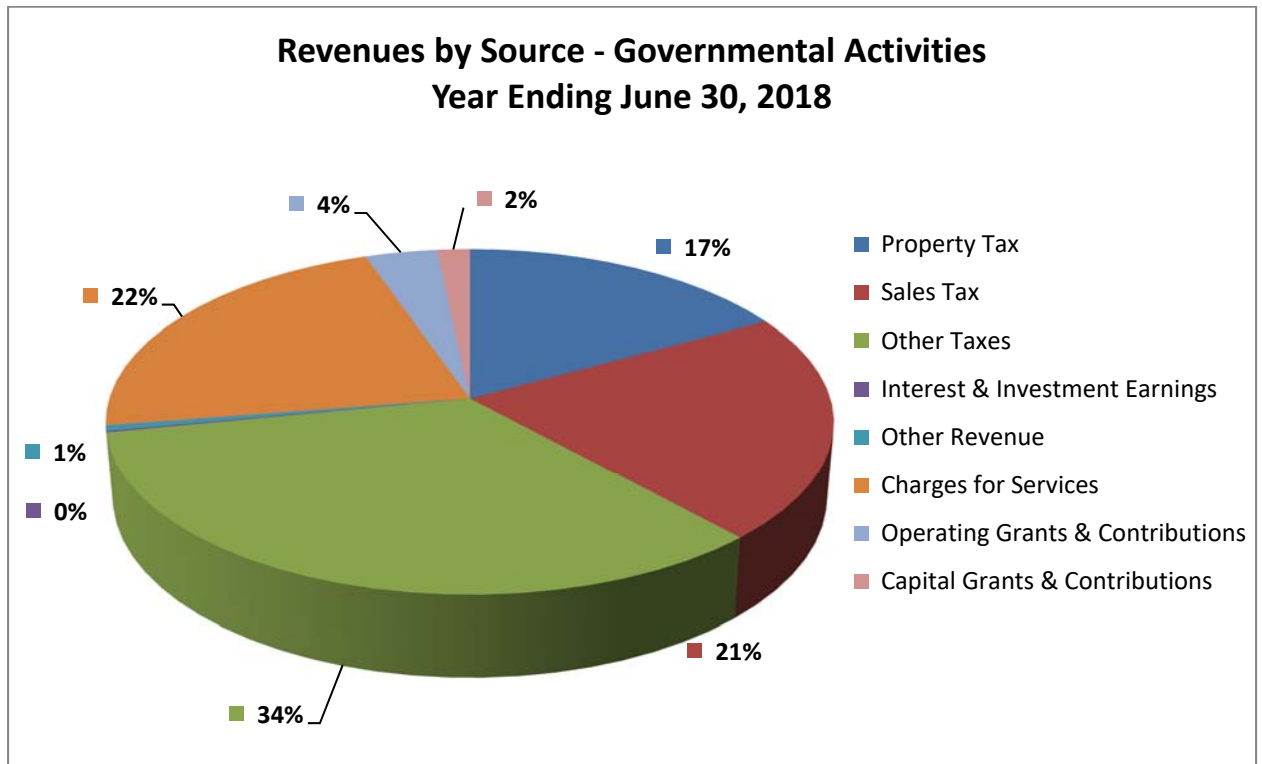
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Hiawassee's net position changed during the year.

**City of Hiawassee
Changes in Net Position
Fiscal Years 2018 and 2017**

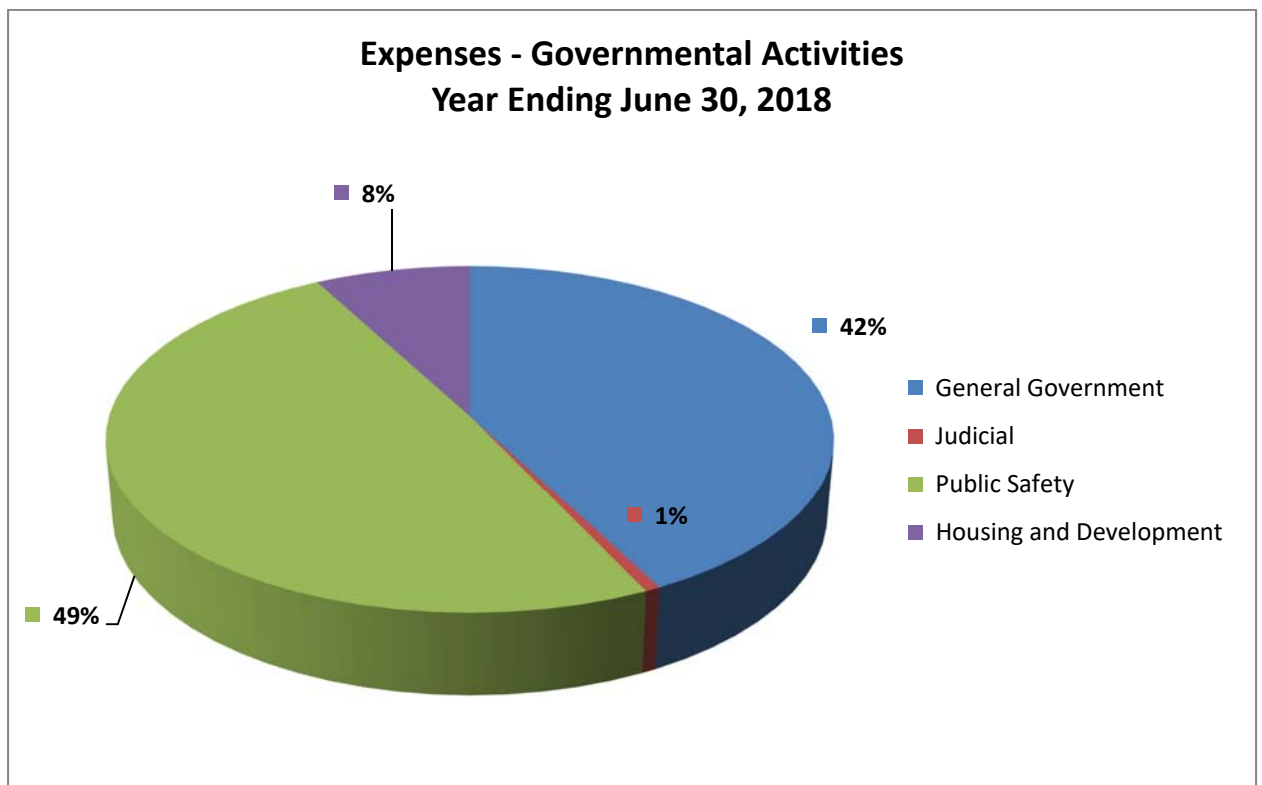
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 206,259	\$ 196,767	\$ 2,554,382	\$ 2,482,202	\$ 2,760,641	\$ 2,678,969
Operating grants and contributions	34,065	16,355	0	10,163	34,065	26,518
Capital grants and contributions	15,561	256,573	0	157,623	15,561	414,196
General revenues:						
Property tax	157,974	187,831	0	0	157,974	187,831
Sales tax	198,518	238,194	0	0	198,518	238,194
Other taxes	313,043	160,765	0	0	313,043	160,765
Interest & investment earnings	1,372	1,272	13,761	1,634	15,133	2,906
Other revenue	4,690	188	896	(655)	5,586	(467)
Total revenues	<u>931,482</u>	<u>1,057,945</u>	<u>2,569,039</u>	<u>2,650,967</u>	<u>3,500,521</u>	<u>3,708,912</u>
Expenses						
General Government	357,637	474,434	0	0	357,637	474,434
Judicial	5,144	5,496	0	0	5,144	5,496
Public Safety	415,233	388,054	0	0	415,233	388,054
Housing and Development	66,383	0	0	0	66,383	0
Water and Sewerage	0	0	2,019,838	2,048,713	2,019,838	2,048,713
Water Treatment Plant	0	0	590,297	634,802	590,297	634,802
Total expenses	<u>844,397</u>	<u>867,984</u>	<u>2,610,135</u>	<u>2,683,515</u>	<u>3,454,532</u>	<u>3,551,499</u>
Increase (decrease) in net position before transfers	87,085	189,961	(41,096)	(32,548)	45,989	157,413
Transfers	<u>(1,377)</u>	<u>(88,628)</u>	<u>1,377</u>	<u>88,628</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net position	<u>85,708</u>	<u>101,333</u>	<u>(39,719)</u>	<u>56,080</u>	<u>45,989</u>	<u>157,413</u>
Net position - beginning (original)	1,331,126	1,229,793	8,777,023	8,720,943	10,108,149	9,950,736
Prior period adjustments	<u>(38,801)</u>	<u>0</u>	<u>(141,850)</u>	<u>0</u>	<u>(180,651)</u>	<u>0</u>
Net position - beginning (adjusted)	<u>1,292,325</u>	<u>1,229,793</u>	<u>8,635,173</u>	<u>8,720,943</u>	<u>9,927,498</u>	<u>9,950,736</u>
Net position - ending	<u>\$ 1,378,033</u>	<u>\$ 1,331,126</u>	<u>\$ 8,595,454</u>	<u>\$ 8,777,023</u>	<u>\$ 9,973,487</u>	<u>\$ 10,108,149</u>

Governmental Activities –

The following chart illustrates revenues of the governmental activities for the fiscal year:



The following chart illustrates the expenses of the governmental activities for the fiscal year:



The revenue chart indicates that other taxes, followed by charges for services, and sales tax were the three largest sources of revenue for governmental activities for fiscal year 2018. Total revenues of the governmental activities decreased by more than \$126,000. The largest cause of the decrease was capital grants and contributions, which decreased more than \$240,000.

The expense chart indicates that the three most significant governmental activities expenses for the City of Hiawassee during fiscal year 2018 were public safety services, followed by general government and housing and development. Overall, governmental activities expenses decreased by more than \$23,000 from the prior fiscal year. General government expenses decreased by more than \$116,000 from fiscal year 2017.

Business-Type Activities –

Business-type activities decreased the City of Hiawassee's net position by \$39,719, or .4%. Excluding transfers, the decrease is \$41,096. The largest cause of the decrease is due to a decrease in capital grants and contributions of more than \$115,000.

Financial Analysis of the City's Funds

The City of Hiawassee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

- 1) As the City completed this year, its governmental funds reported a combined ending fund balance of \$393,036. Of this amount, \$156,372 (40%) constitutes unassigned fund balance, which is available for appropriation for the general purposes of the funds in accordance with the City of Hiawassee policy on fund balance.

The General Fund is the chief operating fund of the City. At the end of the current year, fund balance of the General Fund was \$191,885. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 81% of total fund balance in the General Fund. Unassigned fund balance represents approximately 20% of total General Fund expenditures, while total fund balance represents approximately 25% of that same amount. The City ended the year realizing an increase in the overall fund balance in the General Fund by \$92,050, or 92.2%. The City increased unassigned fund balance in the General Fund by \$65,833, or 72.7%.

General Fund Budget Highlights

The original budget for the General Fund was amended by various appropriations approved after the beginning of the year. Budgeted revenues and other financing sources in total increased \$100,430 and expenditures and other financing uses in total increased \$100,430 from original to final budgets. The City experienced a small increase in revenues and expenditures from the prior fiscal year.

Proprietary Funds. The City of Hiawassees proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the City's two proprietary funds totaled as follows:

- Water and Sewerage \$ 6,908,473
- Water Treatment Plant \$ 1,686,981

The Water and Sewerage Fund decreased net position by \$104,966. The decrease is due to mostly interest expense. The Water Treatment Plant Fund increased net position by \$65,247. The increase is due mostly to more operating revenues than operating expenses.

Capital Assets and Debt Administration

Capital Assets. The City of Hiawassees has invested \$7,841,328 in capital assets (net of accumulated depreciation) compared to \$7,843,547 in the previous year. This represents a decrease of .03%. Approximately 86% of this investment is related to business-type activities and includes infrastructure, land, buildings, and equipment. Capital assets held by the City at year-end are summarized as follows:

City of Hiawassees Capital Assets (net of accumulated depreciation) Fiscal Years 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$0	\$0	\$53,015	\$53,015	\$53,015	\$53,015
Land Improvements	1,892	1,892	0	0	1,892	1,892
Construction in progress	199,693	155,183	143,538	28,060	343,231	183,243
Buildings and improvements	673,834	673,834	2,874,904	2,870,042	3,548,738	3,543,876
Infrastructure	338,480	276,909	13,609,753	12,903,859	13,948,233	13,180,768
Machinery, equipment, and vehicles	187,721	233,753	2,883,476	3,532,601	3,071,197	3,766,354
Total	1,401,620	1,341,571	19,564,686	19,387,577	20,966,306	20,729,148
Accumulated depreciation	(304,600)	(313,881)	(8,386,708)	(7,781,115)	(8,691,308)	(8,094,996)
Net Capital Assets	\$1,097,020	\$1,027,690	\$11,177,978	\$11,606,462	\$12,274,998	\$12,634,152

Major capital asset purchases during the current year for governmental activities included the following:

- Additions of ½ mile of sidewalks
- Continued construction of Mayor's Park

Major capital asset purchases during the current year for business-type activities included the following:

- Continued improvements to the water and sewerage system
- Purchase of Kubota Excavator
- Installation of alarm system at Lift Station

Additional information on the City of Hiawassee's capital assets can be found in Note 9 on pages 43-44 of this report.

Long-Term Debt. On June 30, 2018, the City of Hiawassee had a total long-term debt balance outstanding for governmental activities in the amount of \$0, as compared to \$16,668 the previous year. The City's outstanding debt for governmental activities has decreased by \$16,668. On June 30, 2018, the City of Hiawassee had a total long-term debt balance outstanding for business-type activities in the amount of \$4,423,685, as compared to \$4,772,744 the previous year. The City's outstanding debt for business-type activities has decreased by \$349,059 during the course of the year due to regular scheduled payments.

Additional information on the City's long-term debt can be found in Note 11 on pages 45-48 of this report.

Economic Condition and Outlook

The City of Hiawassee expects revenues to be up in the upcoming year due to improving economic conditions, an increase in water usage, more accurate utility billings and the addition of new customers. The City anticipates increasing revenue in Local Option Sales Taxes, the Hotel/Motel Tax, and the new Franchise Tax in the current budget year due to a stable economy. Property values within the city have increased which will result in increased property taxes. The City will continue restructuring debt. The City completed the replacement of wireless water meters which will result in more accurate utility reads and will increase utility revenue. The City has also undertaken an aggressive program of water audits and the repair of leaking water lines, focusing on water meter efficiencies. An aggressive leak detection and repair program will reduce expenses associated with the water department.

Contacting the City

This financial report is designed to provide the City of Hiawassee citizens, taxpayers, customers, and creditors with a general overview of the City of Hiawassee's finances and to demonstrate the City's high level of accountability for the revenue it receives and the services it provides. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Hiawassee, Georgia
50 River Street
Hiawassee, GA 30546
706-896-2202
<http://www.hiawasseegea.gov>

BASIC FINANCIAL STATEMENTS

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 340,165	\$ 1,055,546	\$ 1,395,711
Receivables (net)			
Accounts	37,518	267,093	304,611
Taxes	11,746	0	11,746
Intergovernmental	22,022	6,282	28,304
Inventories	0	61,141	61,141
Internal balances	(8,981)	8,981	0
Prepaid items	15,812	15,236	31,048
Restricted assets			
Cash and cash equivalents	19,701	506,693	526,394
Intergovernmental receivable	0	15,300	15,300
Total current assets	<u>437,983</u>	<u>1,936,272</u>	<u>2,374,255</u>
Noncurrent assets			
Restricted intergovernmental receivable	0	202,050	202,050
Capital assets			
Non-depreciable	199,693	196,553	396,246
Depreciable (net)	<u>897,327</u>	<u>10,981,425</u>	<u>11,878,752</u>
Total noncurrent assets	<u>1,097,020</u>	<u>11,380,028</u>	<u>12,477,048</u>
Total assets	<u>1,535,003</u>	<u>13,316,300</u>	<u>14,851,303</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	<u>18,799</u>	<u>46,792</u>	<u>65,591</u>
LIABILITIES			
Current liabilities			
Accounts payable	24,703	59,337	84,040
Accrued salaries	9,976	17,362	27,338
Other payroll liabilities	0	2,724	2,724
Notes payable	0	128,126	128,126
Liabilities payable from restricted assets			
Interest	0	21,232	21,232
Customer deposits payable	0	39,535	39,535
Bonds payable	<u>0</u>	<u>91,957</u>	<u>91,957</u>
Total current liabilities	<u>34,679</u>	<u>360,273</u>	<u>394,952</u>
Noncurrent liabilities			
Net pension liability	48,728	55,317	104,045
Notes payable	0	1,523,549	1,523,549
Bonds payable	<u>0</u>	<u>2,680,053</u>	<u>2,680,053</u>
Total noncurrent liabilities	<u>48,728</u>	<u>4,258,919</u>	<u>4,307,647</u>
Total liabilities	<u>83,407</u>	<u>4,619,192</u>	<u>4,702,599</u>

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	\$ 92,362	\$ 148,446	\$ 240,808
NET POSITION			
Net investment in capital assets	1,093,605	6,747,723	7,841,328
Restricted for:			
Public Safety	2,232	0	2,232
Capital outlay	183,153	0	183,153
Debt service	0	663,276	663,276
Unrestricted	99,043	1,184,455	1,283,498
Total net position	\$ 1,378,033	\$ 8,595,454	\$ 9,973,487

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General Government	\$ 357,637	\$ 16,131	\$ 34,065	\$ 0	\$ (307,441)
Judicial	5,144	0	0	0	(5,144)
Public Safety	414,820	184,078	0	0	(230,742)
Public Works	0	6,050	0	15,791	21,841
Housing and Development	66,383	0	0	0	(66,383)
Interest on long-term debt	413	0	0	0	(413)
Total governmental activities	844,397	206,259	34,065	15,791	(588,282)
Business-type activities					
Water and Sewer	2,019,838	1,881,394	0	0	(138,444)
Water Treatment Plant	590,297	672,988	0	0	82,691
Total business-type activities	2,610,135	2,554,382	0	0	(55,753)
Total primary government	3,454,532	2,760,641	34,065	15,791	(644,035)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in net position			
Net (expense) revenue	\$ (588,282)	\$ (55,753)	\$ (644,035)
General revenues			
Taxes			
Property	157,974	0	157,974
Franchise	37,139	0	37,139
Sales	198,518	0	198,518
Intangible	2,007	0	2,007
Occupational	52,770	0	52,770
Insurance premium	58,486	0	58,486
Alcoholic beverage	61,352	0	61,352
Other	101,289	0	101,289
Interest and investment earnings	1,142	13,761	14,903
Gain on the sale of assets	4,690	896	5,586
Transfers	(1,377)	1,377	0
Total general revenues and transfers	673,990	16,034	690,024
Change in net position	85,708	(39,719)	45,989
Net position, July 1 (original)	1,331,126	8,777,023	10,108,149
Prior period adjustments	(38,801)	(141,850)	(180,651)
Net position, July 1 (restated)	1,292,325	8,635,173	9,927,498
Net position, June 30	\$ 1,378,033	\$ 8,595,454	\$ 9,973,487

CITY OF HIAWASSEE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Hotel/Motel Tax</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 129,262	\$ 187,224	\$ 23,679	\$ 340,165
Receivables (net)				
Accounts	37,518	0	0	37,518
Taxes	11,746	0	0	11,746
Intergovernmental	22,022	0	0	22,022
Prepaid items	15,812	0	0	15,812
Due from other funds	21,412	0	11,788	33,200
Restricted assets				
Cash and cash equivalents	19,701	0	0	19,701
Total assets	<u>\$ 257,473</u>	<u>\$ 187,224</u>	<u>\$ 35,467</u>	<u>\$ 480,164</u>
LIABILITIES				
Accounts payable	\$ 24,575	\$ 128	\$ 0	\$ 24,703
Accrued salaries	9,976	0	0	9,976
Due to other funds	20,769	21,412	0	42,181
Total liabilities	<u>55,320</u>	<u>21,540</u>	<u>0</u>	<u>76,860</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	10,268	0	0	10,268
FUND BALANCES				
Nonspendable:				
Prepaid items	15,812	0	0	15,812
Restricted for:				
Public Safety	2,232	0	0	2,232
Capital outlay	17,469	165,684	0	183,153
Assigned				
Housing and Development	0	0	35,467	35,467
Unassigned	156,372	0	0	156,372
Total fund balances	<u>191,885</u>	<u>165,684</u>	<u>35,467</u>	<u>393,036</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 257,473</u>	<u>\$ 187,224</u>	<u>\$ 35,467</u>	<u>\$ 480,164</u>

CITY OF HIAWASSEE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2018

Total fund balance - total governmental funds	\$	393,036
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Amounts reported for governmental activities in the statement of net position are different because:

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets	\$ 1,401,620	
Accumulated depreciation	<u>(304,600)</u>	1,097,020

Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are unavailable in the funds.

These are:

Property taxes		10,268
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Long-term liabilities are not due and payable in the current period and are not reported in the fund.

These are:

Net pension liability		(48,728)
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Deferred outflows of resources related to pensions are applicable to future
are not reported in the funds.

18,799

Deferred inflows of resources related to pensions are applicable to future periods and, therefore,
are not reported in the funds.

(92,362)

Net position of the governmental activities	\$	<u>1,378,033</u>
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CITY OF HIAWASSEE, GEORGIA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2018

	General	SPLOST	Nonmajor Hotel/Motel Tax	Totals
REVENUES				
Taxes	\$ 627,386	\$ 0	\$ 101,288	\$ 728,674
Licenses and permits	12,381	0	0	12,381
Fines, fees, and forfeitures	184,078	0	0	184,078
Charges for services	9,801	0	0	9,801
Intergovernmental	33,535	15,561	0	49,096
Interest	1,142	230	0	1,372
Contributions	527	0	0	527
Total revenues	868,850	15,791	101,288	985,929
EXPENDITURES				
Current				
General Government	332,523	0	0	332,523
Judicial	5,144	0	0	5,144
Public Safety	414,938	0	0	414,938
Housing and Development	0	0	66,384	66,384
Debt service	10,378	0	0	10,378
Capital outlay	0	107,464	0	107,464
Total expenditures	762,983	107,464	66,384	936,831
Excess (deficiency) of revenues over (under) expenditures	105,867	(91,673)	34,904	49,098
Other financing sources (uses)				
Transfers in	14,571	0	0	14,571
Transfers out	(1,377)	0	(14,571)	(15,948)
Sales of capital assets	4,690	0	0	4,690
Total other financing sources (uses)	17,884	0	(14,571)	3,313
Net change in fund balance	123,751	(91,673)	20,333	52,411
Fund balances, July 1 (original)	99,835	257,357	15,134	372,326
Prior period adjustments	(31,701)	0	0	(31,701)
Fund balances, July 1 (restated)	68,134	257,357	15,134	340,625
Fund balances, June 30	\$ 191,885	\$ 165,684	\$ 35,467	\$ 393,036

CITY OF HIAWASSEE, GEORGIA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2018

Net change in fund balances - total governmental funds **\$ 52,411**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 116,996	
Depreciation	<u>(47,666)</u>	69,330

In the statement of activities, the gain/loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.

Cost of assets disposed	\$ 56,947	
Related accumulated depreciation	<u>(56,947)</u>	0

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues as funds. These include recognition of unavailable revenues.

Property taxes	(59,139)
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The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt principal payments	9,965
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions is reported as pension expense.

Pension contributions	35,879	
Cost of benefits earned, net of employee contributions	<u>(29,441)</u>	6,438

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the following

Net decrease in compensated absences	<u>6,703</u>
Change in net position of governmental activities	<u><u>\$ 85,708</u></u>

CITY OF HIAWASSEE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended June 30, 2018

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 621,950	\$ 611,980	\$ 627,386	\$ 15,406
Licenses and permits	6,700	10,800	12,381	1,581
Fines, fees, and forfeitures	120,200	177,070	184,078	7,008
Other charges for services	7,600	9,580	9,801	221
Intergovernmental	0	48,700	33,535	(15,165)
Interest	2,200	650	1,142	492
Contributions	0	200	527	327
Total revenues	758,650	858,980	868,850	9,870
EXPENDITURES				
Current				
General Government				
Administration	469,250	551,030	332,523	218,507
Public Safety				
Police Department	367,100	392,000	414,938	(22,938)
Judicial				
Municipal court	7,300	6,000	5,144	856
Debt Service	2,500	50	10,378	(10,328)
Total expenditures	846,150	949,080	762,983	186,097
Excess (deficiency) of revenues over (under) expenditures	(87,500)	(90,100)	105,867	195,967
Other financing sources (uses)				
Transfers in	0	0	14,571	14,571
Transfers out	0	0	(1,377)	(1,377)
Sales of capital assets	0	100	4,690	4,590
Contingency	(2,500)	0	0	0
Total other financing sources (uses)	(2,500)	100	17,884	17,784
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(90,000)	(90,000)	123,751	213,751
Fund balances, July 1 (original)	90,000	90,000	99,835	9,835
Prior period adjustments	0	0	(31,701)	(31,701)
Fund balances, July 1 (restated)	90,000	90,000	68,134	(21,866)
Fund balances, June 30	\$ 0	\$ 0	\$ 191,885	\$ 191,885

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	<u>Water and Sewerage</u>	<u>Water Treatment Plant</u>	<u>Totals</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 810,465	\$ 245,081	\$ 1,055,546
Receivables (net)			
Accounts	236,697	30,396	267,093
Intergovernmental	6,282	0	6,282
Inventory	61,141	0	61,141
Prepaid items	12,252	2,984	15,236
Due from other funds	7,668	614,359	622,027
Restricted intergovernmental receivable	15,300	0	15,300
	<u>1,149,805</u>	<u>892,820</u>	<u>2,042,625</u>
Total current assets			
Restricted assets			
Debt Service			
Cash and cash equivalents	185,698	281,460	467,158
Intergovernmental receivable	202,050	0	202,050
Customer Deposits			
Cash and cash equivalents	39,535	0	39,535
	<u>427,283</u>	<u>281,460</u>	<u>708,743</u>
Total restricted assets			
Noncurrent assets			
Capital assets			
Non-depreciable	171,393	25,160	196,553
Depreciable (net)	10,220,613	760,812	10,981,425
	<u>10,392,006</u>	<u>785,972</u>	<u>11,177,978</u>
Total noncurrent assets			
Total assets	<u>11,969,094</u>	<u>1,960,252</u>	<u>13,929,346</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension	36,858	9,934	46,792
	<u>36,858</u>	<u>9,934</u>	<u>46,792</u>
LIABILITIES			
Current liabilities			
Accounts payable	40,422	18,915	59,337
Accrued salaries	10,711	6,651	17,362
Other payroll liabilities	2,724	0	2,724
Due to other funds	613,046	0	613,046
Notes payable	118,697	9,429	128,126
Liabilities payable from restricted assets			
Interest	20,740	492	21,232
Customer deposits payable	39,535	0	39,535
Bonds payable	91,957	0	91,957
	<u>937,832</u>	<u>35,487</u>	<u>973,319</u>
Total current liabilities			

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Water and Sewerage	Water Treatment Plant	Totals
Noncurrent liabilities			
Net pension liability	\$ 48,383	\$ 6,934	\$ 55,317
Notes payable	1,335,136	188,413	1,523,549
Bonds payable	2,680,053	0	2,680,053
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	4,063,572	195,347	4,258,919
	<hr/>	<hr/>	<hr/>
Total liabilities	5,001,404	230,834	5,232,238
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	96,075	52,371	148,446
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net investment in capital assets	6,159,593	588,130	6,747,723
Restricted for debt service	382,308	280,968	663,276
Unrestricted	366,572	817,883	1,184,455
	<hr/>	<hr/>	<hr/>
Total net position	\$ 6,908,473	\$ 1,686,981	\$ 8,595,454
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2018

	Water and Sewerage	Water Treatment Plant	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 1,881,394	\$ 669,330	\$ 2,550,724
Miscellaneous revenues	0	3,658	3,658
Total operating revenues	1,881,394	672,988	2,554,382
OPERATING EXPENSES			
Costs of sales and services	952,422	272,931	1,225,353
Personal services	340,901	240,695	581,596
Depreciation	573,871	70,346	644,217
Total operating expenses	1,867,194	583,972	2,451,166
Operating income (loss)	14,200	89,016	103,216
Non-operating revenues (expenses)			
Investment income	13,205	556	13,761
Interest expense	(152,644)	(6,325)	(158,969)
Gain (loss) on sale of assets	896	0	896
Total non-operating revenues (expenses)	(138,543)	(5,769)	(144,312)
Net Income (loss) before transfers	(124,343)	83,247	(41,096)
Transfers in (out)			
Transfers in	19,377	0	19,377
Transfers out	0	(18,000)	(18,000)
Total transfers in (out)	19,377	(18,000)	1,377
Change in net position	(104,966)	65,247	(39,719)
Net position, July 1 (original)	7,179,733	1,597,290	8,777,023
Prior period adjustments	(166,294)	24,444	(141,850)
Net position, July 1 (restated)	7,013,439	1,621,734	8,635,173
Net position, June 30	\$ 6,908,473	\$ 1,686,981	\$ 8,595,454

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2018

	<u>Water and Sewerage</u>	<u>Water Treatment Plant</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers	\$ 1,824,795	\$ 690,999	\$ 2,515,794
Payments to suppliers	(949,475)	(268,531)	(1,218,006)
Payments to employees	(347,040)	(249,375)	(596,415)
Other receipts	<u>0</u>	<u>3,658</u>	<u>3,658</u>
Net cash provided (used) by operating activities	<u>528,280</u>	<u>176,751</u>	<u>705,031</u>
Cash flows from non-capital financing activities:			
Receipt from other funds	39,788	0	39,788
Payments to other funds	<u>(817)</u>	<u>(39,723)</u>	<u>(40,540)</u>
Net cash provided (used) by non-capital related financing activities	<u>38,971</u>	<u>(39,723)</u>	<u>(752)</u>
Cash flows from capital and related financing activities:			
Receipts from other governments	12,005	0	12,005
Receipts from capital related notes payable	14,400	0	14,400
Sale of capital assets	896	0	896
Interest paid	(157,305)	(6,348)	(163,653)
Acquisition of capital assets	(203,098)	(6,065)	(209,163)
Payments of notes payable	(113,429)	(9,139)	(122,568)
Principal payments - revenue bonds	<u>(216,938)</u>	<u>0</u>	<u>(216,938)</u>
Net cash provided (used) by capital and related financing activities	<u>(663,469)</u>	<u>(21,552)</u>	<u>(685,021)</u>
Cash flows from investing activities:			
Interest received	<u>13,205</u>	<u>556</u>	<u>13,761</u>
Net increase (decrease) in cash and cash equivalents	(83,013)	116,032	33,019
Cash and cash equivalents, July 1	<u>1,118,711</u>	<u>410,509</u>	<u>1,529,220</u>
Cash and cash equivalents, June 30	<u><u>\$ 1,035,698</u></u>	<u><u>\$ 526,541</u></u>	<u><u>\$ 1,562,239</u></u>

CITY OF HIAWASSEE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2018

	<u>Water and Sewerage</u>	<u>Water Treatment Plant</u>	<u>Totals</u>
Reconciliation of operating income (loss)			
to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 14,200	\$ 89,016	\$ 103,216
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	573,871	70,346	644,217
(Increase) decrease in accounts receivable	(9,202)	21,669	12,467
(Increase) decrease in deferred outflows of resources - pension	17,817	19,471	37,288
(Increase) decrease in inventory	16,911	0	16,911
(Increase) decrease in prepaid items	37,482	6,163	43,645
(Increase) decrease in intergovernmental receivable	(11,588)	0	(11,588)
Increase (decrease) in accounts payable	(51,446)	(1,763)	(53,209)
Increase (decrease) in accrued payroll liabilities	(360)	(3,976)	(4,336)
Increase (decrease) in net pension liability	(39,410)	(32,092)	(71,502)
Increase (decrease) in deferred inflows of resources - pension	15,814	7,917	23,731
Increase (decrease) in customer deposits payable	(35,809)	0	(35,809)
Total adjustments	<u>514,080</u>	<u>87,735</u>	<u>601,815</u>
Net cash provided (used) by operating activities	<u>\$ 528,280</u>	<u>\$ 176,751</u>	<u>\$ 705,031</u>
Cash reconciliation:			
Cash and cash equivalents	\$ 810,465	\$ 245,081	\$ 1,055,546
Debt Service			
Cash and cash equivalents	185,698	281,460	467,158
Customer deposits			
Cash and cash equivalents	<u>39,535</u>	<u>0</u>	<u>39,535</u>
Total cash and cash equivalents	<u>\$ 1,035,698</u>	<u>\$ 526,541</u>	<u>\$ 1,562,239</u>
Noncash capital and related financing activities:			
Acquisitions of capital assets through accounts payable totaled \$6,570.			

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. Description of Government Unit

The City of Hiawassee was incorporated on May 17, 1956 and is located on beautiful Lake Chatuge in Towns County. The City operates under a council-mayor form of government and provides services such as highways and streets, public improvements, and general administrative services, as well as, water and sewerage services provided through an enterprise fund.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business- type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City reports no component units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

Special Purpose Local Option Sales Tax Capital Projects Fund - This fund is used to account for long-term projects financed by the passage of the special purpose local option sales tax passed by the 2011 referendum.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

The City reports the following major proprietary funds:

Water and Sewer Enterprise Fund - This fund is used to account for activities connected with the development, operation, and maintenance of the City's water and sewer systems.

Water Treatment Plant Enterprise Fund - This fund is used to account for activities connected with the operation of the utility system that provides water to the City and other governmental entities.

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Funds – This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Fiduciary Fund Types

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. Currently, the City has no agency funds.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Water Treatment Plant Funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. Budgets and Budgetary Accounting

The City Council adopts an annual operating budget for the General Fund prior to July 1. The operating budget includes proposed expenditures and the means of financing them. The Capital Projects Funds are budgeted by the City Council when capital projects are approved. The budgets are legally enacted by the passage of a resolution.

Prior to the end of the fiscal year, the City Clerk submits to the City Council a proposed operating budget. The proposed budget includes proposed expenditures and the means of financing them.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

Prior to adoption, public hearings are held to receive comment from the citizenry on the proposed budget. These hearings are publicized in the local newspaper one week before the hearings, and the budget document is made available for public inspection during this time. After the public hearings, the budget is adopted by the City Council in an open meeting.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. All operating budget transfers between departments must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

The annual budget for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Funds is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year-end.

The City does not use the encumbrance system of accounting.

H. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

I. Property Taxes Receivable

Taxes receivable represents the past year's delinquent real property taxes. An amount equal to the difference between year-end taxes receivable collected within sixty days after year end and the total year-end collectable taxes receivable has been recorded as unavailable revenue.

J. Intergovernmental Receivables

Receivables for state and federal grants are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the fiscal year ended June 30, 2003. For entities the size of the City of Hiawassee, retroactive reporting of infrastructure assets was not required.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life
	in Years
Buildings	50
Infrastructure	30 - 50
Land improvements	15 - 40
Machinery and equipment	5 - 20
Vehicles	5 - 6

The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows 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/ expenditure) until then. The City reports deferred outflows of resources related to their defined benefit pension plans

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows of Resources, continued

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

N. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

O. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

Q. Fund Balances – Governmental Funds

The City of Hiawassee implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2018, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

Q. Fund Balances – Governmental Funds, continued

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Hiawassee's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the Mayor, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

R. Compensation for Future Absences

Employees are allowed to accrue earned but unused vacation benefits. However, effective July 1 2017, these benefits do not vest; employees are not paid for earned but unused vacation leave upon separation from the Organization. No liability is reported for accumulated vacation benefits because of their non-vesting nature.

S. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

T. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

U. Pensions

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

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City's investment policy requires that all deposits be federally insured or fully collateralized.

Interest Rate Risk

The City's investment policy manages its exposure to fair value losses arising from increasing interest rates by limiting investments in certificates of deposits to terms of 36 months or less.

Credit Risk

The City's investment policy limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign Currency Risk

The City has no investments denominated in a foreign currency.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

4. Accounts Receivable

Net accounts receivable at June 30, 2018 consist of the following:

Primary Government		
Major Funds		
General Fund		\$ 37,518
Enterprise Funds		
Water and Sewerage	\$ 236,697	
Water Treatment Plant	<u>30,396</u>	<u>267,093</u>
Total primary government		<u><u>\$ 304,611</u></u>

5. Intergovernmental Receivables

Intergovernmental receivables at June 30, 2018 consist of the following:

Primary Government		
Major Funds		
General Fund		\$ 22,022
Enterprise Funds		
Water and Sewerage		<u>6,282</u>
Total primary government		<u><u>\$ 28,304</u></u>

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

6. Property Tax Receivables

Taxes receivable as of June 30, 2018 consist of property taxes as follows:

<u>Year of Levy</u>	<u>Amount</u>
2017	\$ 8,295
2016	3,017
2015 and older	6,266
	<u>17,578</u>
Allowance for uncollectible	(5,832)
Total	<u><u>\$ 11,746</u></u>

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for fiscal year 2018, based upon the assessments of January 1, 2017, were levied August 16, 2017, billed on August 18, 2017 and due on January 11, 2018.

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of June 30, 2018 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	SPLOST	\$ 21,412
Hotel/Motel Tax	General	11,788
Water and Sewerage	General	7,668
Water Treatment Plant	Water and Sewerage	613,046
Water Treatment Plant	General	1,313
		<u><u>\$ 655,227</u></u>

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balance result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

7. Interfund Receivables, Payables, and Transfers (continued)

A summary of interfund transfers for the fiscal year ended June 30, 2018 was as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
Hotel/Motel	General	\$ 14,571
General	Water and Sewerage	1,377
Water Treatment Plant	Water and Sewerage	18,000
		<u>\$ 33,948</u>

Transfers were to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them.

8. Intergovernmental Contracts Receivable

The City of Hiawassee and the Towns County Water Authority have entered into a contract whereby the Authority has a reserved capacity of 45% in the Hiawassee surface water treatment plant. A new contract was signed on November 7, 2017. The City has ownership of the plant assets and is responsible for payment of the 1989 Water and Sewerage Revenue Bonds. See Note 11 for further details on related debt. The cost of operating the water treatment and distribution system in the County has been determined by financial analysis to be \$1.86 per thousand gallons of water. Beginning September 1, 2018, the Authority will pay \$1.86 per thousand gallons of water up to 45% of plant capacity plus a 20% surcharge on amounts in excess of the reserve.

It is critical to the finances of both parties to maintain an equitable wholesale contract. On a regular basis, the City and the Authority should review the wholesale cost of water to ensure that the \$1.86 is meeting the cost of producing and delivering water to the Authority.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

8. Intergovernmental Contracts Receivable (continued)

Annual requirements for intergovernmental contracts receivable are as follows, based on the balance due at June 30, 2018:

Year Ending June 30,	Current Portion
2019	\$ 15,300
2020	15,750
2021	16,650
2022	17,550
2023	18,450
2024-2028	108,000
2029	25,650
Totals	<u>\$ 217,350</u>

9. Capital Assets

Capital asset activity for the primary government for the fiscal year ended June 30, 2018 was as follows:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Governmental activities				
Non-depreciable assets				
Construction in progress	\$ 155,183	\$ 44,510	\$ 0	\$ 199,693
Total non-depreciable assets	<u>155,183</u>	<u>44,510</u>	<u>0</u>	<u>199,693</u>
Depreciable assets				
Buildings	673,834	0	0	673,834
Infrastructure	276,909	61,571	0	338,480
Land improvements	1,892	0	0	1,892
Machinery and equipment	89,896	3,415	(5,660)	87,651
Vehicles	143,857	7,500	(51,287)	100,070
Total depreciable assets	<u>1,186,388</u>	<u>72,486</u>	<u>(56,947)</u>	<u>1,201,927</u>
Accumulated depreciation				
Buildings	(57,465)	(13,476)	0	(70,941)
Infrastructure	(92,389)	(12,621)	0	(105,010)
Land improvements	(1,253)	(95)	0	(1,348)
Machinery and equipment	(59,532)	(7,030)	5,660	(60,902)
Vehicles	(103,242)	(14,444)	51,287	(66,399)
Total accumulated depreciation	<u>(313,881)</u>	<u>(47,666)</u>	<u>56,947</u>	<u>(304,600)</u>
Total depreciable assets, net	<u>872,507</u>	<u>24,820</u>	<u>0</u>	<u>897,327</u>
Governmental activities capital assets, net	<u>\$ 1,027,690</u>	<u>\$ 69,330</u>	<u>\$ 0</u>	<u>\$ 1,097,020</u>

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

9. Capital Assets (continued)

	<u>Balance 6/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 53,015	\$ 0	\$ 0	\$ 53,015
Construction in progress	28,060	115,478	0	143,538
Total non-depreciable assets	<u>81,075</u>	<u>115,478</u>	<u>0</u>	<u>196,553</u>
Depreciable assets				
Buildings	2,870,042	4,862	0	2,874,904
Infrastructure	12,903,859	705,894	0	13,609,753
Machinery and equipment	3,532,601	95,392	(744,517)	2,883,476
Total depreciable assets	<u>19,306,502</u>	<u>806,148</u>	<u>(744,517)</u>	<u>19,368,133</u>
Accumulated depreciation				
Buildings	(1,627,524)	(71,869)	0	(1,699,393)
Infrastructure	(4,794,142)	(408,856)	0	(5,202,998)
Machinery and equipment	(1,359,449)	(234,081)	109,213	(1,484,317)
Total accumulated depreciation	<u>(7,781,115)</u>	<u>(714,806)</u>	<u>109,213</u>	<u>(8,386,708)</u>
Total depreciable assets, net	<u>11,525,387</u>	<u>91,342</u>	<u>(635,304)</u>	<u>10,981,425</u>
Business-type activities capital assets, net	<u>\$ 11,606,462</u>	<u>\$ 206,820</u>	<u>\$ (635,304)</u>	<u>\$ 11,177,978</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 30,321
Public Safety	<u>17,345</u>
Total depreciation expense for governmental activities	<u>\$ 47,666</u>

Business-type activities

Water and Sewer	\$ 573,871
Water Treatment Plant	<u>70,346</u>
Total depreciation expense for business-type activities	<u>\$ 644,217</u>

During the fiscal year, certain assets were reclassified. The reclassification of assets and corresponding accumulated depreciation is reflected in the increases and decreases above.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

10. Short-Term Debt

Governmental Activities

The City has entered into a loan agreement with a local bank. The loan proceeds were used to pay off an installment loan for a Ford Explorer for the Police Department that was purchased during fiscal year 2016. The note called for ten regular payments of \$572.37 at 3.15% interest and a balloon payment due at December 31, 2017. As of June 30, 2018, the balance of this loan is \$0.

Changes in Short-Term Debt

The following is a summary of changes in short-term debt of the City for fiscal year ended June 30, 2018:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental activities				
Short-term debt	<u>\$ 17,450</u>	<u>\$ 0</u>	<u>\$ 17,450</u>	<u>\$ 0</u>

11. Long-Term Debt

Business-Type Activities

Bonds Payable

Series 2012 Revenue Bonds: The Series 2012 revenue bonds were originally issued for \$996,000 with an interest rate of 2.75% to the United States Department of Agriculture, Rural Development. The bonds are payable in monthly installments of \$3,477 through 2053. The proceeds from the bonds were used for the cost of acquiring, constructing, and installing the sewerage improvements project, refunding the interim loan, and paying for the costs of issuance. The balance at June 30, 2018 is \$933,504.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

11. Long-Term Debt (continued)

Series 1999A and 1999B Revenue Bonds: The Series 1999A and 1999B revenue bonds were originally issued for \$812,800 and \$1,065,500, respectively. The interest rates on the Series 1999A and 1999B bonds are 3.25% and 4.375%, respectively. The bonds are payable in monthly installments of \$7,826 through 2039. The proceeds from the bonds were used for constructing, expanding, and repairing the water and sewer system. The balance at June 30, 2018 is \$1,355,506.

Series 1989A and 1989B Revenue Bonds: The Series 1989A and 1989B revenue bonds were originally issued for \$742,000 and \$232,000, respectively. The interest rates on the Series 1989A and 1989B bonds are 5% and 5%, respectively. The bonds are payable in annual installments of \$9,000 to \$57,000, plus interest. The proceeds from the bonds were used for constructing, expanding, and repairing the water and sewer system. Through an intergovernmental agreement, Towns County Water Authority is responsible for 45% of this debt. See Note 8 for more details. The balance at June 30, 2018 is \$483,000.

Series 1984 Revenue Bonds: The Series 1984 revenue bonds were originally issued for \$274,000 with an interest rate of 8.375%. The bonds are payable in annual installments of \$1,000 to \$20,000, plus interest. The proceeds from the bonds were used for constructing and expanding the water and sewer system. This bond was paid in full during 2018.

Revenue bonds currently outstanding mature as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 91,957	\$ 101,828	\$ 193,785
2020	95,052	98,034	193,086
2021	99,227	94,109	193,336
2022	103,482	90,004	193,486
2023	107,823	85,713	193,536
2024-2028	612,439	357,191	969,630
2029-2033	502,772	235,258	738,030
2034-2038	534,190	143,990	678,180
2039-2043	267,809	63,067	330,876
2044-2048	170,773	37,847	208,620
2049-2053	186,486	12,707	199,193
Totals	<u>\$ 2,772,010</u>	<u>\$ 1,319,748</u>	<u>\$ 4,091,758</u>

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

11. Long-Term Debt (continued)

Notes Payable

Notes Payable - GEFA: The City has incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewerage system projects. These notes, including their original balances, are as follows at June 30, 2018:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Balance</u>
0.50%	10 years	2027	\$ 285,691
3.00%	20 years	2029	1,221,800
3.81%	20 years	2032	400,000
3.13%	20 years	2035	230,000
3.00%	20 years	2031	160,500

Annual debt service requirements for notes payable are as follows, based on the balance owed at June 30, 2018:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 128,126	44,258	\$ 172,384
2020	131,469	40,917	172,386
2021	134,916	37,470	172,386
2022	138,470	33,916	172,386
2023	142,135	30,251	172,386
2024-2028	742,875	92,200	835,075
2029-2033	213,579	17,489	231,068
2034-2035	20,105	446	20,551
Total	<u>\$ 1,651,675</u>	<u>\$ 296,947</u>	<u>\$ 1,948,622</u>

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

11. Long-Term Debt (continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the fiscal year ended June 30, 2018:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Governmental activities					
Capital leases	\$ 9,965	\$ 0	\$ 9,965	\$ 0	\$ 0
Compensated absences	6,703	0	6,703	0	0
Total governmental activities	<u>\$ 16,668</u>	<u>\$ 0</u>	<u>\$ 16,668</u>	<u>\$ 0</u>	<u>\$ 0</u>
 Business-type activities					
Notes payable	\$ 1,774,243	\$ 0	\$ 122,568	\$ 1,651,675	\$ 128,126
Bonds payable	2,988,948	0	216,938	2,772,010	91,957
Compensated absences	9,553	0	9,553	0	0
Total business-type activities	<u>\$ 4,772,744</u>	<u>\$ 0</u>	<u>\$ 349,059</u>	<u>\$ 4,423,685</u>	<u>\$ 220,083</u>

In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund. The total interest incurred and charged to expense to the governmental activities and business-type activities for the fiscal year ended June 30, 2018 was \$413 and \$158,969, respectively.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

12. Nonspendable, Restricted, and Assigned Fund Balances

The following is a summary of nonspendable, restricted, and assigned fund balances of the governmental funds for the fiscal year ended June 30, 2018:

	<u>General</u>	<u>SPLOST</u>	<u>Nonmajor Hotel/Motel</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 15,812	\$ 0	\$ 0	\$ 15,812
Restricted for:				
Public Safety				
Police facilities and equipment	\$ 2,232	\$ 0	\$ 0	\$ 2,232
Capital projects	17,469	165,684	0	183,153
	<u>\$ 19,701</u>	<u>\$ 165,684</u>	<u>\$ 0</u>	<u>\$ 185,385</u>
Assigned for:				
Housing and Development				
Tourism and City promotion	\$ 0	\$ 0	\$ 35,467	\$ 35,467

13. Risk Management

The City 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 for which the government carries commercial insurance. The City has elected to manage its risk financing activities through the purchase of commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

There have been no insurance settlements exceeding insurance coverage for any of the past three fiscal years.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. Pension Plan

Plan Description. The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a state-wide agent, multiple-employer retirement system, administered by the Georgia Municipal Association. This is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries. The City retains the authority to amend the adoption agreement, which defines the specific operational provisions of the plan.

Control over the operation and administration of the plan is vested with GMEBS along with custody of the plan assets. The plan provides that the City has no liability with respect to payments or benefits or otherwise under the plan except to pay over to GMEBS such actuarially determined contributions as are required to meet minimum funding standards of the Public Retirement Systems Standards Law and provide benefits thereunder. If terminated, the plan provides that if there are funds remaining after the satisfaction of all liabilities, such funds shall not revert to the City but shall be allocated to employees. All employees are eligible for immediate participation. Officials are covered under the plan and are eligible for immediate participation.

There are no loans to any of the City officials or other "party-in-interest," and there are no prohibited transactions. The plan assets do not include any securities or investments in the City of Hiawassee. The funds are managed by independent money managers.

The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

At January 1, 2018, the date of the most recent actuarial valuation, current membership in the plan is as follows:

Retirees and beneficiaries currently receiving benefits	7
Vested former participants	4
Active participants	<u>13</u>
Total number of participants	<u>24</u>

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. Pension Plan (continued)

Benefits Provided. The plan provides retirement and death benefits. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 65 with no reduction in benefit. Officials are eligible to retire at age 65 with no reduction of benefits. Members are eligible for early retirement with reduced benefits based on the early retirement reduction table at age 55 after 10 years of service. The benefit formula is 1.5% with a five-year vesting schedule. Officials and Class One members benefit formula is 1.5% with benefits vesting immediately.

Contributions. Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the fiscal year ended June 30, 2018 was \$59,107, or 10.80% of covered payroll. Covered payroll totaled \$500,354 for the fiscal year ended June 30, 2018. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the City reported a net pension liability of \$104,045. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. For the fiscal year ended June 30, 2018, the City recognized pension expense of \$77. In prior years, net pension liabilities for governmental activities has been liquidated in the General Fund.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. Pension Plan (continued)

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 12,751	\$ 0
Differences between expected and actual experience	34,880	(160,403)
Changes of assumptions	17,960	(11,788)
Net difference between projected and actual earnings on pension plan investments	0	(68,617)
Totals	<u>\$ 65,591</u>	<u>\$ (240,808)</u>

The \$12,751 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	Deferred (Inflows) Outflows of Resources
2019	\$ (48,137)
2020	(42,396)
2021	(55,665)
2022	(48,743)
2023	6,973
Totals	<u>\$ (187,968)</u>

Actuarial Assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	0.00%
Net investment rate of return	7.50%
Actuarial cost method	Entry Age Normal
Amortization method	Closed Level Dollar
Remaining amortization period	10 years

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. Pension Plan (continued)

Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and on year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The mortality and economic actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

The long-term expected 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 weighing 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 March 31, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Total	100%	

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. Pension Plan (continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The components of the net pension liability are as follows:

	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 9/30/16	\$ 1,369,439	\$ 1,149,984	\$ 219,455
Changes for the year:			
Service cost	29,031	0	29,031
Interest	103,657	0	103,657
Differences between expected and actual experience	(33,370)	0	(33,370)
Contributions—employer	0	66,894	(66,894)
Net investment income	0	174,873	(174,873)
Benefit payments, including refunds of employee contributions	(63,861)	(63,861)	0
Administrative expense	0	(4,591)	4,591
Other	22,448	0	22,448
Net changes	57,905	173,315	(115,410)
Balances at 9/30/17	\$ 1,427,344	\$ 1,323,299	\$ 104,045
Plan fiduciary net position as a percentage of total pension liability		92.71%	
Covered payroll		\$ 500,354	
Net pension liability as a percentage of covered payroll		20.79%	

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

14. Pension Plan (continued)

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	\$ 277,980
Current discount rate	7.50%	104,045
1% increase	8.50%	(42,226)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report

Other Plans

In addition to the plan above, various City employees are covered under the Peace Officers' Annuity and Benefit Fund of Georgia, which is considered a special funding situation. Further information regarding this plan can be obtained from the plan's annual report. These plans are immaterial to the financial statements.

15. Excess of Expenditures over Appropriations in Individual Governmental Funds for which Budgets are Adopted

During the year the City incurred expenditures in the General Fund, which were in excess of the amounts appropriated:

Department	Expenditures	Appropriations	Variance
Police Department	\$ 414,938	\$ 392,000	\$ (22,938)
Debt Service	10,378	50	(10,328)

Management concurs with this finding. The City Mayor will review the comparative financial statements on a periodic basis and recommend any necessary budget amendments to the City Council. This action was taken immediately upon receipt of the comment from our auditors.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

16. Hotel/Motel Lodging Tax

The City has levied a 5% lodging tax in accordance with OCGA 48-13-51. A summary of the transactions for the year ended June 30, 2018 follows:

Lodging tax receipts	\$ 101,288	
Disbursements for tourism	\$ 66,384	65.54% of tax receipts

17. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. During fiscal year ended June 30, 2018, the city paid no such dues because currently all dues are paid on the City's behalf by Towns County. Membership in a regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the regional commissions in Georgia. The regional commission Board membership includes the chief elected official in each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional commission. A copy of the GMRC financial statements can be obtained from the GMRC, 1310 West Ridge Road, Gainesville, GA 30501.

18. Commitments and Contingencies

Commitments

As of June 30, 2018, contractual commitments on uncompleted contracts were \$290,930.

Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

19. Changes in Beginning Balances

Governmental Activities

A prior period adjustment has been made to correct the deferred outflows of resources for pension contributions for subsequent year at June 30, 2017. This adjustment decreased beginning net position by \$7,100.

General Fund

A prior period adjustment has been made to eliminate the recording of fines receivable at June 30, 2017. This adjustment decreased beginning fund balance by \$23,268.

A prior period adjustment has been made to correct the recording of Local Option Sales and Use Tax receivable at June 30, 2017. This adjustment decreased beginning fund balance by \$18,550.

A prior period adjustment has been made to correct the recording of unearned revenue at June 30, 2017. This adjustment increased beginning fund balance by \$60,294.

A prior period adjustment has been made to correct the recording of property taxes receivable at June 30, 2017. This adjustment decreased beginning fund balance by \$60,294.

A prior period adjustment has been made to correct the recording of prepaid expenses at June 30, 2017. This adjustment increased beginning fund balance by \$10,117.

The net effect of these adjustments was to decrease beginning fund balance in the General Fund by \$31,701.

The net effect of these adjustments was to decrease beginning net position in the Governmental Activities by \$38,801.

Business-Type Activities

Water and Sewerage Enterprise Fund

A prior period adjustment has been made to correct the recording of accounts payable at June 30, 2017. This adjustment decreased beginning net position by \$8,486.

A prior period adjustment has been made to correct the recording of accounts receivable at June 30, 2017. This adjustment decreased beginning net position by \$83,485.

A prior period adjustment has been made to correct the deferred outflows of resources for pension contributions for subsequent year at June 30, 2017. This adjustment decreased beginning net position by \$8,820.

CITY OF HIAWASSEE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

19. Changes in Beginning Balances (continued)

A prior period adjustment has been made to eliminate the recording of closing costs at June 30, 2017. This adjustment decreased beginning net position by \$25,727.

A prior period adjustment has been made to correct the recording of payments due to the Water Treatment Plant Fund at June 30, 2017. This adjustment decreased beginning net position by \$24,909.

A prior period adjustment has been made to correct the recording of customer deposits payable at June 30, 2017. This adjustment decreased beginning net position by \$20,487.

A prior period adjustment has been made to correct the recording of prepaid expenses at June 30, 2017. This adjustment increased beginning fund balance by \$5,620.

The net effect of these adjustments was to decrease beginning net position in the Water and Sewerage Enterprise Fund by \$166,294.

Water Treatment Plant Enterprise Fund

A prior period adjustment has been made to correct the recording of payments due from the Water and Sewerage Fund at June 30, 2017. This adjustment increased beginning net position by \$24,909.

A prior period adjustment has been made to correct the deferred outflows of resources for pension contributions for subsequent year at June 30, 2017. This adjustment decreased beginning net position by \$4,961.

A prior period adjustment has been made to correct the recording of prepaid expenses at June 30, 2017. This adjustment increased beginning fund balance by \$4,496.

The net effect of these adjustments was to increase beginning net position in the Water Treatment Plant Enterprise Fund by \$24,444.

20. Subsequent Events

On October 18, 2018, the City entered into a debt agreement with the Georgia Environmental Finance Authority for \$800,000 at 1.63% to upgrade and expand the Water Treatment Plant Facility. The City has evaluated other subsequent events through December 12, 2018, the date the financial statements were available to be issued. During this period, the City did not note any other material recognizable subsequent events that required recognition or disclosure in the accompanying financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIAWASSEE, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS
June 30, 2018
(Unaudited)

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 29,031	\$ 28,478	\$ 26,612	\$ 27,525
Interest	103,657	111,159	100,166	96,313
Differences between expected and actual experience	(33,370)	(182,764)	55,809	(23,720)
Benefit payments, including refunds of employee contributions	(63,861)	(43,485)	(38,012)	(15,639)
Other	22,448	0	0	(23,572)
	<u>57,905</u>	<u>(86,612)</u>	<u>144,575</u>	<u>60,907</u>
Net change in total pension liability	57,905	(86,612)	144,575	60,907
Total pension liability - beginning	<u>1,369,439</u>	<u>1,456,051</u>	<u>1,311,476</u>	<u>1,250,569</u>
Total pension liability - ending (a)	<u><u>\$ 1,427,344</u></u>	<u><u>\$ 1,369,439</u></u>	<u><u>\$ 1,456,051</u></u>	<u><u>\$ 1,311,476</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 66,894	\$ 77,828	\$ 83,703	\$ 74,942
Net investment income	174,873	113,684	9,111	93,055
Benefit payments, including refunds of employee contributions	(63,861)	(43,485)	(38,012)	(15,639)
Administrative expense	(4,591)	(2,375)	(2,519)	(2,013)
	<u>173,315</u>	<u>145,652</u>	<u>52,283</u>	<u>150,345</u>
Net change in total pension liability	173,315	145,652	52,283	150,345
Plan fiduciary net position - beginning	<u>1,149,984</u>	<u>1,004,332</u>	<u>952,049</u>	<u>801,704</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,323,299</u></u>	<u><u>\$ 1,149,984</u></u>	<u><u>\$ 1,004,332</u></u>	<u><u>\$ 952,049</u></u>
Net pension liability (asset) - ending : (a) - (b)	<u><u>\$ 104,045</u></u>	<u><u>\$ 219,455</u></u>	<u><u>\$ 451,719</u></u>	<u><u>\$ 359,427</u></u>
Plan's fiduciary net position as a percentage of the total pension liability	92.71%	83.97%	68.98%	72.59%
Covered payroll	\$ 500,354	\$ 703,240	\$ 770,166	\$ 797,509
Net pension liability as a percentage of covered payroll	20.79%	31.21%	58.65%	45.07%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only four years are reported.

CITY OF HIAWASSEE, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
June 30, 2018
(Unaudited)

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 59,107	\$ 83,526	\$ 75,929	\$ 78,472
Contributions in relation to the actuarially determined contribution	<u>(59,107)</u>	<u>(83,526)</u>	<u>(75,929)</u>	<u>(78,472)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 547,332	\$ 703,240	\$ 770,166	\$ 797,509
Contributions as a percentage of covered payroll	10.80%	11.88%	9.86%	9.84%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only four years are reported.

CITY OF HIAWASSEE, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018
(Unaudited)

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2019.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Entry Age Normal

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Net investment rate of return = 7.50%

Projected salary increases = 2.75% plus service based merit increases

Cost of living adjustments = 0.00%

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

CITY OF HIAWASSEE, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018
(Unaudited)

3. Changes in Benefits

Effective April 4, 2017, the Mayor in such position on April 7, 2017 will be treated as an Employee who took office on March 5, 1996.

4. Changes of Assumptions

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

- The investment return assumption was decreased from 7.75% to 7.50%.
- The inflation assumption was decreased from 3.25% to 2.75%.

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GENERAL FUND

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

CITY OF HIAWASSEE, GEORGIA
GENERAL FUND
BALANCE SHEET
June 30, 2018

ASSETS

Cash and cash equivalents	\$ 129,262
Receivables (net)	
Accounts	37,518
Taxes	11,746
Intergovernmental	22,022
Prepaid items	15,812
Due from other funds	21,412
Restricted assets	
Cash and cash equivalents	19,701
	<hr/>
Total assets	\$ 257,473
	<hr/> <hr/>

LIABILITIES

Accounts payable	\$ 24,575
Accrued salaries	9,976
Due to other funds	20,769
	<hr/>
Total liabilities	55,320
	<hr/>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes	10,268
	<hr/>

FUND BALANCES

Nonspendable:	
Prepaid items	15,812
Restricted for:	
Public Safety	2,232
Capital outlay	17,469
Unassigned	156,372
	<hr/>
Total fund balances	191,885
	<hr/>

Total liabilities, deferred inflows of resources, and fund balances	\$ 257,473
	<hr/> <hr/>

CITY OF HIAWASSEE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the fiscal year ended June 30, 2018

REVENUES

Taxes	\$ 627,386
Licenses and permits	12,381
Fines, fees, and forfeitures	184,078
Charges for services	9,801
Intergovernmental	33,535
Interest	1,142
Contributions	<u>527</u>

Total revenues	<u>868,850</u>
-----------------------	----------------

EXPENDITURES

Current	
General Government	332,523
Judicial	5,144
Public Safety	414,938
Debt service	<u>10,378</u>

Total expenditures	<u>762,983</u>
---------------------------	----------------

Excess (deficiency) of revenues over (under) expenditures	<u>105,867</u>
---	----------------

Other financing sources (uses)

Transfers in (out)	
Water and Sewerage	(1,377)
Hotel/Motel Tax	14,571
Sales of capital assets	<u>4,690</u>

Total other financing sources (uses)	<u>17,884</u>
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Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>123,751</u>
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Fund balances, July 1 (original)	99,835
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Prior period adjustments	<u>(31,701)</u>
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Fund balances, July 1 (restated)	<u>68,134</u>
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Fund balances, June 30	<u><u>\$ 191,885</u></u>
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CITY OF HIAWASSEE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes			
Property taxes	\$ 183,000	\$ 165,236	\$ (17,764)
Motor vehicle tax	600	51,647	51,047
Franchise tax	33,000	37,139	4,139
Local option sales tax	200,000	198,518	(1,482)
Occupational tax	54,000	52,770	(1,230)
Insurance premium tax	70,000	58,486	(11,514)
Alcoholic beverage tax	70,000	61,352	(8,648)
Other taxes	1,380	2,238	858
Total taxes	<u>611,980</u>	<u>627,386</u>	<u>15,406</u>
Licenses and Permits			
Building permits	5,000	6,050	1,050
Other permits	5,800	6,331	531
Total licenses and permits	<u>10,800</u>	<u>12,381</u>	<u>1,581</u>
Fines, fees, and forfeitures	<u>177,070</u>	<u>184,078</u>	<u>7,008</u>
Charges for Services	<u>9,580</u>	<u>9,801</u>	<u>221</u>
Intergovernmental	<u>48,700</u>	<u>33,535</u>	<u>(15,165)</u>
Interest	<u>650</u>	<u>1,142</u>	<u>492</u>
Contributions	<u>200</u>	<u>527</u>	<u>327</u>
Total revenues	<u><u>\$ 858,980</u></u>	<u><u>\$ 868,850</u></u>	<u><u>\$ 9,870</u></u>

CITY OF HIAWASSEE, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Current			
General Government			
Administration			
Personal services	\$ 88,600	\$ 84,705	\$ 3,895
Contractual services	400,330	196,025	204,305
Materials and supplies	46,700	48,086	(1,386)
Capital outlay	15,400	3,415	11,985
Payments to others	0	292	(292)
Total Administration	<u>551,030</u>	<u>332,523</u>	<u>218,507</u>
Public Safety			
Police Department			
Personal services	262,400	290,172	(27,772)
Contractual services	41,600	49,143	(7,543)
Materials and supplies	17,600	22,548	(4,948)
Capital outlay	22,500	7,500	15,000
Payments to others	47,900	45,575	2,325
Total Police Department	<u>392,000</u>	<u>414,938</u>	<u>(22,938)</u>
Judicial			
Municipal Court			
Personal services	6,000	5,144	856
Total current	<u>949,030</u>	<u>752,605</u>	<u>196,425</u>
Debt Service			
Public Safety			
Police Department	50	10,378	(10,328)
Total expenditures	<u>\$ 949,080</u>	<u>\$ 762,983</u>	<u>\$ 186,097</u>

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally, or donor restricted to expenditure for specific purposes.

Hotel/Motel Tax Fund – This fund is used to account for monies collected from the 5% lodging tax. Revenue are collected by State law for the promotion of tourism, conventions, and trade shows.

**CITY OF HIAWASSEE, GEORGIA
HOTEL/MOTEL TAX
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2018**

ASSETS

Cash and cash equivalents	\$	23,679
Due from other funds		<u>11,788</u>

Total assets	\$	<u>35,467</u>
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FUND BALANCES

Assigned for Housing and Development	\$	<u>35,467</u>
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CITY OF HIAWASSEE, GEORGIA
HOTEL/MOTEL TAX
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the fiscal year ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Hotel/motel taxes	\$ 85,000	\$ 101,288	\$ 16,288
EXPENDITURES			
Current			
Housing and Development			
Tourism			
Chamber of Commerce	85,000	66,384	18,616
Excess (deficiency) of revenues over (under) expenditures	0	34,904	34,904
Other financing sources (uses)			
Transfers out	0	(14,571)	(14,571)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	20,333	20,333
Fund balances, July 1	0	15,134	15,134
Fund balances, June 30	<u>\$ 0</u>	<u>\$ 35,467</u>	<u>\$ 35,467</u>

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CAPITAL PROJECTS FUNDS

These funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax passed by the 2011 referendum.

CITY OF HIAWASSEE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2018

ASSETS

Cash and cash equivalents	\$ 187,224
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LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 128
Due to other funds	21,412

Total liabilities	21,540
--------------------------	--------

Fund Balances

Restricted for capital projects	165,684
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Total liabilities and fund balances	\$ 187,224
--	-------------------

CITY OF HIAWASSEE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the fiscal year ended June 30, 2018

REVENUES

Intergovernmental	\$	15,561
Interest income		230

Total revenues		<u>15,791</u>
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EXPENDITURES

Capital Outlay		<u>107,464</u>
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Total expenditures		<u>107,464</u>
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Excess (deficiency) of revenues over (under) expenditures		(91,673)
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Fund balances, July 1		<u>257,357</u>
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Fund balances, June 30	\$	<u><u>165,684</u></u>
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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewerage Fund - Used to account for activities connected with the development, operation and maintenance of the City of Hiawassee's water and sewer system.

Water Treatment Plant Fund - Used to account for activities connected with the operation of the utility system that provides water in the City of Hiawassee.

CITY OF HIAWASSEE, GEORGIA
WATER AND SEWERAGE ENTERPRISE FUND
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 810,465
Receivables (net)	
Accounts	236,697
Intergovernmental	6,282
Inventory	61,141
Prepaid items	12,252
Due from other funds	7,668
Restricted intergovernmental receivable	15,300
	<hr/>
Total current assets	1,149,805

Restricted assets

Debt Service	
Cash and cash equivalents	185,698
Intergovernmental receivable	202,050
Customer Deposits	
Cash and cash equivalents	39,535
	<hr/>
Total restricted assets	427,283

Capital assets

Land	53,015
Construction in progress	118,378
Machinery and equipment	2,502,176
Water and sewer system	15,778,764
Accumulated depreciation	(8,060,327)
	<hr/>
Capital assets (net of accumulated depreciation)	10,392,006
	<hr/>
Total assets	11,969,094

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pension	36,858
	<hr/>

LIABILITIES

Current liabilities

Accounts payable	40,422
Accrued Salaries	10,711
Other payroll liabilities	2,724
Due to other funds	613,046
Notes payable	118,697
Current liabilities payable from restricted assets	
Interest	20,740
Customer deposits payable	39,535
Bonds payable	91,957
	<hr/>
Total current liabilities	937,832

**CITY OF HIAWASSEE, GEORGIA
WATER AND SEWERAGE ENTERPRISE FUND
STATEMENT OF NET POSITION
June 30, 2018**

Noncurrent liabilities

Net pension liability	\$ 48,383
Notes payable	1,335,136
Bonds payable	<u>2,680,053</u>

Total noncurrent liabilities	<u>4,063,572</u>
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Total liabilities	<u>5,001,404</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pension	<u>96,075</u>
---	---------------

NET POSITION

Net investment in capital assets	6,159,593
Restricted for debt service	382,308
Unrestricted	<u>366,572</u>

Total net position	<u>\$ 6,908,473</u>
---------------------------	----------------------------

CITY OF HIAWASSEE, GEORGIA
WATER AND SEWERAGE ENTERPRISE FUND
STATEMENT OF REVENUES EXPENSES
AND CHANGES IN NET POSITION
For the fiscal year ended June 30, 2018

OPERATING REVENUES

Charges for sales and services	
Water sales	\$ 1,178,552
Sewer charges	<u>702,842</u>
Total operating revenues	<u>1,881,394</u>

OPERATING EXPENSES

Costs of sales and services	952,422
Personal services	340,901
Depreciation	<u>573,871</u>
Total operating expenses	<u>1,867,194</u>

Operating income (loss)	<u>14,200</u>
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Non-operating revenues (expenses)	
Interest revenue	13,205
Interest expense	(152,644)
Gain (loss) on sale of assets	<u>896</u>
Total non-operating revenues (expenses)	<u>(138,543)</u>

Net income (loss) before transfers	<u>(124,343)</u>
------------------------------------	------------------

Transfers in (out)	
General Fund	1,377
Water Treatment Plant Fund	<u>18,000</u>
Total transfers in (out)	<u>19,377</u>

Change in net position	<u>(104,966)</u>
------------------------	------------------

Net position, July 1 (original)	7,179,733
---------------------------------	-----------

Prior period adjustments	<u>(166,294)</u>
--------------------------	------------------

Net position, July 1 (restated)	<u>7,013,439</u>
---------------------------------	------------------

Net position, June 30	<u><u>\$ 6,908,473</u></u>
------------------------------	----------------------------

CITY OF HIAWASSEE, GEORGIA
WATER AND SEWERAGE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 2018

Cash flows from operating activities:

Receipts from customers	\$ 1,824,795
Payments to suppliers	(949,475)
Payments to employees	<u>(347,040)</u>
Net cash provided (used) by operating activities	<u>528,280</u>

Cash flows from non-capital financing activities:

Receipts from other funds	39,788
Payments to other funds	<u>(817)</u>
Net cash provided (used) by non-capital related financing activities	<u>38,971</u>

Cash flows from capital and related financing activities:

Receipts from other governments	12,005
Receipts from capital related notes receivable	14,400
Sale of capital assets	896
Interest paid	(157,305)
Acquisition of capital assets	(203,098)
Principal payments - notes payable	(113,429)
Principal payments - revenue bonds	<u>(216,938)</u>
Net cash provided (used) by capital and related financing activities	<u>(663,469)</u>

Cash flows from investing activities:

Interest received	<u>13,205</u>
Net increase (decrease) in cash and cash equivalents	(83,013)
Cash and cash equivalents, July 1	<u>1,118,711</u>

Cash and cash equivalents, June 30	<u><u>\$ 1,035,698</u></u>
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CITY OF HIAWASSEE, GEORGIA
WATER AND SEWERAGE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 2018

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ 14,200
-------------------------	-----------

Adjustments to reconcile operating loss

to net cash provided (used) by operating activities:

Depreciation expense	573,871
(Increase) decrease in accounts receivable	(9,202)
(Increase) decrease in deferred outflows of resources - pension	17,817
(Increase) decrease in inventory	16,911
(Increase) decrease in prepaid items	37,482
(Increase) decrease in intergovernmental receivable	(11,588)
Increase (decrease) in accounts payable	(51,446)
Increase (decrease) in accrued payroll liabilities	(360)
Increase (decrease) in net pension liability	(39,410)
Increase (decrease) in deferred inflows of resources - pension	15,814
Increase (decrease) in customer deposits payable	(35,809)

Total adjustments	514,080
-------------------	---------

Net cash provided (used) by operating activities	\$ 528,280
--	------------

Cash reconciliation:

Cash and cash equivalents	\$ 810,465
Debt service	
Cash and cash equivalents	185,698
Customer deposits	
Cash and cash equivalents	39,535

Total cash and cash equivalents	\$ 1,035,698
---------------------------------	--------------

Noncash capital and related financing activities:

Acquisitions of capital assets through accounts payable totaled \$6,570
for the fiscal year ended June 30, 2018.

Contributions of capital assets from other funds total \$18,000 (cost of \$43,175 and
accumulated depreciation of \$25,175) for the fiscal year ended June 30, 2018.

CITY OF HIAWASSEE, GEORGIA
WATER TREATMENT PLANT ENTERPRISE FUND
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 245,081
Accounts receivable (net)	30,396
Prepaid items	2,984
Due from other funds	614,359
	<hr/>
Total current assets	892,820

Restricted assets

Debt Service	
Cash and cash equivalents	281,460
	<hr/>

Capital assets

Construction in progress	25,160
Distribution system	705,894
Machinery and equipment	381,301
Accumulated depreciation	(326,383)
	<hr/>
Capital assets (net of accumulated depreciation)	785,972
	<hr/>
Total assets	1,960,252

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pension	9,934
	<hr/>

LIABILITIES

Current liabilities

Payables	
Accounts	18,915
Interest	492
Accrued salaries	6,651
Notes payable	9,429
	<hr/>
Total current liabilities	35,487

Noncurrent liabilities

Net pension liability	6,934
Notes payable	188,413
	<hr/>
Total noncurrent liabilities	195,347
	<hr/>
Total liabilities	230,834

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pension	52,371
	<hr/>

NET POSITION

Net investment in capital assets	588,130
Restricted for debt service	280,968
Unrestricted	817,883
	<hr/>
Total net position	\$ 1,686,981

CITY OF HIAWASSEE, GEORGIA
WATER TREATMENT PLANT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the fiscal year ended June 30, 2018

OPERATING REVENUES

Charges for sales and services - water	\$ 669,330
Miscellaneous revenues	<u>3,658</u>
Total operating revenues	<u>672,988</u>

OPERATING EXPENSES

Costs of sales and services	272,931
Personal services	240,695
Depreciation	<u>70,346</u>
Total operating expenses	<u>583,972</u>

Operating income (loss)	<u>89,016</u>
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Non-operating revenues (expenses)

Interest revenue	556
Interest expense	<u>(6,325)</u>

Total non-operating revenues (expenses)	<u>(5,769)</u>
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Net income (loss) before transfers	83,247
------------------------------------	--------

Transfers in (out)

Water and Sewerage Fund	<u>(18,000)</u>
-------------------------	-----------------

Change in net position	<u>65,247</u>
------------------------	---------------

Net position, July 1 (original)	1,597,290
---------------------------------	-----------

Prior period adjustments	<u>24,444</u>
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Net position, July 1 (restated)	<u>1,621,734</u>
---------------------------------	------------------

Net position, June 30	<u><u>\$ 1,686,981</u></u>
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CITY OF HIAWASSEE, GEORGIA
WATER TREATMENT PLANT ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 2018

Cash flows from operating activities:

Receipts from customers	\$ 690,999
Payments to suppliers	(268,531)
Payments to employees	(249,375)
Other receipts	3,658
	<u>176,751</u>
Net cash provided (used) by operating activities	<u>176,751</u>

Cash flows from non-capital and related financing activities:

Payments to other funds	<u>(39,723)</u>
-------------------------	-----------------

Cash flows from capital and related financing activities:

Acquisition of capital assets	(6,065)
Interest paid	(6,348)
Principal payments - notes payable	<u>(9,139)</u>
Net cash provided (used) by capital financing activities	<u>(21,552)</u>

Cash flows from investing activities

Interest received	<u>556</u>
-------------------	------------

Net increase (decrease) in cash and cash equivalents 116,032

Cash and cash equivalents, July 1 410,509

Cash and cash equivalents, June 30 \$ 526,541

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ 89,016</u>
-------------------------	------------------

Adjustments to reconcile operating loss

to net cash provided (used) by operating activities:

Depreciation expense	70,346
(Increase) decrease in accounts receivable	21,669
(Increase) decrease in prepaid items	6,163
(Increase) decrease in deferred outflows of resources - pension	19,471
Increase (decrease) in accounts payable	(1,763)
Increase (decrease) in accrued payroll liabilities	(3,976)
Increase (decrease) in deferred inflows of resources - pension	7,917
Increase (decrease) in net pension liability	<u>(32,092)</u>

Total adjustments 87,735

Net cash provided (used) by operating activities \$ 176,751

Cash reconciliation:

Cash and cash equivalents	\$ 245,081
Debt service	
Cash and cash equivalents	<u>281,460</u>
Total cash and cash equivalents	<u><u>\$ 526,541</u></u>

Noncash capital and related financing activities:

Contributions of capital assets to other funds total \$18,000 (cost of \$43,175 and accumulated depreciation of \$25,175) for the fiscal year ended June 30, 2018.

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OTHER REPORTING SECTION

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of the City Council
City of Hiawassee, Georgia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the Nonmajor Hotel/Motel Tax Fund of the City of Hiawassee, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Hiawassee, Georgia's the basic financial statements and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following items to be material weaknesses:

2018-001

Condition: There is a lack of segregation of duties, as the City Clerk both prepares checks and signs checks.

Criteria: The duties of disbursements approval and preparation should be separated and assigned to different personnel.

Effect: Failure to maintain adequate separation of duties subjects the City to greater risk of loss due to employee fraud.

Recommendation: City should segregate the approval process from check signing duties and the preparation of disbursements.

2018-001, continued

Management Response: Management concurs with this finding. City staff will separate the check signing duties and the preparation of disbursements. City will also establish a minimum threshold for disbursements requiring prior approval. This action was taken immediately upon receipt of the comment from our auditors.

2018-002

Condition: The 2017 financial statements were restated for errors and incorrectly reported amounts. The beginning balances were materially restated.

Criteria: Generally accepted accounting principles require that assets and liabilities be properly calculated and recorded.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

Recommendation: Management should review their year-end procedures for recording assets and liabilities.

Management Response: Management concurs with this finding. City staff will review all year-end balances to ensure they are properly calculated and recorded. This action was taken immediately upon receipt of the comment from our auditors.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies:

2018-003

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external accountants and auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City of Hiawassee, Georgia. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the City is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors.

Criteria: Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Recommendation: City personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements.

Management Response: Management concurs with this finding. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

2018-004

Condition: While performing audit procedures on utility billing adjustments and credit card purchases, we noted 12 of 20 (60%) adjustments and all credit card purchases did not have evidence of approval on the supporting documentation. All adjustments and credit card purchases reviewed during audit procedures appeared appropriate.

Criteria: Effective internal control requires that proper supporting documentation be maintained for all credit card purchases and that cash disbursements and utility account adjustments be reviewed.

Effect: Failure to approve disbursements, adjustments and maintain proper supporting documentation for credit card disbursements exposes the City to greater risk of loss due to fraud.

Recommendation: To prevent employee fraud, a member of the council who does not have access to the City's credit cards should review and approve credit card expenditures. Cash disbursements and utility account adjustments should be approved by the Mayor or a member of the council.

Management Response: Management concurs with this finding. The City will maintain proper documentation and approval for all credit card disbursements, adjustments and cash disbursements. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hiawasse, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

2018-005

Condition: The General Fund incurred material expenditures over the approved budget. We also noted that the budget is not being approved prior to the beginning of the fiscal year as required by state law.

Criteria: OCGA Code Section 36-81-3 requires local governments to operate under a timely approved annual budget for the General Fund, special revenue funds, and debt service funds.

Effect: Failure to timely approve and maintain expenditures within the balanced budget for the General Fund will place the City in violation of state law.

Recommendation: The City should approve a budget prior to the beginning of the fiscal year as well as adopt a plan to more closely monitor budgets.

Management Response: Management concurs with this finding. The City Mayor will review the comparative financial statements on a periodic basis and recommend any necessary budget amendments to the City Council and approve the budget prior to the beginning of the fiscal year. This action was taken immediately upon receipt of the comment from our auditors.

City of Hiawassee, Georgia's Response to Findings

City of Hiawassee, Georgia's responses to the findings identified in our audit are described above. We did not audit City of Hiawassee, Georgia's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
December 12, 2018

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STATE REPORTING SECTION

This section contains additional reports required by the State of Georgia

CITY OF HIAWASSEE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended June 30, 2018

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
<u>2011 SPLOST</u>					
Parks	\$ 150,000	\$ 160,000	\$ 158,079	\$ 45,893	\$ 203,972
Fire Protection	70,000	12,500	12,500	0	12,500
Downtown Development					
Roads/Sidewalks	120,000	120,000	75,691	61,571	137,262
City Hall & Police Station	200,000	303,570	302,276	0	302,276
Water Plant & Storage					
Water Storage	200,000	144,000	35,954	0	35,954
Pumps	50,000	50,000	0	0	0
Water & Sewer					
Replacement of Infrastructure	303,000	303,000	180,354	0	180,354
Sewer Plant	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,143,000</u>	<u>\$ 1,143,070</u>	<u>\$ 764,854</u>	<u>\$ 107,464</u>	<u>\$ 872,318</u>