

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

Prepared by:
Finance Department

INTRODUCTORY SECTION

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of the City Council of the
City of Chattahoochee Hills, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the **City of Chattahoochee Hills, Georgia** (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Chattahoochee Hills, Georgia'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 major fund, and the aggregate remaining fund information of the City of Chattahoochee Hills, Georgia as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As discussed in Note 2 to the financial statements, the City has suffered deficiencies in cash flows and deficits in fund balance and net position that raise substantial doubt about its ability to continue as a going concern. The City's management has implemented plans in regards to the City's ability to continue as a going concern which are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis), as listed in the table of contents, 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 Chattahoochee Hills, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements have 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013, on our consideration of the City of Chattahoochee Hills, Georgia's 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 Chattahoochee Hills, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 10, 2013

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As management of the City of Chattahoochee Hills, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Chattahoochee Hills for the year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$2,531,071 (net position), representing a \$222,366 increase over the prior year. Of net position, (\$483,090) is a deficit in unrestricted net position.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balance deficits of (\$493,067) an improvement of \$371,096 over the prior years' deficit of (\$864,163). This means that liabilities exceeded assets by \$493,067 for the governmental funds and the City will periodically rely on short term financing to meet cash flow requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Chattahoochee Hills' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide the reader with a broad overview of the City of Chattahoochee Hills' financial position in a manner similar to private-sector business. These statements include the Statement of Net Position and the Statement of Activities and can be found on pages 13 and 14 of this report.

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. for uncollected taxes and earned, but unused employee leave).

Both of the government-wide financial statement report functions for the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The City of Chattahoochee Hills' governmental activities include general government, judicial, public safety, public works, culture and recreation, and community development. The City currently does not have any business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Fund Financial Statements

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

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

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

The City of Chattahoochee Hills maintains one major and two non-major governmental funds. The City's major governmental fund is the General Fund and the City's non-major funds are the E911 Fund and the Hotel/Motel Tax Fund.

The basic governmental fund financial statements are presented on pages 13 through 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City uses an Agency Fund for the collection and remittance of cash appearance bond-related activity for municipal court. The basic fiduciary fund financial statement can be found on page 18 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 are on pages 19 through 34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedule is intended to demonstrate the City's compliance with the legally adopted and amended budgets. Required supplementary information can be found on pages 35 and 36 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2013 the City's assets exceeded liabilities by \$2,531,071. A significant portion of the City's net position is its investment in capital assets (land, buildings, infrastructure, and equipment), less any related debt to acquire those assets. Because the City uses these capital assets to provide services to its residents, these assets are not available for future spending. Although the City's investment in its 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.

The remaining portion of the City's net position represents a deficit in unrestricted net assets of (\$483,090) and is primarily attributable to operating expenditures in excess of revenues from the inception of the City through the current period.

The following table provides a summary of the City's governmental net position for the fiscal years 2013 and 2012.

City of Chattahoochee Hills Net Position				
June 30, 2013 and 2012				
	<u>2013</u>	<u>2012</u>	<u>Inc (Dec)</u>	<u>Percent</u>
Assets				
Current Assets	\$ 528,496	\$ 325,795	\$ 202,701	62.22 %
Capital assets, net of accumulated depreciation	<u>3,045,441</u>	<u>3,255,745</u>	<u>(210,304)</u>	<u>(6.46)</u>
Total assets	<u>3,573,937</u>	<u>3,581,540</u>	<u>(7,603)</u>	<u>(0.21)</u>
Liabilities				
Current liabilities	892,149	1,036,241	(144,092)	(13.91)
Long-term liabilities	<u>150,717</u>	<u>236,594</u>	<u>(85,877)</u>	<u>(36.30)</u>
Total liabilities	1,042,866	1,272,835	(229,969)	(18.07)
Net Position				
Net Investment in capital assets	2,932,904	3,077,163	(144,259)	(4.69)
Restricted for grant programs	81,257			
Unrestricted	<u>(483,090)</u>	<u>(768,458)</u>	<u>285,368</u>	<u>(37.14)</u>
Total net position	<u>\$ 2,531,071</u>	<u>\$ 2,308,705</u>	<u>\$ 222,366</u>	<u>9.63 %</u>

Changes in net position. Governmental activities increased the City's net position by \$222,366 and \$142,414 in fiscal years 2013 and 2012, respectively. The following table indicates the change in net position from the twelve months ended June 30, 2013 and 2012.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

City of Chattahoochee Hills Changes in Net Position
for the Year Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent</u>	
Revenues:					
Program Revenues:					
Charges for services	\$ 182,429	\$ 318,918	\$ (136,489)	(42.80)	%
Operating grants and contributions	59,384	101,699	(42,315)	(41.61)	
Capital grants and contributions	107,536	132,080	(24,544)	(18.58)	
General Revenues:					
Property taxes	996,305	1,154,717	(158,412)	(13.72)	
Other taxes	947,721	937,412	10,309	1.10	
Investment earnings	504	592	(88)	(14.86)	
Total revenues	<u>2,293,879</u>	<u>2,645,418</u>	<u>(351,539)</u>	<u>(13.29)</u>	
Expenses:					
General government	365,595	572,558	(206,963)	(36.15)	
Judicial	75,356	99,353	(23,997)	(24.15)	
Public safety	995,583	1,207,708	(212,125)	(17.56)	
Public works	457,444	455,010	2,434	0.53	
Culture and recreation	102,408	84,932	17,476	20.58	
Community development	45,364	44,052	1,312	2.98	
Interest expenses	29,763	39,391	(9,628)	(24.44)	
Total expenses	<u>2,071,513</u>	<u>2,503,004</u>	<u>(431,491)</u>	<u>(17.24)</u>	
Income	<u>222,366</u>	<u>142,414</u>	<u>\$ 79,952</u>	<u>56.14</u>	%
Net position beginning of year	<u>2,308,705</u>	<u>2,166,291</u>			
Net position end of year	<u>\$ 2,531,071</u>	<u>\$ 2,308,705</u>			

Governmental activities increased the City's net position by \$222,366 in fiscal year 2013. Total revenues decreased (\$351,539), or (13.3%) from the prior year. Charges for services decreased (\$136,489) primarily because of reductions in fines and forfeitures as a result of a reduced police force. Property tax collections decreased (\$158,412) as a result of continued downward reassessment of property values. Operating grants decreased (\$42,315) because of reductions in FLPA (Forest Land Protection Act) grants from the State of Georgia.

Expenses have decreased significantly from prior year levels in General Government, Judicial, and Public Safety, as management has reduced personnel and implemented better cost controls. Interest expense has decreased because of reductions in debt levels. Culture and recreation expenses have increased \$17,476 or 20.58% as the City has directed more resources to these activities since the park facilities were transferred from Fulton County.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

City of Chattahoochee Hills
Comparison of Revenues, Expenditures, and Changes in Fund Balances
for the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Property taxes	\$ 1,018,808	\$ 1,128,645	\$ (109,837)	(9.73) %
Sales taxes	630,449	631,546	(1,097)	(0.17)
Hotel/Motel taxes	80,364	75,403	4,961	6.58
Franchise taxes	98,674	102,936	(4,262)	(4.14)
Business Taxes	138,234	127,527	10,707	8.40
Licenses and permits	24,435	24,579	(144)	(0.59)
Fines and forfeitures	106,083	228,127	(122,044)	(53.50)
Charges for services	46,324	57,729	(11,405)	(19.76)
Intergovernmental	157,525	236,156	(78,631)	(33.30)
Contributions	6,275	503	5,772	1,147.51
Interest earned	504	592	(88)	(14.86)
Miscellaneous	5,587	8,483	(2,896)	(34.14)
Total Revenue	<u>2,313,262</u>	<u>2,622,226</u>	<u>(308,964)</u>	<u>(11.78)</u>
Expenditures:				
General government	367,164	588,068	(220,904)	(37.56)
Judicial	78,119	98,622	(20,503)	(20.79)
Public safety	947,821	1,150,510	(202,689)	(17.62)
Public works	255,794	255,923	(129)	(0.05)
Culture and recreation	100,741	84,120	16,621	19.76
Community development	44,420	43,521	899	2.07
Capital outlay	51,219	278,389	(227,170)	(81.60)
Debt service	96,888	129,401	(32,513)	(25.13)
Total Expenditures	<u>1,942,166</u>	<u>2,628,554</u>	<u>(686,388)</u>	<u>(26.11) %</u>
Excess (deficiency) of revenues over expenditures	<u>371,096</u>	<u>(6,328)</u>	<u>377,424</u>	
Other financing sources (uses):				
Proceeds from capital leases	-	147,846	(147,846)	
Net change in Fund Balances	<u>371,096</u>	<u>141,518</u>	<u>229,578</u>	
Beginning fund balance	<u>(864,163)</u>	<u>(1,005,681)</u>	<u>141,518</u>	
Ending fund balance	<u>\$ (493,067)</u>	<u>\$ (864,163)</u>	<u>\$ 371,096</u>	

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Governmental funds reported a deficit fund balances of (\$493,067) at June 30, 2013, indicating a lack of immediate funding for continuing City service requirements. This is a significant improvement from the deficit of (\$864,163) reported in the previous year. With significant deficits generated by start-up costs during the five fiscal years of operations, the City's management has identified some steps to take going forward to improve its financial condition.

Revenues have decreased (\$308,964) or (11.78%) from prior year levels. Property taxes decreased (\$109,837) or (9.73%) as a result of reassessment of property values. Fines and Forfeitures decreased (\$122,044) or (53%) due to fewer police officers. Intergovernmental revenues decreased (\$78,631) or (33.3%) as a result of decreases in FLPA (Forest Land Protection Act) grants from the State of Georgia.

Total expenditures have decreased (\$686,388) or (26.1%) over prior year levels. Expenditures have decreased in General Government, Judicial, and Public Safety as management has reduced budgets. Debt service expenditures have decreased (\$32,513) or (25.13%) as debt requirements are reduced as a result of decreased deficits. Capital outlay expenses have decreased (\$227,170) or (81.6%) as management delays any capital expenditures until deficits are further reduced. Capital outlay in the prior year included expenses toward completion of the Capps Ferry Bridge and police car replacements.

The City has adopted a fund balance reserve policy to retain in reserve an amount which represents no less than two months of operating and debt expenditures, approximately 16 percent of the current year's estimated operating and debt expenditures. The policy took into consideration that upon incorporation, no reserves existed and allowed for a period of three to five years to establish the required amount. Current year operations contributed \$371,096 toward this goal, however, a deficit balance of (\$493,067) still remains.

General fund. The General Fund is the primary operating fund and the largest source of day-to-day service delivery. It accounts for the City's core services such as law enforcement, fire protection, planning and development, roads, streets, and bridges, culture and recreation, municipal court; and administration. The General Fund had a deficit fund balance of (\$493,067) at June 30, 2013.

E911 Fund. The City established an E911 fund in 2013 to account for E911 fees charged to service providers and the transfer of these payments to the City of Union City to provide E911 services.

GENERAL FUND BUDGETARY HIGHLIGHTS

A comparison of budgeted to actual results can be found on pages 35 and 36 of the financial report. Total revenues were \$258,012 better than budgeted as management remains very conservative in its revenue projections. Expenditures were \$91,943 less than budgeted as management remains very focused on reducing costs and delays filling open positions.

The City employs a formal budget adjustment process as needed in order to re-align original appropriations made during the annual budget process with significant changes in revenue and/or expenditures; ensuring appropriations are in alignment with expected resources. Differences between the original budget and final, amended budget are then resolved through official City Council action.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

In an effort to meet the challenges of establishing and maintaining an appropriate level of governmental services in a declining economy, three budget adjustments were approved by the City Council during fiscal year 2013. The following budget amendments were adopted during the year:

- In November 2012, the budget was amended to account for an increase in the administration and IT departments. The increase in the administration department was due to not replacing the City Clerk. The duties of the City Clerk were segregated to the Finance Director and the Court Clerk. The increase in the IT budget was due to unforeseen expenditures that were not in the original approved budget.
- In March, 2013, the budget was amended to account for the purchase of radios for the police and fire departments. These radios were purchased after it was decided that the City would transfer their E-911 services from Fulton County to Union City.
- In September, 2013, a final budget amendment was approved by the City Council to better reflect accurate revenue and expenditures for the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the City's investment in capital assets for its governmental activities totaled \$3,045,441. These assets primarily reflect the infrastructure assets of roads, streets, bridges, culverts, and park land.

**City of Chattahoochee Hills
Capital Assets (net of depreciation)
June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Inc (Dec)</u>	<u>Percent</u>
Land	\$ 992,554	\$ 992,554	\$ -	-
Construction in progress	28,272	-	28,272	100.00
Buildings and improvements	139,699	150,094	(10,395)	(6.93)
Machinery and equipment	63,007	58,234	4,773	8.20
Vehicles	192,259	234,480	(42,221)	(18.01)
Infrastructure	<u>1,629,650</u>	<u>1,820,383</u>	<u>(190,733)</u>	<u>(10.48)</u>
Total	<u>\$ 3,045,441</u>	<u>\$ 3,255,745</u>	<u>\$ (210,304)</u>	<u>(6.46)</u>

Additional information on the City's capital assets can be found in note 7 on page 30 of the report. Changes in capital assets for 2013 are primarily related to depreciation of existing assets.

Long-term debt

The City's long term debt consists primarily of lease obligations for vehicles and equipment. Additional information on the City's debt can be found in notes 8 and 9 beginning on page 31 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors are expected to have a significant effect on the City's financial position or results of operations and were taken into account in developing the fiscal year 2014 budget.

- The completion of the 2010 census has resulted in negotiations with Fulton County to determine the percentage amount of Local Option Sales Tax dollars that the City will receive for the next ten (10) years based on the 2010 census results. A certificate has been submitted to the Georgia Department of Revenue after negotiations have concluded. It is expected that further legal matters could result from the current final ruling. It is believed that there will be no substantial impact on the City's revenue once everything is finalized.
- The State of Georgia's declining economy continues to be a concern for the City, as well as potential changes in the political boundaries within Fulton County.

The City restricts the use of one-time revenues to fund recurring operating expenses. Growth in expenditures is limited based on the City Council approval of service levels, the level of effort needed to provide the service levels and the measurement of the outcomes of providing service.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Chattahoochee Hills Finance Department, 6505 Rico Road, Chattahoochee Hills, Georgia 30268. You may also visit our Website at www.chatthillsga.us.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 277,736
Accounts receivable	22,823
Taxes receivable, net of allowance	26,090
Due from other governments	170,504
Prepays	31,343
Capital assets:	
Nondepreciable	1,020,826
Depreciable, net of accumulated depreciation	<u>2,024,615</u>
 Total assets	 <u>3,573,937</u>
LIABILITIES	
Accounts payable	88,782
Accrued liabilities	53,367
Short-term borrowings	750,000
Compensated absences due within one year	38,180
Notes payable due within one year	36,388
Notes payable due in more than one year	<u>76,149</u>
 Total liabilities	 <u>1,042,866</u>
NET POSITION	
Net investment in capital assets	2,932,904
Restricted for grant programs	81,257
Unrestricted	<u>(483,090)</u>
 Total net position	 <u>\$ 2,531,071</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ 365,595	\$ 45,564	\$ 59,384	\$ -	\$ (260,647)
Judicial	75,356	670	-	-	(74,686)
Public safety	995,583	124,085	-	6,000	(865,498)
Public works	457,444	-	-	99,536	(357,908)
Culture and recreation	102,408	610	-	-	(101,798)
Community development	45,364	11,500	-	2,000	(31,864)
Interest on long-term debt	29,763	-	-	-	(29,763)
Total governmental activities	<u>2,071,513</u>	<u>182,429</u>	<u>59,384</u>	<u>107,536</u>	<u>(1,722,164)</u>
Total primary government	<u>\$ 2,071,513</u>	<u>\$ 182,429</u>	<u>\$ 59,384</u>	<u>\$ 107,536</u>	<u>(1,722,164)</u>
General revenues:					
Property taxes					996,305
Sales taxes					630,449
Hotel/Motel taxes					80,364
Franchise taxes					98,674
Business taxes					138,234
Unrestricted investment earnings					504
Total general revenues					<u>1,944,530</u>
Change in net position					222,366
Net position, beginning of year					<u>2,308,705</u>
Net position, end of year					<u>\$ 2,531,071</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 277,736	\$ -	\$ 277,736
Accounts receivable	18,500	4,323	22,823
Taxes receivable, net of allowance	19,853	6,237	26,090
Intergovernmental receivable	170,504	-	170,504
Due from other funds	-	14,578	14,578
Prepays	31,343	-	31,343
Total assets	\$ 517,936	\$ 25,138	\$ 543,074
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 63,644	\$ 25,138	\$ 88,782
Accrued liabilities	49,923	-	49,923
Due to other funds	14,578	-	14,578
Short-term borrowings	750,000	-	750,000
Total liabilities	878,145	25,138	903,283
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	14,386	-	14,386
Unavailable revenue - insurance premium taxes	118,472	-	118,472
Total deferred inflows of resources	132,858	-	132,858
 FUND BALANCES			
Fund balances:			
Nonspendable:			
Prepays	31,343	-	31,343
Restricted for:			
Grant programs	81,257	-	81,257
Unassigned	(605,667)	-	(605,667)
Total fund balances (deficit)	(493,067)	-	(493,067)
 Total liabilities, deferred inflows of resources and fund balances	 \$ 517,936	 \$ 25,138	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,045,441
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(154,161)
Some revenues are not available in the current period and, therefore, are not reported in the funds.	132,858

Net position of governmental activities \$ 2,531,071

The accompanying notes are an integral part of these statements.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 1,018,808	\$ -	\$ 1,018,808
Sales taxes	630,449	-	630,449
Hotel/Motel taxes	-	80,364	80,364
Franchise taxes	98,674	-	98,674
Business taxes	138,234	-	138,234
Licenses and permits	24,435	-	24,435
Fines and forfeitures	106,083	-	106,083
Charges for services	28,487	17,837	46,324
Intergovernmental	157,525	-	157,525
Contributions	6,275	-	6,275
Interest earned	504	-	504
Miscellaneous	5,587	-	5,587
Total revenues	<u>2,215,061</u>	<u>98,201</u>	<u>2,313,262</u>
Expenditures:			
Current:			
General government	367,164	-	367,164
Judicial	78,119	-	78,119
Public safety	952,931	17,837	970,768
Public works	255,794	-	255,794
Culture and recreation	43,329	57,412	100,741
Community development	72,692	-	72,692
Debt service:			
Principal	66,045	-	66,045
Interest	30,843	-	30,843
Total expenditures	<u>1,866,917</u>	<u>75,249</u>	<u>1,942,166</u>
Excess of revenues over expenditures	<u>348,144</u>	<u>22,952</u>	<u>371,096</u>
Other financing sources (uses):			
Transfers in	22,952	-	22,952
Transfers out	-	(22,952)	(22,952)
Total other financing sources (uses)	<u>22,952</u>	<u>(22,952)</u>	<u>-</u>
Net change in fund balances	<u>371,096</u>	<u>-</u>	<u>371,096</u>
Fund balances (deficit), beginning of year	<u>(864,163)</u>	<u>-</u>	<u>(864,163)</u>
Fund balances (deficit), end of year	<u>\$ (493,067)</u>	<u>\$ -</u>	<u>\$ (493,067)</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds	\$ 371,096
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. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(216,304)
The net effect of donations of capital assets is to increase net position.	6,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(25,383)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents principal repayment of long-term debt.	66,045
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>20,912</u>
Change in net position - governmental activities	<u>\$ 222,366</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2013**

	ASSETS	<u>Municipal Court Fund</u>
Cash		\$ 20,405
Total assets		<u>\$ 20,405</u>
	LIABILITIES	
Due to others		<u>\$ 20,405</u>
Total liabilities		<u>\$ 20,405</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Chattahoochee Hills, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City, which was incorporated in 2007, operates under a charter adopted December 1, 2007, as a municipal corporation governed by an elected mayor and a five-member council. The government provides such services as police protection, fire and rescue services, cultural and recreational activities, housing and development and public works.

B. Government-wide and Fund 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 non-fiduciary activities of the primary government. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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 City 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.

Property taxes, sales taxes, insurance premium taxes, intergovernmental grants, and investment income 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The **general fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the City reports the following fund types:

The **special revenue funds** are used to account for revenue sources that are restricted or committed to expenditure for specific purposes.

The **agency fund** is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other individuals or entities.

D. Budgets

Formal budgetary accounting is employed as a management control device for the general fund and special revenue funds of the City. The governmental funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and each special revenue fund. During the fiscal period ended June 30, 2013, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All unencumbered budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

H. Capital Assets

Capital assets, which include buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has reported all infrastructure that it currently owns and has a responsibility for maintaining. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Buildings and improvements	20-50 years
Machinery and equipment	5-40 years
Vehicles	5-8 years
Infrastructure	10-50 years

Fully depreciated assets still in service are carried in the capital asset accounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City 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 and insurance premium taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of the long-term debt issued as other financing sources and the repayment of debt as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also through a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager or his or her designee to assign fund balances.
- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

The City’s policy is to obtain and then maintain a minimum General Fund balance reserve equal to 16% of operating expenditures.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the City as a going concern. However, the City has substantial liabilities without the necessary revenues to support these liabilities. The City also has a negative \$605,667 in unassigned General Fund fund balance and negative unrestricted net position of \$483,090 in governmental activities. As discussed in Note 8, the City has \$750,000 in short-term debt outstanding at June 30, 2013. This debt consists of a tax anticipation note, which matures on December 31, 2013. This debt is the primary cause of the deficit equity amounts.

The City's main source of revenue is property taxes. Management anticipates using the receipts from the fiscal year 2014 property taxes to satisfy the debt service requirements of the tax anticipation note in December 2013. This use of fiscal year 2014 property taxes to satisfy these debt obligations has significantly reduced the amount of revenues available to fund the City's operations for the remainder of the City's fiscal year. The City has reduced annual expenditures, including the elimination of certain personnel positions, in past years. The effects of these reductions have had positive effects on the General Fund's fund balance. However, to alleviate the City's adverse financial condition, management plans to secure a new tax anticipation note and continue to monitor its expenditures and budget conservatively. The City has not yet secured additional financing that will fund City operations through 2014.

The ability for the City to continue as a going concern is dependent, among other things, on the items noted above, as well as the realization of assets and satisfaction of liabilities in the ordinary course of business. There can be no assurance that any of these efforts will be successful. The accompanying financial statements do not include any adjustments that might result if the City is unable to continue as a going concern.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position- governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$154,161 difference are as follows:

Notes payable	\$ (112,537)
Compensated absences	(38,180)
Accrued interest	<u>(3,444)</u>
Net adjustment to decrease fund balance - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (154,161)</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$216,304 difference are as follows:

Capital outlay	\$ 51,220
Depreciation expense	<u>(267,524)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (216,304)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds." The details of this \$20,912 difference are as follows:

Compensated absences	\$ 19,832
Accrued interest	<u>1,080</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ 20,912</u></u>

NOTE 4. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the Finance Director and the City Manager. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

B. Excess Expenditures Over Appropriations

For the year ended June 30, 2013 expenditures exceeded the budget by \$8,307 in the General Fund Police Department. The excess of expenditures over budget in that department were primarily funded by available resources from the General Fund Fire Department.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEPOSITS

Total deposits as of June 30, 2013 are summarized as follows:

Statement of net position:		
Cash and cash equivalents	\$	277,736
Statement of fiduciary net position:		
Cash - agency fund		20,405
	\$	<u>298,141</u>
Cash deposited with financial institutions	\$	298,141
	\$	<u>298,141</u>

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2013, all of the City's bank balances were insured and/or collateralized as defined by GASB and State Statutes.

NOTE 6. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City contracts with Fulton County to bill and collect property taxes. The taxes were levied on October 15 based on the assessed value of property as listed on the previous January 1 and were due 60 days following the billing date each year. Property taxes are recorded as receivables and unavailable revenues when levied as they are intended to fund that fiscal year. Revenues are recognized when available.

Receivables at June 30, 2013, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Nonmajor Governmental	Total
Receivables:			
Taxes	\$ 73,255	\$ 6,237	\$ 79,492
Accounts	18,500	4,323	22,823
Intergovernmental	<u>170,504</u>	-	<u>170,504</u>
Total receivables	262,259	10,560	272,819
Less allowance for uncollectible	53,402	-	53,402
Net total receivable	<u>\$ 208,857</u>	<u>\$ 10,560</u>	<u>\$ 219,417</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2013 is as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 992,554	\$ -	\$ -	\$ 992,554
Construction in progress	-	28,272	-	28,272
Total	<u>992,554</u>	<u>28,272</u>	<u>-</u>	<u>1,020,826</u>
Capital assets, being depreciated:				
Buildings and improvements	196,576	-	-	196,576
Machinery and equipment	109,187	22,948	-	132,135
Vehicles	460,352	6,000	-	466,352
Infrastructure	2,724,958	-	-	2,724,958
Total	<u>3,491,073</u>	<u>28,948</u>	<u>-</u>	<u>3,520,021</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,482)	(10,395)	-	(56,877)
Machinery and equipment	(50,953)	(18,175)	-	(69,128)
Vehicles	(225,872)	(48,221)	-	(274,093)
Infrastructure	(904,575)	(190,733)	-	(1,095,308)
Total	<u>(1,227,882)</u>	<u>(267,524)</u>	<u>-</u>	<u>(1,495,406)</u>
Total capital assets being depreciated, net	<u>2,263,191</u>	<u>(238,576)</u>	<u>-</u>	<u>2,024,615</u>
Governmental activities capital assets, net	<u>\$ 3,255,745</u>	<u>\$ (210,304)</u>	<u>\$ -</u>	<u>\$ 3,045,441</u>

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

Governmental activities:	
General government	\$ 4,737
Public safety	56,784
Public works	204,129
Culture and recreation	1,874
Total depreciation expense - governmental activities	<u>\$ 267,524</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SHORT-TERM BORROWINGS

The City has a tax anticipation note for operating purposes of \$750,000 at a local financial institution. The borrowing, with an interest rate of 2.25%, matures on December 31, 2013. As of June 30, 2013, \$750,000 of principal was outstanding.

The City has a \$450,000 line of credit for operating purposes at a local financial institution. The borrowing, with an interest rate of 5.00%, matures on December 31, 2013. As of June 30, 2013, there was no principal outstanding.

Total short-term borrowings interest incurred and expensed for the year ended June 30, 2013, was \$25,188.

The following is a summary of the City's short-term borrowings for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ 750,000	\$ 750,000	\$ (750,000)	\$ 750,000
Line of credit	80,000	215,000	(295,000)	-
	\$ 830,000	\$ 965,000	\$ (1,045,000)	\$ 750,000

NOTE 9. LONG-TERM DEBT

Note Payable

In July 2011, the City entered into an agreement through a financial institution to borrow \$147,846 for the purchase of two police vehicles and one public works vehicle. Annual payments of \$39,832, including interest at a rate of 3.06% began in July 2012 and will continue through July 2015. The outstanding balance at June 30, 2013 is \$112,537.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

The total debt service requirements to maturity for the City's outstanding note is as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 36,388	\$ 3,444	\$ 39,832
2015	37,501	2,331	39,832
2016	38,648	1,184	39,832
	<u>\$ 112,537</u>	<u>\$ 6,959</u>	<u>\$ 119,496</u>

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 178,582	\$ -	\$ (66,045)	\$ 112,537	\$ 36,388
Compensated absences	58,012	25,512	(45,344)	38,180	38,180
Governmental activity					
Long-term liabilities	<u>\$ 236,594</u>	<u>\$ 25,512</u>	<u>\$ (111,389)</u>	<u>\$ 150,717</u>	<u>\$ 74,568</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 14,578

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 22,952

Transfers are used to (1) move unrestricted revenues from the Hotel Motel Fund to the General Fund.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12. DEFINED CONTRIBUTION RETIREMENT PLAN

The City of Chattahoochee Hills' Profit Sharing Plan is a single employer defined contribution plan established and administered by ICMA-RC for all City employees. At June 30, 2013, there were 51 plan members. The City matches 100% for each dollar of employee contributions up to 3.75% of the employee's salary. Employees are required to contribute 3.75% of their compensation to the Plan. Employees are eligible and fully vested immediately upon entering the Plan. Plan provisions and contribution requirements are established and may be amended by the City's Council. For the fiscal year ending June 30, 2013, contributions to the Plan were \$39,351 by the employees and \$39,351 by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of Chattahoochee Hills. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of 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 the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

NOTE 14. HOTEL/MOTEL LODGING TAX

The City has levied a 7% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2013, the City received \$80,364 in hotel/motel taxes. Of this amount, \$57,412, or 71.4%, was used for the promotion of tourism, conventions, or trade shows.

NOTE 15. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,015,500	\$ 964,500	\$ 1,018,808	\$ 54,308
Sales taxes	454,000	614,049	630,449	16,400
Franchise taxes	100,000	95,000	98,674	3,674
Business taxes	125,000	125,000	138,234	13,234
Licenses and permits	25,000	24,000	24,435	435
Fines and forfeitures	180,000	106,000	106,083	83
Charges for services	60,000	28,000	28,487	487
Intergovernmental	-	-	157,525	157,525
Interest earned	500	500	504	4
Contributions	-	-	6,275	6,275
Miscellaneous	-	-	5,587	5,587
Total revenues	<u>1,960,000</u>	<u>1,957,049</u>	<u>2,215,061</u>	<u>258,012</u>
Expenditures:				
Current:				
General government:				
City council	165,301	123,551	122,186	1,365
General operations	261,112	298,352	244,978	53,374
Total general government	<u>426,413</u>	<u>421,903</u>	<u>367,164</u>	<u>54,739</u>
Judicial:				
Municipal court	<u>89,857</u>	<u>89,857</u>	<u>78,119</u>	<u>11,738</u>
Total judicial	<u>89,857</u>	<u>89,857</u>	<u>78,119</u>	<u>11,738</u>
Public safety:				
Police	472,806	480,000	488,307	(8,307)
Fire	480,035	480,000	464,624	15,376
Total public safety	<u>952,841</u>	<u>960,000</u>	<u>952,931</u>	<u>7,069</u>
Public works	<u>280,082</u>	<u>263,373</u>	<u>255,794</u>	<u>7,579</u>
Culture and recreation	<u>32,440</u>	<u>45,000</u>	<u>43,329</u>	<u>1,671</u>
Community development	<u>49,000</u>	<u>75,000</u>	<u>72,692</u>	<u>2,308</u>
Debt service:				
Principal	66,045	66,045	66,045	-
Interest	<u>40,953</u>	<u>39,353</u>	<u>30,843</u>	<u>8,510</u>
Total debt service	<u>106,998</u>	<u>105,398</u>	<u>96,888</u>	<u>8,510</u>
Total expenditures	<u>1,937,631</u>	<u>1,960,531</u>	<u>1,866,917</u>	<u>91,943</u>
Excess (deficiency) of revenues over expenditures	<u>22,369</u>	<u>(3,482)</u>	<u>348,144</u>	<u>351,626</u>

Continued

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2013**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 20,000	\$ 22,951	\$ 22,952	\$ 1
Transfers out	(16,000)	-	-	-
Total other financing sources (uses)	<u>4,000</u>	<u>22,951</u>	<u>22,952</u>	<u>1</u>
Net change in fund balance	26,369	19,469	371,096	351,627
Fund balance (deficit), beginning of year	<u>(864,163)</u>	<u>(864,163)</u>	<u>(864,163)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (837,794)</u></u>	<u><u>\$ (844,694)</u></u>	<u><u>\$ (493,067)</u></u>	<u><u>\$ 351,627</u></u>

Note: See footnotes 1 and 4 of the basic financial statements for budgetary policies.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

Emergency 911 - to account for the monthly 911 charge to help fund the cost of providing emergency 911 services. The E911 charges are restricted in purpose by state law.

Hotel/Motel Tax - to account for the collection of hotel/motel taxes within the City which are restricted for the promotion of tourism.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue		Total Nonmajor Governmental Funds
	Emergency 911 Fund	Hotel/Motel Tax Fund	
ASSETS			
Accounts receivable	\$ 4,323	\$ -	\$ 4,323
Taxes receivable	-	6,237	6,237
Due from other funds	9,970	4,608	14,578
Total assets	\$ 14,293	\$ 10,845	\$ 25,138
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,293	\$ 10,845	\$ 25,138
Total liabilities	14,293	10,845	25,138
FUND BALANCES			
Restricted	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 14,293	\$ 10,845	\$ 25,138

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	Emergency 911 Fund	Hotel/Motel Tax Fund	
REVENUES			
Hotel/motel taxes	\$ -	\$ 80,364	\$ 80,364
Charges for services	17,837	-	17,837
Total revenues	<u>17,837</u>	<u>80,364</u>	<u>98,201</u>
EXPENDITURES			
Current:			
Public safety	17,837	-	17,837
Culture and recreation	-	57,412	57,412
Total expenditures	<u>17,837</u>	<u>57,412</u>	<u>75,249</u>
Excess of revenues over expenditures	<u>-</u>	<u>22,952</u>	<u>22,952</u>
OTHER FINANCING USES			
Transfers out	-	(22,952)	(22,952)
Total other financing uses	<u>-</u>	<u>(22,952)</u>	<u>(22,952)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>