

CITY OF CHATTAHOOCHEE HILLS, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016

Prepared by:  
Finance Department

**MAULDIN  
& JENKINS**

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**

**Prepared by:  
Finance Department**

## INTRODUCTORY SECTION

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# CITY OF CHATTAHOOCHEE HILLS, GEORGIA

## FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

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### TABLE OF CONTENTS

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis .....	4-12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	18
Notes to Financial Statements .....	19-34
Required Supplementary Information:	
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) .....	35 and 36
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	38



**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2016, 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 from 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.

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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, 2016, and the respective changes in financial position thereof for the year then ended in accordance 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 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.

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*Other Information*

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

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 fund statements and schedules 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 26, 2016, on our consideration of the City'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's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 26, 2016

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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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, 2016.

**FINANCIAL HIGHLIGHTS**

- Assets of the City exceeded its liabilities by \$3,994,547 (net position), representing a \$481,613 or 13.7% increase over the prior year.
- Unrestricted net position increased from \$877,568 to \$1,466,909 an increase of \$589,341 or 67.2%.
- As of June 30, 2016, the City's governmental funds reported combined ending fund balance of \$1,192,049, an improvement of \$597,447 over the prior year.

**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 position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the 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 statements 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, 2016**

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**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 three 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, the Hotel/Motel Tax Fund, and the Technology Fee 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, 2016**

**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, 2016 the City's assets exceeded liabilities by \$3,994,547. A significant portion of the City's net position (\$2,527,638) 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 unrestricted net position in the amount of \$1,466,909 and is primarily attributable to operating revenues in excess of expenditures 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 2016 and 2015.

**City of Chattahoochee Hills Net Position**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>Inc (Dec)</u>	<u>Percent</u>
Assets				
Current Assets	\$ 1,626,102	\$ 1,439,969	\$ 186,133	12.93 %
Capital assets, net of accumulated depreciation	<u>2,784,971</u>	<u>2,813,852</u>	<u>(28,881)</u>	<u>(1.03)</u>
Total assets	<u>4,411,073</u>	<u>4,253,821</u>	<u>157,252</u>	<u>3.70</u>
Liabilities				
Current liabilities	219,820	562,630	(342,810)	(60.93)
Long-term liabilities	<u>196,706</u>	<u>178,257</u>	<u>18,449</u>	<u>10.35</u>
Total liabilities	416,526	740,887	(324,361)	(43.78)
Net Position				
Net Investment in capital assets	2,527,638	2,635,366	(107,728)	(4.09)
Unrestricted	<u>1,466,909</u>	<u>877,568</u>	<u>589,341</u>	<u>67.16</u>
Total net position	<u>\$ 3,994,547</u>	<u>\$ 3,512,934</u>	<u>\$ 481,613</u>	<u>13.71 %</u>

**Changes in net position.** Governmental activities increased the City's net position by \$481,613 and \$389,123 in fiscal years 2016 and 2015, respectively. The following table indicates the change in net position from the twelve months ended June 30, 2016 and 2015.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

City of Chattahoochee Hills Changes in Net Position  
for the Year Ended June 30, 2016 and 2015

	2016	2015	Increase (Decrease)	Percent
Revenues:				
Program Revenues:				
Charges for services	\$ 437,321	\$ 413,454	\$ 23,867	5.77 %
Operating grants and contributions	145,250	149,134	(3,884)	(2.60)
Capital grants and contributions	150,968	479,074	(328,106)	(68.49)
General Revenues:				
Property taxes	1,276,787	1,123,844	152,943	13.61
Other taxes	1,137,993	1,038,087	99,906	9.62
Investment earnings	1,608	1,368	240	17.54
Total revenues	<u>3,149,927</u>	<u>3,204,961</u>	<u>(55,034)</u>	<u>(1.72)</u>
Expenses:				
General government	538,770	388,231	150,539	38.78
Judicial	79,963	61,132	18,831	30.80
Public safety	1,212,153	1,154,043	58,110	5.04
Public works	583,660	955,574	(371,914)	(38.92)
Culture and recreation	191,403	192,820	(1,417)	(0.73)
Community development	56,381	50,399	5,982	11.87
Interest expenses	5,984	13,639	(7,655)	(56.13)
Total expenses	<u>2,668,314</u>	<u>2,815,838</u>	<u>(147,524)</u>	<u>(5.24)</u>
Income	<u>481,613</u>	<u>389,123</u>	<u>\$ 92,490</u>	<u>23.77 %</u>
Net position beginning of year	<u>3,512,934</u>	<u>3,123,811</u>		
Net position end of year	<u>\$ 3,994,547</u>	<u>\$ 3,512,934</u>		

Governmental activities increased the City's net position by \$481,613 in fiscal year 2016. Total revenues decreased slightly, \$55,034, or 1.72% from the prior year. Charges for services increased \$23,867 or 5.77% primarily because of increases in special event permits and development fees. Capital Grants decreased \$328,106 or 68.49% because of Community Development Block Grant Funding from Fulton County that was recognized in the prior year. Property taxes increased \$152,943, or 13.61% as real estate values have increased. Other taxes have increased \$99,906 or 9.62% as the economy has improved.

General government expenses have increased \$150,539 or 38.78% as a result of fewer positions being vacant. Judicial expenses increased \$18,831 or 30.8% due to increases in salary expenses for this department. Public safety expenses increased \$58,110 or 5.04% due to police overtime expenses and increased police vehicle maintenance. Public works expenses have decreased \$371,914 or 38.92% primarily due to significant bridge maintenance expenses incurred in 2015. Interest expense has decreased because of reductions in debt levels.



**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

**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, 2016 and 2015**

	2016	2015	Increase (Decrease)	Percent	
<b>Revenues:</b>					
Property taxes	\$ 1,260,343	\$ 1,123,261	\$ 137,082	12.20	%
Sales taxes	716,777	686,000	30,777	4.49	
Hotel/Motel taxes	131,947	88,640	43,307	48.86	
Franchise taxes	121,732	112,498	9,234	8.21	
Business Taxes	167,537	150,949	16,588	10.99	
Licenses and permits	54,487	52,958	1,529	2.89	
Fines and forfeitures	139,131	165,416	(26,285)	(15.89)	
Charges for services	201,669	133,067	68,602	51.55	
Intergovernmental	355,407	386,218	(30,811)	(7.98)	
Contributions	9,577	11,798	(2,221)	(18.83)	
Interest earned	1,608	1,368	240	17.54	
Miscellaneous	42,034	62,013	(19,979)	(32.22)	
Total Revenue	<u>3,202,249</u>	<u>2,974,186</u>	<u>228,063</u>	<u>7.67</u>	
<b>Expenditures:</b>					
General government	531,265	383,487	147,778	38.54	
Judicial	79,963	61,132	18,831	30.80	
Public safety	1,203,781	1,143,227	60,554	5.30	
Public works	524,492	802,237	(277,745)	(34.62)	
Culture and recreation	188,603	176,669	11,934	6.76	
Community development	63,294	50,400	12,894	25.58	
Debt service	70,713	78,281	(7,568)	(9.67)	
Total Expenditures	<u>2,662,111</u>	<u>2,695,433</u>	<u>(33,322)</u>	<u>(1.24)</u>	%
Excess (deficiency) of revenues over expenditures	<u>540,138</u>	<u>278,753</u>	<u>261,385</u>		
<b>Other financing sources (uses):</b>					
Issuance of note payable	57,309	148,459	(91,150)		
Net change in Fund Balances	597,447	427,212	170,235		
Beginning fund balance	594,602	167,390	427,212		
Ending fund balance	<u>\$ 1,192,049</u>	<u>\$ 594,602</u>	<u>\$ 597,447</u>		

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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Governmental funds reported a positive fund balance of \$1,192,049 at June 30, 2016. This is a \$597,447, or 100% improvement over the prior year.

Revenues have increased \$228,063, or 7.67% over the prior year. Property taxes have increased \$137,082 or 12.20% over the prior year as real estate values improve. Sales taxes increased \$30,777 or 4.49% and business taxes increased \$16,588 or 10.99%, respectively, as a result of general improvements in the economy. Hotel motel taxes increased \$43,307 or 48.86% as the leisure economy has improved. Fines and Forfeitures decreased \$26,285 or 15.89% as a result of vacancies in the police department. Charges for services increased \$68,602 or 51.55% due to increases in special events fees and development fees. Intergovernmental revenues decreased 30,811 or 7.98% due to the completion of the recreation trails grant from the Georgia Department of Natural Resources. Miscellaneous revenues decreased \$19,979 or 32.22% due to less being received on property insurance claims.

Total expenditures decreased slightly, \$33,322 or 1.24% over prior year levels. General government expenses increased \$147,778 or 38.54% due to fewer vacant positions. Judicial expenses increased \$18,831 or 30.80% due to increases in salaries for this department. Public safety expenses increased \$60,554 or 5.30% due to increases in police overtime and increased police vehicle maintenance. Public works expenses decreased \$277,745 or 34.62% due to significant bridge maintenance expenses incurred in prior year. Community development expenses increased \$12,894 or 25.58% due to increases in salaries and purchases of office equipment in the current year. Debt service expenditures have decreased \$7,568 or 9.67% as debt levels have decreased.

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 \$597,447 toward this goal. The current fund balance stands at \$1,119,274 or 44.40% of current year expenditures.

**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 currently has a fund balance of \$1,162,590, an increase of \$570,423 over the prior year.

**E911 Fund.** The City established an E911 fund in 2013 to account for E911 fees charged to service providers. The City has an intergovernmental agreement with Fulton County 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 \$500,127 better than budgeted as management remains very conservative in its revenue projections. Expenditures were \$68,324 less than budgeted as management remains very focused on reducing costs.

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, 2016**

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Four (4) budget adjustments were approved by the City Council during fiscal year 2016. The following budget amendments were adopted during the year:

- In July of 2015, the budget was amended to increase revenue from property taxes from \$1,000,000 that was recommended to \$1,005,406 and Local Option Sales Tax (L.O.S.T.) revenues from \$615,000 to \$621,000. Expenditures were amended to reflect the increases in revenues with Parks and Recreation realizing an increase of \$12,000 from \$104,800 to \$116,800 and a reduction in Public Works of \$594 from \$480,584 to \$479,990. There are two reasons for this budget adjustment: (1) to establish funds to provide cleaning services to city hall; (2) to fund converting the part time parks and recreation position to a full time position.
- In November of 2015, there was an interdepartmental budget amendment from Public Works to the Fire Department in the amount of \$20,000 increasing the Fire Department from \$535,968 to \$555,968 and decreasing the Public Works department from \$479,990 to \$459,990. The reason for the budget adjustment was to establish funds in the fire department to purchase a F-250 vehicle with remaining funds moved within the Fire Department Budget
- In April of 2016, the budget was amended to reflect revenues received in insurance proceeds in the amount of \$7,496 and contributions and donations in the amount of \$6,047 for a total of \$13,543. These revenues were offset by increasing the expenditures in the Police Department by \$7,496 from \$598,336 to \$605,832 and the Fire Department by \$6,047 from \$555,968 to \$562,015. The reasons for this budget amendment were to (1) increase the Fire Department's budget as a result of donations at a chili cook off. The increased budget will allow the fire department to update its facility, and (2) to increase the Police Department's budget to cover costs of unexpected vehicle repair.
- In May of 2016, a final budget adjustment was approved by the City Council to increase revenues from property taxes by \$25,000 from \$1,005,406 to \$1,030,406 and Local Option Sales Tax (L.O.S.T.) revenues by \$7,000 from \$621,000 to \$628,000. Revenues were also amended to recognize capital lease proceeds of \$57,309 in the same month for a total increase in projected revenues of \$89,309 changing the total projected operating revenue from \$2,486,121 to \$2,575,430. Operating expenditures were amended to reflect the increase in projected revenues increasing the IT budget by \$25,000 from \$34,505 to \$59,505, increasing the Community Development Department by \$7,000 from \$56,499 to \$63,499, and increasing the Public Works Budget by \$57,309 from \$459,990 to \$517,299. The reasons for these adjustments were to (1) increase the IT budget to cover costs associated with networking the fire station to City Hall and (2) to purchase a server to replace a server that was on loan, and to increase the Community Development's budget to purchase GIS software.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2016, the City's investment in capital assets for its governmental activities totaled \$2,784,971. These assets primarily reflect the infrastructure assets of roads, streets, bridges, culverts, and park land.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

City of Chattahoochee Hills  
Capital Assets (net of depreciation)  
June 30, 2016 and 2015

	2016	2015	Inc (Dec)	Percent	
Land	\$ 992,554	\$ 992,554	\$ -	-	%
Buildings and improvements	205,061	145,767	59,294	40.68	
Machinery and equipment	349,010	232,703	116,307	49.98	
Vehicles	188,782	199,902	(11,120)	(5.56)	
Infrastructure	1,049,564	1,242,926	(193,362)	(15.56)	
Total	<u>\$ 2,784,971</u>	<u>\$ 2,813,852</u>	<u>\$ (28,881)</u>	<u>(1.03)</u>	%

Additional information on the City's capital assets can be found in Note 6 on page 30 of the report. Changes in capital assets for 2016 are primarily related to depreciation of existing assets in excess of additional purchases.

**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 33 of this report.

**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 2017 budget. They will also be an ongoing concern throughout the fiscal year.

- The City anticipates keeping the millage rate the same at 10.958. With the economy still improving we anticipate at least a net tax increase of 3.5% which should yield an additional \$50,000 in ad valorem tax revenue.
- The City is due reimbursement from a Community Development Block grant it received in previous years. Since the work has been complete and the funds from the City's General Fund were used to finance the project, the reimbursement in the amount of \$97,628 will be applied to the General Fund for unanticipated expenditures.
- There is a referendum for a TSPLOST (Transportation Special Purpose Local Option Sales Tax) on the November 8<sup>th</sup> ballot. Should this pass, the City is expected to receive an estimated \$3,000,000 over a five year period or up to \$600,000 year. These funds will be applied to the maintenance and repair of paved and non-paved roadways which could generate greater interest in residential and commercial development.

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.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2016**

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**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](http://www.chatthillsga.us).

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,113,672
Accounts receivable	66,373
Taxes receivable, net of allowance	23,915
Due from other governments	349,744
Prepays	72,398
Capital assets:	
Nondepreciable	992,554
Depreciable, net of accumulated depreciation	<u>1,792,417</u>
 Total assets	 <u>4,411,073</u>
<b>LIABILITIES</b>	
Accounts payable	106,824
Accrued liabilities	26,705
Compensated absences due within one year	25,664
Note payable due within one year	31,363
Note payable due in more than one year	174,404
Capital lease due within one year	29,264
Capital lease due in more than one year	<u>22,302</u>
 Total liabilities	 <u>416,526</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,527,638
Unrestricted	<u>1,466,909</u>
 Total net position	 <u>\$ 3,994,547</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, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 538,770	\$ 148,467	\$ 145,250	\$ -	\$ (245,053)
Judicial	79,963	680	-	-	(79,283)
Public safety	1,212,153	192,125	-	50,000	(970,028)
Public works	583,660	-	-	75,968	(507,692)
Culture and recreation	191,403	760	-	25,000	(165,643)
Community development	56,381	95,289	-	-	38,908
Interest on long-term debt	5,984	-	-	-	(5,984)
Total governmental activities	<u>2,668,314</u>	<u>437,321</u>	<u>145,250</u>	<u>150,968</u>	<u>(1,934,775)</u>
Total primary government	<u>\$ 2,668,314</u>	<u>\$ 437,321</u>	<u>\$ 145,250</u>	<u>\$ 150,968</u>	<u>(1,934,775)</u>
General revenues:					
Property taxes					1,276,787
Sales taxes					716,777
Hotel/Motel taxes					131,947
Franchise taxes					121,732
Business taxes					167,537
Unrestricted investment earnings					1,608
Total general revenues					<u>2,416,388</u>
Change in net position					481,613
Net position, beginning of year					<u>3,512,934</u>
Net position, end of year					<u>\$ 3,994,547</u>

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

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

<b>ASSETS</b>	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 1,113,672	\$ -	\$ 1,113,672
Accounts receivable	58,913	7,460	66,373
Taxes receivable, net of allowance	10,266	13,649	23,915
Intergovernmental receivable	349,744	-	349,744
Due from other funds	36,542	25,199	61,741
Prepays	43,316	29,082	72,398
Total assets	<u>\$ 1,612,453</u>	<u>\$ 75,390</u>	<u>\$ 1,687,843</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 97,435	\$ 9,389	\$ 106,824
Accrued liabilities	21,228	-	21,228
Due to other funds	25,199	36,542	61,741
Total liabilities	<u>143,862</u>	<u>45,931</u>	<u>189,793</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	10,266	-	10,266
Unavailable revenue - intergovernmental revenue	158,714	-	158,714
Unavailable revenue - insurance premium taxes	137,021	-	137,021
Total deferred inflows of resources	<u>306,001</u>	<u>-</u>	<u>306,001</u>
 <b>FUND BALANCES</b>			
Fund balances:			
Nonspendable for prepaids	43,316	29,082	72,398
Restricted for tourism	-	16,314	16,314
Assigned for public safety	-	13,145	13,145
Unassigned	1,119,274	(29,082)	1,090,192
Total fund balances	<u>1,162,590</u>	<u>29,459</u>	<u>1,192,049</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,612,453</u>	<u>\$ 75,390</u>	

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.	2,784,971
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(288,474)
Some revenues are not available in the current period and, therefore, are not reported in the funds.	306,001
Net position of governmental activities	<u>\$ 3,994,547</u>

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, 2016**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 1,260,343	\$ -	\$ 1,260,343
Sales taxes	716,777	-	716,777
Hotel/Motel taxes	-	131,947	131,947
Franchise taxes	121,732	-	121,732
Business taxes	167,537	-	167,537
Licenses and permits	54,487	-	54,487
Fines and forfeitures	139,131	-	139,131
Charges for services	160,325	41,344	201,669
Intergovernmental	355,407	-	355,407
Contributions	9,577	-	9,577
Interest earned	1,608	-	1,608
Miscellaneous	31,324	10,710	42,034
<b>Total revenues</b>	<u>3,018,248</u>	<u>184,001</u>	<u>3,202,249</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	531,265	-	531,265
Judicial	79,963	-	79,963
Public safety	1,140,393	63,388	1,203,781
Public works	524,492	-	524,492
Culture and recreation	110,654	77,949	188,603
Community development	63,294	-	63,294
<b>Debt service:</b>			
Principal	66,985	-	66,985
Interest	3,728	-	3,728
<b>Total expenditures</b>	<u>2,520,774</u>	<u>141,337</u>	<u>2,662,111</u>
Excess of revenues over expenditures	<u>497,474</u>	<u>42,664</u>	<u>540,138</u>
<b>Other financing sources (uses):</b>			
Issuance of note payable	57,309	-	57,309
Transfers in	37,684	22,044	59,728
Transfers out	(22,044)	(37,684)	(59,728)
<b>Total other financing sources (uses)</b>	<u>72,949</u>	<u>(15,640)</u>	<u>57,309</u>
Net change in fund balances	<u>570,423</u>	<u>27,024</u>	<u>597,447</u>
<b>Fund balances, beginning of year</b>	<u>592,167</u>	<u>2,435</u>	<u>594,602</u>
<b>Fund balances, end of year</b>	<u>\$ 1,162,590</u>	<u>\$ 29,459</u>	<u>\$ 1,192,049</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, 2016

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

Net change in fund balances - total governmental funds	\$	597,447
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.		(78,881)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not current financial resources.		50,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(102,322)
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 is the net effect of these differences in the treatment of long-term debt.		9,676
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>5,693</u>
Change in net position - governmental activities	\$	<u><u>481,613</u></u>

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

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2016**

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<b>ASSETS</b>	<b>Municipal Court Fund</b>
Cash	<u>\$ 17,180</u>
Total assets	<u><u>\$ 17,180</u></u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 17,180</u>
Total liabilities	<u><u>\$ 17,180</u></u>

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

# CITY OF CHATTAHOOCHEE HILLS, GEORGIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### 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.

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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.

## NOTES TO FINANCIAL STATEMENTS

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### 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. 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, such as emergency telephone systems charges and hotel/motel tax revenues, which are restricted or committed to expenditure for specific purposes.

The **capital projects fund** is used to account for revenue sources that will be used by the City for the purpose of capital outlay.

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, special revenue, and capital projects 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 each governmental fund. During the fiscal period ended June 30, 2016, 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

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### 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. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as other outstanding balances between funds are reported as "due to/from other funds."

#### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

#### I. 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 acquisition value at the date of donation.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Capital Assets (Continued)

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.

#### J. Deferred Outflows / Inflows of Resources

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 fund balance 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, intergovernmental revenues 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.

#### K. 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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. 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.

#### M. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Fund Equity (Continued)

- **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.

**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 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.

#### N. 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. 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 \$288,474 difference are as follows:

Note payable	\$	(205,767)
Capital leases		(51,566)
Compensated absences		(25,664)
Accrued interest		(5,477)
Net adjustment to decrease fund balance - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(288,474)

#### 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 \$78,881 difference are as follows:

Capital outlay	\$	229,109
Depreciation expense		(307,990)
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>	\$	(78,881)

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. 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 that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$9,676 difference are as follows:

Issuance of note payable	\$ (57,309)
Principal retirement of long-term debt	<u>66,985</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>\$ 9,676</u>

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 \$5,693 difference are as follows:

Compensated absences	\$ 7,949
Accrued interest	<u>(2,256)</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>\$ 5,693</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. 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.

For the year ended June 30, 2016, expenditures exceeded the final amended budget in the general fund departments shown below:

General government - executive	\$	42,099
Public works		7,193

### NOTE 4. DEPOSITS

Total deposits as of June 30, 2016 are summarized as follows:

Statement of net position:		
Cash and cash equivalents	\$	1,113,672
Statement of fiduciary net position:		
Cash - agency fund		17,180
	\$	<u>1,130,852</u>
Cash deposited with financial institutions	\$	1,130,852
	\$	<u>1,130,852</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, 2016, all of the City's bank balances were insured and/or collateralized as defined by GASB and State Statutes.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. 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, 2016, 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	\$ 51,560	\$ 13,649	\$ 65,209
Accounts	58,913	7,460	66,373
Intergovernmental	349,744	-	349,744
Total receivables	460,217	21,109	481,326
Less allowance for uncollectible	41,294	-	41,294
Net total receivable	\$ 418,923	\$ 21,109	\$ 440,032

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 992,554	\$ -	\$ -	\$ 992,554
Total	<u>992,554</u>	<u>-</u>	<u>-</u>	<u>992,554</u>
Capital assets, being depreciated:				
Buildings and improvements	224,848	70,775	-	295,623
Machinery and equipment	361,416	167,597	-	529,013
Vehicles	583,775	40,737	(21,958)	602,554
Infrastructure	<u>2,724,958</u>	<u>-</u>	<u>-</u>	<u>2,724,958</u>
Total	<u>3,894,997</u>	<u>279,109</u>	<u>(21,958)</u>	<u>4,152,148</u>
Less accumulated depreciation for:				
Buildings and improvements	(79,081)	(11,481)	-	(90,562)
Machinery and equipment	(128,713)	(51,290)	-	(180,003)
Vehicles	(383,873)	(51,857)	21,958	(413,772)
Infrastructure	<u>(1,482,032)</u>	<u>(193,362)</u>	<u>-</u>	<u>(1,675,394)</u>
Total	<u>(2,073,699)</u>	<u>(307,990)</u>	<u>21,958</u>	<u>(2,359,731)</u>
Total capital assets being depreciated, net	<u>1,821,298</u>	<u>(28,881)</u>	<u>-</u>	<u>1,792,417</u>
Governmental activities capital assets, net	<u>\$ 2,813,852</u>	<u>\$ (28,881)</u>	<u>\$ -</u>	<u>\$ 2,784,971</u>

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

Governmental activities:	
General government	\$ 3,893
Public safety	60,745
Public works	228,714
Culture and recreation	<u>14,638</u>
Total depreciation expense - governmental activities	<u>\$ 307,990</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

#### Notes Payable

In March 2015, the City entered into an agreement through the Georgia Municipal Association to borrow \$148,459 for the purchase of two tractors. Annual payments of \$27,834, including interest at a rate of 3.47% begin in July 2016 and will continue through July 2021. The outstanding balance at June 30, 2016 is \$148,458.

In April 2016, the City entered into an agreement through the Georgia Municipal Association to borrow \$57,309 for the purchase of a compact track loader. Annual payments of \$10,864, including interest at a rate of 3.81% begin in April of 2017 and will continue through April 2022. The outstanding balance at June 30, 2016 is \$57,309.

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

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 31,363	\$ 7,335	\$ 38,698
2018	32,481	6,217	38,698
2019	33,639	5,059	38,698
2020	34,838	3,860	38,698
2021	36,080	2,618	38,698
2022	37,366	1,332	38,698
	<u>\$ 205,767</u>	<u>\$ 26,421</u>	<u>\$ 232,188</u>

#### Capital Lease Payable – Vehicles

The City has entered into a lease-purchase agreement to finance the acquisition of public safety vehicles. The lease is for a period of three years, at an interest rate of 3.20% annually, due April 2017. As of June 30, 2016, the City had \$53,150 of vehicles, with associated accumulated depreciation of \$14,871, financed under the capital lease.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Capital Lease Payable – Equipment

The City has entered into a lease-purchase agreement to finance the acquisition of public safety equipment. The lease is for a period of five years, at an interest rate of 3.56% annually, due April 2019. As of June 30, 2016, the City had \$54,174 of equipment, with associated accumulated depreciation of \$15,540, financed under the capital lease.

Amortization expense of capital assets under capital leases is included with depreciation expense.

As of June 30, 2016 the future lease payments for the capital leases are as follows:

Year Ending June 30,		
2017	\$	32,309
2018		12,202
2019		<u>12,202</u>
Total minimum lease payments		56,713
Less amount representing interest		<u>5,147</u>
Present value of future minimum lease payments	\$	<u><u>51,566</u></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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Notes payable	\$ 187,107	\$ 57,309	\$ (38,649)	\$ 205,767	\$ 31,363
Capital lease	79,902	-	(28,336)	51,566	29,264
Compensated absences	<u>33,613</u>	<u>32,700</u>	<u>(40,649)</u>	<u>25,664</u>	<u>25,664</u>
Governmental activity					
Long-term liabilities	<u>\$ 300,622</u>	<u>\$ 90,009</u>	<u>\$ (107,634)</u>	<u>\$ 282,997</u>	<u>\$ 86,291</u>

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 36,542
Nonmajor governmental funds	General Fund	25,199
		\$ 61,741

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.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 37,684
Nonmajor governmental funds	General Fund	\$ 22,044

Transfers are used to move unrestricted revenues from the Hotel Motel Fund to the General Fund and from the General Fund to supplement the Emergency 911 Fund.

### NOTE 9. 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 10. 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, 2016, there were 47 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 Council. For the fiscal year ending June 30, 2016, contributions to the Plan were \$43,611 each by the employees and the City.

## NONMAJOR GOVERNMENTAL FUNDS

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### 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.

### Capital Projects Fund

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure of capital outlays.

**Technology Fee** - to account for technology fees that will be used by the City for the purpose of capital outlay.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Emergency 911 Fund	Hotel/Motel Tax Fund	Technology Fee Fund	
<b>ASSETS</b>				
Accounts receivable	\$ 7,460	\$ -	\$ -	\$ 7,460
Taxes receivable	-	13,649	-	13,649
Prepays	29,082	-	-	29,082
Due from other funds	-	12,054	13,145	25,199
Total assets	<u>\$ 36,542</u>	<u>\$ 25,703</u>	<u>\$ 13,145</u>	<u>\$ 75,390</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 9,389	\$ -	\$ 9,389
Due to other funds	36,542	-	-	36,542
Total liabilities	<u>36,542</u>	<u>9,389</u>	<u>-</u>	<u>45,931</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaids	29,082	-	-	29,082
Restricted for tourism	-	16,314	-	16,314
Assigned for public safety	-	-	13,145	13,145
Unassigned	(29,082)	-	-	(29,082)
Total fund balances	<u>-</u>	<u>16,314</u>	<u>13,145</u>	<u>29,459</u>
Total liabilities and fund balances	<u>\$ 36,542</u>	<u>\$ 25,703</u>	<u>\$ 13,145</u>	<u>\$ 75,390</u>

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Emergency 911 Fund	Hotel/Motel Tax Fund	Technology Fee Fund	
<b>REVENUES</b>				
Hotel/motel taxes	\$ -	\$ 131,947	\$ -	\$ 131,947
Charges for services	41,344	-	-	41,344
Miscellaneous	-	-	10,710	10,710
Total revenues	<u>41,344</u>	<u>131,947</u>	<u>10,710</u>	<u>184,001</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	63,388	-	-	63,388
Culture and recreation	-	77,949	-	77,949
Total expenditures	<u>63,388</u>	<u>77,949</u>	<u>-</u>	<u>141,337</u>
Excess (deficiency) of revenues over expenditures	<u>(22,044)</u>	<u>53,998</u>	<u>10,710</u>	<u>42,664</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	22,044	-	-	22,044
Transfers out	-	(37,684)	-	(37,684)
Total other financing sources (uses)	<u>22,044</u>	<u>(37,684)</u>	<u>-</u>	<u>(15,640)</u>
Net change in fund balances	<u>-</u>	<u>16,314</u>	<u>10,710</u>	<u>27,024</u>
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>2,435</u>	<u>2,435</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 16,314</u>	<u>\$ 13,145</u>	<u>\$ 29,459</u>