

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Prepared by:
Finance Department

INTRODUCTORY SECTION

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

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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, each 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, each major fund, and the aggregate remaining fund information of the City of Chattahoochee Hills, Georgia as of June 30, 2018, 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.

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, as listed in the table of contents, 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 24, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 24, 2018

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$4,537,144 (net position), representing a \$233,617 or 5.43% increase over the prior year.
- Unrestricted net position increased from \$1,764,724 to \$1,892,974, an increase of \$128,250 or 7.27%.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balance of \$2,147,555, an improvement of \$271,179 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 12 and 13 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 12 and 13 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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 two major funds and three non-major governmental funds. The City's major governmental funds are the General Fund and TSPLOST fund; 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 14 through 16 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 17 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 18 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, 2018

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, 2018 the City's assets exceeded liabilities by \$4,537,144. A significant portion of the City's net position, \$2,261,067 is its investment in capital assets (land, buildings, infrastructure, and equipment, net of accumulated depreciation), 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 City also reported \$383,103 in restricted net position for funds which can only be spent for designated purposes as required by state law or contractual agreements.

The remaining portion of the City's net position represents unrestricted net position in the amount of \$1,892,974 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 2018 and 2017.

City of Chattahoochee Hills Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Inc (Dec)</u>	<u>Percent</u>
Assets				
Current assets	\$ 2,512,407	\$ 2,126,938	\$ 385,469	18.12 %
Capital assets, net of accumulated depreciation	<u>2,947,165</u>	<u>3,078,393</u>	<u>(131,228)</u>	<u>(4.26)</u>
Total assets	<u>5,459,572</u>	<u>5,205,331</u>	<u>254,241</u>	<u>4.88</u>
Liabilities				
Current liabilities	390,271	275,923	114,348	41.44
Long-term liabilities	<u>532,157</u>	<u>625,881</u>	<u>(93,724)</u>	<u>(14.97)</u>
Total liabilities	<u>922,428</u>	<u>901,804</u>	<u>20,624</u>	<u>2.29</u>
Net position				
Net investment in capital assets	2,261,067	2,321,021	(59,954)	(2.58)
Restricted for grant programs	383,103	217,782	165,321	75.91
Unrestricted	<u>1,892,974</u>	<u>1,764,724</u>	<u>128,250</u>	<u>7.27</u>
Total net position	<u>\$ 4,537,144</u>	<u>\$ 4,303,527</u>	<u>\$ 233,617</u>	<u>5.43 %</u>

Changes in net position. Governmental activities increased the City's net position by \$233,617 and \$308,980 in fiscal years 2018 and 2017, respectively. The table on the following page indicates the change in net position from the twelve months ended June 30, 2018 and 2017.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

City of Chattahoochee Hills Changes in Net Position
for the Year Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 467,864	\$ 497,752	\$ (29,888)	(6.00) %
Operating grants and contributions	40,073	5,915	34,158	577.48
Capital grants and contributions	567,725	49,468	518,257	1,047.66
General Revenues:				
Property taxes	1,424,642	1,408,129	16,513	1.17
Other taxes	1,272,502	1,204,323	68,179	5.66
Investment earnings	2,474	2,385	89	3.73
Gain on sale of capital assets	-	30,000	(30,000)	-
Total revenues	<u>3,775,280</u>	<u>3,197,972</u>	<u>577,308</u>	<u>18.05</u>
Expenses:				
General government	477,242	564,980	(87,738)	(15.53)
Judicial	88,531	84,017	4,514	5.37
Public safety	1,644,308	1,362,445	281,863	20.69
Public works	1,078,153	655,553	422,600	64.46
Culture and recreation	162,351	144,164	18,187	12.62
Community development	73,735	60,056	13,679	22.78
Interest expenses	17,343	17,777	(434)	(2.44)
Total expenses	<u>3,541,663</u>	<u>2,888,992</u>	<u>652,671</u>	<u>22.59</u>
Change in net position	233,617	308,980	\$ (75,363)	(24.39) %
Net position beginning of year	<u>4,303,527</u>	<u>3,994,547</u>		
Net position end of year	<u>\$ 4,537,144</u>	<u>\$ 4,303,527</u>		

Governmental activities increased the City's net position by \$233,617 in fiscal year 2018. Total revenues increased significantly, \$577,308 or 18.05% from the prior year. Charges for services decreased \$29,888 or 6% primarily because of decreases in special events permits. Contributions increased \$34,158 or 577% primarily from an anonymous donation of \$30,000 that was used for the purchase of an emergency transport vehicle. Capital Grants increased \$518,257 or 1047% because the City began collecting TSPLOST revenues from Fulton County in 2018. Property tax revenues increased slightly (1.17%) from the prior year. Other taxes have increased \$68,179 or 5.66% as the economy has continued to improve. The City did not realize any gains on disposal of equipment in 2018 as compared with 2017, when the city realized a \$30,000 gain from a trade in of certain public works equipment.

Total expenses have increased \$652,671 or 22.59%. General government expenses decreased \$87,738 or 15.5% as a result of vacant positions. Public safety expenses increased \$281,863 or 20.69% as vacant positions were filled in 2018. Public works expenses increased \$422,600 or 12.32% as a result of TSPLOST expenditures for road resurfacing and filling vacant positions.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Property taxes	\$ 1,397,319	\$ 1,407,994	\$ (10,675)	(0.76) %
Sales taxes	750,004	707,676	42,328	5.98
Hotel/Motel taxes	191,418	184,464	6,954	3.77
Franchise taxes	132,975	127,601	5,374	4.21
Business Taxes	198,105	184,582	13,523	7.33
Licenses and permits	73,409	62,569	10,840	17.32
Fines and forfeitures	184,067	179,607	4,460	2.48
Charges for services	154,118	187,496	(33,378)	(17.80)
Intergovernmental	567,725	204,320	363,405	177.86
Contributions	40,073	5,915	34,158	577.48
Interest earned	2,474	2,385	89	3.73
Miscellaneous	<u>56,270</u>	<u>68,080</u>	<u>(11,810)</u>	<u>(17.35)</u>
Total Revenue	<u>3,747,957</u>	<u>3,322,689</u>	<u>425,268</u>	<u>12.80</u>
Expenditures:				
General government	472,449	563,122	(90,673)	(16.10)
Judicial	88,531	84,017	4,514	5.37
Public safety	1,782,179	1,442,661	339,518	23.53
Public works	816,164	869,119	(52,955)	(6.09)
Culture and recreation	152,860	140,102	12,758	9.11
Community development	73,486	60,263	13,223	21.94
Debt service	<u>172,304</u>	<u>69,580</u>	<u>102,724</u>	<u>147.63</u>
Total expenditures	<u>3,557,973</u>	<u>3,228,864</u>	<u>329,109</u>	<u>10.19</u> %
Excess (deficiency) of revenues over expenditures	<u>189,984</u>	<u>93,825</u>	<u>96,159</u>	
Other financing sources (uses):				
Issuance of note payable	81,195	560,502	(479,307)	
Sale of capital assets	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>	
Net change in Fund Balances	<u>271,179</u>	<u>684,327</u>	<u>(413,148)</u>	
Beginning fund balance	<u>1,876,376</u>	<u>1,192,049</u>	<u>684,327</u>	
Ending fund balance	<u>\$ 2,147,555</u>	<u>\$ 1,876,376</u>	<u>\$ 271,179</u>	

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Governmental funds reported a positive fund balance of \$2,147,555 at June 30, 2018. This is a \$271,179 improvement over the prior year.

Revenues have increased \$425,268 or 12.8% over the prior year. Sales taxes have increased \$42,328 or 5.98% as the economy improves. Property taxes, hotel/motel taxes, franchise taxes, business taxes, and fines and forfeitures have remained consistent with the prior year. Intergovernmental revenues increased \$363,405 or 178% as the City collected a full year of TSPLOST revenues from Fulton County which began in April 2017. Charges for services decreased \$33,378 or 17.8% as a result of decrease in special event permits. Contributions increased \$34,158 or 577% as a result of an anonymous donation of \$30,000 toward the purchase of an emergency transport vehicle.

Total expenditures increased \$329,109 or 10.19% over prior year levels. General government decreased \$90,673 or 16.10% as a result of vacant positions. Public safety expenditures increased \$339,518 or 23.53% due to filling vacant positions in the fire department and purchase of fire equipment. Public works expenditures decreased \$52,955 or 6.09% as increases in salaries were more than offset by decreases in repair and maintenance costs and equipment and infrastructure capital outlay. Debt service expenditures increased \$102,724 or 148% as the City took on additional debt to purchase public works and public safety equipment.

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 \$1,722,211, an increase of \$92,846 over the prior year.

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 16.7% 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. The current fund balance stands at \$1,722,211 or 55% of current year expenditures.

TSPLOST fund. The TSPLOST Fund is used by the City to account for the City's portion of revenues and expenditures on approved capital projects relating to the Transportation Special Purpose Local Option Sales Tax referendum approved by the voters of Fulton County, Georgia in 2016. Since the fund's inception in the prior year, it has spent approximately \$334,000 of TSPLOST funds on maintenance and safety enhancements to the City's roads. The current fund balance of this fund stands at \$230,167 as of June 30, 2018.

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 \$64,527 less than budgeted, as certain state and federal grant requests did not materialize. Revenue shortfalls were compensated by actual expenditures being much less than budgeted. Expenditures were \$233,499 less than budgeted.

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, 2018

This year, the City did not require mid-year budget amendments; however, prior to the FY2019 budget adoption in June, the City Council made some budgetary adjustments to its projected and anticipated expenditures. Twenty-two (22) budget adjustments were approved by the City Council for fiscal year 2018. The following budget amendments were adopted during the year:

- In June of 2018, the budget was amended to increase revenue from Motor Vehicle Taxes from the \$31,000 that was recommended to \$36,242; Real Estate Transfer Tax revenues from \$9,000 to \$12,197; Business and Occupational Tax Revenues from \$25,000 to \$38,834; Insurance Premium Tax revenue from \$145,000 to \$159,041; Licenses and Permits from \$65,000 to \$85,178; Charges for Services from \$45,000 to \$73,377; Parking Fee revenue from \$48,000 to \$57,373; Local Maintenance Improvement Grant (LMIG) revenues from \$99,000 to \$106,745; Contributions and Donations from \$5,000 to \$40,073 (due to a large donation for an Emergency Response Unit); Interest Proceeds from \$1,000 to \$2,023; Other Revenues from \$0 to \$547; and to recognize proceeds from a new note payable of \$81,195 that was not previously budgeted. The Fund Balance from the prior fiscal year was also updated from \$1,192,049 to \$1,876,376 based on the 2017 Audit. Hotel/Motel Taxes were amended from \$128,395 to \$173,821 to recognize \$45,426 in additional revenues. TSPLOST was reduced from \$545,596 to \$414,156 due to collections being only 80% of projections. The City also recognized the fund balance from the prior year at \$105,287.
- Adjustments to the Expenditures Budget were nominal with just an increase to Non-Departmental Insurance of \$10,507. The remaining increases in revenues were applied to the Contingency Reserve for Fund Balance, which was \$1,835,540.
- Lastly, the City reduced some anticipated expenditures in Other Financing Uses to include a reduction of \$689,631 in the Capital Fund and \$215,458 in the TSPLOST fund that will be carried over into the next fiscal year (FY2019).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the City’s investment in capital assets for its governmental activities totaled \$2,947,165. 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Inc (Dec)</u>	<u>Percent</u>	
Land	\$ 992,554	\$ 992,554	\$ -	-	%
Buildings and improvements	197,886	190,574	7,312	3.84	
Machinery and equipment	648,588	657,335	(8,747)	(1.33)	
Vehicles	445,297	381,728	63,569	16.65	
Infrastructure	<u>662,840</u>	<u>856,202</u>	<u>(193,362)</u>	<u>(22.58)</u>	
Total	<u>\$ 2,947,165</u>	<u>\$ 3,078,393</u>	<u>\$ (131,228)</u>	<u>(4.26)</u>	%

Additional information on the City’s capital assets can be found in Note 6 on page 29 of the report. Changes in capital assets for 2018 are primarily related to depreciation of \$405,891 in excess of additional purchases of police vehicles and public works equipment of \$274,663.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Long-term debt

The City's long term debt consists primarily of notes payable and lease obligations for vehicles and equipment. Additional information on the City's debt can be found in Note 7 beginning on page 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors are expected to have some noteworthy effects on the City's financial position or results of operations and were taken into account in developing the fiscal year 2018 budget. They will also be an ongoing concern throughout the fiscal year.

- In honor of the City's tenth anniversary, its Decennial milestone, the City Council chose to roll its millage rate back to 10.00. Even with the reduction in millage rate, the City budgeted for a slight increase from \$1,274,355 from FY2018 to \$1,310,000 for FY2019. Thus, the City budgeted for at least a net tax increase of 2.72% which should yield an additional \$35,645 in ad valorem tax revenue.
- The City anticipates a slight reduction in Motor Vehicle Tax as consumers retain their vehicles longer and are no longer required to pay annual vehicle taxes.
- With increased activity in the film industry and the City being a popular area for location scouts, the City again anticipated an increase in the Licenses and Permits account from the revenues generated from these permits.
- Development in the Mixed Use hamlet known as Serenbe has increased which will lead to an increase in Charges for Services which includes development and administration fees.
- The TSPLOST (Transportation Special Purpose Local Option Sales Tax) referendum passed two years ago in November of 2016. As a result, the City began receiving an estimated \$34,000 per month. The collection of these funds by the Department of Revenue began in March of 2017. The initial projections were around \$45,000 per month. However, collections are down closer to around 80% of the original estimate provided by the County. These funds are 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.

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, 2018

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,104,966
Accounts receivable	34,045
Taxes receivable, net of allowance	55,696
Due from other governments	260,586
Prepays	57,114
Capital assets:	
Nondepreciable	992,554
Depreciable, net of accumulated depreciation	1,954,611
	<hr/>
Total assets	5,459,572
	<hr/>
LIABILITIES	
Accounts payable	146,206
Accrued liabilities	51,684
Compensated absences due within one year	38,440
Capital lease due within one year	11,260
Note payable due within one year	142,681
Note payable due in more than one year	532,157
	<hr/>
Total liabilities	922,428
	<hr/>
NET POSITION	
Net investment in capital assets	2,261,067
Restricted for tourism	152,936
Restricted for capital projects	230,167
Unrestricted	1,892,974
	<hr/>
Total net position	\$ 4,537,144
	<hr/> <hr/>

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, 2018**

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	\$ 477,242	\$ 174,567	\$ 40,073	\$ -	\$ (262,602)
Judicial	88,531	170	-	-	(88,361)
Public safety	1,644,308	205,214	-	-	(1,439,094)
Public works	1,078,153	-	-	565,724	(512,429)
Culture and recreation	162,351	1,526	-	2,001	(158,824)
Community development	73,735	86,387	-	-	12,652
Interest on long-term debt	17,343	-	-	-	(17,343)
Total governmental activities	<u>3,541,663</u>	<u>467,864</u>	<u>40,073</u>	<u>567,725</u>	<u>(2,466,001)</u>
Total primary government	<u>\$ 3,541,663</u>	<u>\$ 467,864</u>	<u>\$ 40,073</u>	<u>\$ 567,725</u>	<u>(2,466,001)</u>
General revenues:					
					1,424,642
					750,004
					191,418
					132,975
					198,105
					2,474
					<u>2,699,618</u>
					233,617
					<u>4,303,527</u>
					<u>\$ 4,537,144</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	General Fund	TSPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,753,811	\$ 189,864	\$ 161,291	\$ 2,104,966
Accounts receivable	34,045	-	-	34,045
Taxes receivable, net of allowance	37,426	-	18,270	55,696
Intergovernmental receivable	220,183	40,403	-	260,586
Due from other funds	20,853	-	42,241	63,094
Prepays	57,114	-	-	57,114
Total assets	\$ 2,123,432	\$ 230,267	\$ 221,802	\$ 2,575,501
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 140,334	\$ -	\$ 5,872	\$ 146,206
Accrued liabilities	40,039	-	-	40,039
Due to other funds	42,241	100	20,753	63,094
Total liabilities	222,614	100	26,625	249,339
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	19,566	-	-	19,566
Unavailable revenue - insurance premium taxes	159,041	-	-	159,041
Total deferred inflows of resources	178,607	-	-	178,607
FUND BALANCES				
Fund balances:				
Nonspendable for prepaids	57,114	-	-	57,114
Restricted for tourism	-	-	152,936	152,936
Restricted for capital projects	-	230,167	-	230,167
Assigned for public safety	-	-	42,241	42,241
Unassigned	1,665,097	-	-	1,665,097
Total fund balances	1,722,211	230,167	195,177	2,147,555
Total liabilities, deferred inflows of resources and fund balances	\$ 2,123,432	\$ 230,267	\$ 221,802	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.				2,947,165
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(736,183)
Some revenues are not available in the current period and, therefore, are not reported in the funds.				178,607
Net position of governmental activities				\$ 4,537,144

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, 2018**

	<u>General Fund</u>	<u>TSPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 1,397,319	\$ -	\$ -	\$ 1,397,319
Sales taxes	750,004	-	-	750,004
Hotel/Motel taxes	-	-	191,418	191,418
Franchise taxes	132,975	-	-	132,975
Business taxes	198,105	-	-	198,105
Licenses and permits	73,409	-	-	73,409
Fines and forfeitures	184,067	-	-	184,067
Charges for services	154,118	-	-	154,118
Intergovernmental	108,746	458,979	-	567,725
Contributions	40,073	-	-	40,073
Interest earned	2,474	-	-	2,474
Miscellaneous	35,846	-	20,424	56,270
Total revenues	<u>3,077,136</u>	<u>458,979</u>	<u>211,842</u>	<u>3,747,957</u>
Expenditures:				
Current:				
General government	472,449	-	-	472,449
Judicial	88,531	-	-	88,531
Public safety	1,745,354	-	36,825	1,782,179
Public works	485,026	331,138	-	816,164
Culture and recreation	83,005	-	69,855	152,860
Community development	73,486	-	-	73,486
Debt service:				
Principal	152,469	-	-	152,469
Interest	19,835	-	-	19,835
Total expenditures	<u>3,120,155</u>	<u>331,138</u>	<u>106,680</u>	<u>3,557,973</u>
Excess (deficiency) of revenues over expenditures	<u>(43,019)</u>	<u>127,841</u>	<u>105,162</u>	<u>189,984</u>
Other financing sources (uses):				
Issuance of note payable	81,195	-	-	81,195
Transfers in	54,670	-	-	54,670
Transfers out	-	-	(54,670)	(54,670)
Total other financing sources (uses)	<u>135,865</u>	<u>-</u>	<u>(54,670)</u>	<u>81,195</u>
Net change in fund balances	<u>92,846</u>	<u>127,841</u>	<u>50,492</u>	<u>271,179</u>
Fund balances, beginning of year	<u>1,629,365</u>	<u>102,326</u>	<u>144,685</u>	<u>1,876,376</u>
Fund balances, end of year	<u>\$ 1,722,211</u>	<u>\$ 230,167</u>	<u>\$ 195,177</u>	<u>\$ 2,147,555</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, 2018**

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

Net change in fund balances - total governmental funds	\$ 271,179
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.	(131,228)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	27,323
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.	71,274
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>(4,931)</u>
Change in net position - governmental activities	<u>\$ 233,617</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, 2018

ASSETS	Municipal Court Fund
Cash	<u>\$ 9,120</u>
Total assets	<u>\$ 9,120</u>
LIABILITIES	
Due to others	<u>\$ 9,120</u>
Total liabilities	<u>\$ 9,120</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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.

The **Transportation Special Purpose Local Option Sales Tax (TSPLOST) Fund** is used to account for the revenues received by the City to be expended on capital projects identified in the voter approved TSPLOST referendum.

Additionally, the City reports the following fund types:

The **special revenue funds** are used to account for revenue sources, such as hotel/motel tax revenues, which are restricted or committed to expenditure for specific purposes.

The **capital project 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, 2018, 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. 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, 2018, 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

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 and insurance premium taxes as 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

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

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. The City intends to maintain an unassigned fund balance in the general fund equal to approximately 16% of the current year's expenditures. 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

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 \$736,183 difference are as follows:

Notes payable	\$	(674,838)
Capital leases		(11,260)
Compensated absences		(38,440)
Accrued interest		(11,645)
Net adjustment to decrease fund balance - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(736,183)

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 \$131,228 difference are as follows:

Capital outlay	\$	274,663
Depreciation expense		(405,891)
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>	\$	(131,228)

NOTES TO FINANCIAL STATEMENTS

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 \$71,274 difference are as follows:

Issuance of note payable	\$ (81,195)
Principal retirement of long-term debt	<u>152,469</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>\$ 71,274</u></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 \$4,931 difference are as follows:

Compensated absences	\$ (7,423)
Accrued interest	<u>2,492</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>\$ (4,931)</u></u>

NOTES TO FINANCIAL STATEMENTS

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.

B. Expenditures in Excess of Appropriations

For the fiscal year ended June 30, 2018, the Fire Department within the City's General Fund had total expenditures that exceeded final appropriations by \$39,297. These excess expenditures were funded by available fund balance.

NOTE 4. DEPOSITS

Total deposits as of June 30, 2018 are summarized as follows:

Statement of net position:	
Cash and cash equivalents	\$ 2,104,966
Statement of fiduciary net position:	
Cash - agency fund	9,120
	<u>\$ 2,114,086</u>
Cash deposited with financial institutions	<u>\$ 2,114,086</u>
	<u>\$ 2,114,086</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS (CONTINUED)

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 covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2018, the financial institution holding all of the City’s deposits is a participant of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the state. As of June 30, 2018, all of the City’s bank balances were insured and/or collateralized as defined by GASB and required by state statutes.

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, 2018, for the City’s individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>TSPLOST</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 65,252	\$ -	\$ 18,270	\$ 83,522
Accounts	34,045	-	-	34,045
Intergovernmental	220,183	40,403	-	260,586
Total receivables	<u>319,480</u>	<u>40,403</u>	<u>18,270</u>	<u>378,153</u>
Less allowance for uncollectible	27,826	-	-	27,826
Net total receivable	<u>\$ 291,654</u>	<u>\$ 40,403</u>	<u>\$ 18,270</u>	<u>\$ 350,327</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
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	295,623	22,245	-	317,868
Machinery and equipment	915,312	104,895	-	1,020,207
Vehicles	855,470	147,523	-	1,002,993
Infrastructure	2,724,958	-	-	2,724,958
Total	<u>4,791,363</u>	<u>274,663</u>	<u>-</u>	<u>5,066,026</u>
Less accumulated depreciation for:				
Buildings and improvements	(105,049)	(14,933)	-	(119,982)
Machinery and equipment	(257,977)	(113,642)	-	(371,619)
Vehicles	(473,742)	(83,954)	-	(557,696)
Infrastructure	(1,868,756)	(193,362)	-	(2,062,118)
Total	<u>(2,705,524)</u>	<u>(405,891)</u>	<u>-</u>	<u>(3,111,415)</u>
Total capital assets being depreciated, net	<u>2,085,839</u>	<u>(131,228)</u>	<u>-</u>	<u>1,954,611</u>
Governmental activities capital assets, net	<u>\$ 3,078,393</u>	<u>\$ (131,228)</u>	<u>\$ -</u>	<u>\$ 2,947,165</u>

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

Governmental activities:	
General government	\$ 3,385
Public safety	85,057
Public works	300,072
Culture and recreation	17,377
Total depreciation expense - governmental activities	<u>\$ 405,891</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% began in July 2016 and will continue through July 2021. The outstanding balance at June 30, 2018 is \$102,308.

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% began in April of 2017 and will continue through April 2022. The outstanding balance at June 30, 2018 is \$39,615.

In July 2016, the City entered into an agreement through the Georgia Municipal Association to borrow \$66,132 for the purchase of two vehicles. Annual payments of \$23,555, including interest at a rate of 3.39% begin in July 2017 and will continue through July 2019. The outstanding balance at June 30, 2018 is \$44,820.

In October 2016, the City entered into an agreement through the Georgia Municipal Association to borrow \$494,370 for the purchase of a motor grader, backhoe and dump truck. Annual payments of \$76,651, including interest at a rate of 2.09% begin in October 2017 and will continue through October 2023. The outstanding balance at June 30, 2018 is \$428,050.

In July 2017, the City entered into an agreement through the Georgia Municipal Association to borrow \$81,195 for the purchase of two police vehicles. Annual payments of \$21,617, including interest at a rate of 4.16% begin in August 2017 and will continue through August 2020. The outstanding balance at June 30, 2018 is \$60,045.

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>
2019	\$ 142,681	\$ 17,840	\$ 160,521
2020	146,662	13,859	160,521
2021	127,466	9,499	136,965
2022	109,405	5,944	115,349
2023	73,544	3,106	76,650
2024	75,080	1,569	76,649
	<u>\$ 674,838</u>	<u>\$ 51,817</u>	<u>\$ 726,655</u>

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, 2018, the City had \$54,174 of equipment, with associated accumulated depreciation of \$30,820, financed under the capital lease.

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

As of June 30, 2018 the future lease payments for the capital leases are as follows:

Year Ending June 30,			
2019	\$	12,202	
Total minimum lease payments		12,202	
Less amount representing interest		942	
Present value of future minimum lease payments	\$	11,260	

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 734,905	\$ 81,195	\$ (141,262)	\$ 674,838	\$ 142,681
Capital lease	22,467	-	(11,207)	11,260	11,260
Compensated absences	31,017	53,374	(45,951)	38,440	38,440
Governmental activity					
Long-term liabilities	\$ 788,389	\$ 134,569	\$ (198,420)	\$ 724,538	\$ 192,381

For governmental activities, compensated absences are generally liquidated by the general fund. The City reports the entire balance of compensated absences as due within one year consistent with historical usage patterns by the City's employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 20,753
General Fund	TSPLOST Fund	100
Nonmajor governmental funds	General Fund	42,241
		<u>\$ 63,094</u>

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	<u>\$ 54,670</u>

Transfers are used to move unrestricted revenues from the Hotel/Motel Fund to the General 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.

NOTES TO FINANCIAL STATEMENTS

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, 2018, there were 77 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, 2018, contributions to the Plan were \$58,120 each by the employees and the City.

The City also offers employees the opportunity to contribute to a 457 deferred compensation plan. The plan is administered by ICMA-RC. All full-time employees have the option to participate in the plan and may contribute the maximum allowed under IRS guidelines. Effective July 1, 2015 the City matches employee contributions up to 2% into a 401a plan which is also administered by ICMA-RC. For the fiscal year ended June 30, 2018 there were 33 participants in the plan and the City contributions to the plan were \$29,543.

NOTE 11. 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 12. 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, 2018, the City received \$191,418 in Hotel/Motel taxes. Of this amount, \$69,855, or 36.5%, was used for the promotion of tourism, conventions, or trade shows.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. 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, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,390,000	\$ 1,398,439	\$ 1,397,319	\$ (1,120)
Sales taxes	639,000	639,000	750,004	111,004
Franchise taxes	130,000	130,000	132,975	2,975
Business taxes	170,000	197,875	198,105	230
Licenses and permits	48,000	63,550	73,409	9,859
Fines and forfeitures	148,000	168,033	184,067	16,034
Charges for services	110,195	152,351	154,118	1,767
Intergovernmental	324,000	331,745	108,746	(222,999)
Interest earned	1,000	2,023	2,474	451
Contributions	5,000	40,073	40,073	-
Miscellaneous	19,305	18,574	35,846	17,272
Total revenues	<u>2,984,500</u>	<u>3,141,663</u>	<u>3,077,136</u>	<u>(64,527)</u>
Expenditures:				
Current:				
General government:				
City council	170,615	170,615	121,423	49,192
Executive	126,338	126,338	124,908	1,430
General operations	258,584	269,091	226,118	42,973
Total general government	<u>555,537</u>	<u>566,044</u>	<u>472,449</u>	<u>93,595</u>
Judicial:				
Municipal court	90,314	90,314	88,531	1,783
Total judicial	<u>90,314</u>	<u>90,314</u>	<u>88,531</u>	<u>1,783</u>
Public safety:				
Police	826,544	824,584	753,383	71,201
Fire	969,630	952,674	991,971	(39,297)
Total public safety	<u>1,796,174</u>	<u>1,777,258</u>	<u>1,745,354</u>	<u>31,904</u>
Public works	<u>829,360</u>	<u>547,311</u>	<u>485,026</u>	<u>62,285</u>
Culture and recreation	<u>113,910</u>	<u>115,941</u>	<u>83,005</u>	<u>32,936</u>
Community development	<u>81,662</u>	<u>81,662</u>	<u>73,486</u>	<u>8,176</u>
Debt service:				
Principal	154,793	154,793	152,469	2,324
Interest	20,331	20,331	19,835	496
Total debt service	<u>175,124</u>	<u>175,124</u>	<u>172,304</u>	<u>2,820</u>
Total expenditures	<u>3,642,081</u>	<u>3,353,654</u>	<u>3,120,155</u>	<u>233,499</u>
Deficiency of revenues over expenditures	<u>(657,581)</u>	<u>(211,991)</u>	<u>(43,019)</u>	<u>168,972</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, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources:				
Issuance of note payable	\$ -	\$ 81,195	\$ 81,195	\$ -
Transfers in	61,266	61,266	54,670	(6,596)
Total other financing sources (uses)	61,266	142,461	135,865	(6,596)
 Net change in fund balance	 (596,315)	 (69,530)	 92,846	 162,376
Fund balance, beginning of year	<u>1,629,365</u>	<u>1,629,365</u>	<u>1,629,365</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,033,050</u>	<u>\$ 1,559,835</u>	<u>\$ 1,722,211</u>	<u>\$ 162,376</u>

Note: See footnotes 1 and 3 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.

Capital Projects Funds

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, 2018**

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Emergency 911 Fund	Hotel/Motel Tax Fund	Technology Fee Fund	
ASSETS				
Cash	\$ -	\$ 161,291	\$ -	\$ 161,291
Taxes receivable	-	18,270	-	18,270
Due from other funds	-	-	42,241	42,241
Total assets	<u>\$ -</u>	<u>\$ 179,561</u>	<u>\$ 42,241</u>	<u>\$ 221,802</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 5,872	\$ -	\$ 5,872
Due to other funds	-	20,753	-	20,753
Total liabilities	-	26,625	-	26,625
FUND BALANCES				
Restricted for tourism	-	152,936	-	152,936
Assigned for public safety	-	-	42,241	42,241
Total fund balances	-	152,936	42,241	195,177
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 179,561</u>	<u>\$ 42,241</u>	<u>\$ 221,802</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, 2018**

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Emergency 911 Fund	Hotel/Motel Tax Fund	Technology Fee Fund	
REVENUES				
Hotel/motel taxes	\$ -	\$ 191,418	\$ -	\$ 191,418
Miscellaneous	-	-	20,424	20,424
Total revenues	-	191,418	20,424	211,842
EXPENDITURES				
Current:				
Public safety	29,413	-	7,412	36,825
Culture and recreation	-	69,855	-	69,855
Total expenditures	29,413	69,855	7,412	106,680
Excess (deficiency) of revenues over expenditures	(29,413)	121,563	13,012	105,162
OTHER FINANCING USES				
Transfers out	-	(54,670)	-	(54,670)
Total other financing uses	-	(54,670)	-	(54,670)
Net change in fund balances	(29,413)	66,893	13,012	50,492
FUND BALANCES, beginning of year	29,413	86,043	29,229	144,685
FUND BALANCES, end of year	\$ -	\$ 152,936	\$ 42,241	\$ 195,177

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**SCHEDULE OF PROJECTS CONSTRUCTED WITH PROCEEDS FROM
TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX (TSPLOST)
FOR THE YEAR ENDED JUNE 30, 2018**

PROJECT	ESTIMATED COST		PRIOR	EXPENDITURES		TOTAL	PROJECT COMPLETION
	ORIGINAL	CURRENT		CURRENT	TOTAL		
TSPLOST TIER 1							
Maintenance and Safety Enhancements	\$ 2,082,377	\$ 2,082,377	\$ 2,819	\$ 331,138	\$ 333,957	16.04 %	
Quick Response Projects	56,280	56,280	-	-	-	0.00 %	
Project Management	112,561	112,561	143	-	143	0.13 %	
TSPLOST TIER 2							
Maintenance and Safety Enhancements	369,464	369,464	-	-	-	0.00 %	
Quick Response Projects	7,945	7,945	-	-	-	0.00 %	
Project Management	19,865	19,865	-	-	-	0.00 %	
TSPLOST TIER 3							
Maintenance and Safety Enhancements	369,464	369,464	-	-	-	0.00 %	
Quick Response Projects	9,514	9,514	-	-	-	0.00 %	
Project Management	19,864	19,864	-	-	-	0.00 %	
TOTAL TSPLOST	\$ 3,047,334	\$ 3,047,334	\$ 2,962	\$ 331,138	\$ 334,100		