

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Prepared by:
Finance Department

INTRODUCTORY SECTION

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 supplementary schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates 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 supplementary schedule is 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 28, 2019, 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 28, 2019

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$3,778,567 (net position), representing a \$758,577 or 16.72% decrease over the prior year.
- Unrestricted net position decreased from \$1,892,974 to \$1,113,459, a decrease of \$779,515 or 41.1%.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balance of \$1,379,224, a decrease of \$768,331 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, 2019

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 three major funds and one non-major governmental fund. The City's major governmental funds are the General Fund; TSPLOST fund; and the Hotel/Motel Tax Fund. The City's non-major fund is the Technology Fee Fund. For fiscal years 2018 and prior, the City maintained an Emergency E911 fund, however, for fiscal 2019 and beyond, these services have been taken over by Fulton County, Georgia.

The basic governmental fund financial statements are presented on pages 15 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 35 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 36 and 37 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019 the City's assets exceeded liabilities by \$3,778,567. This represents a \$758,577 or 16.72% decrease over the prior year as City management has made deliberate decisions to spend surpluses generated in recent years. A significant portion of the City's net position, \$2,263,832 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 City also reported \$401,276 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 \$1,113,459 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 2019 and 2018:

City of Chattahoochee Hills Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Inc(Dec)</u>	<u>Percent</u>
Assets				
Current Assets	\$ 1,751,685	\$ 2,512,407	\$ (760,722)	(30.28) %
Capital assets, net of accumulated depreciation	<u>2,706,809</u>	<u>2,947,165</u>	<u>(240,356)</u>	<u>(8.16)</u>
Total assets	<u>4,458,494</u>	<u>5,459,572</u>	<u>(1,001,078)</u>	<u>(18.34)</u>
Liabilities				
Current liabilities	293,612	390,271	(96,659)	(24.77)
Long-term liabilities	<u>386,315</u>	<u>532,157</u>	<u>(145,842)</u>	<u>(27.41)</u>
Total liabilities	679,927	922,428	(242,501)	(26.29)
Net Position				
Net investment in capital assets	2,263,832	2,261,067	2,765	0.12
Restricted for grant programs	401,276	383,103	18,173	4.74
Unrestricted	<u>1,113,459</u>	<u>1,892,974</u>	<u>(779,515)</u>	<u>(41.18)</u>
Total net position	<u>\$ 3,778,567</u>	<u>\$ 4,537,144</u>	<u>\$ (758,577)</u>	<u>(16.72) %</u>

Changes in net position. Governmental activities decreased the City's net position by \$758,577 in fiscal 2019 and increased net position by \$233,617 in fiscal 2018. The table on the following page indicates the change in net position from the twelve months ended June 30, 2019 and 2018.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

City of Chattahoochee Hills Changes in Net Position
for the Year Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 432,257	\$ 467,864	\$ (35,607)	(7.61)
Operating grants and contributions	2,984	40,073	(37,089)	(92.55)
Capital grants and contributions	715,883	567,725	148,158	26.10
General Revenues:				
Property taxes	1,784,774	1,424,642	360,132	25.28
Other taxes	1,338,909	1,272,502	66,407	5.22
Investment earnings	19,999	2,474	17,525	708.37
Gain on sale of capital assets	10,027	-	10,027	-
Total revenues	<u>4,304,833</u>	<u>3,775,280</u>	<u>529,553</u>	<u>14.03</u>
Expenses:				
General government	511,483	477,242	34,241	7.17
Judicial	95,270	88,531	6,739	7.61
Public safety	1,732,195	1,644,308	87,887	5.34
Public works	2,428,284	1,078,153	1,350,131	125.23
Culture and recreation	177,114	162,351	14,763	9.09
Community development	98,754	73,735	25,019	33.93
Interest expenses	20,310	17,343	2,967	17.11
Total expenses	<u>5,063,410</u>	<u>3,541,663</u>	<u>1,521,747</u>	<u>42.97</u>
Income	<u>(758,577)</u>	<u>233,617</u>	<u>\$ (992,194)</u>	<u>(424.71)</u>
Net position beginning of year	<u>4,537,144</u>	<u>4,303,527</u>		
Net position end of year	<u>\$ 3,778,567</u>	<u>\$ 4,537,144</u>		

Governmental activities decreased the City's net position by \$758,577 in fiscal year 2019 as management has made deliberate budget decisions to spend surplus net position generated in prior fiscal years. Total revenues increased significantly, \$529,553 or 14.03% from the prior year. Operating grants and contributions decreased \$37,089 or 92.5% as prior year revenues benefited from an anonymous donation. Capital Grants increased \$148,158 or 25.28% primarily from increases in state grants. Property tax revenues increased \$360,132 or 26.1% as a result of significant increases in assessed values of property. Other taxes have increased \$66,407 or 5.22% as the economy has continued to improve. Investment earnings increased \$17,525 or 773.6% as operating surpluses have generated increases in cash available to earn interest along with increases in interest rates.

Total expenses have increased \$1,521,747 or 42.97%. Public works expenses increased \$1,350,131 or 125% and were primarily dedicated to road improvement projects. All other categories experienced modest increases.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percent</u>	
Revenues:					
Property taxes	\$ 1,779,631	\$ 1,397,319	\$ 382,312	27.36	%
Sales taxes	795,855	750,004	45,851	6.11	
Hotel/Motel taxes	181,459	191,418	(9,959)	(5.20)	
Franchise taxes	154,422	132,975	21,447	16.13	
Business Taxes	207,173	198,105	9,068	4.58	
Licenses and permits	81,644	73,409	8,235	11.22	
Fines and forfeitures	147,784	184,067	(36,283)	(19.71)	
Charges for services	180,479	154,118	26,361	17.10	
Intergovernmental	715,883	567,725	148,158	26.10	
Contributions	1,370	40,073	(38,703)	(96.58)	
Interest earned	21,613	2,474	19,139	773.61	
Miscellaneous	22,350	56,270	(33,920)	(60.28)	
Total Revenue	<u>4,289,663</u>	<u>3,747,957</u>	<u>541,706</u>	<u>14.45</u>	
Expenditures:					
General government	508,979	472,449	36,530	7.73	
Judicial	95,270	88,531	6,739	7.61	
Public safety	1,740,446	1,782,179	(41,733)	(2.34)	
Public works	2,156,135	816,164	1,339,971	164.18	
Culture and recreation	311,340	152,860	158,480	103.68	
Community development	98,443	73,486	24,957	33.96	
Debt service	174,583	172,304	2,279	1.32	
Total Expenditures	<u>5,085,196</u>	<u>3,557,973</u>	<u>1,527,223</u>	<u>42.92</u>	%
Excess (deficiency) of revenues over expenditures	<u>(795,533)</u>	<u>189,984</u>	<u>(985,517)</u>		
Other financing sources (uses):					
Issuance of note payable	-	81,195	(81,195)		
Sale of capital assets	27,202	-	27,202		
Net change in Fund Balances	<u>(768,331)</u>	<u>271,179</u>	<u>(1,039,510)</u>		
Beginning fund balance	<u>2,147,555</u>	<u>1,876,376</u>	<u>271,179</u>		
Ending fund balance	<u>\$ 1,379,224</u>	<u>\$ 2,147,555</u>	<u>\$ (768,331)</u>		

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Governmental funds reported a positive fund balance of \$1,379,224 at June 30, 2019. This is a \$738,331 decrease over the prior year as management has made deliberate budget decisions to spend surplus net position generated in prior fiscal years.

Revenues have increased \$541,706 or 14.45% over the prior year. Property taxes have increased \$382,312 or 27.36% as a result of increases in assessed property values. Sales taxes and franchise have increased \$45,851 (6.11%) and \$21,447 (16.13%), respectively, as the local economy has grown. Fines and forfeitures have decreased \$36,283 or 19.71% because of decreases in police staffing. Intergovernmental revenues increased \$148,158 or 26.1% as the City received additional state infrastructure grants. Contributions decreased \$38,703 or 96.5% as prior year revenues benefitted from an anonymous donation of \$30,000 toward the purchase of an emergency transport vehicle. Interest earned increased \$19,139 or 773.6% as operating surpluses have generated increases in cash available to earn interest along with increases in interest rates.

Total expenditures increased \$1,527,223 or 42.92% over prior year levels. General government increased \$36,530 or 7.73% as vacant positions were filled as well as increases in professional service fees. Public works expenses increased \$1,339,971 or 164.2% and were dedicated to various road improvement projects. Culture and recreation expenditures increased \$158,480 or 103.7% as were directed toward park trail improvements.

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 \$925,211 a decrease of \$797,000 from the prior year. The decrease is primarily attributed to management decisions to spend surplus fund balances generated in prior years primarily for road improvements.

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 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. The current fund balance stands at \$925,211 or 20.6% of current year expenditures.

The Hotel/Motel Fund has been established in which a 7% tax is applied to lodging at local Inns. Each lodging provider furnishing guest rooms in a hotel in the City shall collect a tax of seven percent on the amount of rent from the occupant unless an exception is provided. These funds are remitted to the City by the 20th of each month. The funds collected must be used for promoting tourism, conventions, and trade shows. The Hotel/Motel Fund currently has a fund balance of \$156,344, an increase of \$3,408 from the prior year. The majority of current year revenues were used for these purposes.

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 \$801,205 of TSPLOST funds on maintenance and safety enhancements to the City's roads. The current fund balance of this fund stands at \$244,932 as of June 30, 2019.

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 \$26,412 worse than budgeted, as certain state and federal grant requests did not materialize.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Revenue shortfalls were compensated by actual expenditures being much less than budgeted. Expenditures were \$822,309 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.

Forty-eight (48) budget adjustments were approved by the City Council during fiscal year 2019. There were five (5) mid-year adjustments in January and then forty-three (43) increases/decreases for end-of-year corrections. The following budget amendments were adopted during the year:

- In January of 2017, the budget was amended to increase revenue from Property Taxes from \$1,355,000 to \$1,500,000 and Insurance Premium Taxes from \$165,000 that was recommended to \$171,518.
- Expenditures were amended to reflect the increases in revenues with the Public Works Department realizing an increase of \$51,518 from \$507,191 to \$558,709 to cover grant related expenses, an increase of \$20,000 in the Parks and Recreation Department from \$102,769 to \$122,769 to fund additional expenditures associated with grant-related infrastructure improvements, and an increase of \$80,000 in the Community Development Department from \$84,621 to \$164,621 to provide ongoing funding for a zoning rewrite process.
- Revenue adjustments at the end of the fiscal year in each line item in the chart of accounts was resolved through Council action which resulted in a reduction in projected General Fund revenue of \$(151,070), and an increase in Other Financing Sources including the Hotel/Motel Fund and TSPLOST of \$134,622.
- Expenditures were amended to reflect the increases/decreases in revenues with the General Fund being reduced by \$(636,162), Capital and Grants Funds being reduced by \$(317,127) for a total anticipated expenditure reduction of \$953,289.
- The Council decreased anticipated expenditures in the Hotel/Motel Fund by \$(6,436) and increased the TSPLOST expenditures to 30,680.
- The overall net change to the end-of-year budget as a result of these adjustments was an increase of \$912,598 revenues/fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the City's investment in capital assets for its governmental activities totaled \$2,796,809. 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, 2019

City of Chattahoochee Hills
Capital Assets (net of depreciation)
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Inc (Dec)</u>	<u>Percent</u>	
Land	\$ 992,554	\$ 992,554	\$ -	-	%
Buildings and improvements	181,470	197,886	(16,416)	(8.30)	
Machinery and equipment	544,522	648,588	(104,066)	(16.05)	
Vehicles	462,541	445,297	17,244	3.87	
Infrastructure	<u>615,722</u>	<u>662,840</u>	<u>(47,118)</u>	<u>(7.11)</u>	
Total	<u>\$ 2,796,809</u>	<u>\$ 2,947,165</u>	<u>\$ (150,356)</u>	<u>(5.10)</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 2019 are primarily related to depreciation of \$438,497 in excess additional purchases of equipment of \$305,316.

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 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 some noteworthy effects on the City's financial position or results of operations and were taken into account in developing the fiscal year 2020 budget. They will also be an ongoing concern throughout the fiscal year.

- The City anticipates keeping the millage rate the same at 10.00. With the economy still improving and the development of platted subdivisions and existing hamlets, we anticipate at least a net tax increase of 4% which should yield an additional \$72,074 in ad valorem tax revenue.
- The City has chosen to remain conservative on revenue projections for Sales and Use Taxes, Licenses and Permits, Charges for Services, Fines and Forfeitures, and Contributions and Donations. However, with increased activity in the film industry and the City of Chattahoochee Hills being a popular area for location scouts, the City anticipates an increase in the Licenses and Permits account from the revenues generated from these permits.
- The City has also been becoming more known for its Parks and anticipates an increase in parking fees, specifically at Cochran Mill Park.
- With the economy showing positive signs of improvement throughout the State, Region and Country, the interest rates are trending higher which will provide more interest revenues than projected.
- Insurance Premium Tax reporting to the State Office of the Insurance and Safety Fire Commissioner has become more accurate with collections being higher. As such, the City projected additional revenue from this source over the previous fiscal year.
- Now that we have actual data that represents the ebbs and flows of the seasons, stock markets, political impacts etc., we anticipate higher monthly collections rates of Transportation Special Purpose Local Option Sales Taxes throughout the County. The City receives .04 of the funds collected from ¾ of every penny spent in every City within the County, with the exception of the City of Atlanta.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,252,442
Accounts receivable	19,323
Taxes receivable, net of allowance	38,896
Intergovernmental receivable	275,570
Prepays	75,454
Capital assets:	
Nondepreciable	992,554
Depreciable, net of accumulated depreciation	1,804,255
Total assets	4,458,494
LIABILITIES	
Accounts payable	57,408
Accrued liabilities	51,796
Compensated absences due within one year	37,746
Notes payable due within one year	146,662
Notes payable due in more than one year	386,315
Total liabilities	679,927
NET POSITION	
Net investment in capital assets	2,263,832
Restricted for tourism	156,344
Restricted for capital projects	244,932
Unrestricted	1,113,459
Total net position	\$ 3,778,567

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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 511,483	\$ 168,532	\$ 1,370	\$ -	\$ (341,581)
Judicial	95,270	-	-	-	(95,270)
Public safety	1,732,195	163,954	-	-	(1,568,241)
Public works	2,428,284	-	1,614	617,884	(1,808,786)
Culture and recreation	177,114	1,192	-	97,999	(77,923)
Community development	98,754	98,579	-	-	(175)
Interest on long-term debt	20,310	-	-	-	(20,310)
Total governmental activities	<u>5,063,410</u>	<u>432,257</u>	<u>2,984</u>	<u>715,883</u>	<u>(3,912,286)</u>
Total primary government	<u>\$ 5,063,410</u>	<u>\$ 432,257</u>	<u>\$ 2,984</u>	<u>\$ 715,883</u>	<u>(3,912,286)</u>
General revenues:					
					1,784,774
Property taxes					795,855
Sales taxes					181,459
Hotel/Motel taxes					154,422
Franchise taxes					207,173
Business taxes					10,027
Gain from sale of capital assets					19,999
Unrestricted investment earnings					<u>3,153,709</u>
Total general revenues					<u>3,153,709</u>
Change in net position					(758,577)
Net position, beginning of year					<u>4,537,144</u>
Net position, end of year					<u>\$ 3,778,567</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

ASSETS	General Fund	TSPLOST Fund	Hotel/Motel Tax Fund	Nonmajor Technology Fee Fund	Total Governmental Funds
Cash and cash equivalents	\$ 870,473	\$ 204,971	\$ 176,998	\$ -	\$ 1,252,442
Accounts receivable	19,323	-	-	-	19,323
Taxes receivable, net of allowance	20,856	-	18,040	-	38,896
Intergovernmental receivable	235,509	40,061	-	-	275,570
Due from other funds	32,995	-	-	52,737	85,732
Prepays	75,454	-	-	-	75,454
Total assets	\$ 1,254,610	\$ 245,032	\$ 195,038	\$ 52,737	\$ 1,747,417
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 51,609	\$ -	\$ 5,799	\$ -	\$ 57,408
Accrued liabilities	41,303	-	-	-	41,303
Due to other funds	52,737	100	32,895	-	85,732
Total liabilities	145,649	100	38,694	-	184,443
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	12,232	-	-	-	12,232
Unavailable revenue - insurance premium taxes	171,518	-	-	-	171,518
Total deferred inflows of resources	183,750	-	-	-	183,750
FUND BALANCES					
Fund balances:					
Nonspendable for prepaids	75,454	-	-	-	75,454
Restricted for tourism	-	-	156,344	-	156,344
Restricted for capital projects	-	244,932	-	-	244,932
Assigned for public safety	-	-	-	52,737	52,737
Unassigned	849,757	-	-	-	849,757
Total fund balances	925,211	244,932	156,344	52,737	1,379,224
Total liabilities, deferred inflows of resources and fund balances	\$ 1,254,610	\$ 245,032	\$ 195,038	\$ 52,737	
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.					2,796,809
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					(581,216)
Some revenues are not available in the current period and, therefore, are not reported in the funds.					183,750
Net position of governmental activities					\$ 3,778,567

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, 2019**

	General Fund	TSPLOST Fund	Hotel/Motel Tax Fund	Nonmajor Technology Fee Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 1,779,631	\$ -	\$ -	\$ -	\$ 1,779,631
Sales taxes	795,855	-	-	-	795,855
Hotel/Motel taxes	-	-	181,459	-	181,459
Franchise taxes	154,422	-	-	-	154,422
Business taxes	207,173	-	-	-	207,173
Licenses and permits	81,644	-	-	-	81,644
Fines and forfeitures	147,784	-	-	-	147,784
Charges for services	180,479	-	-	-	180,479
Intergovernmental	235,627	480,256	-	-	715,883
Contributions	1,370	-	-	-	1,370
Interest earned	18,392	1,614	1,607	-	21,613
Miscellaneous	6,705	-	-	15,645	22,350
Total revenues	3,609,082	481,870	183,066	15,645	4,289,663
Expenditures:					
Current:					
General government	508,979	-	-	-	508,979
Judicial	95,270	-	-	-	95,270
Public safety	1,735,297	-	-	5,149	1,740,446
Public works	1,689,030	467,105	-	-	2,156,135
Culture and recreation	183,507	-	127,833	-	311,340
Community development	98,443	-	-	-	98,443
Debt service:					
Principal	153,121	-	-	-	153,121
Interest	21,462	-	-	-	21,462
Total expenditures	4,485,109	467,105	127,833	5,149	5,085,196
Excess (deficiency) of revenues over expenditures	(876,027)	14,765	55,233	10,496	(795,533)
Other financing sources (uses):					
Proceeds from sale of capital assets	27,202	-	-	-	27,202
Transfers in	51,825	-	-	-	51,825
Transfers out	-	-	(51,825)	-	(51,825)
Total other financing sources (uses)	79,027	-	(51,825)	-	27,202
Net change in fund balances	(797,000)	14,765	3,408	10,496	(768,331)
Fund balances, beginning of year	1,722,211	230,167	152,936	42,241	2,147,555
Fund balances, end of year	\$ 925,211	\$ 244,932	\$ 156,344	\$ 52,737	\$ 1,379,224

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, 2019**

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

Net change in fund balances - total governmental funds	\$ (768,331)
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.	(133,181)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,143
Governmental funds report the proceeds from the sale of capital assets; however, the statement of activities reports the gain or loss on disposal. Therefore, the change in net position will differ from the change in fund balance by the net book value of the capital assets disposed.	(17,175)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has no effect on net position. This amount represents the repayment of the principal of long-term debt.	153,121
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>1,846</u>
Change in net position - governmental activities	<u>\$ (758,577)</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, 2019

ASSETS	Municipal Court Fund
Cash	<u>\$ 18,931</u>
Total assets	<u><u>\$ 18,931</u></u>
LIABILITIES	
Due to others	<u>\$ 18,931</u>
Total liabilities	<u><u>\$ 18,931</u></u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 funds:

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.

The **Hotel/Motel Tax fund** is used to account for the collection of Hotel/Motel taxes within the City which are restricted for the promotion of tourism.

Additionally, the City reports the following fund types:

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, the original budget was amended through supplemental appropriations.

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

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, 2019, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also through a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager or his or her designee to assign fund balances.
- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$581,216 difference are as follows:

Notes payable	\$ (532,977)
Compensated absences	(37,746)
Accrued interest	<u>(10,493)</u>
Net adjustment to decrease fund balance - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (581,216)</u></u>

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

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 \$133,181 difference are as follows:

Capital outlay	\$ 305,316
Depreciation expense	<u>(438,497)</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>\$ (133,181)</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 \$1,846 difference are as follows:

Compensated absences	\$ (694)
Accrued interest	<u>(1,152)</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>\$ (1,846)</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, 2019, the Fire Department within the City's General Fund had total expenditures that exceeded final appropriations by \$17,667, the Executive department within the City's General Fund had total expenditures that exceeded final appropriations by \$16, and the interest portion of debt service within the City's General Fund had total expenditures that exceeded final appropriations by \$355. These excess expenditures were funded by available fund balance.

NOTE 4. DEPOSITS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of net position:	
Cash and cash equivalents	\$ 1,252,442
Statement of fiduciary net position:	
Cash - agency fund	18,931
	<u>\$ 1,271,373</u>
Cash deposited with financial institutions	<u>\$ 1,271,373</u>
	<u>\$ 1,271,373</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, 2019, 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, 2019, 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, 2019, 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>Hotel/Motel Tax Fund</u>	<u>Total</u>
Receivables:				
Taxes	\$ 50,778	\$ -	\$ 18,040	\$ 68,818
Accounts	19,323	-	-	19,323
Intergovernmental	235,509	40,061	-	275,570
Total receivables	305,610	40,061	18,040	363,711
Less allowance for uncollectible	29,922	-	-	29,922
Net total receivable	<u>\$ 275,688</u>	<u>\$ 40,061</u>	<u>\$ 18,040</u>	<u>\$ 333,789</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2019 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	317,868	-	-	317,868
Machinery and equipment	1,020,207	30,158	(10,000)	1,040,365
Vehicles	1,002,993	123,555	(189,126)	937,422
Infrastructure	2,724,958	151,603	-	2,876,561
Total	<u>5,066,026</u>	<u>305,316</u>	<u>(199,126)</u>	<u>5,172,216</u>
Less accumulated depreciation for:				
Buildings and improvements	(119,982)	(16,416)	-	(136,398)
Machinery and equipment	(371,619)	(127,813)	3,589	(495,843)
Vehicles	(557,696)	(95,547)	178,362	(474,881)
Infrastructure	(2,062,118)	(198,721)	-	(2,260,839)
Total	<u>(3,111,415)</u>	<u>(438,497)</u>	<u>181,951</u>	<u>(3,367,961)</u>
Total capital assets being depreciated, net	<u>1,954,611</u>	<u>(133,181)</u>	<u>(17,175)</u>	<u>1,804,255</u>
Governmental activities capital assets, net	<u>\$ 2,947,165</u>	<u>\$ (133,181)</u>	<u>\$ (17,175)</u>	<u>\$ 2,796,809</u>

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

Governmental activities:	
General government	\$ 3,385
Public safety	104,333
Public works	313,402
Culture and recreation	<u>17,377</u>
Total depreciation expense - governmental activities	<u>\$ 438,497</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 674,838	\$ -	\$ (141,861)	\$ 532,977	\$ 146,662
Capital lease	11,260	-	(11,260)	-	-
Compensated absences	38,440	52,611	(53,305)	37,746	37,746
Governmental activity					
Long-term liabilities	<u>\$ 724,538</u>	<u>\$ 52,611</u>	<u>\$ (206,426)</u>	<u>\$ 570,723</u>	<u>\$ 184,408</u>

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 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, 2019 is \$78,057.

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, 2019 is \$30,373.

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, 2019 is \$22,793.

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, 2019 is \$361,011.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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, 2019 is \$40,743.

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>
2020	\$ 146,662	\$ 13,859	\$ 160,521
2021	127,466	9,499	136,965
2022	109,405	5,944	115,349
2023	73,545	3,106	76,651
2024	75,899	1,570	77,469
	<u>\$ 532,977</u>	<u>\$ 33,978</u>	<u>\$ 566,955</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	TSPLOST Fund	\$ 100
General Fund	Hotel/Motel Tax Fund	32,895
Nonmajor governmental fund	General Fund	52,737
		\$ 85,732

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	Hotel/Motel Tax Fund	\$ 51,825

Transfers are used to move unrestricted revenues from the Hotel/Motel Tax 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, 2019, there were 82 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, 2019, contributions to the Plan were \$61,436 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 3% into a 401a plan which is also administered by ICMA-RC. For the fiscal year ended June 30, 2019 there were 34 participants in the plan and the City contributions to the plan were \$30,092.

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, 2019, the City received \$181,459 in Hotel/Motel taxes. Of this amount, \$179,658, or 99%, 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, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,572,000	\$ 1,772,411	\$ 1,779,631	\$ 7,220
Sales taxes	680,000	705,886	795,855	89,969
Franchise taxes	125,000	149,996	154,422	4,426
Business taxes	200,618	206,873	207,173	300
Licenses and permits	57,500	94,345	81,644	(12,701)
Fines and forfeitures	155,000	141,653	147,784	6,131
Charges for services	147,050	179,765	180,479	714
Intergovernmental	362,628	360,627	235,627	(125,000)
Interest earned	2,000	17,118	18,392	1,274
Contributions	5,000	1,370	1,370	-
Miscellaneous	5,450	5,450	6,705	1,255
Total revenues	<u>3,312,246</u>	<u>3,635,494</u>	<u>3,609,082</u>	<u>(26,412)</u>
Expenditures:				
Current:				
General government:				
City council	171,136	171,136	137,564	33,572
Executive	126,538	126,538	126,554	(16)
General operations	281,802	281,802	244,861	36,941
Total general government	<u>579,476</u>	<u>579,476</u>	<u>508,979</u>	<u>70,497</u>
Judicial:				
Municipal court	98,656	98,656	95,270	3,386
Total judicial	<u>98,656</u>	<u>98,656</u>	<u>95,270</u>	<u>3,386</u>
Public safety:				
Police	841,533	841,533	797,651	43,882
Fire	919,979	919,979	937,646	(17,667)
Total public safety	<u>1,761,512</u>	<u>1,761,512</u>	<u>1,735,297</u>	<u>26,215</u>
Public works	<u>2,176,893</u>	<u>2,176,893</u>	<u>1,689,030</u>	<u>487,863</u>
Culture and recreation	<u>372,769</u>	<u>372,769</u>	<u>183,507</u>	<u>189,262</u>
Community development	<u>164,621</u>	<u>143,551</u>	<u>98,443</u>	<u>45,108</u>
Debt service:				
Principal	153,454	153,454	153,121	333
Interest	21,107	21,107	21,462	(355)
Total debt service	<u>174,561</u>	<u>174,561</u>	<u>174,583</u>	<u>(22)</u>
Total expenditures	<u>5,328,488</u>	<u>5,307,418</u>	<u>4,485,109</u>	<u>822,309</u>
Deficiency of revenues over expenditures	<u>(2,016,242)</u>	<u>(1,671,924)</u>	<u>(876,027)</u>	<u>795,897</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, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources:				
Sale of capital assets	\$ -	\$ -	\$ 27,202	\$ 27,202
Transfers in	21,124	21,124	51,825	30,701
Total other financing sources	21,124	21,124	79,027	57,903
Net change in fund balance	(1,995,118)	(1,650,800)	(797,000)	853,800
Fund balance, beginning of year	1,722,211	1,722,211	1,722,211	-
Fund balance, end of year	<u>\$ (272,907)</u>	<u>\$ 71,411</u>	<u>\$ 925,211</u>	<u>\$ 853,800</u>

Note: See footnotes 1 and 3 of the basic financial statements for budgetary policies.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

HOTEL/MOTEL TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 189,277	\$ 189,277	\$ 181,459	\$ (7,818)
Interest income	-	-	1,607	1,607
Total revenues	<u>189,277</u>	<u>189,277</u>	<u>183,066</u>	<u>(6,211)</u>
Expenditures:				
Culture and recreation	<u>129,277</u>	<u>129,277</u>	<u>127,833</u>	<u>1,444</u>
Total expenditures	<u>129,277</u>	<u>129,277</u>	<u>127,833</u>	<u>1,444</u>
Excess of revenues over expenditures	60,000	60,000	55,233	(4,767)
Other financing uses:				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(51,825)</u>	<u>8,175</u>
Total other financing uses	<u>(60,000)</u>	<u>(60,000)</u>	<u>(51,825)</u>	<u>8,175</u>
Net change in fund balances	-	-	3,408	3,408
Fund balance, beginning of year	<u>152,936</u>	<u>152,936</u>	<u>152,936</u>	<u>-</u>
Fund balance, end of year	<u>\$ 152,936</u>	<u>\$ 152,936</u>	<u>\$ 156,344</u>	<u>\$ 3,408</u>

SUPPLEMENTARY SCHEDULE

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, 2019**

PROJECT	ESTIMATED COST		PRIOR	EXPENDITURES		TOTAL	PROJECT COMPLETION
	ORIGINAL	CURRENT		CURRENT	TOTAL		
TSPLOST TIER 1							
Maintenance and Safety Enhancements	\$ 2,082,377	\$ 2,232,351	\$ 333,957	\$ 447,340	\$ 781,297	35.00 %	
Quick Response Projects	56,280	45,024	-	-	-	0.00 %	
Project Management	112,561	111,618	143	19,765	19,908	17.84 %	
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	\$ 3,185,109	\$ 334,100	\$ 467,105	\$ 801,205		