

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

Prepared by:
Finance Department

INTRODUCTORY SECTION

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fiduciary Assets and Liabilities – Agency Fund	18
Notes to Financial Statements	19-35
Required Supplementary Information:	
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis)	36 and 37
Hotel/Motel Tax Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis)	38
Supplementary Schedule:	
Schedule of Projects Constructed with Proceeds from Transportation Special Purpose Local Option Sales Tax (TSPLOST)	39

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, 2020, 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, 2020, 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 November 2, 2020, 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
November 2, 2020

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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, 2020.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$4,697,501 (net position), representing a \$918,934 or 24.32% increase over the prior year.
- Unrestricted net position increased from \$1,113,459 to \$1,819,731, an increase of \$706,272 or 63.43%.
- As of June 30, 2020, the City's governmental funds reported combined ending fund balance of \$2,219,734, an increase of \$840,510 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, 2020

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 funds. 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 through 38 of this report.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020 the City's assets exceeded liabilities by \$4,697,501. This represents a \$918,934 or 24.32% increase over the prior year as management deferred capital spending until future years. A significant portion of the City's net position, \$2,309,964 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 \$567,806 in restricted net position for funds which can only be spent for designated purposes as required by state law or contractual agreements. In the City's case \$221,024 is restricted for tourism and \$346,782 is restricted for capital projects.

The remaining portion of the City's net position represents unrestricted net position in the amount of \$1,819,731 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 2020 and 2019.

**City of Chattahoochee Hills Net Position
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Inc (Dec)</u>	<u>Percent</u>
Assets				
Current Assets	\$ 2,633,424	\$ 1,751,685	\$ 881,739	50.34 %
Capital assets, net of accumulated depreciation	<u>2,696,979</u>	<u>2,706,809</u>	<u>(9,830)</u>	<u>(0.36)</u>
Total assets	<u>5,330,403</u>	<u>4,458,494</u>	<u>871,909</u>	<u>19.56</u>
Liabilities				
Current liabilities	373,353	293,612	79,741	27.16
Long-term liabilities	<u>259,549</u>	<u>386,315</u>	<u>(126,766)</u>	<u>(32.81)</u>
Total liabilities	632,902	679,927	(47,025)	(6.92)
Net Position				
Net Investment in capital assets	2,309,964	2,263,832	46,132	2.04
Restricted for Tourism	221,024	156,344	64,680	-
Restricted for capital projects	346,782	244,932	101,850	41.58
Unrestricted	<u>1,819,731</u>	<u>1,113,459</u>	<u>706,272</u>	<u>63.43</u>
Total net position	<u>\$ 4,697,501</u>	<u>\$ 3,778,567</u>	<u>\$ 918,934</u>	<u>24.32 %</u>

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Changes in net position. Governmental activities increased the City's net position by \$918,934 in fiscal 2020 and decreased net position by \$758,577 in fiscal 2019. The table below indicates the change in net position from the twelve months ended June 30, 2020 and 2019.

**City of Chattahoochee Hills Changes in Net Position
for the Year Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 497,599	\$ 432,257	\$ 65,342	15.12 %
Operating grants and contributions	654,463	2,984	651,479	21,832.41
Capital grants and contributions	707,245	715,883	(8,638)	(1.21)
General Revenues:				
Property taxes	1,971,464	1,784,774	186,690	10.46
Sales Taxes	754,413	795,855	(41,442)	(5.21)
Hotel Motel Taxes	183,841	181,459	2,382	1.31
Franchise Taxes	143,754	154,422	(10,668)	(6.91)
Business Taxes	243,161	207,173	35,988	17.37
Investment earnings	20,613	19,999	614	3.07
Gain on sale of capital assets	<u>2,791</u>	<u>10,027</u>	<u>(7,236)</u>	<u>-</u>
Total revenues	<u>5,179,344</u>	<u>4,304,833</u>	<u>874,511</u>	<u>20.31</u>
Expenses:				
General government	602,738	511,483	91,255	17.84
Judicial	77,392	95,270	(17,878)	(18.77)
Public safety	1,890,802	1,732,195	158,607	9.16
Public works	1,236,310	2,428,284	(1,191,974)	(49.09)
Culture and recreation	191,892	177,114	14,778	8.34
Community development	248,240	98,754	149,486	151.37
Interest expenses	<u>13,036</u>	<u>20,310</u>	<u>(7,274)</u>	<u>(35.81)</u>
Total expenses	4,260,410	5,063,410	(803,000)	(15.86)
Change in net position	<u>918,934</u>	<u>(758,577)</u>	<u>\$ 1,677,511</u>	<u>(221.14) %</u>
Net position beginning of year	<u>3,778,567</u>	<u>4,537,144</u>		
Net position end of year	<u>\$ 4,697,501</u>	<u>\$ 3,778,567</u>		

Governmental activities increased the City's net position by \$918,934 in fiscal year 2020 as management deferred capital spending until future years. Total revenues increased significantly, \$874,511 or 20.31% from the prior year. Charges for services increased \$65,342 or 15.12% primarily due to increases in court fines and forfeitures. Operating grants and contributions increased \$651,479 primarily from a Georgia Forest Land Protection grant. Property tax revenues increased \$186,690 or 10.46% as a result of significant increases in assessed values of property. Business taxes have increased \$35,988 or 17.37% as the economy improved for most of the year.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Total expenses have decreased \$803,000 or 15.86%. Public safety expenses increased \$158,607 or 9.16 as management allocated more resources to this area. Public works expenses decreased \$1,191,974 for 49% as management deferred additional capital spending to future year. The prior year public works expenses reflected significant expenditures for road improvement projects. Community development expenses increased \$149,486 for 151%, as the City added personnel and consultants for this area. All other categories experienced modest changes in relative dollar or percentages.

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, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

**City of Chattahoochee Hills
Comparison of Revenues, Expenditures, and Changes in Fund Balances
for the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Property taxes	\$ 1,945,616	\$ 1,779,631	\$ 165,985	9.33 %
Sales taxes	754,413	795,855	(41,442)	(5.21)
Hotel/Motel taxes	178,218	181,459	(3,241)	(1.79)
Franchise taxes	143,754	154,422	(10,668)	(6.91)
Business Taxes	243,161	207,173	35,988	17.37
Licenses and permits	81,547	81,644	(97)	(0.12)
Fines and forfeitures	184,470	147,784	36,686	24.82
Charges for services	164,187	180,479	(16,292)	(9.03)
Intergovernmental	1,289,385	715,883	573,502	80.11
Contributions	432	1,370	(938)	(68.47)
Interest earned	23,104	21,613	1,491	6.90
Miscellaneous	67,395	22,350	45,045	201.54
Total Revenue	<u>5,075,682</u>	<u>4,289,663</u>	<u>786,019</u>	<u>18.32</u>
Expenditures:				
General government	636,940	508,979	127,961	25.14
Judicial	77,392	95,270	(17,878)	(18.77)
Public safety	1,897,045	1,740,446	156,599	9.00
Public works	1,043,870	2,156,135	(1,112,265)	(51.59)
Culture and recreation	175,378	311,340	(135,962)	(43.67)
Community development	248,633	98,443	150,190	152.57
Debt service	162,465	174,583	(12,118)	(6.94)
Total Expenditures	<u>4,241,723</u>	<u>5,085,196</u>	<u>(843,473)</u>	<u>(16.59) %</u>
Excess (deficiency) of revenues over expenditures	<u>833,959</u>	<u>(795,533)</u>	<u>1,629,492</u>	
Other financing sources (uses):				
Sale of capital assets	6,551	27,202	(20,651)	
Net change in Fund Balances	<u>840,510</u>	<u>(768,331)</u>	<u>1,608,841</u>	
Beginning fund balance	1,379,244	2,147,555	(768,311)	
Ending fund balance	<u>\$ 2,219,754</u>	<u>\$ 1,379,224</u>	<u>\$ 840,530</u>	

Governmental funds reported a positive fund balance of \$2,219,754 at June 30, 2020. This is an \$840,510 increase over the prior year as management has deferred capital spending until future years.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Revenues have increased \$786,019 or 18.32% over the prior year. Property taxes have increased \$165,985 or 9.33% as a result of increases in assessed property values. Sales taxes decreased \$41,442 or 5.21% as a result of economic slowdown due to the Covid-19 pandemic. Fines and forfeitures have increased \$35,988 or 17.37% because of the vacancies that were filled in the police department which correlates to additional personnel for traffic enforcement activities. Intergovernmental revenues increased \$573,502 or 80.11% as the City received \$651,540 from Georgia Forest Land Protection grants. Miscellaneous revenues increased \$45,045 or 201% primarily from insurance settlements.

Total expenditures decreased \$843,473 or 16.59% over prior year levels. General government increased \$127,961 or 25.14% as a result of land purchases and increases in legislative professional fees. Public safety expenditures increased \$156,599 or 9.00% as management allocated more resources to this area. Public works expenses decreased \$1,112,265 or 51.59% as management deferred capital projects to future years. Public works expenses in fiscal 2019 included several significant road resurfacing projects. Culture and recreation expenditures decreased \$135,962 or 43.67% as the prior year benefited from park infrastructure improvements. Community development expenses increased \$150,190 or 152.57% as the City added personnel and consultants to this area.

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 \$1,590,227, an increase of \$665,016 from the prior year. The increase is primarily attributed to the receipt of a Forest Land Protection grant of \$651,540 which will be spent in future years.

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 \$1,590,227 or 41.86% of current year expenditures.

Transportation Special Purpose Local Option Sales Tax (TSPLOST) Fund. The TSPLOST Fund is used to account for the revenues received by the City to the expended on capital projects identified in the voter approved TSPLOST referendum. The City received \$465,047 and \$480,256 for fiscal 2020 and 2019, respectively. The City spent \$365,688 and \$467,105, for road improvement projects in fiscal 2020 and 2019, respectively.

Hotel/Motel Tax fund. This fund is used to account for the collection of Hotel/Motel taxes within the City which are restricted for the promotion of tourism. Hotel/Motel taxes remained relatively consistent between years, with a slight decrease from 2019 of \$181,459 to \$178,218 in 2020. It is important to note that receivables at June 30 increased to \$54,164 in 2020 from \$18,040 in 2019 as a result of liquidity difficulties incurred by the related Hotel as a result of the Covid-19 pandemic.

GENERAL FUND BUDGETARY HIGHLIGHTS

A comparison of budgeted to actual results can be found on pages 36 through 38 of the financial report. Total revenues were \$345,562 better than budgeted, primarily, as a result of additional state grant revenue and property tax revenue greater than anticipated. Expenditures were in line with budgeted amounts.

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, 2020**

Twelve (12) budget adjustments were approved by the City Council during fiscal year 2020. There were twelve (12) mid-year adjustments in February. The following budget amendments were adopted during the year:

- In February of 2020, the budget was amended to increase revenue from Motor Vehicle Tax Ad Valorem from \$15,000 to \$19,038, Insurance Premium Tax from \$170,000 to \$200,615, Intergovernmental (Conservation Grant) from \$125,000 to \$651,540, Insurance Proceeds from \$0.00 to \$28,739, and Other Revenues from \$0.00 to \$16,125.
- Expenditures were amended to reflect the increases in revenues with the General Administration realizing an increase of \$16,865 from \$142,200 to \$159,065, Non-Departmental Insurance realizing an increase of \$5,190 from \$86,403 to \$91,593, Public Works Department realizing an increase of \$11,903 from \$515,837 to \$528,14 to cover gravel road repair and maintenance, and an increase of \$559,812 in the Reserves Fund Balance from the Conservation Grant Revenues that were pair from previous years (2016-2020).
- The Council amended the in the Hotel/Motel Fund Balance by \$89,239 from \$100,000 to \$189,239 and increased the expenditures by \$89,239 from \$133,876 to \$223,115.
- The overall net change as a result of these adjustments was \$695,286 which was an increase from \$5,888,791 to \$6,584,077 for all governmental funds.
- In September of 2020 but in Fiscal Year 2021, the City Council adopted a budget for the Technology Fund which was \$21,712 and a fund balance of \$52,737 for a total of \$74,449.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the City's investment in capital assets for its governmental activities totaled \$2,696,979. 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, 2020 and 2019

	2020	2019	Inc (Dec)	Percent	
Land	\$ 1,056,643	\$ 992,554	\$ 64,089	-	%
Buildings and improvements	213,100	181,470	31,630	17.43	
Machinery and equipment	493,148	544,522	(51,374)	(9.43)	
Vehicles	510,913	462,541	48,372	10.46	
Infrastructure	423,175	615,722	(192,547)	(31.27)	
Total	\$ 2,696,979	\$ 2,796,809	\$ (99,830)	(3.57)	%

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 2020 are primarily related to depreciation of \$427,090 in excess additional purchases of equipment of \$331,020.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Long-term debt

The City's long term debt consists primarily of notes payable obligations for vehicles and equipment. Additional information on the City's debt can be found in Notes 7 beginning on page 31 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 2021 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 being impacted by COVID-19, we still anticipate home sales and purchases as well as new residential development to continue on an upward slope. As such, we are projecting similar ad valorem taxes consistent with FY2020.
- The City has chosen to reduce its normal revenue projections for Sales and Use Taxes, Licenses and Permits, Charges for Services, Fines and Forfeitures, and Contributions and Donations. Again, this is directly related to COVID-19 and how the in-person sales is directly affected by this pandemic.
- Because of park closures in surrounding communities, our passive recreation parks have seen a significant uptick in usage. This will equate to an increase in parking fee collections, specifically at Cochran Mill Park.
- COVID-19 has also impacted interest rates in every category. Whereas the City generated close to \$18,000 in FY2020, we expect less than half of what was generated for FY2021.
- 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.
- In other sales tax related area, Hotel/Motel and TSPLOST are being significantly reduced for FY2021 due to COVID-19. These sales tax revenues have trended downward due to the lack of in-person sales that generate these funds.
- While it is unknown, the City does anticipate some revenue from the CAREs Act to offset some of the payroll and supplies expenditures associated with COVID-19. We are estimating approximately \$135K to cover expenditures from March 1 to December 31 of 2020.

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, 2020

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,757,230
Accounts receivable	28,858
Taxes receivable, net of allowance	67,043
Intergovernmental receivable	331,183
Prepays	52,023
Land held for development	397,087
Capital assets:	
Nondepreciable	1,056,643
Depreciable, net of accumulated depreciation	<u>1,640,336</u>
 Total assets	 <u>5,330,403</u>
LIABILITIES	
Accounts payable	145,754
Accrued liabilities	59,741
Compensated absences due within one year	40,392
Notes payable from direct borrowings due within one year	127,466
Notes payable from direct borrowings due in more than one year	<u>259,549</u>
 Total liabilities	 <u>632,902</u>
NET POSITION	
Net investment in capital assets	2,309,964
Restricted for tourism	221,024
Restricted for capital projects	346,782
Unrestricted	<u>1,819,731</u>
 Total net position	 <u>\$ 4,697,501</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government:					
Governmental activities:					
General government	\$ 602,738	\$ 213,993	\$ 651,972	\$ 69,400	\$ 332,627
Judicial	77,392	115	-	-	(77,277)
Public safety	1,890,802	209,896	-	-	(1,680,906)
Public works	1,236,310	-	2,491	637,845	(595,974)
Culture and recreation	191,892	594	-	-	(191,298)
Community development	248,240	73,001	-	-	(175,239)
Interest on long-term debt	13,036	-	-	-	(13,036)
Total governmental activities	<u>4,260,410</u>	<u>497,599</u>	<u>654,463</u>	<u>707,245</u>	<u>(2,401,103)</u>
Total primary government	<u>\$ 4,260,410</u>	<u>\$ 497,599</u>	<u>\$ 654,463</u>	<u>\$ 707,245</u>	<u>(2,401,103)</u>
General revenues:					
Property taxes					1,971,464
Sales taxes					754,413
Hotel/Motel taxes					183,841
Franchise taxes					143,754
Business taxes					243,161
Gain from sale of capital assets					2,791
Unrestricted investment earnings					20,613
Total general revenues					<u>3,320,037</u>
Change in net position					918,934
Net position, beginning of year					3,778,567
Net position, end of year					<u>\$ 4,697,501</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

ASSETS	General Fund	TSPLOST Fund	Hotel/Motel Tax Fund	Nonmajor Technology Fee Fund	Total Governmental Funds
Cash and cash equivalents	\$ 1,212,498	\$ 306,843	\$ 237,889	\$ -	\$ 1,757,230
Accounts receivable	28,858	-	-	-	28,858
Taxes receivable, net of allowance	12,879	-	54,164	-	67,043
Intergovernmental receivable	291,145	40,038	-	-	331,183
Due from other funds	53,720	-	-	67,324	121,044
Prepays	52,023	-	-	-	52,023
Land held for development	397,087	-	-	-	397,087
Total assets	\$ 2,048,210	\$ 346,881	\$ 292,053	\$ 67,324	\$ 2,754,468
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 128,346	\$ -	\$ 17,408	\$ -	\$ 145,754
Accrued liabilities	52,715	-	-	-	52,715
Due to other funds	67,324	99	53,621	-	121,044
Total liabilities	248,385	99	71,029	-	319,513
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,983	-	-	-	8,983
Unavailable revenue - insurance premium taxes	200,615	-	-	-	200,615
Unavailable revenue - hotel/motel taxes	-	-	5,623	-	5,623
Total deferred inflows of resources	209,598	-	5,623	-	215,221
FUND BALANCES					
Fund balances:					
Nonspendable for prepaids	52,023	-	-	-	52,023
Nonspendable for land held for redevelopment	397,087	-	-	-	397,087
Restricted for tourism	-	-	215,401	-	215,401
Restricted for capital projects	-	346,782	-	-	346,782
Assigned for public safety	-	-	-	67,324	67,324
Unassigned	1,141,117	-	-	-	1,141,117
Total fund balances	1,590,227	346,782	215,401	67,324	2,219,734
Total liabilities, deferred inflows of resources and fund balances	\$ 2,048,210	\$ 346,881	\$ 292,053	\$ 67,324	
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 governmental funds.					2,696,979
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.					(434,433)
Some revenues are not available in the current period and, therefore, are not reported in the governmental funds.					215,221
Net position of governmental activities					\$ 4,697,501

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, 2020**

	<u>General Fund</u>	<u>TSPLOST Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Technology Fee Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 1,945,616	\$ -	\$ -	\$ -	\$ 1,945,616
Sales taxes	754,413	-	-	-	754,413
Hotel/Motel taxes	-	-	178,218	-	178,218
Franchise taxes	143,754	-	-	-	143,754
Business taxes	243,161	-	-	-	243,161
Licenses and permits	81,547	-	-	-	81,547
Fines and forfeitures	184,470	-	-	-	184,470
Charges for services	164,187	-	-	-	164,187
Intergovernmental	824,338	465,047	-	-	1,289,385
Contributions	432	-	-	-	432
Interest earned	17,738	2,491	2,875	-	23,104
Miscellaneous	45,683	-	-	21,712	67,395
Total revenues	<u>4,405,339</u>	<u>467,538</u>	<u>181,093</u>	<u>21,712</u>	<u>5,075,682</u>
Expenditures:					
Current:					
General government	636,940	-	-	-	636,940
Judicial	77,392	-	-	-	77,392
Public safety	1,889,920	-	-	7,125	1,897,045
Public works	678,182	365,688	-	-	1,043,870
Culture and recreation	105,547	-	69,831	-	175,378
Community development	248,633	-	-	-	248,633
Debt service:					
Principal	145,962	-	-	-	145,962
Interest	16,503	-	-	-	16,503
Total expenditures	<u>3,799,079</u>	<u>365,688</u>	<u>69,831</u>	<u>7,125</u>	<u>4,241,723</u>
Excess of revenues over expenditures	<u>606,260</u>	<u>101,850</u>	<u>111,262</u>	<u>14,587</u>	<u>833,959</u>
Other financing sources (uses):					
Proceeds from sale of capital assets	6,551	-	-	-	6,551
Transfers in	52,205	-	-	-	52,205
Transfers out	-	-	(52,205)	-	(52,205)
Total other financing sources (uses)	<u>58,756</u>	<u>-</u>	<u>(52,205)</u>	<u>-</u>	<u>6,551</u>
Net change in fund balances	665,016	101,850	59,057	14,587	840,510
Fund balances, beginning of year	<u>925,211</u>	<u>244,932</u>	<u>156,344</u>	<u>52,737</u>	<u>1,379,224</u>
Fund balances, end of year	<u>\$ 1,590,227</u>	<u>\$ 346,782</u>	<u>\$ 215,401</u>	<u>\$ 67,324</u>	<u>\$ 2,219,734</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, 2020**

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

Net change in fund balances - total governmental funds	\$ 840,510
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.	(165,470)
Donations of capital assets and related revenues are not reported in the governmental funds.	69,400
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	31,471
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.	(3,760)
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.	145,962
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>821</u>
Change in net position - governmental activities	<u>\$ 918,934</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, 2020**

	ASSETS	<u>Municipal Court Fund</u>
Cash		\$ 19,146
Total assets		<u>\$ 19,146</u>
	LIABILITIES	
Due to others		\$ 19,146
Total liabilities		<u>\$ 19,146</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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, 2020, 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, 2020, 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, insurance premium taxes, and hotel/motel 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 \$434,433 difference are as follows:

Notes payable	\$	(387,015)
Compensated absences		(40,392)
Accrued interest		<u>(7,026)</u>
Net adjustment to decrease fund balance - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u><u>(434,433)</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 \$165,470 difference are as follows:

Capital outlay	\$ 261,620
Depreciation expense	<u>(427,090)</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>\$ (165,470)</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 \$821 difference are as follows:

Compensated absences	\$ 2,646
Accrued interest	<u>(3,467)</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>\$ (821)</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, 2020, the City Council within the City's General Fund had total expenditures that exceeded final appropriations by \$42,698, the Executive Department within the City's General Fund had total expenditures that exceeded final appropriations by \$1,388, the Fire Department within the City's General Fund had expenditures that exceeded appropriations by \$5,350, the Public Works Department within the City's General Fund had expenditures that exceeded appropriations by \$61,768, the Community Development Department within the City's General Fund had expenditures that exceeded appropriations by \$3,104, and the principal portion of debt service within the City's General Fund had total expenditures that exceeded final appropriations by \$621. These excess expenditures were funded by greater than anticipated revenues and available fund balance.

NOTE 4. DEPOSITS

Total deposits as of June 30, 2020 are summarized as follows:

Statement of net position:	
Cash and cash equivalents	\$ 1,757,230
Statement of fiduciary net position:	
Cash - agency fund	19,146
	<u>\$ 1,776,376</u>
Cash deposited with financial institutions	<u>\$ 1,776,376</u>
	<u>\$ 1,776,376</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, 2020, 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, 2020, 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, 2020, 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	\$ 33,949	\$ -	\$ 54,164	\$ 88,113
Accounts	28,858	-	-	28,858
Intergovernmental	291,145	40,038	-	331,183
Total receivables	353,952	40,038	54,164	448,154
Less allowance for uncollectible	21,070	-	-	21,070
Net total receivable	<u>\$ 332,882</u>	<u>\$ 40,038</u>	<u>\$ 54,164</u>	<u>\$ 427,084</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2020 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	\$ 64,089	\$ -	\$ 1,056,643
Total	<u>992,554</u>	<u>64,089</u>	<u>-</u>	<u>1,056,643</u>
Capital assets, being depreciated:				
Buildings and improvements	317,868	47,600	-	365,468
Machinery and equipment	1,040,365	69,861	(10,000)	1,100,226
Vehicles	937,422	149,470	(11,000)	1,075,892
Infrastructure	2,876,561	-	-	2,876,561
Total	<u>5,172,216</u>	<u>266,931</u>	<u>(21,000)</u>	<u>5,418,147</u>
Less accumulated depreciation for:				
Buildings and improvements	(136,398)	(15,970)	-	(152,368)
Machinery and equipment	(495,843)	(121,235)	10,000	(607,078)
Vehicles	(474,881)	(97,338)	7,240	(564,979)
Infrastructure	(2,260,839)	(192,547)	-	(2,453,386)
Total	<u>(3,367,961)</u>	<u>(427,090)</u>	<u>17,240</u>	<u>(3,777,811)</u>
Total capital assets being depreciated, net	<u>1,804,255</u>	<u>(160,159)</u>	<u>(3,760)</u>	<u>1,640,336</u>
Governmental activities capital assets, net	<u>\$ 2,796,809</u>	<u>\$ (96,070)</u>	<u>\$ (3,760)</u>	<u>\$ 2,696,979</u>

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

Governmental activities:	
General government	\$ 3,385
Public safety	101,207
Public works	305,984
Culture and recreation	<u>16,514</u>
Total depreciation expense - governmental activities	<u>\$ 427,090</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, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable from direct borrowings	\$ 532,977	\$ -	\$ (145,962)	\$ 387,015	\$ 127,466
Compensated absences	<u>37,746</u>	<u>52,110</u>	<u>(49,464)</u>	<u>40,392</u>	<u>40,392</u>
Governmental activity					
Long-term liabilities	<u>\$ 570,723</u>	<u>\$ 52,110</u>	<u>\$ (195,426)</u>	<u>\$ 427,407</u>	<u>\$ 167,858</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 from Direct Borrowings

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, 2020 is \$53,104.

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, 2020 is \$20,704.

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, 2020 is \$292,386.

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, 2020 is \$20,821.

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

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 127,466	\$ 9,499	\$ 136,965
2022	109,405	5,944	115,349
2023	73,545	3,106	76,651
2024	76,599	1,570	78,169
	<u>\$ 387,015</u>	<u>\$ 20,119</u>	<u>\$ 407,134</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	TSPLOST Fund	\$ 99
General Fund	Hotel/Motel Tax Fund	53,621
Nonmajor governmental fund	General Fund	67,324
		\$ 121,044

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	\$ 52,205

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, 2020, there were 78 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, 2020, contributions to the Plan were \$69,487 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, 2020 there were 26 participants in the plan and the City contributions to the plan were \$34,658.

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 (O.C.G.A.) 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, 2020, the City received \$178,218 in Hotel/Motel taxes. Of this amount, \$122,036, or 68%, was used for the promotion of tourism, conventions, or trade shows. The remainder is restricted to be spent on a project in the subsequent fiscal year in accordance with O.C.G.A. provisions.

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,808,400	\$ 1,812,438	\$ 1,945,616	\$ 133,178
Sales taxes	680,000	680,000	754,413	74,413
Franchise taxes	145,228	145,228	143,754	(1,474)
Business taxes	186,000	216,615	243,161	26,546
Licenses and permits	91,000	91,000	81,547	(9,453)
Fines and forfeitures	145,000	145,000	184,470	39,470
Charges for services	138,000	138,000	164,187	26,187
Intergovernmental	235,102	761,642	824,338	62,696
Interest earned	18,000	18,000	17,738	(262)
Contributions	1,000	1,000	432	(568)
Miscellaneous	6,000	50,854	45,683	(5,171)
Total revenues	3,453,730	4,059,777	4,405,339	345,562
Expenditures:				
Current:				
General government:				
City council	181,516	181,516	224,214	(42,698)
Executive	145,403	145,403	146,791	(1,388)
General operations	260,571	282,596	265,935	16,661
Total general government	587,490	609,515	636,940	(27,425)
Judicial:				
Municipal court	99,807	99,807	77,392	22,415
Total judicial	99,807	99,807	77,392	22,415
Public safety:				
Police	934,292	934,292	890,991	43,301
Fire	981,676	993,579	998,929	(5,350)
Total public safety	1,915,968	1,927,871	1,889,920	37,951
Public works	570,836	616,414	678,182	(61,768)
Culture and recreation	149,423	149,423	105,547	43,876
Community development	245,529	245,529	248,633	(3,104)
Debt service:				
Principal	145,341	145,341	145,962	(621)
Interest	16,504	16,504	16,503	1
Total debt service	161,845	161,845	162,465	(620)
Total expenditures	3,730,898	3,810,404	3,799,079	11,325
Excess (deficiency) of revenues over expenditures	(277,168)	249,373	606,260	356,887

(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, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources:				
Sale of capital assets	\$ -	\$ -	\$ 6,551	\$ 6,551
Transfers in	-	-	52,205	52,205
Total other financing sources	-	-	58,756	58,756
 Net change in fund balance	(277,168)	249,373	665,016	415,643
 Fund balance, beginning of year	925,211	925,211	925,211	-
 Fund balance, end of year	\$ 648,043	\$ 1,174,584	\$ 1,590,227	\$ 415,643

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, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 155,000	\$ 155,000	\$ 178,218	\$ 23,218
Interest income	-	-	2,875	2,875
Total revenues	155,000	155,000	181,093	26,093
Expenditures:				
Culture and recreation	199,971	199,971	69,831	130,140
Total expenditures	199,971	199,971	69,831	130,140
Excess (deficiency) of revenues over expenditures	(44,971)	(44,971)	111,262	156,233
Other financing uses:				
Transfers out	(44,268)	(44,268)	(52,205)	(7,937)
Total other financing uses	(44,268)	(44,268)	(52,205)	(7,937)
Net change in fund balances	(89,239)	(89,239)	59,057	148,296
Fund balance, beginning of year	156,344	156,344	156,344	-
Fund balance, end of year	\$ 67,105	\$ 67,105	\$ 215,401	\$ 148,296

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, 2020**

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	\$ 781,297	\$ 365,000	\$ 1,146,297	51.35 %	
Quick Response Projects	56,280	45,024	-	-	-	0.00 %	
Project Management	112,561	111,618	19,908	688	20,596	18.45 %	
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	\$ 801,205	\$ 365,688	\$ 1,166,893		