

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Prepared by:**  
**Finance Department**

## INTRODUCTORY SECTION

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# CITY OF CHATTAHOOCHEE HILLS, GEORGIA

## FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and 33 and 34, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
February 23, 2012

# CITY OF CHATTAHOOCHEE HILLS, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the City of Chattahoochee Hills, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Chattahoochee Hills for the year ended June 30, 2011. While reading this report, it is important to remember that Chattahoochee Hills operated on a fiscal year ending September 30, through the period ended September 30, 2009. In 2010, the City adopted a June 30 fiscal year end and therefore all references to the year ending June 30, 2010 are for a nine month period.

### FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$2,166,291 (net assets), representing a \$653,829 increase over the prior year. Of net assets, (\$966,671) is a deficit in unrestricted net assets as \$3,132,962 is invested in capital assets.
- The City's increase in net assets was \$653,829, most of which is attributable to the donation of park land by Fulton County to the City.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balance deficits of (\$1,005,681) a decrease of \$596,780 over the prior year. This means that total liabilities exceeded total assets by (\$1,005,681), indicating continued difficulty in meeting current levels of operations.
- The City's long-term note payable at June 30, 2011 was \$122,372, a decrease of (\$563,693) from the prior year. This decrease consists of \$475,446 in payment to CH2M Hill for reimbursement of operating expenses incurred in 2008 and 2009. The remainder of the decrease related to payment of loans for equipment purchases.

### 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 Assets and the Statement of Activities and can be found on pages 11 and 12 of this report.

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

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

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

# CITY OF CHATTAHOOCHEE HILLS, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Fund Financial Statements

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

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

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

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

The basic governmental fund financial statements are presented on pages 13 through 16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City uses an Agency Fund for the collection and remittance of cash appearance bond-related activity for municipal court. The basic fiduciary fund financial statement can be found on page 16 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 17 through 32 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 33 and 34 this report.



# CITY OF CHATTAHOOCHEE HILLS, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. Please note that the fiscal year 2011 represents a twelve-month period, the fiscal year 2010 represents a nine-month period. At June 30, 2011 the City's assets exceeded liabilities by \$2,166,291. A significant portion of the City's net assets is its investment in capital assets (land, buildings, infrastructure, and equipment), less any related debt to acquire those assets. Because the City uses these capital assets to provide services to its residents, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the City's net assets represent a deficit in unrestricted net assets of \$(966,671) and is attributable to the outlay of resources to reduce the debt obligations to CH2M Hill for prior year operations. Although net assets increased \$653,829, this is primarily attributable to the donation of park land by Fulton County valued at \$840,000 more than the City was actually required to pay for the land.

The following table provides a summary of the City's governmental net assets for the fiscal years 2011 and 2010.

**City of Chattahoochee Hills Net Assets  
June 30, 2011 and June 30, 2010**

	2011	2010
<b>Assets</b>		
Current Assets	\$ 374,964	\$ 426,941
Capital assets, net of accumulated depreciation	3,255,334	2,535,819
Total assets	3,630,298	2,962,760
<b>Liabilities</b>		
Current liabilities	1,248,494	692,747
Long-term liabilities	215,513	757,551
Total liabilities	1,464,007	1,450,298
<b>Net Assets</b>		
Invested in capital assets, net of related debt	3,132,962	2,325,200
Restricted for acquisition of park land	-	150,000
Unrestricted	(966,671)	(962,738)
Total net assets	\$ 2,166,291	\$ 1,512,462

## CITY OF CHATTAHOOCHEE HILLS, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

**Changes in net assets.** Governmental activities increased the City's net assets by \$653,829 in fiscal year 2011. However, it is important to note that this increase is primarily attributable to the donation of park land by Fulton County. The following table indicates the change in net assets from the twelve months ended June 30, 2011 compared to the nine months ended June 30, 2010.

**City of Chattahoochee Hills Changes in Net Assets  
for the Year Ended June 30, 2011 and Nine Months ended June 30 2010**

	2011	2010*	Increase (Decrease)	Percent
Revenues:				
Program Revenues:				
Charges for services	\$ 367,253	\$ 288,983	78,270	27%
Operating grants and contributions	78,381	8,265	70,116	848%
Capital grants and contributions	862,662	-	862,662	
General Revenues:				
Property taxes	1,422,852	49,262	1,373,590	2788%
Other taxes	887,427	721,181	166,246	23%
Investment earnings	455	645	(190)	-29%
Total revenues	<u>3,619,030</u>	<u>1,068,336</u>	2,550,694	239%
Expenses:				
General government	630,194	526,014	104,180	20%
Judicial	113,064	52,523	60,541	115%
Public safety	1,436,626	1,083,618	353,008	33%
Public works	596,518	396,301	200,217	51%
Culture and recreation	76,703	32,695	44,008	135%
Community development	57,664	78,207	(20,543)	-26%
Interest expenses	54,432	103,418	(48,986)	-47%
Total expenses	<u>2,965,201</u>	<u>2,272,776</u>		
Increase (decrease)	<u>653,829</u>	<u>(1,204,440)</u>	1,858,269	-154%
Net assets beginning of year	<u>1,512,462</u>	<u>2,716,902</u>		
Net assets end of year	<u>\$ 2,166,291</u>	<u>\$ 1,512,462</u>		

\*for the nine months ended June 30, 2010

Governmental activities increased the City's net assets by \$653,829 in fiscal year 2011. Total revenues increased \$2,550,694, or (238%) from the prior year. Property tax collections increased \$1,373,590 due to the change in timing of collections as a result of the change in fiscal year. Other tax revenue increased \$166,246 as a result of the shortened fiscal year in 2010. Capital Grants increased \$862,662 as a result of the sale of park land by Fulton County at prices far less than the carrying value of the land on the County's books.

Increases in general government and public safety expenditures are primarily attributable to the length of the fiscal year in 2011 as compared to 2010. Judicial expenses have increased \$60,541 or 115% due to increases in judges' salaries and the hiring of a solicitor in 2011. Public Works expenses have increased \$200,217 or 51% primarily as a result of \$103,000 of expenditures to an outside engineering firm. Community development expenses have decreased (\$20,543) or 26% as management has reduced expenses in this area. Interest expenses have decreased (\$48,986) or 47% as debt balances have decreased.

# CITY OF CHATTAHOOCHEE HILLS, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

## 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, unassigned 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 Changes in Fund Balances  
Comparison of Revenues, Expenditures, and Changes in Fund Balances  
for the Year Ended June 30, 2011 and Nine Months ended June 30 2010**

	<b>2011</b>	<b>2010*</b>	<b>Increase (Decrease)</b>	<b>Percent</b>
<b>Revenues:</b>				
Property taxes	\$ 1,440,038	\$ 1,219,619	\$ 220,419	18.1%
Sales taxes	573,212	441,172	132,040	29.9%
Hotel/Motel taxes	68,253	45,729	22,524	49.3%
Franchise taxes	104,603	97,187	7,416	7.6%
Business Taxes	141,359	12,257	129,102	1053.3%
Licenses and permits	17,711	15,142	2,569	17.0%
Fines and forfeitures	293,372	244,229	49,143	20.1%
Charges for services	42,835	28,960	13,875	47.9%
Intergovernmental	63,313	8,265	55,048	666.0%
Contributions	34,669	-	34,669	
Interest earned	455	645	(190)	-29.5%
Miscellaneous	13,335	652	12,683	1945.2%
<b>Total Revenue</b>	<b><u>2,793,155</u></b>	<b><u>2,113,857</u></b>	<b><u>679,298</u></b>	<b><u>32.1%</u></b>
<b>Expenditures:</b>				
General government	611,824	510,632	101,192	19.8%
Judicial	113,018	50,223	62,795	125.0%
Public safety	1,381,905	1,023,009	358,896	35.1%
Public works	399,215	262,260	136,955	52.2%
Culture and recreation	91,150	32,695	58,455	178.8%
Community development	57,578	78,207	(20,629)	-26.4%
Capital outlay	113,758	43,911	69,847	159.1%
Dept service	621,487	508,286	113,201	22.3%
<b>Total Expenditures</b>	<b><u>3,389,935</u></b>	<b><u>2,509,223</u></b>	<b><u>880,712</u></b>	<b><u>35.1%</u></b>
Excess (deficiency) of revenues over expenditures	<u>(596,780)</u>	<u>(395,366)</u>	<u>(201,414)</u>	
<b>Other financing sources (uses):</b>				
Issuane of long term debt	-	36,911	(36,911)	
<b>Net change in fund balance</b>	<b>(596,780)</b>	<b>(358,455)</b>	<b>(238,325)</b>	
<b>Beginning fund balance</b>	<b><u>(408,901)</u></b>	<b><u>(50,446)</u></b>	<b><u>(358,455)</u></b>	
<b>Ending fund balance</b>	<b><u>\$ (1,005,681)</u></b>	<b><u>\$ (408,901)</u></b>	<b><u>\$ (596,780)</u></b>	

\*for the nine months ended June 30, 2010

## CITY OF CHATTAHOOCHEE HILLS, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

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Governmental funds reported a deficit fund balance of (\$1,005,681) at June 30, 2011 indicating a lack of immediate funding for continuing City service requirements. With start-up costs during the first three fiscal years of operations, the City's management has identified some steps to take going forward to improve its financial condition. As of September 30, 2009, the City terminated its agreement with CH2M Hill to provide operating services, opting for the traditional model of self-performing operations. Management also changed its fiscal year end to June 30 which will allow the City to more appropriately record and recognize property tax revenue within a single fiscal period.

With certain exceptions, increases in revenues and expenditures from 2010 to 2011 are primarily attributable to the change in fiscal years as discussed above. Business taxes increased \$129,102 as a result of timing of receipt of insurance taxes from the State of Georgia; Intergovernmental revenues increased \$55,048 because of state reimbursements for damage to Capps Ferry Bridge.

Judicial expenditures increased \$62,795 or 125% because increases in judges' salaries and the hiring of a solicitor; Culture and recreation expenses increased \$58,455 or 178% because the City took over operations of parklands purchased from Fulton County; and capital outlay increased \$69,847 or 159% from the purchase of parklands from Fulton County.

The City has adopted a fund balance reserve policy to retain in reserve an amount which represents no less than two months of operating and debt expenditures, approximately 16 percent of the current year's estimated operating and debt expenditures. The policy took into consideration that upon incorporation, no reserves existed and allowed for a period of three to five years to establish the required amount. Due to current economic conditions and current year reserve shortfalls, it was not possible to contribute to the reserve for fiscal year 2011.

**General fund.** The General Fund is the primary operating fund and the largest source of day-to-day service delivery. It accounts for the City's core services such as law enforcement; fire protection; planning and development; roads, streets, and bridges, culture and recreation; municipal court; and administration. The General Fund had a deficit fund balance of (\$1,005,681) at June 30, 2011.

**Capital projects fund.** The Capital Projects Fund is used to record major capital acquisitions and construction projects. It is reported separately from the General Fund to enhance the understanding of the City's capital activities. It also helps avoid the distortions in financial resources trend information that can arise when capital and operating activities are mixed. During the year, the City paid \$113,758 for the purchase of Hutcheson Ferry Park (103 acres), Jones Ferry Park (234 acres) and Cochran Mill Park (800 acres). The carrying amount on Fulton County's books for these properties was \$953,939.

### GENERAL FUND BUDGETARY HIGHLIGHTS

A comparison of budgeted to actual results can be found on pages 33 and 34 of the financial report. Total revenues were \$17,756 more than budgeted. Expenditures were \$522,916 greater than budgeted amounts primarily because the City failed to budget for repayment of principal (\$475,445) to CH2M Hill.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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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.

In an effort to meet the challenges of establishing and maintaining an appropriate level of governmental services in a declining economy, two budget adjustments were approved by the City Council during fiscal year 2011. The following budget amendments were adopted during the year:

- In April 2011, the budget was amended to account for the hiring of a Fire Chief. The Parks and Recreation budget was reduced because operations in this department did not start until March 2011 which was later than originally planned.
- In September 2011, a final budget amendment was approved by the City Council to better reflect accurate revenue and expenditures for the fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2011, the City’s investment in capital assets for its governmental activities totaled \$3,255,334. 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, 2011 and September 30, 2010**

	<b>2011</b>	<b>2010</b>
Land	\$ 992,554	\$ 38,615
Buildings and improvements	160,489	170,884
Machinery and equipment	67,524	49,155
Vehicles	173,839	225,879
Infrastructure	1,860,928	2,051,286
Total	\$ 3,255,334	\$ 2,535,819

Additional information on the City’s capital assets can be found in note 7 on page 28 of the report. Changes in capital assets for 2011 are primarily related to depreciation of existing assets and the addition of \$953,939 of land. The City paid \$113,758 to Fulton County for land originally acquired by the county for \$953,939.

# CITY OF CHATTAHOOCHEE HILLS, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

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## **Long-term debt**

At the end of the fiscal period ended June 30, 2010 and 2011, the City had total long-term debt outstanding of \$686,065 and \$122,372, respectively, a decrease of \$563,693. The balance of \$475,445 payable to CH2M Hill was paid off during fiscal 2011. The remainder of long term debt (\$122,372) relates to equipment purchases and is scheduled to be paid off within two years. Additionally, the City had short-term borrowings of \$992,388 in the form of a tax anticipation note for \$500,000, and a line of credit for \$492,388. The short-term borrowings were used to provide operating cash flow for the fiscal period.

Additional information on the City's debt can be found in notes 8 and 9 beginning on page 29 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following factors are expected to have a significant effect on the City's financial position or results of operations and were taken into account in developing the fiscal year 2011 budget.

- Since beginning operations on December 1, 2007, the City has planned service levels and prepared budgets based upon absent or unreliable data. It is anticipated that completion of the 2010 census will provide the reliable data necessary to secure untapped revenues, as well as plan for future needs and financial resources.
- The State of Georgia's declining economy continues to be a concern for the City, as well as potential changes in the political boundaries within Fulton County.

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

## **REQUESTS FOR INFORMATION**

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

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<b>Primary Government Governmental Activities</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 95,827
Accounts receivable	80,048
Taxes receivable, net of allowance	15,877
Due from other governments	170,429
Prepays	12,783
Capital assets:	
Nondepreciable	992,554
Depreciable, net of accumulated depreciation	<hr/> 2,262,780
 Total assets	 <hr/> 3,630,298
<b>LIABILITIES</b>	
Accounts payable	168,013
Accrued liabilities	88,093
Short-term borrowings	992,388
Compensated absences due within one year	84,651
Compensated absences due in more than one year	8,490
Notes payable due within one year	91,635
Notes payable due in more than one year	<hr/> 30,737
 Total liabilities	 <hr/> 1,464,007
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,132,962
Unrestricted	<hr/> (966,671)
 Total net assets	 <hr/> <hr/> \$ 2,166,291

**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, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenues and</b>
					<b>Governmental Activities</b>
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 630,194	\$ 67,067	\$ 15,068	\$ 2,880	\$ (545,179)
Judicial	113,064	-	63,313	-	(49,751)
Public safety	1,436,626	294,475	-	-	(1,142,151)
Public works	596,518	-	-	-	(596,518)
Culture and recreation	76,703	-	-	859,782	783,079
Community development	57,664	5,711	-	-	(51,953)
Interest on long-term debt	54,432	-	-	-	(54,432)
Total governmental activities	<u>2,965,201</u>	<u>367,253</u>	<u>78,381</u>	<u>862,662</u>	<u>(1,656,905)</u>
Total primary government	<u>\$ 2,965,201</u>	<u>\$ 367,253</u>	<u>\$ 78,381</u>	<u>\$ 862,662</u>	<u>(1,656,905)</u>
General revenues:					
Property taxes					1,422,852
Sales taxes					573,212
Hotel/Motel taxes					68,253
Franchise taxes					104,603
Business taxes					141,359
Unrestricted investment earnings					455
Total general revenues					<u>2,310,734</u>
Change in net assets					653,829
Net assets, beginning of year					<u>1,512,462</u>
Net assets, end of year					<u>\$ 2,166,291</u>

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



**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

<b>ASSETS</b>	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 95,827	\$ -	\$ 95,827
Accounts receivable	80,048	-	80,048
Taxes receivable, net of allowance	8,748	7,129	15,877
Intergovernmental receivable	170,429	-	170,429
Due from other funds	-	154	154
Prepays	12,783	-	12,783
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 367,835</u>	<u>\$ 7,283</u>	<u>\$ 375,118</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 160,730	\$ 7,283	\$ 168,013
Accrued liabilities	85,195	-	85,195
Due to other funds	154	-	154
Short-term borrowings	992,388	-	992,388
Deferred revenue	135,049	-	135,049
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>1,373,516</u>	<u>7,283</u>	<u>1,380,799</u>
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable:			
Prepays	12,783	-	12,783
Unassigned	(1,018,464)	-	(1,018,464)
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	<u>(1,005,681)</u>	<u>-</u>	<u>(1,005,681)</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 367,835</u>	<u>\$ 7,283</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			3,255,334
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(218,411)
Some revenues are not available in the current period and, therefore, are not reported in the funds.			135,049
			<u>          </u>
Net assets of governmental activities			<u>\$ 2,166,291</u>

The accompanying notes are an integral part of these statements.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 1,440,038	\$ -	\$ 1,440,038
Sales taxes	573,212	-	573,212
Hotel/Motel taxes	-	68,253	68,253
Franchise taxes	104,603	-	104,603
Business taxes	141,359	-	141,359
Licenses and permits	17,711	-	17,711
Fines and forfeitures	293,372	-	293,372
Charges for services	42,835	-	42,835
Intergovernmental	63,313	-	63,313
Contributions	34,669	-	34,669
Interest earned	455	-	455
Miscellaneous	13,335	-	13,335
Total revenues	<u>2,724,902</u>	<u>68,253</u>	<u>2,793,155</u>
<b>Expenditures:</b>			
Current:			
General government	602,809	9,015	611,824
Judicial	113,018	-	113,018
Public safety	1,381,905	-	1,381,905
Public works	399,215	-	399,215
Culture and recreation	42,390	48,760	91,150
Community development	57,578	-	57,578
Capital outlay	-	113,758	113,758
Debt service:			
Principal	563,693	-	563,693
Interest	57,794	-	57,794
Total expenditures	<u>3,218,402</u>	<u>171,533</u>	<u>3,389,935</u>
Deficiency of revenues over expenditures	<u>(493,500)</u>	<u>(103,280)</u>	<u>(596,780)</u>
<b>Other financing sources (uses):</b>			
Transfers in	19,493	30,981	50,474
Transfers out	<u>(30,981)</u>	<u>(19,493)</u>	<u>(50,474)</u>
Total other financing sources (uses)	<u>(11,488)</u>	<u>11,488</u>	<u>-</u>
Net change in fund balances	<u>(504,988)</u>	<u>(91,792)</u>	<u>(596,780)</u>
<b>Fund balances (deficit), beginning of year</b>	<u>(500,693)</u>	<u>91,792</u>	<u>(408,901)</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ (1,005,681)</u>	<u>\$ -</u>	<u>\$ (1,005,681)</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, 2011**

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

Net change in fund balances - total governmental funds	\$ (596,780)
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.	(120,666)
The effect of donations of capital assets is to increase net assets.	840,181
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(14,306)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount represents the net effect of these differences in the treatment of long-term debt.	563,693
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>(18,293)</u>
Change in net assets - governmental activities	<u>\$ 653,829</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, 2011**

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<b>ASSETS</b>	<b>Municipal Court Fund</b>
Cash	<u>\$ 30,010</u>
Total assets	<u><u>\$ 30,010</u></u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 30,010</u>
Total liabilities	<u><u>\$ 30,010</u></u>

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

# CITY OF CHATTAHOOCHEE HILLS, GEORGIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Chattahoochee Hills, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, for its government-wide financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City's government-wide financial statements do not apply subsequent private-sector guidance. 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 assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The statement of net assets includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

The City reports the following major governmental 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.

Additionally, the City reports the following fund types:

The **special revenue fund** is used to account for the collection and disbursement of hotel/motel taxes levied by the City.

The **capital projects fund** is used to account for the acquisition and construction of capital assets by the City.

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

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

#### D. Budgets

Formal budgetary accounting is employed as a management control device for the general fund, special revenue fund, and capital projects fund of the City. The governmental funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and special revenue fund. Project-length budgets are adopted for the capital projects fund. During the fiscal period ended June 30, 2011, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

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

#### E. Cash and Cash Equivalents

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

#### F. Receivables

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

#### G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items in both government-wide and fund financial statements.



## NOTES TO FINANCIAL STATEMENTS

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

#### H. Capital Assets

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

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

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

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

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

#### I. 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.

#### J. 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 assets.

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

## NOTES TO FINANCIAL STATEMENTS

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

#### K. Fund Equity

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### K. Fund Equity (Continued)

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

- Committed
- Assigned
- Unassigned

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

**Net Assets** - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

#### L. Use of Estimates

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the City as a going concern. However, the City has substantial liabilities without the necessary revenues to support these liabilities. The City also has a negative \$1,018,464 in unassigned General Fund fund balance and negative unrestricted net assets of \$966,671 in governmental activities. As discussed in Note 8, the City has \$992,388 in short-term debt outstanding at June 30, 2011. This debt consists of a tax anticipation note and a line of credit, both of which mature on December 31, 2011. These debts are the primary cause of the deficit equity amounts.

The City's main source of revenue is property taxes. Receipts from the fiscal year 2012 property taxes have been used to satisfy the debt service requirements of the tax anticipation note and the line of credit in December 2011 and January 2012, respectively. This use of 2012 property taxes to satisfy these debt obligations has significantly reduced the amount of revenues available to fund the City's operations for the remainder of the City's fiscal year. To alleviate the City's adverse financial condition, management plans to secure a new tax anticipation note, reduce expenditures, and secure a new line of credit. As stated in Note 16 to the financial statements, the City secured a new tax anticipation note in the amount of \$750,000 in January 2012. The City plans to reduce annual expenditures, including the elimination of certain personnel positions and a 2.5% pay reduction for all City personnel. However, the City expects to need and has not yet secured additional financing through a new line of credit that will fund City operations through 2012.

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

## NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets- governmental activities* as reported in the government-wide statement of net assets. 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 \$218,411 difference are as follows:

Notes payable	\$ (122,372)
Compensated absences	(93,141)
Accrued interest	<u>(2,898)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (218,411)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets 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 \$120,666 difference are as follows:

Capital outlay	\$ 144,780
Depreciation expense	<u>(265,446)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u><u>\$ (120,666)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds." The details of this \$18,293 difference are as follows:

Compensated absences	\$	(21,655)
Accrued interest		<u>3,362</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	\$	<u>(18,293)</u>

**NOTE 4. LEGAL COMPLIANCE - BUDGETS**

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.

The following General Fund departments had excesses of actual expenditures over appropriations for the fiscal period ended June 30, 2011:

General Fund departments:		
Public safety - police	\$	7,706
Public works		28,965
Debt service - principal		475,447
Debt service - interest		12,794

These over expenditures were funded by short-term borrowings.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. DEPOSITS

Total deposits as of June 30, 2011 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	\$	95,827
Statement of Fiduciary Assets and Liabilities:		
Cash - Agency fund		30,010
	<u>\$</u>	<u>125,837</u>
Cash deposited with financial institutions	\$	125,837
	<u>\$</u>	<u>125,837</u>

**Custodial Credit Risk – Deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, all of the City's bank balances were insured and/or collateralized as defined by GASB and State Statutes.

### NOTE 6. RECEIVABLES

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

Receivables at June 30, 2011, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Nonmajor Governmental	Total
Receivables:			
Taxes	\$ 33,090	\$ 7,129	\$ 40,219
Accounts	80,048	-	80,048
Intergovernmental	170,429	-	170,429
Total receivables	<u>283,567</u>	<u>7,129</u>	<u>290,696</u>
Less allowance for uncollectible	24,342	-	24,342
Net total receivable	<u>\$ 259,225</u>	<u>\$ 7,129</u>	<u>\$ 266,354</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 38,615	\$ 953,939	\$ -	\$ 992,554
Total	<u>38,615</u>	<u>953,939</u>	<u>-</u>	<u>992,554</u>
Capital assets, being depreciated:				
Buildings and improvements	196,576	-	-	196,576
Machinery and equipment	73,072	31,022	-	104,094
Vehicles	332,336	-	-	332,336
Infrastructure	2,574,770	-	-	2,574,770
Total	<u>3,176,754</u>	<u>31,022</u>	<u>-</u>	<u>3,207,776</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,692)	(10,395)	-	(36,087)
Machinery and equipment	(23,917)	(12,653)	-	(36,570)
Vehicles	(106,457)	(52,040)	-	(158,497)
Infrastructure	(523,484)	(190,358)	-	(713,842)
Total	<u>(679,550)</u>	<u>(265,446)</u>	<u>-</u>	<u>(944,996)</u>
Total capital assets being depreciated, net	<u>2,497,204</u>	<u>(234,424)</u>	<u>-</u>	<u>2,262,780</u>
Governmental activities capital assets, net	<u>\$ 2,535,819</u>	<u>\$ 719,515</u>	<u>\$ -</u>	<u>\$ 3,255,334</u>

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

Governmental activities:	
General government	\$ 3,337
Public safety	66,244
Public works	195,318
Culture and recreation	547
Total depreciation expense - governmental activities	<u>\$ 265,446</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. SHORT-TERM BORROWINGS

The City has a tax anticipation note for operating purposes of \$500,000 at a local financial institution. The borrowing, with an interest rate of 3.11%, matures on December 31, 2011. As of June 30, 2011, \$500,000 of principal was outstanding.

The City has a \$700,000 line of credit for operating purposes at a local financial institution. The borrowing, with an interest rate of 5.50%, matures on December 31, 2011. As of June 30, 2011, \$492,388 of principal was outstanding.

The City paid the remaining balances on the tax anticipation note and the line of credit in December 2011 and January 2012, respective, and, as noted in Note 16, the City has issued a new tax anticipation note for operating purposes of \$750,000 at a local financial institution in January 2012. The borrowing, with an interest rate of 2.69%, matures on December 31, 2012.

Total short-term borrowings interest incurred and expensed for the year ended June 30, 2011, was \$27,610.

The following is a summary of the City's short-term borrowings for the year ended June 30, 2011:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Tax anticipation note	\$ 500,000	\$ 500,000	\$ (500,000)	\$ 500,000
Line of credit	-	894,438	(402,050)	492,388
	\$ 500,000	\$ 1,394,438	\$ (902,050)	\$ 992,388

### NOTE 9. LONG-TERM DEBT

#### Notes Payable

In March 2008, the City entered into an agreement through a financial institution to borrow \$190,400 for the purchase of various equipment for the police department. Annual payments of \$51,311, including interest at a rate of 3.32% began in January 2009 and will continue through January 2012. The outstanding balance at June 30, 2011 is \$49,662.

During the fiscal year 2009, the City entered into an agreement through a financial institution to borrow \$88,652 for the purchase of vehicles and equipment for the police and fire departments. Annual payments of \$31,877, including interest at a rate of 3.71% begin in October 2010 and will continue through October 2012. The outstanding balance at June 30, 2011 is \$60,374.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. LONG-TERM DEBT (CONTINUED)

In April 2010, the City entered into an agreement through a financial institution to borrow \$36,911 for the purchase of a vehicle for the police department. Annual payments of \$12,786, including interest at a rate of 3.65% began in May 2010 and will continue through May 2012. The outstanding balance at June 30, 2011 is \$12,336.

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>
2012	\$ 91,635	\$ 4,339	\$ 95,974
2013	30,737	1,140	31,877
	<u>\$ 122,372</u>	<u>\$ 5,479</u>	<u>\$ 127,851</u>

### Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Notes payable	\$ 686,065	\$ -	\$ (563,693)	\$ 122,372	\$ 91,635
Compensated absences	71,486	86,625	(64,970)	93,141	84,651
Governmental activity					
Long-term liabilities	<u>\$ 757,551</u>	<u>\$ 86,625</u>	<u>\$ (628,663)</u>	<u>\$ 215,513</u>	<u>\$ 176,286</u>

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

### NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 154

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

## NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 30,981
General Fund	Nonmajor governmental funds	19,493

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

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

### NOTE 12. DEFINED CONTRIBUTION RETIREMENT PLAN

The City of Chattahoochee Hills' Profit Sharing Plan is a single employer defined contribution plan established and administered by ICMA-RC for all City employees. At June 30, 2011, there were 40 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. For the fiscal year ending June 30, 2011, employer contributions to the Plan were \$51,917.

The City of Chattahoochee Hills' Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution plan. The Plan is administered by ICMA-RC for all full time employees. At June 30, 2011, there were 12 plan members. Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The City matches at a rate of 100% of the employee's contribution up to 3% of the employee's salary. For the fiscal year ending June 30, 2011, the contributions to the Plan were \$28,077 by the employees and \$20,802 by the City.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 13. JOINT VENTURE**

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of Chattahoochee Hills. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

### **NOTE 14. HOTEL/MOTEL LODGING TAX**

The City has levied a 7% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2011, the City received \$68,253 in hotel/motel taxes. Of this amount, \$48,760, or 71.4%, was used for the promotion of tourism, conventions, or trade shows.

### **NOTE 15. RISK MANAGEMENT**

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

### **NOTE 16. SUBSEQUENT EVENTS**

In January 2012, the City issued a tax anticipation note for operating purposes of \$750,000 at a local financial institution. The borrowing, with an interest rate of 2.69%, matures on December 31, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,541,000	\$ 1,438,828	\$ 1,440,038	\$ 1,210
Sales taxes	553,000	631,942	573,212	(58,730)
Franchise taxes	100,000	101,100	104,603	3,503
Business taxes	140,000	141,336	141,359	23
Licenses and permits	15,000	21,059	17,711	(3,348)
Fines and forfeitures	275,000	293,300	293,372	72
Charges for services	45,000	42,825	42,835	10
Intergovernmental	-	-	63,313	63,313
Interest earned	500	455	455	-
Contributions	-	19,601	34,669	15,068
Miscellaneous	10,000	16,700	13,335	(3,365)
Total revenues	<u>2,679,500</u>	<u>2,707,146</u>	<u>2,724,902</u>	<u>17,756</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
City council	259,380	232,000	231,132	868
General operations	407,689	371,700	371,677	23
Total general government	<u>667,069</u>	<u>603,700</u>	<u>602,809</u>	<u>891</u>
<b>Judicial:</b>				
Municipal court	<u>117,843</u>	<u>113,200</u>	<u>113,018</u>	<u>182</u>
Total municipal court	<u>117,843</u>	<u>113,200</u>	<u>113,018</u>	<u>182</u>
<b>Public safety:</b>				
Police	748,454	765,000	772,706	(7,706)
Fire	610,853	610,000	609,199	801
Total public safety	<u>1,359,307</u>	<u>1,375,000</u>	<u>1,381,905</u>	<u>(6,905)</u>
<b>Public works</b>	<u>344,581</u>	<u>370,250</u>	<u>399,215</u>	<u>(28,965)</u>
<b>Culture and recreation</b>	<u>34,310</u>	<u>42,500</u>	<u>42,390</u>	<u>110</u>
<b>Community development</b>	<u>53,300</u>	<u>57,700</u>	<u>57,578</u>	<u>122</u>
<b>Debt service:</b>				
Principal	89,344	88,246	563,693	(475,447)
Interest	28,746	45,000	57,794	(12,794)
Total debt service	<u>118,090</u>	<u>133,246</u>	<u>621,487</u>	<u>(488,241)</u>
Total expenditures	<u>2,694,500</u>	<u>2,695,596</u>	<u>3,218,402</u>	<u>(522,916)</u>
Excess (deficiency) of revenues over expenditures	<u>(15,000)</u>	<u>11,550</u>	<u>(493,500)</u>	<u>(505,050)</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, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Other financing sources (uses):</b>				
Transfers in	\$ 15,000	\$ 19,450	\$ 19,493	\$ 43
Transfers out	-	(31,000)	(30,981)	19
Total other financing sources (uses)	15,000	(11,550)	(11,488)	62
Net change in fund balance	-	-	(504,988)	(504,988)
<b>Fund balance, beginning of year</b>	(500,693)	(500,693)	(500,693)	-
<b>Fund balance, end of year</b>	<u>\$ (500,693)</u>	<u>\$ (500,693)</u>	<u>\$ (1,005,681)</u>	<u>\$ (504,988)</u>

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

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**NONMAJOR GOVERNMENTAL FUNDS**

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**SPECIAL REVENUE FUND**

**Hotel Motel Fund** – This fund is used to account for excise taxes on lodgings and accommodations that are restricted for use by State law.

**CAPITAL PROJECTS FUND**

**Capital Projects Fund** – This fund is used to account for acquisition and construction of capital assets by the City.



**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/Motel Tax Fund</u>	<u>Capital Projects Fund</u>	
<b>ASSETS</b>			
Taxes receivable	\$ 7,129	\$ -	\$ 7,129
Due from other funds	154	-	154
Total assets	<u>\$ 7,283</u>	<u>\$ -</u>	<u>\$ 7,283</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 7,283	\$ -	\$ 7,283
Total liabilities	<u>7,283</u>	<u>-</u>	<u>7,283</u>
<b>FUND BALANCES</b>			
Restricted	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,283</u>	<u>\$ -</u>	<u>\$ 7,283</u>

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Hotel/Motel Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 68,253	\$ -	\$ 68,253
Total revenues	<u>68,253</u>	<u>-</u>	<u>68,253</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	9,015	9,015
Culture and recreation	48,760	-	48,760
Capital outlay	-	113,758	113,758
Total expenditures	<u>48,760</u>	<u>122,773</u>	<u>171,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,493</u>	<u>(122,773)</u>	<u>(103,280)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	30,981	30,981
Transfers out	(19,493)	-	(19,493)
Total other financing sources (uses)	<u>(19,493)</u>	<u>30,981</u>	<u>11,488</u>
Net change in fund balances	<u>-</u>	<u>(91,792)</u>	<u>(91,792)</u>
<b>FUND BALANCES, beginning of year</b>	<u>-</u>	<u>91,792</u>	<u>91,792</u>
<b>FUND BALANCES, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>