

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

FINANCIAL REPORT

FOR THE NINE MONTHS ENDED JUNE 30, 2010

**Prepared by:
Finance Department**

**Submitted by:
Carol Wolfe
City Manager**

INTRODUCTORY SECTION

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

FINANCIAL REPORT FOR THE NINE MONTHS ENDED JUNE 30, 2010

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the nine months ended June 30, 2010, which collectively comprise the City of Chattahoochee Hills, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chattahoochee Hills, Georgia'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 the 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 of Chattahoochee Hills, Georgia as of June 30, 2010, and the respective changes in financial position thereof for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of the City of Chattahoochee Hills, Georgia'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 the 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 31 and 32 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 11, 2011

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

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 fiscal period ended June 30, 2010. Reading this report, it is important to remember that Chattahoochee Hills operated on a fiscal year ending September 30 since the city's incorporation on December 1, 2007 and in March 2010, changed its fiscal year to a July 1 - June 30 reporting period. This report represents a reduced fiscal period of October 1, 2009 - June 30, 2010.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$1,512,462 (net assets), representing a \$1,204,440 decrease over the prior year. Of net assets, \$962,738 is a deficit in unrestricted assets.
- The City's decrease in net assets was \$1,204,440, most of which is attributable to a reduced collection period for property taxes due to the change in fiscal year.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balance deficits of (\$408,901).
- The City's long-term debt at June 30, 2010 consisted of \$210,619 in notes payable for equipment and an agreement with CH2M Hill to finance the outstanding accounts payable balance of \$475,446 for City operating services provided in fiscal years 2008 and 2009.

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 10 and 11 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. While this is the City's third annual report, it is the first report of the new fiscal year ending June 30 and is abbreviated to a nine-month reporting period.

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 10 and 11 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

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

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

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

The basic governmental fund financial statements are presented on pages 12 through 15 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 15 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 16 through 30 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 31 and 32 of this report.

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

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 2009 represents a twelve-month period, the fiscal year 2010 represents a nine-month period. At June 30, 2010 the City's assets exceeded liabilities by \$1,512,462. 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 consists of \$150,000 that is restricted for the purchase of park land and the deficit in unrestricted net assets of \$(962,738) is attributable to the outlay of resources to reduce the debt obligations to CH2M Hill.

The following table provides a summary of the City's governmental net assets for the fiscal years 2009 and 2010.

**City of Chattahoochee Hills Net Assets
June 30, 2010 and September 30, 2009**

	Governmental Activities	
	2010	2009
Assets		
Current Assets	\$426,941	\$1,749,911
Capital assets, net of accumulated depreciation	2,535,819	2,678,567
Total assets	<u>2,962,760</u>	<u>4,428,478</u>
Liabilities		
Current liabilities	692,747	609,184
Long-term liabilities	757,551	1,102,392
Total liabilities	<u>1,450,298</u>	<u>1,711,576</u>
Net Assets		
Invested in capital assets, net of related debt	2,325,200	2,445,664
Restricted for acquisition of park land	150,000	150,000
Unrestricted	<u>(962,738)</u>	<u>121,238</u>
Total net assets	<u><u>\$1,512,462</u></u>	<u><u>\$2,716,902</u></u>

Changes in net assets. Governmental activities decreased the City's net assets by \$1,204,440 in fiscal year 2010. The following table indicates the change in net assets from the twelve months ended September 30, 2009 to the nine months ended June 30, 2010.

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

**City of Chattahoochee Hills Changes in Net Assets
for the Fiscal Period Ended June 30, 2010**

	<u>2010*</u>	<u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 288,983	\$ 236,285
Operating grants and contributions	8,265	1,218
Capital grants and contributions	-	162,000
General Revenues:		
Property taxes	49,262	1,444,906
Other taxes	721,181	758,982
Investment earnings	645	1,103
Total revenues	<u>1,068,336</u>	<u>2,604,494</u>
Expenses:		
General government	526,014	406,968
Judicial	52,523	39,404
Public safety	1,083,618	1,204,919
Public works	396,301	334,615
Culture and recreation	32,695	38,339
Community development	78,207	196,580
Interest expenses	103,418	20,770
Total expenses	<u>2,272,776</u>	<u>2,241,595</u>
Income (loss)	<u>(1,204,440)</u>	<u>362,899</u>
Net assets beginning of year	2,716,902	2,515,450
Restatement	-	(161,447)
Net assets beginning of year (restated)	<u>2,716,902</u>	<u>2,354,003</u>
Net assets end of year	<u>\$ 1,512,462</u>	<u>\$ 2,716,902</u>

* for the nine months ended June 30, 2010

Governmental activities. Governmental activities decreased the City's net assets by \$1,204,440 in fiscal year 2010. Total revenues were down \$1,536,158, or (59%) from the prior year. Due to the change in fiscal year, the property tax collection period was significantly reduced and property taxes collected in the fiscal year were mostly comprised of late tax payments. Other tax revenue decreased \$37,801 as a result of the shortened fiscal year. Despite the reduced collection period, an increase in charges for services of \$52,698 was realized, primarily from fines and forfeitures, as the City had a fully staffed police department and municipal court for the entire fiscal period. The City obtained capital grants of \$162,000 in the prior year; no similar grants were available in the current fiscal year.

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

There was an increase in public works expenses of \$61,686, due to purchase and repair to maintenance equipment and a decrease in community development of (\$118,373) resulting from organizational changes in the city planner's office. An increase in general government expenses of \$119,046 was due to the establishment of a city manager and city clerk department. Interest expenses increased \$82,648 due to interest incurred on debt to CH2M Hill and increases in short term borrowings to meet current cash flow requirements.

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental funds reported a deficit fund balance of (\$408,901) at June 30, 2010. Of this amount, \$150,000 is reserved in the capital projects fund for the purchase of park land, while the general fund has an unreserved deficit balance of (\$516,721), indicating a lack of immediate funding for continuing City service requirements. With start-up costs during the first twenty-two months of operation, 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. Property tax revenue represents approximately 60 percent of the City's total governmental revenue.

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 2010.

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 (\$500,693) at June 30, 2010.

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 entered into a notes payable agreement in the amount of \$36,911 for the purchase of a new police vehicle. Fund balance at June 30, 2010 was \$91,792.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Chattahoochee Hills' budget utilized a conservative approach based upon the limited information available. Tax revenue was known to be a budget challenge created from changing the fiscal year and entering into a nine-month budget of October 1, 2009 – June 30, 2010. This budget period did not allow for a full property tax collection period resulting in a significantly reduced revenue collection.

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

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, three budget adjustments were approved by the City Council during fiscal year 2010. Through these amendments, resources were redistributed among functions and the fiscal year was reduced from twelve months to nine months. The following changes in focus occurred during the year resulting in a re-distribution of resources:

- In January, through City Council action, the budget was amended to account for the addition of one new authorized position of an Information Technology Director.
- In March 2010, through City Council action, the city’s fiscal year was changed from a September 30 fiscal year to a June 30 fiscal year. This change resulted in a budget adjustment to reduce the budget from twelve months to nine months.
- In October, a final budget amendment was approved by the City Council to better reflect accurate revenue and expenditures for the reduced fiscal year.
- The General Administration budget was increased by \$43,206, to fund the addition of an Information Technology Director.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010, the City’s investment in capital assets for its governmental activities totaled \$2,535,819. 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, 2010 and September 30, 2009**

	2010	2009
Land	\$ 38,615	\$ 38,615
Buildings and improvements	170,884	178,680
Machinery and equipment	49,155	51,697
Vehicles	225,879	215,521
Infrastructure	2,051,286	2,194,054
Total	\$ 2,535,819	\$ 2,678,567

Additional information on the City’s capital assets can be found in note 6, beginning on page 25 of this report.

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

Long-term debt

At the end of the fiscal period ended June 30, 2010, the City had total long-term debt outstanding of \$686,065. Of that amount, the City entered into an agreement with CH2M Hill to repay outstanding debt of \$823,676, for operating services provided in fiscal years 2008 and 2009, the balance of which at June 30, 2010 was \$475,446. The remainder of \$210,619 was used for the purchase of police vehicles and equipment. Additionally, the City had short-term borrowings of \$500,000 in the form of a tax anticipation note, and a line of credit for \$75,000. The short-term borrowings were used to provide operating cash flow for the fiscal period.

Additional information on the City's long-term debt can be found in note 8 on page 27 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.

- Property taxes are the most significant revenue source for the City. The City's property is assessed and taxes billed by Fulton County and the previous fiscal years ending October 30 resulted in the deferral of a substantial amount of operating revenue due to delays in approval and billing of the Fulton County tax. This cycle of late billing and collection resulted in negative impacts on budgeting and financial reporting. The City changed its fiscal year in March 2010 to a June 30 ending and this change will enable the City to better predict its largest revenue source for the year in which it is budgeting its expenses against.
- 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.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 171,551
Accounts receivable	7,660
Taxes receivable, net of allowance	48,136
Due from other governments	183,566
Prepays	16,028
Capital assets:	
Nondepreciable	38,615
Depreciable, net of accumulated depreciation	<u>2,497,204</u>
Total assets	<u>2,962,760</u>
LIABILITIES	
Accounts payable	135,883
Accrued liabilities	56,864
Short-term borrowings	500,000
Compensated absences due within one year	60,763
Compensated absences due in more than one year	10,723
Notes payable due within one year	565,845
Notes payable due in more than one year	<u>120,220</u>
Total liabilities	<u>1,450,298</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,325,200
Restricted for acquisition of parkland	150,000
Unrestricted	<u>(962,738)</u>
Total net assets	<u>\$ 1,512,462</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Primary government:					
Governmental activities:					
General government	\$ 526,014	\$ 39,241	\$ 8,265	\$ -	\$ (478,508)
Judicial	52,523	-	-	-	(52,523)
Public safety	1,083,618	244,450	-	-	(839,168)
Public works	396,301	-	-	-	(396,301)
Culture and recreation	32,695	-	-	-	(32,695)
Community development	78,207	5,292	-	-	(72,915)
Interest on long-term debt	103,418	-	-	-	(103,418)
Total governmental activities	<u>2,272,776</u>	<u>288,983</u>	<u>8,265</u>	<u>-</u>	<u>(1,975,528)</u>
Total primary government	<u>\$ 2,272,776</u>	<u>\$ 288,983</u>	<u>\$ 8,265</u>	<u>\$ -</u>	<u>(1,975,528)</u>
General revenues:					
Property taxes					49,262
Sales taxes					441,172
Hotel/Motel taxes					45,729
Franchise taxes					97,187
Business taxes					137,093
Unrestricted investment earnings					645
Total general revenues					<u>771,088</u>
Change in net assets					(1,204,440)
Net assets, beginning of period					2,716,902
Net assets, end of period					<u>\$ 1,512,462</u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

ASSETS	General Fund	Capital Projects Fund	Nonmajor Hotel/Motel Tax Fund	Total Governmental Funds
Cash and cash equivalents	\$ 108,486	\$ 54,882	\$ 8,183	\$ 171,551
Accounts receivable	7,660	-	-	7,660
Taxes receivable, net of allowance	42,181	-	5,955	48,136
Intergovernmental receivable	183,566	-	-	183,566
Due from other funds	6,565	36,910	-	43,475
Prepays	16,028	-	-	16,028
Total assets	\$ 364,486	\$ 91,792	\$ 14,138	\$ 470,416
LIABILITIES				
Accounts payable	\$ 128,310	\$ -	\$ 7,573	\$ 135,883
Accrued liabilities	50,604	-	-	50,604
Due to other funds	36,910	-	6,565	43,475
Short-term borrowings	500,000	-	-	500,000
Deferred revenue	149,355	-	-	149,355
Total liabilities	865,179	-	14,138	879,317
FUND BALANCES				
Fund balances:				
Reserved for:				
Prepays	16,028	-	-	16,028
Acquisition of parkland	-	150,000	-	150,000
Unreserved, reported in:				
General fund	(516,721)	-	-	(516,721)
Capital projects fund	-	(58,208)	-	(58,208)
Total fund balances (deficit)	(500,693)	91,792	-	(408,901)
Total liabilities and fund balance:	\$ 364,486	\$ 91,792	\$ 14,138	
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.				2,535,819
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(763,811)
Some revenues are not available in the current period and, therefore, are not reported in the funds.				149,355
Net assets of governmental activities				<u>\$ 1,512,462</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 NINE MONTHS ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Hotel/Motel Tax Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 1,219,619	\$ -	\$ -	\$ 1,219,619
Sales taxes	441,172	-	-	441,172
Hotel/Motel taxes	-	-	45,729	45,729
Franchise taxes	97,187	-	-	97,187
Business taxes	12,257	-	-	12,257
Licenses and permits	15,142	-	-	15,142
Fines and forfeitures	244,229	-	-	244,229
Charges for services	28,960	-	-	28,960
Intergovernmental	8,265	-	-	8,265
Interest earned	645	-	-	645
Miscellaneous	652	-	-	652
Total revenues	<u>2,068,128</u>	<u>-</u>	<u>45,729</u>	<u>2,113,857</u>
Expenditures:				
Current:				
General government	470,280	40,352	-	510,632
Judicial	50,223	-	-	50,223
Public safety	1,020,589	2,420	-	1,023,009
Public works	259,089	3,171	-	262,260
Culture and recreation	-	-	32,695	32,695
Community development	77,577	630	-	78,207
Capital outlay	-	43,911	-	43,911
Debt service:				
Principal	407,425	-	-	407,425
Interest	100,861	-	-	100,861
Total expenditures	<u>2,386,044</u>	<u>90,484</u>	<u>32,695</u>	<u>2,509,223</u>
Excess (deficiency) of revenues over expenditures	<u>(317,916)</u>	<u>(90,484)</u>	<u>13,034</u>	<u>(395,366)</u>
Other financing sources (uses):				
Issuance of long term debt	-	36,911	-	36,911
Transfers in	13,034	-	-	13,034
Transfers out	-	-	(13,034)	(13,034)
Total other financing sources (uses)	<u>13,034</u>	<u>36,911</u>	<u>(13,034)</u>	<u>36,911</u>
Net change in fund balances	<u>(304,882)</u>	<u>(53,573)</u>	<u>-</u>	<u>(358,455)</u>
Fund balances (deficit), beginning of period	<u>(195,811)</u>	<u>145,365</u>	<u>-</u>	<u>(50,446)</u>
Fund balances (deficit), end of period	<u>\$ (500,693)</u>	<u>\$ 91,792</u>	<u>\$ -</u>	<u>\$ (408,901)</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 NINE MONTHS ENDED JUNE 30, 2010**

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

Net change in fund balances - total governmental funds	\$	(358,455)
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.		(142,748)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,045,521)
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.		370,514
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>(28,230)</u>
Change in net assets - governmental activities	\$	<u>(1,204,440)</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, 2010

ASSETS		Municipal Court Fund
Cash		<u>\$ 33,506</u>
Total assets		<u><u>\$ 33,506</u></u>
LIABILITIES		
Due to others		<u>\$ 33,506</u>
Total liabilities		<u><u>\$ 33,506</u></u>

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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

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

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.

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

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 **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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Encumbrances

The City employed encumbrance accounting during the period. Encumbrances, if existing at the end of the fiscal period, are recorded and appropriations lapse at period end. Open encumbrances would then be a reservation of fund balance since the commitments would be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities. There were no encumbrances outstanding at June 30, 2010, and none were recorded.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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, 2010, 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.

F. 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.

G. Receivables

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items in both government-wide and fund financial statements.

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 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.

J. 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.

K. 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 debt issued as other financing sources and the repayment of debt as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. 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.

N. Change in Fiscal Year

In the prior year, the City operated on a fiscal year beginning October 1 and ending on September 30. The City Council elected to change the City's fiscal year to June 30 in the current year. These statements, therefore, present operations only for the nine months October 1, 2009 through June 30, 2010.

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 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 \$763,811 difference are as follows:

Notes payable	\$ (686,065)
Compensated absences	(71,486)
Accrued interest	<u>(6,260)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (763,811)</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 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 \$142,748 difference are as follows:

Capital outlay	\$ 58,911
Depreciation expense	<u>(201,659)</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>\$ (142,748)</u>

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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.” The details of this \$370,514 difference are as follows:

Issuance of new notes payable	\$ (36,911)
Principal repayments on notes payable	<u>407,425</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u>\$ 370,514</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 (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 \$28,230 difference are as follows:

Compensated absences	\$	(25,673)
Accrued interest		<u>(2,557)</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>(28,230)</u></u>

NOTE 3. 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, 2010:

General Fund departments:		
General operations	\$	7,612
Public safety - police		964
Public safety - fire		31
Debt service - principal		348,229
Debt service - interest		83,970

These over expenditures were funded by short-term borrowings.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS

Total deposits as of June 30, 2010 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	\$	171,551
Statement of Fiduciary Assets and Liabilities:		
Cash - Agency fund		33,506
	<u>\$</u>	<u>205,057</u>
Cash deposited with financial institutions	\$	205,057
	<u>\$</u>	<u>205,057</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, 2010, all of the City’s bank balances were insured and/or collateralized as defined by GASB and 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 deferred revenues when levied as they are intended to fund that fiscal year. Revenues are recognized when available.

Receivables at June 30, 2010, 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	\$ 102,181	\$ 5,955	\$ 108,136
Accounts	7,660	-	7,660
Intergovernmental	183,566	-	183,566
Total receivables	293,407	5,955	299,362
Less allowance for uncollectible	60,000	-	60,000
Net total receivable	<u>\$ 233,407</u>	<u>\$ 5,955</u>	<u>\$ 239,362</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the period ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 38,615	\$ -	\$ -	\$ 38,615
Total	<u>38,615</u>	<u>-</u>	<u>-</u>	<u>38,615</u>
Capital assets, being depreciated:				
Buildings and improvements	196,576	-	-	196,576
Machinery and equipment	66,072	7,000	-	73,072
Vehicles	280,425	51,911	-	332,336
Infrastructure	2,574,770	-	-	2,574,770
Total	<u>3,117,843</u>	<u>58,911</u>	<u>-</u>	<u>3,176,754</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,896)	(7,796)	-	(25,692)
Machinery and equipment	(14,375)	(9,542)	-	(23,917)
Vehicles	(64,904)	(41,553)	-	(106,457)
Infrastructure	(380,716)	(142,768)	-	(523,484)
Total	<u>(477,891)</u>	<u>(201,659)</u>	<u>-</u>	<u>(679,550)</u>
Total capital assets being depreciated, net	<u>2,639,952</u>	<u>(142,748)</u>	<u>-</u>	<u>2,497,204</u>
Governmental activities capital assets, net	<u>\$ 2,678,567</u>	<u>\$ (142,748)</u>	<u>\$ -</u>	<u>\$ 2,535,819</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 3,465
Public safety	52,778
Public works	<u>145,416</u>
Total depreciation expense - governmental activities	<u><u>\$ 201,659</u></u>

NOTE 7. 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 3.18%, matures on December 31, 2010. As of June 30, 2010, \$500,000 of principal was outstanding.

The City has a line of credit for operating purposes at a local financial institution. The borrowing, with an interest rate of 6.00%, matures on December 31, 2010. As of June 30, 2010, no principal was outstanding.

Total short-term borrowings interest incurred and expensed for the period ended June 30, 2010, was \$11,989.

The following is a summary of the City's short-term borrowings for the period ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ 405,000	\$ 500,000	\$ (405,000)	\$ 500,000
Line of credit	103,895	75,000	(178,895)	-
	<u>\$ 508,895</u>	<u>\$ 575,000</u>	<u>\$ (583,895)</u>	<u>\$ 500,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. 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, 2010 is \$97,730.

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 \$30,741, including interest at a rate of 3.71% begin in October 2010 and will continue through October 2012. The outstanding balance at June 30, 2010 is \$88,652.

On September 30, 2009, the City entered into an agreement with CH2MHill to convert the outstanding accounts payable balance of \$823,676 to a long-term note payable, bearing interest at the rate of 7% per annum payable monthly beginning October 1, 2009 until January 1, 2011. The outstanding balance at June 30, 2010 is \$475,446.

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 2013. The outstanding balance at June 30, 2010 is \$24,237.

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>
2011	\$ 565,845	\$ 23,150	\$ 588,995
2012	90,579	4,339	94,918
2013	29,641	1,140	30,781
	<u>\$ 686,065</u>	<u>\$ 28,629</u>	<u>\$ 714,694</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the period ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 1,056,579	\$ 36,911	\$ (407,425)	\$ 686,065	\$ 565,845
Compensated absences	45,813	65,439	(39,766)	71,486	60,763
Governmental activity					
Long-term liabilities	<u>\$ 1,102,392</u>	<u>\$ 102,350</u>	<u>\$ (447,191)</u>	<u>\$ 757,551</u>	<u>\$ 626,608</u>

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

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 6,565
Capital Projects Fund	General Fund	36,910

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental fund	\$ 13,034

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 11. 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, 2010, 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 period ending June 30, 2010, employer contributions to the Plan were \$38,379.

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, 2010, 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 period ending June 30, 2010, the contributions to the Plan were \$20,496 by the employees and \$13,928 by the City.

NOTE 12. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. 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 period ended June 30, 2010, the City received \$45,729 in hotel/motel taxes. Of this amount, \$32,695, or 71.5%, was used for the promotion of tourism, conventions, or trade shows.

NOTE 14. 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 first three periods of operation.

NOTE 15. FUND DEFICIT

At June 30, 2010, the City's General Fund reported a deficit fund balance of \$500,693.

NOTE 16. SUBSEQUENT EVENTS

In January 2011, the City issued 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.

In March 2011, the City obtained a line of credit for operating purposes at a local financial institution. The borrowing, with an interest rate of prime plus 1% and a minimum interest rate of 5.50%, matures on December 31, 2011.

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 NINE MONTHS ENDED JUNE 30, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,076,000	\$ 1,219,615	\$ 1,219,619	\$ 4
Sales taxes	395,000	437,936	441,172	3,236
Franchise taxes	85,000	97,187	97,187	-
Business taxes	9,000	108,686	12,257	(96,429)
Licenses and permits	14,200	19,157	15,142	(4,015)
Fines and forfeitures	180,000	244,288	244,229	(59)
Charges for services	21,700	28,179	28,960	781
Intergovernmental	-	-	8,265	8,265
Interest earned	500	645	645	-
Miscellaneous	-	-	652	652
Total revenues	<u>1,781,400</u>	<u>2,155,693</u>	<u>2,068,128</u>	<u>(87,565)</u>
Expenditures:				
Current:				
General government:				
City council	156,517	157,657	157,268	389
General operations	<u>268,150</u>	<u>305,400</u>	<u>313,012</u>	<u>(7,612)</u>
Total general government	<u>424,667</u>	<u>463,057</u>	<u>470,280</u>	<u>(7,223)</u>
Judicial:				
Municipal court	<u>50,713</u>	<u>50,310</u>	<u>50,223</u>	<u>87</u>
Total municipal court	<u>50,713</u>	<u>50,310</u>	<u>50,223</u>	<u>87</u>
Public safety:				
Police	501,037	573,881	574,845	(964)
Fire	<u>426,559</u>	<u>445,713</u>	<u>445,744</u>	<u>(31)</u>
Total public safety	<u>927,596</u>	<u>1,019,594</u>	<u>1,020,589</u>	<u>(995)</u>
Public works	<u>169,679</u>	<u>261,527</u>	<u>259,089</u>	<u>2,438</u>
Community development	<u>105,428</u>	<u>77,609</u>	<u>77,577</u>	<u>32</u>
Debt service:				
Principal	51,404	59,196	407,425	(348,229)
Interest	<u>25,009</u>	<u>16,891</u>	<u>100,861</u>	<u>(83,970)</u>
Total debt service	<u>76,413</u>	<u>76,087</u>	<u>508,286</u>	<u>(432,199)</u>
Total expenditures	<u>1,754,496</u>	<u>1,948,184</u>	<u>2,386,044</u>	<u>(437,860)</u>
Excess (deficiency) of revenues over expenditures	<u>26,904</u>	<u>207,509</u>	<u>(317,916)</u>	<u>(525,425)</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 NINE MONTHS ENDED JUNE 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfers in	\$ 11,096	\$ 13,060	\$ 13,034	\$ (26)
Transfers out	(38,000)	(47,149)	-	47,149
Total other financing sources (uses)	<u>(26,904)</u>	<u>(34,089)</u>	<u>13,034</u>	<u>47,123</u>
Net change in fund balance	-	173,420	(304,882)	(478,302)
Fund balance, beginning of period	<u>(195,811)</u>	<u>(195,811)</u>	<u>(195,811)</u>	<u>-</u>
Fund balance, end of period	<u>\$ (195,811)</u>	<u>\$ (22,391)</u>	<u>\$ (500,693)</u>	<u>\$ (478,302)</u>

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