

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded its liabilities by \$4,303,527 (net position), representing a \$308,980 or 7.74% increase over the prior year.
- Unrestricted net position increased from \$1,466,909 to \$1,764,724 an increase of \$297,815 or 20.30%.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balance of \$1,876,376, an improvement of \$684,327 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Chattahoochee Hills' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide the reader with a broad overview of the City of Chattahoochee Hills' financial position in a manner similar to private-sector business. These statements include the Statement of Net Position and the Statement of Activities and can be found on pages 13 and 14 of this report.

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

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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 three non-major governmental funds. The City's major governmental fund is the General Fund and the City's non-major funds are the E911 Fund, the Hotel/Motel Tax Fund, and the Technology Fee Fund.

The basic governmental fund financial statements are presented on pages 13 through 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City uses an Agency Fund for the collection and remittance of cash appearance bond-related activity for municipal court. The basic fiduciary fund financial statement can be found on page 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 19 through 34 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary comparison schedule is intended to demonstrate the City's compliance with the legally adopted and amended budgets. Required supplementary information can be found on pages 35 and 36 of this report.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2017 the City's assets exceeded liabilities by \$4,303,527. A significant portion of the City's net position, \$2,321,021 is its investment in capital assets (land, buildings, infrastructure, and equipment), less any related debt to acquire those assets. Because the City uses these capital assets to provide services to its residents, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City also reported \$217,782 in restricted net position for funds which can only be spent for designated purposes as required by state law or contractual agreements.

The remaining portion of the City's net position represents unrestricted net position in the amount of \$1,764,724 and is primarily attributable to operating revenues in excess of expenditures from the inception of the City through the current period.

The following table provides a summary of the City's governmental net position for the fiscal years 2016 and 2015.

City of Chattahoochee Hills Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Inc (Dec)</u>	<u>Percent</u>
Assets				
Current Assets	\$ 2,126,938	\$ 1,626,102	\$ 500,836	30.80 %
Capital assets, net of accumulated depreciation	<u>3,078,393</u>	<u>2,784,971</u>	<u>293,422</u>	<u>10.54</u>
Total assets	<u>5,205,331</u>	<u>4,411,073</u>	<u>794,258</u>	<u>18.01</u>
Liabilities				
Current liabilities	275,923	219,820	56,103	25.52
Long-term liabilities	<u>625,881</u>	<u>196,706</u>	<u>429,175</u>	<u>218.18</u>
Total liabilities	901,804	416,526	485,278	116.51
Net Position				
Net Investment in capital assets	2,321,021	2,527,638	(206,617)	(8.17)
Restricted for grant programs	217,782	-	-	-
Unrestricted	<u>1,764,724</u>	<u>1,466,909</u>	<u>297,815</u>	<u>20.30</u>
Total net position	<u>\$ 4,303,527</u>	<u>\$ 3,994,547</u>	<u>\$ 308,980</u>	<u>7.74 %</u>

Changes in net position. Governmental activities increased the City's net position by \$308,980 and \$481,613 in fiscal years 2017 and 2016, respectively. The following table indicates the change in net position from the twelve months ended June 30, 2017 and 2016.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

City of Chattahoochee Hills Changes in Net Position
for the Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 497,752	\$ 437,321	\$ 60,431	13.82 %
Operating grants and contributions	5,915	145,250	(139,335)	(95.93)
Capital grants and contributions	(55,820)	150,968	(206,788)	(136.97)
General Revenues:				
Property taxes	1,408,129	1,276,787	131,342	10.29
Other taxes	1,309,611	1,137,993	171,618	15.08
Investment earnings	2,385	1,608	777	48.32
Gain on sale of capital assets	30,000	-	30,000	-
Total revenues	<u>3,197,972</u>	<u>3,149,927</u>	<u>48,045</u>	<u>1.53</u>
Expenses:				
General government	564,980	538,770	26,210	4.86
Judicial	84,017	79,963	4,054	5.07
Public safety	1,362,445	1,212,153	150,292	12.40
Public works	655,553	583,660	71,893	12.32
Culture and recreation	144,164	191,403	(47,239)	(24.68)
Community development	60,056	56,381	3,675	6.52
Interest expenses	17,777	5,984	11,793	197.08
Total expenses	<u>2,888,992</u>	<u>2,668,314</u>	<u>220,678</u>	<u>8.27</u>
Income	<u>308,980</u>	<u>481,613</u>	<u>\$ (172,633)</u>	<u>(35.84) %</u>
Net position beginning of year	<u>3,994,547</u>	<u>3,512,934</u>		
Net position end of year	<u>\$ 4,303,527</u>	<u>\$ 3,994,547</u>		

Governmental activities increased the City's net position by \$308,980 in fiscal year 2017. Total revenues increased slightly, \$48,045 or 1.53% from the prior year. Charges for services increased \$60,431 or 13.82% primarily because of increases in fines and forfeitures and insurance reimbursements. Operating grants decreased \$139,335 or 95.93% because the State of Georgia discontinued grants for forest and land preservation. Capital Grants decreased \$206,788 or 136.97% because Fulton County discontinued funding from Community Development Block Grants. Property taxes increased \$131,342 or 10.29% as real estate values have increased. Other taxes have increased \$171,618 or 15.08% as the economy has improved. The City realized a \$30,000 gain on trade in of certain public works equipment.

Total expenses have increased \$220,678 or 8.27%. General government and judicial expenses increased 4.86% and 5.07% respectively as a result of general increases in wages and expenses. Public safety expenses increased \$150,292 or 12.4% and public works expenses increased \$71,893 or 12.32% due to filling vacant positions and general increases in expenses. Interest expense increased \$11,793 or 197.08% because of additional capital leases used to purchase public works equipment.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

City of Chattahoochee Hills
Comparison of Revenues, Expenditures, and Changes in Fund Balances
for the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Property taxes	\$ 1,407,994	\$ 1,260,343	\$ 147,651	11.72 %
Sales taxes	812,964	716,777	96,187	13.42
Hotel/Motel taxes	184,464	131,947	52,517	39.80
Franchise taxes	127,601	121,732	5,869	4.82
Business Taxes	184,582	167,537	17,045	10.17
Licenses and permits	62,569	54,487	8,082	14.83
Fines and forfeitures	179,607	139,131	40,476	29.09
Charges for services	187,496	201,669	(14,173)	(7.03)
Intergovernmental	99,032	355,407	(256,375)	(72.14)
Contributions	5,915	9,577	(3,662)	(38.24)
Interest earned	2,385	1,608	777	48.32
Miscellaneous	68,080	42,034	26,046	61.96
Total Revenue	<u>3,322,689</u>	<u>3,202,249</u>	<u>120,440</u>	<u>3.76</u>
Expenditures:				
General government	563,122	531,265	31,857	6.00
Judicial	84,017	79,963	4,054	5.07
Public safety	1,442,661	1,203,781	238,880	19.84
Public works	869,119	524,492	344,627	65.71
Culture and recreation	140,102	188,603	(48,501)	(25.72)
Community development	60,263	63,294	(3,031)	(4.79)
Debt service	69,580	70,713	(1,133)	(1.60)
Total Expenditures	<u>3,228,864</u>	<u>2,662,111</u>	<u>566,753</u>	<u>21.29 %</u>
Excess (deficiency) of revenues over expenditures	<u>93,825</u>	<u>540,138</u>	<u>(446,313)</u>	
Other financing sources (uses):				
Issuance of note payable	560,502	57,309	503,193	
Sale of capital assets	30,000	-	30,000	
Net change in Fund Balances	<u>684,327</u>	<u>597,447</u>	<u>86,880</u>	
Beginning fund balance	<u>1,192,049</u>	<u>594,602</u>	<u>597,447</u>	
Ending fund balance	<u>\$ 1,876,376</u>	<u>\$ 1,192,049</u>	<u>\$ 684,327</u>	

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Governmental funds reported a positive fund balance of \$1,876,376 at June 30, 2017. This is a \$684,327, improvement over the prior year.

Revenues have increased \$120,440 or 3.76% over the prior year. Property taxes have increased \$147,651 or 11.72% over the prior year as real estate values improve. Sales taxes increased \$96,187 or 13.42% and business taxes increased \$17,045 or 10.17%, respectively, as a result of general improvements in the economy. Hotel motel taxes increased \$52,517 or 39.80% as the leisure economy has improved. Fines and Forfeitures increased \$40,476 or 29.09% as a result of additional patrol officers. Intergovernmental revenues decreased \$256,375 or 72.14% due to state reductions in forest and land preservation grants as well as discontinuance of community development block grants from Fulton County. Miscellaneous revenues increased \$26,046 or 61.96% due to additional rental fees and insurance claims.

Total expenditures increased \$566,753 or 21.29% over prior year levels. General government increased \$31,857 or 6% due to general increases in expenses. Public safety expenses increased \$238,880 or 19.84% due to increases in salaries and purchase of additional vehicles. Public works expenses increased \$344,627 or 65.71% due to increases in salaries and additional purchases of equipment. Culture and recreation expenses decreased \$48,501 or 25.72% as a result of decreases in staffing.

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. Current year operations contributed \$684,327 toward this goal. The current fund balance stands at \$1,876,376 or 58% of current year expenditures.

General fund. The General Fund is the primary operating fund and the largest source of day-to-day service delivery. It accounts for the City's core services such as law enforcement, fire protection, planning and development, roads, streets, and bridges, culture and recreation, municipal court, and administration. The General Fund currently has a fund balance of \$1,629,365, an increase of \$466,775 over the prior year.

E911 Fund. The City established an E911 fund in 2013 to account for E911 fees charged to service providers. The City has an intergovernmental agreement with Fulton County to provide E911 services.

GENERAL FUND BUDGETARY HIGHLIGHTS

A comparison of budgeted to actual results can be found on pages 35 and 36 of the financial report. Total revenues were \$110,226 worse than budgeted, as certain state and federal grant requests were not successful. Revenue shortfalls were compensated by actual expenditures being much less than budgeted. Expenditures were \$419,657 less than budgeted.

The City employs a formal budget adjustment process as needed in order to re-align original appropriations made during the annual budget process with significant changes in revenue and/or expenditures; ensuring appropriations are in alignment with expected resources. Differences between the original budget and final, amended budget are then resolved through official City Council action.

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Four (4) budget adjustments were approved by the City Council during fiscal year 2016. The following budget amendments were adopted during the year:

- In July of 2015, the budget was amended to increase revenue from property taxes from \$1,000,000 that was recommended to \$1,005,406 and Local Option Sales Tax (L.O.S.T.) revenues from \$615,000 to \$621,000. Expenditures were amended to reflect the increases in revenues with Parks and Recreation realizing an increase of \$12,000 from \$104,800 to \$116,800 and a reduction in Public Works of \$594 from \$480,584 to \$479,990. There are two reasons for this budget adjustment: (1) to establish funds to provide cleaning services to city hall; (2) to fund converting the part time parks and recreation position to a full time position.
- In November of 2015, there was an interdepartmental budget amendment from Public Works to the Fire Department in the amount of \$20,000 increasing the Fire Department from \$535,968 to \$555,968 and decreasing the Public Works department from \$479,990 to \$459,990. The reason for the budget adjustment was to establish funds in the fire department to purchase a F-250 vehicle with remaining funds moved within the Fire Department Budget
- In April of 2016, the budget was amended to reflect revenues received in insurance proceeds in the amount of \$7,496 and contributions and donations in the amount of \$6,047 for a total of \$13,543. These revenues were offset by increasing the expenditures in the Police Department by \$7,496 from \$598,336 to \$605,832 and the Fire Department by \$6,047 from \$555,968 to \$562,015. The reasons for this budget amendment were to (1) increase the Fire Department's budget as a result of donations at a chili cook off. The increased budget will allow the fire department to update its facility, and (2) to increase the Police Department's budget to cover costs of unexpected vehicle repair.
- In May of 2016, a final budget adjustment was approved by the City Council to increase revenues from property taxes by \$25,000 from \$1,005,406 to \$1,030,406 and Local Option Sales Tax (L.O.S.T.) revenues by \$7,000 from \$621,000 to \$628,000. Revenues were also amended to recognize capital lease proceeds of \$57,309 in the same month for a total increase in projected revenues of \$89,309 changing the total projected operating revenue from \$2,486,121 to \$2,575,430. Operating expenditures were amended to reflect the increase in projected revenues increasing the IT budget by \$25,000 from \$34,505 to \$59,505, increasing the Community Development Department by \$7,000 from \$56,499 to \$63,499, and increasing the Public Works Budget by \$57,309 from \$459,990 to \$517,299. The reasons for these adjustments were to (1) increase the IT budget to cover costs associated with networking the fire station to City Hall and (2) to purchase a server to replace a server that was on loan, and to increase the Community Development's budget to purchase GIS software.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City's investment in capital assets for its governmental activities totaled \$3,078,393. These assets primarily reflect the infrastructure assets of roads, streets, bridges, culverts, and park land.

**CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

**City of Chattahoochee Hills
Capital Assets (net of depreciation)
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Inc (Dec)</u>	<u>Percent</u>	
Land	\$ 992,554	\$ 992,554	\$ -	-	%
Buildings and improvements	190,574	205,061	(14,487)	(7.06)	
Machinery and equipment	657,335	349,010	308,325	88.34	
Vehicles	381,728	188,782	192,946	102.21	
Infrastructure	856,202	1,049,564	(193,362)	(18.42)	
Total	<u>\$ 3,078,393</u>	<u>\$ 2,784,971</u>	<u>\$ 293,422</u>	<u>10.54</u>	<u>%</u>

Additional information on the City's capital assets can be found in Note 6 on page 30 of the report. Changes in capital assets for 2017 are primarily related to additional purchases of police vehicles and public works equipment in excess of depreciation.

Long-term debt

The City's long term debt consists primarily of lease obligations for vehicles and equipment. Additional information on the City's debt can be found in Notes 8 and 9 beginning on page 33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors are expected to have a significant effect on the City's financial position or results of operations and were taken into account in developing the fiscal year 2017 budget. They will also be an ongoing concern throughout the fiscal year.

- The City anticipates keeping the millage rate the same at 10.958. With the economy still improving we anticipate at least a net tax increase of 3.5% which should yield an additional \$50,000 in ad valorem tax revenue.
- The City is due reimbursement from a Community Development Block grant it received in previous years. Since the work has been complete and the funds from the City's General Fund were used to finance the project, the reimbursement in the amount of \$97,628 will be applied to the General Fund for unanticipated expenditures.
- There is a referendum for a TSPLOST (Transportation Special Purpose Local Option Sales Tax) on the November 8th ballot. Should this pass, the City is expected to receive an estimated \$3,000,000 over a five year period or up to \$600,000 year. These funds will be applied to the maintenance and repair of paved and non-paved roadways which could generate greater interest in residential and commercial development.

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

CITY OF CHATTAHOOCHEE HILLS, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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.