

CITY OF CHICKAMAUGA, GEORGIA

Chickamauga, Georgia

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2015

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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INDEPENDENT AUDITORS' REPORT

**To the Mayor and Council
City of Chickamauga, Georgia:**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chickamauga, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Chickamauga, Georgia's basic financial statements as listed in the table of contents. We did not audit the financial statements of the aggregate discretely presented component unit, which is 100 percent of the assets, net position and revenues of the component unit activities.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit, the City of Chickamauga Board of Education, which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Chickamauga Board of Education, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chickamauga, Georgia, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 11 and 20 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages vi-xv and 53-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chickamauga, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of projects constructed with special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by Georgia code section OCGA 48-8-121 and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of projects constructed with special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules listed in the table of contents on pages 62-68 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the City of Chickamauga, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chickamauga, Georgia's internal control over financial reporting and compliance.

Johnson, Wickey & Meucham, P.C.

Chattanooga, Tennessee
November 4, 2016

City of Chickamauga, Georgia
Management's Discussion and Analysis
Year Ended December 31, 2015

Within this section of City of Chickamauga, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities for the City for the calendar year ended December 31, 2015. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$16,384,088 (net position) for the calendar year reported.
- Total net position is comprised of the following:
 1. Net investment in capital assets, of \$14,380,103 include property and equipment, net of accumulated depreciation, and are reduced by outstanding debt related to the purchase or construction of capital assets.
 2. Net position of \$922,322 are restricted for public safety, recreation, and by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 3. Unrestricted net position report a total of \$1,081,663.
- The City's governmental funds reported total ending fund balance of \$1,961,475 this year. This compares to the prior year ending fund balance of \$2,709,342, which was restated during 2015 to \$2,688,631, showing a overall decrease of \$727,156 during the current year. The decrease was primarily due to the purchase of several capital assets.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$1,021,948, or 61.8% of total General Fund expenditures.
- The City recorded a net pension liability of \$298,661 for 2015 due to the adoption of GASB Statement 68.
- Overall, the City continues to maintain a strong financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the Statement of Net Position. This is the government-wide statement of position presenting information that includes all of the City's assets, liabilities, and deferred inflows and outflows of resources with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the City's infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, highways and streets, sanitation, health and welfare, recreation, and housing and development. Business-type activities include the water and sewer system, electrical service, and historical tourist destinations.

The City includes the City of Chickamauga Board of Education as a component unit. The City of Chickamauga Board of Education has a June 30, year-end. See separately issued City of Chickamauga Board of Education financial statements for additional information about this entity.

The government-wide financial statements are presented on pages 1 to 3 of this report.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of a combining statement in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation

to assist in understanding the differences between these two perspectives. In addition, the budget and actual comparison is presented as a basic financial statement.

The basic governmental fund financial statements are presented on pages 4 to 7 of this report.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The three City proprietary funds are classified as enterprise funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organizations for water and sewer utilities, electric services, and historical tourist destinations.

The basic enterprise fund financial statements are presented on pages 8 to 12 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 13 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

The budgetary comparison schedule for the general fund and the footnotes are provided for budget compliance presentation. The schedules applicable to the newly implemented net pension liability standard for the City's defined benefit pension plan are also provided in the required supplementary information. These items are presented on pages 53 to 58 of this report.

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, accompanying notes and required supplementary information, this report also includes combining and individual statements for nonmajor funds. Also, certain supplementary information concerning the City's budget presentations for non-major governmental funds. These statements and schedules demonstrate compliance with the City's adopted and final revised budget for non-major funds. Combining and individual statements and budget schedules for nonmajor funds are presented in a subsequent section of this report beginning on page 60.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at calendar year-end are \$16,384,088. The following table provides a summary of the City's net position.

Summary of Net Position 2015						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	\$ 2,683,286	30%	\$ 1,951,970	16%	\$ 4,635,256	22%
Noncurrent assets	<u>6,252,692</u>	<u>70%</u>	<u>9,893,417</u>	<u>84%</u>	<u>16,146,109</u>	<u>78%</u>
Total assets	<u>8,935,978</u>	<u>100%</u>	<u>11,845,387</u>	<u>100%</u>	<u>20,781,365</u>	<u>100%</u>
Total deferred outflows of resources						
	<u>25,402</u>	<u>-</u>	<u>46,909</u>	<u>100%</u>	<u>72,311</u>	<u>100%</u>
Liabilities:						
Current liabilities	1,308,901	61%	380,558	17%	1,689,459	39%
Long-term liabilities	<u>840,958</u>	<u>39%</u>	<u>1,850,674</u>	<u>83%</u>	<u>2,691,632</u>	<u>61%</u>
Total liabilities	<u>2,149,859</u>	<u>100%</u>	<u>2,231,232</u>	<u>100%</u>	<u>4,381,091</u>	<u>100%</u>
Total deferred inflows of resources						
	<u>60,299</u>	<u>100%</u>	<u>28,198</u>	<u>-</u>	<u>88,497</u>	<u>100%</u>
Net position:						
Net investment in capital assets	6,252,692	92%	8,127,411	84%	14,380,103	88%
Restricted	922,322	14%	-	-	922,322	5%
Unrestricted (deficit)	<u>(423,792)</u>	<u>(6%)</u>	<u>1,505,455</u>	<u>16%</u>	<u>1,081,663</u>	<u>7%</u>
Total net position	<u>\$ 6,751,222</u>	<u>100%</u>	<u>\$ 9,632,866</u>	<u>100%</u>	<u>\$ 16,384,088</u>	<u>100%</u>

Summary of Net Position 2014						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	\$ 2,934,476	36%	\$ 1,931,217	16%	\$ 4,865,693	24%
Noncurrent assets	<u>5,127,377</u>	<u>64%</u>	<u>10,168,011</u>	<u>84%</u>	<u>15,295,388</u>	<u>76%</u>
Total assets	<u>8,061,853</u>	<u>100%</u>	<u>12,099,228</u>	<u>100%</u>	<u>20,161,081</u>	<u>100%</u>
Total deferred outflows of resources						
	<u>-</u>	<u>-</u>	<u>11,229</u>	<u>100%</u>	<u>11,229</u>	<u>100%</u>
Liabilities:						
Current liabilities	787,458	37%	366,216	17%	1,153,674	27%
Long-term liabilities	<u>1,364,705</u>	<u>63%</u>	<u>1,761,420</u>	<u>83%</u>	<u>3,126,125</u>	<u>73%</u>
Total liabilities	<u>2,152,163</u>	<u>100%</u>	<u>2,127,636</u>	<u>100%</u>	<u>4,279,799</u>	<u>100%</u>
Total deferred inflows of resources						
	<u>62,689</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>62,689</u>	<u>100%</u>
Net position:						
Net investment in capital assets	5,127,377	88%	8,433,011	84%	13,560,388	86%
Restricted	1,304,033	22%	-	-	1,304,033	8%
Unrestricted (deficit)	<u>(584,409)</u>	<u>(10%)</u>	<u>1,549,810</u>	<u>16%</u>	<u>965,401</u>	<u>6%</u>
Total net position	<u>\$ 5,847,001</u>	<u>100%</u>	<u>\$ 9,982,821</u>	<u>100%</u>	<u>\$ 15,829,822</u>	<u>100%</u>

The City continues to maintain a reasonable current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for

governmental activities is 2.1 to 1 and 5.1 to 1 for business-type activities. For the City overall, the current ratio is 2.7 to 1.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$1,047,591 for governmental activities and decreased \$98,581 for business-type activities. The City's overall financial position improved during calendar year 2015.

Note that the governmental activities unrestricted net position reported a \$423,792 deficit in 2015. This deficit results from the fact that the City issued general obligation bonds for City School District, which is a component unit of the City. Since the assets belong to the School District and the City reports the debt, the debt is not considered capital debt and the outstanding amount reduces the City's unrestricted net position. The amount outstanding at December 31, 2015, is \$1,307,453.

Also note that \$6,252,692 of the governmental activities' net position are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business-type activities, the City has spent approximately 84% of its net position on capital. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund.

The following table provides a summary of the City's changes in net position

Summary of Changes in Net Position 2015						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Program revenues:						
Charges for services	\$ 406,851	16%	\$ 3,750,432	99%	\$ 4,157,283	65%
Operating grants	645,000	25%	-	-	645,000	10%
Capital grants	503,475	19%	12,281	-	515,756	8%
General:						
Taxes	985,836	38%	-	-	985,836	15%
Other	64,922	2%	31,673	1%	96,595	2%
Total revenues	<u>2,606,084</u>	<u>100%</u>	<u>3,794,386</u>	<u>100%</u>	<u>6,400,470</u>	<u>100%</u>
Program expenses:						
General government	221,817	15%	-	-	221,817	4%
Judicial	36,456	3%	-	-	36,456	1%
Public safety	395,091	27%	-	-	395,091	7%
Highways and streets	420,783	28%	-	-	420,783	8%
Sanitation	160,053	11%	-	-	160,053	3%
Health and welfare	36,803	2%	-	-	36,803	1%
Recreation	194,457	13%	-	-	194,457	4%
Housing and development	18,310	1%	-	-	18,310	-
Interest	3,398	-	-	-	3,398	-
Water and sewerage	-	-	995,253	25%	995,253	18%
Electric	-	-	2,811,884	71%	2,811,884	51%
Lee and Gordon Mill	-	-	157,155	4%	157,155	3%
Total expenses	<u>1,487,168</u>	<u>100%</u>	<u>3,964,292</u>	<u>100%</u>	<u>5,451,460</u>	<u>100%</u>
Change in net position before transfers	1,118,916		(169,906)		949,010	
Transfers	<u>(71,325)</u>		<u>71,325</u>		-	
Change in net position	1,047,591		(98,581)		949,010	
Beginning net position	5,847,001		9,982,821		15,829,822	
Prior period adjustment	<u>(143,370)</u>		<u>(251,374)</u>		<u>(394,744)</u>	
Beginning net position, restated	5,703,631		9,731,447		15,435,078	
Ending net position	<u>\$ 6,751,222</u>		<u>\$ 9,632,866</u>		<u>\$ 16,384,088</u>	

Summary of Changes in Net Position 2014

	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Program revenues:						
Charges for services	\$ 381,179	12%	\$ 3,914,769	81%	\$ 4,295,948	53%
Operating grants	686,507	21%	-	-	686,507	8%
Capital grants	1,176,061	36%	910,000	19%	2,086,061	26%
General:						
Taxes	966,518	30%	-	-	966,518	12%
Other	<u>26,825</u>	<u>1%</u>	<u>34,371</u>	<u>-</u>	<u>61,196</u>	<u>1%</u>
Total revenues	<u>3,237,090</u>	<u>100%</u>	<u>4,859,140</u>	<u>100%</u>	<u>8,096,230</u>	<u>100%</u>
Program expenses:						
General government	195,727	14%	-	-	195,727	4%
Judicial	30,678	2%	-	-	30,678	1%
Public safety	384,660	28%	-	-	384,660	7%
Highways and streets	399,258	29%	-	-	399,258	7%
Sanitation	158,721	12%	-	-	158,721	3%
Health and welfare	29,681	2%	-	-	29,681	-
Recreation	139,342	10%	-	-	139,342	3%
Housing and development	9,085	1%	-	-	9,085	-
Interest	21,171	2%	-	-	21,171	-
Water and sewerage	-	-	935,111	23%	935,111	17%
Electric	-	-	2,996,235	73%	2,996,235	55%
Lee and Gordon Mill	-	-	<u>180,009</u>	<u>4%</u>	<u>180,009</u>	<u>3%</u>
Total expenses	<u>1,368,323</u>	<u>100%</u>	<u>4,111,355</u>	<u>100%</u>	<u>5,479,678</u>	<u>100%</u>
Change in net position						
before transfers	1,868,767		747,785		2,616,552	
Transfers	<u>(75,392)</u>		<u>75,392</u>		<u>-</u>	
Change in net position	1,793,375		823,177		2,616,552	
Beginning net position	<u>4,053,626</u>		<u>9,159,644</u>		<u>13,213,270</u>	
Ending net position	<u>\$ 5,847,001</u>		<u>\$ 9,982,821</u>		<u>\$ 15,829,822</u>	

GOVERNMENTAL REVENUES

The City is heavily reliant on franchise taxes to support governmental operations and capital. Franchise taxes provided 15.4% of the City's total governmental revenues. Charges for services are \$406,851 of revenues or 16.1% of the total. Sales taxes provide \$249,597 or 9.8% of total revenues.

Also, note that program revenues cover over 104.6% of governmental operating expenses. However, this percentage is misleading, since operating revenues includes payments from the City Board of Education of \$645,000 for debt principal and interest, which is not included in the expense column.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety and the highways and streets functions make up approximately 54.9% of the total governmental activities expenses. General government totals around \$222,000 and the sanitation function costs the City a little over \$160,000 annually.

This table presents the cost of each of the City’s programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City’s taxpayers by each of these functions.

Governmental Activity		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 221,817	\$ (418,211)
Judicial	36,456	36,456
Public safety	395,091	320,766
Highways and streets	420,783	276,667
Sanitation	160,053	(61,547)
Health and welfare	36,803	(367,871)
Recreation	194,457	194,457
Housing and development	18,310	12,727
Interest	3,398	(61,602)
Total	\$ 1,487,168	\$ (68,158)

After reducing gross expenses by program revenues, general government reports revenues in excess of program expenses by \$418,211. This excess relates to the reimbursement from the City Board of Education for the repayment of debt principal as referenced above.

BUSINESS-TYPE ACTIVITIES (Revenues vs. Costs)

The City maintains three major enterprise funds, the water and sewerage fund, the electric system fund and the Lee and Gordon Mill fund.

The Water and Sewerage Fund -

The operating revenues for this fund were 0.7% over the 2014 amount. Operating expenses increased 6.8 % from 2014. The increase in expenses for the water and sewer fund is mainly due to reclassification of expense and some unexpected repairs and maintenance. There was an operating loss for 2014 of \$20,252, which increased to a \$75,747 loss in 2015. Total net position decreased 4.8%. There was capital contributions from the special purpose local options sales taxes for 2015 of \$12,281 and none for 2014.

The Electric System Fund -

The operating revenues for this fund were 5.1% under the 2014 amount and expenses decreased 6.2% over 2014. The revenues and expenses are down in the electric system mainly due to decrease in usage. The 2015 operating income was \$22,689 as compared to an operating loss of \$10,577 in 2014. Total net position decreased 4.6%.

The Lee and Gordon Mill Fund -

The operating revenues for this fund were down by 11.2% and expenses for this fund have decreased 13.5% from the 2014 amount. The decreases are due to decrease in usage. There was an operating loss for 2014 of \$102,352 which decreased to a \$87,205 loss for 2015. Total net position decreased 1.0% from 2014.

FINANCIAL ANALYSIS OF CITY’S FUNDS

Governmental Funds -

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported

ending fund balances of \$1,961,475, of which \$408,765 is considered nonspendable, \$523,188 is restricted for capital projects, housing and development, public safety, and recreation, and \$7,574 is committed for recreation. The remaining balance of \$1,021,948 is unassigned indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show a decrease of \$727,156 or 27.6% under the prior year. The decrease is primarily due to SPLOST receiving money mostly in 2014 and several expenses carrying over in 2015.

Major Governmental Funds:

The City reports three major governmental funds, the general fund, the SPLOST capital projects fund, and the debt service fund.

The General Fund -

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by \$345,445 or 25.6%. In calendar year 2014, the fund balance increased by \$130,308 or 10.0%.

Franchise taxes increased 8.5% from the 2015 amount. General fund local option sales taxes decreased 2.5% over the 2014 collections. The general fund charges for services revenue increased 5.4% from 2014 and miscellaneous revenues increased 114% from 2014. However, the general fund intergovernmental revenue decreased 37.2% from 2014. The net of these changes are what makes up the increase in revenues for the general fund. Most other revenue streams were consistent with that of fiscal year 2014.

The general government function increased 197.6% from 2014 due to the purchase of the family practice building and land capital assets in 2014. The recreation function increased 28.9% from 2014 due to reclassification of expenses and repairs and maintenances expenses for the pool. Also, the housing and development function increased over a hundred percent from 2014 due to the capital outlay gateway project that started during 2015. These increases were a majority of the increase in expense for the general fund. Most other expense functions were consisted from 2014.

The general fund's ending fund balance was \$1,066,737, representing the equivalent of 64.5% of annual expenditures.

The SPLOST Capital Projects Fund -

This fund decreased fund balance by \$377,524, leaving a \$477,542 ending fund balance.

The Debt Service Fund -

This fund received a payment from the School Board as their share of the special purpose local option sales taxes, which the City used to pay the principal and interest on the 2011 SPLOST bonds.

Major Proprietary Funds -

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, the analysis for these funds is presented above.

BUDGETARY HIGHLIGHTS

The General Fund -

The City approved the 2015 budget on December 8, 2014 and amended the budget on December 7, 2015. Total taxes reported were \$889,376, or close to the amount of the tax revenue budgeted. Intergovernmental revenues were under budget \$77,874 because some money received had to be transferred to the SPLOST fund for projects that are spending some of SPLOST’s money. Most other revenue streams were similar to the adopted budget. In total, the City realized 95.1% of the estimated revenues. The City overspent expenditure transfers out of \$134,141. In total, the City expended 87.0% of the final budget. The City underspent due to not having a consistent process of allocating expenditures between departments on a budget versus actual basis.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -

The City’s investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2015, was \$6,252,692 and \$9,757,141, respectively. The increase in this net investment was 21.9% for governmental and a decrease of 4.0% for business-type activities. See Note 6 for additional information about changes in capital assets during the calendar year and outstanding at the end of the year. The following table provides a summary of capital asset activity, including 2014 restated balances.

	Capital Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Non-depreciable assets:						
Land	\$ 402,364	\$ 339,864	\$ 1,106,694	\$ 1,106,694	\$ 1,509,058	\$ 1,446,558
Construction in progress	<u>305,808</u>	<u>291,074</u>	<u>5,850</u>	<u>-</u>	<u>311,658</u>	<u>291,074</u>
Total non-depreciable assets	<u>708,172</u>	<u>630,938</u>	<u>1,112,544</u>	<u>1,106,694</u>	<u>1,820,716</u>	<u>1,737,632</u>
Depreciable assets:						
Buildings	3,396,954	2,399,950	3,040,173	3,040,173	6,437,127	5,440,123
Machinery and equipment	162,924	182,319	360,083	607,629	523,007	789,948
Land improvements	652,536	649,105	-	-	652,536	649,105
Software	50,100	50,100	-	-	50,100	50,100
Vehicles and road equipment	860,282	660,557	242,454	-	1,102,736	660,557
Water system	-	-	5,129,077	5,111,819	5,129,077	5,111,819
Sewerage system	-	-	2,639,049	2,639,049	2,639,049	2,639,049
Electric system	-	-	2,313,717	2,313,717	2,313,717	2,313,717
Furniture and fixtures	-	-	327,852	327,852	327,852	327,852
Infrastructure	<u>2,738,182</u>	<u>2,767,201</u>	<u>-</u>	<u>-</u>	<u>2,738,182</u>	<u>2,767,201</u>
Total depreciable assets	7,860,978	6,709,232	14,052,405	14,040,239	21,913,383	20,749,471
Less accumulated depreciation	<u>2,316,458</u>	<u>2,212,793</u>	<u>5,407,538</u>	<u>5,038,032</u>	<u>7,723,996</u>	<u>7,250,825</u>
Book value-						
depreciable assets	<u>5,544,520</u>	<u>4,496,439</u>	<u>8,644,867</u>	<u>9,002,207</u>	<u>14,189,387</u>	<u>13,498,646</u>
Percentage depreciated	<u>29%</u>	<u>33%</u>	<u>38%</u>	<u>36%</u>	<u>35%</u>	<u>35%</u>
Book value – all assets	<u>\$ 6,252,692</u>	<u>\$ 5,127,377</u>	<u>\$ 9,757,411</u>	<u>\$ 10,108,901</u>	<u>\$ 16,010,103</u>	<u>\$ 15,236,278</u>

At December 31, 2015, the depreciable capital assets for governmental activities were 29% depreciated. This decreased 4% over the December 31, 2014 percentage. The decrease is because the City purchased over a million dollars of capital outlay additions during 2015.

With the City’s business-type activities, 38% of the asset values were depreciated at December 31, 2015, compared to 36% at December 31, 2014. This comparison indicates that the City’s business-type activities are replacing their assets at virtually the same rate as they are depreciating, which is a positive indicator.

Long-Term Debt -

At the end of the calendar year, the City had general obligation bonds outstanding of \$1,190,000. During the year, the City retired \$580,000 or 32.8% of the beginning outstanding general obligation bonds. The following table provides changes in long-term obligations, including 2014 restated balances.

	Long-Term Obligations						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>% Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
General obligation bonds	\$1,190,000	\$1,770,000	\$ -	\$ -	\$1,190,000	\$1,770,000	
Bond premium	117,453	174,705	-	-	117,453	174,705	(33%)
Intergovernmental payable	-	-	1,630,000	1,735,000	1,630,000	1,735,000	(6%)
Compensated absences	26,949	29,766	57,112	51,628	84,061	81,394	(3%)
Net pension liability	122,449	149,170	176,211	214,660	298,660	363,830	(18%)
Total	<u>\$1,456,851</u>	<u>\$2,123,641</u>	<u>\$1,863,323</u>	<u>\$2,001,288</u>	<u>\$3,320,174</u>	<u>\$4,124,929</u>	<u>\$ (20%)</u>

See Notes 8 and 9 for additional information about the City’s long-term debt.

ECONOMIC CONDITIONS AFFECTING THE CITY

The City continues to rely upon a healthy business and industrial community to stabilize the enterprise revenues for the City. The local business economy remains stable, and the enterprise revenues have improved for the City. The Mayor and Council have elected to maintain a zero (0) ad valorem tax rate and have relied upon franchise fees, budget cuts, increased cemetery and civic center fees associated with growth to fund increases in public safety and general government expenses. The City’s leadership and management teams continue to develop long-range plans for management structure changes needed to address a growing community. Leadership and management continue to work with the local Walker County Chamber of Commerce to plan for expansion of utilities to serve a growing population base as well as commercial business.

CONDUCTING THE CITY’S FINANCIAL MANAGEMENT

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. If you have questions about this report or would like to request additional information, contact the City Manager at (706) 375-3177.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>Primary Government</u>			Component
	Governmental	Business-Type		Unit
	Activities	Activities	Total	Board of
				Education
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
ASSETS:				
Cash and cash equivalents	\$ 1,004,844	\$ 908,786	\$ 1,913,630	\$ 1,498,173
Certificates of deposit	659,442	561,507	1,220,949	-
Investments	391,560	-	391,560	532,912
Receivables -				
Accounts	-	457,753	457,753	-
Property taxes	540,261	-	540,261	-
Sales taxes	23,967	-	23,967	183,325
Intergovernmental	3,500	-	3,500	1,006,661
Interfund receivable	42,507	(42,507)	-	-
Other	-	-	-	11,201
Inventory	-	49,523	49,523	13,295
Prepaid items	17,205	16,908	34,113	-
Restricted cash	-	136,006	136,006	-
Capital assets -				
Nondepreciable	708,172	1,112,544	1,820,716	401,053
Depreciable, net	<u>5,544,520</u>	<u>8,644,867</u>	<u>14,189,387</u>	<u>12,719,912</u>
 Total assets	 <u>8,935,978</u>	 <u>11,845,387</u>	 <u>20,781,365</u>	 <u>16,366,532</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on debt refunding	-	10,354	10,354	-
Pension related items	<u>25,402</u>	<u>36,555</u>	<u>61,957</u>	<u>737,092</u>
 Total deferred outflows of resources	 <u>25,402</u>	 <u>46,909</u>	 <u>72,311</u>	 <u>737,092</u>

(The accompanying notes are an integral part of these statements.)

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Board of Education
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:				
LIABILITIES:				
Accounts payable	130,973	200,910	331,883	38,535
Accrued salaries and withholdings	9,494	7,140	16,634	1,166,977
Compensated absences payable	25,894	38,980	64,874	-
Intergovernmental payable	-	115,870	115,870	-
Accrued interest payable	11,900	17,658	29,558	-
Due to component unit	540,640	-	540,640	-
Capital lease payable	-	-	-	37,162
General obligation bonds payable	590,000	-	590,000	-
Long-term liabilities -				
Compensated absences payable, net of current portion	1,055	18,132	19,187	-
Customer deposits	-	136,331	136,331	-
Intergovernmental payable, net of current portion	-	1,520,000	1,520,000	-
Capital lease payable, net of current portion	-	-	-	235,035
General obligation bonds payable, net of current portion	717,453	-	717,453	-
Net pension liability	122,450	176,211	298,661	6,794,773
Total liabilities	<u>2,149,859</u>	<u>2,231,232</u>	<u>4,381,091</u>	<u>8,272,482</u>
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue - intergovernmental	40,704	-	40,704	-
Pension related items	19,595	28,198	47,793	2,446,040
Total deferred inflows of resources	<u>60,299</u>	<u>28,198</u>	<u>88,497</u>	<u>2,446,040</u>
NET POSITION:				
Net investment in capital assets	6,252,692	8,127,411	14,380,103	12,848,768
Restricted for -				
Public safety	600	-	600	-
Recreation	26,984	-	26,984	-
Capital projects	477,542	-	477,542	772,592
Program purposes	417,196	-	417,196	317,529
Unrestricted (deficit)	<u>(423,792)</u>	<u>1,505,455</u>	<u>1,081,663</u>	<u>(7,553,787)</u>
Total net position	<u>\$ 6,751,222</u>	<u>\$ 9,632,866</u>	<u>\$ 16,384,088</u>	<u>\$ 6,385,102</u>

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 221,817	\$ 15,743	\$ 580,000	\$ 44,285	\$ 418,211		\$ 418,211	
Judicial	36,456	-	-	-	(36,456)		(36,456)	
Public safety	395,091	74,325	-	-	(320,766)		(320,766)	
Highways and streets	420,783	89,600	-	54,516	(276,667)		(276,667)	
Sanitation	160,053	221,600	-	-	61,547		61,547	
Health and welfare	36,803	-	-	404,674	367,871		367,871	
Recreation	194,457	-	-	-	(194,457)		(194,457)	
Housing and development	18,310	5,583	-	-	(12,727)		(12,727)	
Interest	3,398	-	65,000	-	61,602		61,602	
Total governmental activities	1,487,168	406,851	645,000	503,475	68,158		68,158	
Business-type activities:								
Water and sewerage	995,253	892,563	-	12,281		\$ (90,409)	(90,409)	
Electric	2,811,884	2,805,117	-	-		(6,767)	(6,767)	
Lee & Gordon Mill	157,155	52,752	-	-		(104,403)	(104,403)	
Total business-type activities	3,964,292	3,750,432	-	12,281		(201,579)	(201,579)	
Total primary government	5,451,460	4,157,283	645,000	515,756	68,158	(201,579)	(133,421)	
COMPONENT UNIT:								
City of Chickamauga Board of Education	\$ 12,073,631	\$ 1,099,265	\$ 6,979,839	\$ 120,535				\$ (3,873,992)
GENERAL REVENUES:								
Property taxes								1,414,001
Sales taxes					249,597		249,597	688,826
Franchise taxes					390,360		390,360	
Alcoholic beverage tax					70,738		70,738	
Business and occupation tax					39,879		39,879	
Insurance premium tax					178,681		178,681	
Hotel/motel tax					12,455		12,455	
Payments in lieu of taxes					44,126		44,126	
Unrestricted grant					-	-	-	785,117
Gain on disposal of capital assets					-	450	450	
Investment earnings					9,739	1,109	10,848	2,186
Miscellaneous					55,183	30,114	85,297	1,050,587
Total general revenues					1,050,758	31,673	1,082,431	3,940,717
TRANSFERS					(71,325)	71,325	-	
Change in net position					1,047,591	(98,581)	949,010	66,725
NET POSITION:								
Beginning, as previously stated					5,847,001	9,982,821	15,829,822	15,111,003
Prior period adjustments					(143,370)	(251,374)	(394,744)	(8,792,626)
Beginning, restated					5,703,631	9,731,447	15,435,078	6,318,377
Ending					\$ 6,751,222	\$ 9,632,866	\$ 16,384,088	\$ 6,385,102

(The accompanying notes are an integral part of these statements.)

**CITY OF CHICKAMAUGA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>SPLOST Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 506,816	\$ 472,193	\$ 25,835	\$ 1,004,844
Certificates of deposit	659,442	-	-	659,442
Investments	-	-	391,560	391,560
Receivables -				
Property taxes	540,261	-	-	540,261
Sales taxes	23,967	-	-	23,967
Intergovernmental	-	3,500	-	3,500
Interfund receivable	42,507	54,220	-	96,727
Prepaid items	17,205	-	-	17,205
	<u>1,790,198</u>	<u>529,913</u>	<u>417,395</u>	<u>2,737,506</u>
Total assets	<u>\$ 1,790,198</u>	<u>\$ 529,913</u>	<u>\$ 417,395</u>	<u>\$ 2,737,506</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 119,107	\$ 11,667	\$ 199	\$ 130,973
Interfund payable	54,220	-	-	54,220
Accrued salaries and withholdings	9,494	-	-	9,494
Due to component unit	540,640	-	-	540,640
	<u>723,461</u>	<u>11,667</u>	<u>199</u>	<u>735,327</u>
Total liabilities	<u>723,461</u>	<u>11,667</u>	<u>199</u>	<u>735,327</u>
 DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue - intergovernmental	-	40,704	-	40,704
	<u>-</u>	<u>40,704</u>	<u>-</u>	<u>40,704</u>
 FUND BALANCES:				
Nonspendable -				
Prepaid items	17,205	-	-	17,205
Cemetery	-	-	391,560	391,560
Restricted for -				
SPLOST capital projects	-	477,542	-	477,542
Housing and development	-	-	18,062	18,062
Public safety	600	-	-	600
Culture and recreation	26,984	-	-	26,984
Committed for -				
Recreation	-	-	7,574	7,574
Unassigned	1,021,948	-	-	1,021,948
	<u>1,066,737</u>	<u>477,542</u>	<u>417,196</u>	<u>1,961,475</u>
Total fund balances	<u>1,066,737</u>	<u>477,542</u>	<u>417,196</u>	<u>1,961,475</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,790,198</u>	<u>\$ 529,913</u>	<u>\$ 417,395</u>	<u>\$ 2,737,506</u>

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total governmental fund balances	\$	1,961,475
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets		8,569,150
Less accumulated depreciation		<u>(2,316,458)</u>
		6,252,692
 Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(1,307,453)
Accrued interest		(11,900)
Compensated absences		<u>(26,949)</u>
		(1,346,302)
 Amounts related to the pension plan are not expected to be liquidated with expendable financial resources and therefore are not reported in the funds:		
Deferred outflows of resources		25,402
Net pension liability		(122,450)
Deferred inflows of resources		<u>(19,595)</u>
		<u>(116,643)</u>
 Net position of governmental activities	 \$	 6,751,222

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>SPLOST Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$ 889,376	\$ -	\$ -	\$ 12,455	\$ 901,831
Intergovernmental	44,126	459,190	645,000	-	1,148,316
Licenses and permits	39,879	-	-	-	39,879
Charges for services	332,526	-	-	-	332,526
Fines, fees and forfeitures	74,325	-	-	-	74,325
Investment earnings	3,379	-	-	6,360	9,739
Miscellaneous	55,183	-	-	-	55,183
	<u>1,438,794</u>	<u>459,190</u>	<u>645,000</u>	<u>18,815</u>	<u>2,561,799</u>
EXPENDITURES:					
Current -					
General government	565,917	-	-	4,175	570,092
Judicial	36,456	-	-	-	36,456
Public safety	374,815	-	-	-	374,815
Highways and streets	331,540	-	-	-	331,540
Sanitation	142,379	-	-	-	142,379
Health and welfare	24,619	-	-	-	24,619
Recreation	121,910	-	-	1,479	123,389
Housing and development	55,925	-	-	13,885	69,810
Capital outlay	-	899,530	-	-	899,530
Debt service -					
Principal retirement	-	-	580,000	-	580,000
Interest and fiscal charges	-	-	65,000	-	65,000
	<u>1,653,561</u>	<u>899,530</u>	<u>645,000</u>	<u>19,539</u>	<u>3,217,630</u>
DEFICIT OF REVENUES UNDER EXPENDITURES					
	<u>(214,767)</u>	<u>(440,340)</u>	<u>-</u>	<u>(724)</u>	<u>(655,831)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	3,463	62,816	-	-	66,279
Transfers out	<u>(134,141)</u>	<u>-</u>	<u>-</u>	<u>(3,463)</u>	<u>(137,604)</u>
	<u>(130,678)</u>	<u>62,816</u>	<u>-</u>	<u>(3,463)</u>	<u>(71,325)</u>
NET CHANGE IN FUND BALANCES	<u>(345,445)</u>	<u>(377,524)</u>	<u>-</u>	<u>(4,187)</u>	<u>(727,156)</u>
FUND BALANCES:					
Beginning, as previously stated	1,432,893	855,066	-	421,383	2,709,342
Prior period adjustment	<u>(20,711)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,711)</u>
Beginning, restated	<u>1,412,182</u>	<u>855,066</u>	<u>-</u>	<u>421,383</u>	<u>2,688,631</u>
Ending	<u>\$ 1,066,737</u>	<u>\$ 477,542</u>	<u>\$ -</u>	<u>\$ 417,196</u>	<u>\$ 1,961,475</u>

(The accompanying notes are an integral part of these statements.)

**CITY OF CHICKAMAUGA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Net changes in fund balances - total governmental funds \$ (727,156)

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

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 capital outlay exceeded depreciation expense in the current period.

Depreciation expense	(182,352)	
Capital outlay	<u>1,352,372</u>	1,170,020

The net effect of various transaction involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position (44,705)

Elimination of transfers between governmental funds.

Transfers in	(66,279)	
Transfers out	<u>66,279</u>	-

The issuance of long-term debt (e.g., bonds, leases) provide 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal payments	580,000	
Amortization of bond premium	<u>57,252</u>	637,252

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Accrued interest	4,350	
Compensated absences	2,817	
Pension expense	<u>5,013</u>	<u>12,180</u>

Change in net position of governmental activities \$ 1,047,591

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewerage</u>	<u>Electric System</u>	<u>Lee and Gordon Mill</u>	<u>Total</u>
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 344,592	\$ 550,865	\$ 13,329	\$ 908,786
Certificates of deposit	357,292	204,215	-	561,507
Receivables -				
Accounts	-	457,753	-	457,753
Interfund	102,061	-	-	102,061
Inventory	21,434	28,089	-	49,523
Prepaid items	<u>9,881</u>	<u>7,027</u>	<u>-</u>	<u>16,908</u>
Total current assets	<u>835,260</u>	<u>1,247,949</u>	<u>13,329</u>	<u>2,096,538</u>
NONCURRENT ASSETS:				
Restricted cash	-	136,006	-	136,006
Capital assets -				
Nondepreciable	9,844	-	1,102,700	1,112,544
Depreciable, net	<u>5,033,844</u>	<u>836,055</u>	<u>2,774,968</u>	<u>8,644,867</u>
Total noncurrent assets	<u>5,043,688</u>	<u>972,061</u>	<u>3,877,668</u>	<u>9,893,417</u>
Total assets	<u>5,878,948</u>	<u>2,220,010</u>	<u>3,890,997</u>	<u>11,989,955</u>
DEFERRED OUTFLOWS OF				
RESOURCES:				
Deferred charges on debt refunding	-	-	10,354	10,354
Pension related items	<u>28,513</u>	<u>8,042</u>	<u>-</u>	<u>36,555</u>
Total deferred outflows of resources	<u>28,513</u>	<u>8,042</u>	<u>10,354</u>	<u>46,909</u>

(The accompanying notes are an integral part of these statements.)

	Business-type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee and Gordon Mill	Total
LIABILITIES AND NET POSITION:				
CURRENT LIABILITIES:				
Accounts payable	30,588	168,429	1,893	200,910
Accrued salaries and withholdings	4,116	3,024	-	7,140
Compensated absences payable	20,059	17,811	1,110	38,980
Intergovernmental payable	67,859	5,870	42,141	115,870
Accrued interest payable	10,893	-	6,765	17,658
Interfund payable	-	111,568	33,000	144,568
	<u>133,515</u>	<u>306,702</u>	<u>84,909</u>	<u>525,126</u>
Total current liabilities				
LONG-TERM LIABILITIES:				
Compensated absences payable, net of current portion	9,274	8,858	-	18,132
Customer deposits	-	136,331	-	136,331
Intergovernmental payable, net of current portion	937,688	-	582,312	1,520,000
Net pension liability	137,445	38,766	-	176,211
	<u>1,084,407</u>	<u>183,955</u>	<u>582,312</u>	<u>1,850,674</u>
Total long-term liabilities				
Total liabilities	<u>1,217,922</u>	<u>490,657</u>	<u>667,221</u>	<u>2,375,800</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related items	21,994	6,204	-	28,198
NET POSITION:				
Net investment in capital assets	4,038,141	836,055	3,253,215	8,127,411
Unrestricted (deficit)	629,404	895,136	(19,085)	1,505,455
	<u>\$ 4,667,545</u>	<u>\$ 1,731,191</u>	<u>\$ 3,234,130</u>	<u>\$ 9,632,866</u>
Total net position				

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Fund</u>			
	<u>Water and Sewerage</u>	<u>Electric System</u>	<u>Lee and Gordon Mill</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for services	\$ 892,563	\$ 2,759,364	\$ 52,752	\$ 3,704,679
Forfeited discounts	-	45,753	-	45,753
Miscellaneous	658	29,456	-	30,114
Total operating revenues	<u>893,221</u>	<u>2,834,573</u>	<u>52,752</u>	<u>3,780,546</u>
OPERATING EXPENSES:				
Purchased power	-	2,267,934	-	2,267,934
Operations and maintenance	762,514	424,044	61,393	1,247,951
Depreciation	206,454	119,906	78,564	404,924
Total operating expenses	<u>968,968</u>	<u>2,811,884</u>	<u>139,957</u>	<u>3,920,809</u>
OPERATING INCOME (LOSS)	<u>(75,747)</u>	<u>22,689</u>	<u>(87,205)</u>	<u>(140,263)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	688	421	-	1,109
Gain on disposal of capital assets	450	-	-	450
Interest and fiscal charges	(26,285)	-	(17,198)	(43,483)
Total nonoperating revenues (expenses)	<u>(25,147)</u>	<u>421</u>	<u>(17,198)</u>	<u>(41,924)</u>
Income (loss) before capital contributions and transfers	(100,894)	23,110	(104,403)	(182,187)
Capital contributions	12,281	-	-	12,281
Transfers in	-	-	71,325	71,325
CHANGE IN NET POSITION	(88,613)	23,110	(33,078)	(98,581)
NET POSITION:				
Beginning, as previously stated	4,901,505	1,814,108	3,267,208	9,982,821
Prior period adjustments	(145,347)	(106,027)	-	(251,374)
Beginning, restated	<u>4,756,158</u>	<u>1,708,081</u>	<u>3,267,208</u>	<u>9,731,447</u>
Ending	<u>\$ 4,667,545</u>	<u>\$ 1,731,191</u>	<u>\$ 3,234,130</u>	<u>\$ 9,632,866</u>

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewerage</u>	<u>Electric System</u>	<u>Lee and Gordon Mill</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 893,221	\$ 2,811,625	\$ 52,752	\$ 3,757,598
Cash payments to employees for services and benefits	(399,421)	(208,391)	(14,237)	(622,049)
Cash payments for goods and services	(366,189)	(2,467,004)	(45,792)	(2,878,985)
Cash received from interfund services provided	-	5,107	-	5,107
Other cash payments	-	(10,000)	-	(10,000)
Net cash provided (used) by operating activities	<u>127,611</u>	<u>131,337</u>	<u>(7,277)</u>	<u>251,671</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	71,325	71,325
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments to other governments	(91,762)	-	(56,985)	(148,747)
Proceeds from sale of capital assets	450	-	-	450
Payments for capital acquisitions	(41,153)	-	-	(41,153)
Net cash used by capital and related financing activities	<u>(132,465)</u>	<u>-</u>	<u>(56,985)</u>	<u>(189,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment earnings	<u>152</u>	<u>14</u>	<u>-</u>	<u>166</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,702)	131,351	7,063	133,712
CASH AND CASH EQUIVALENTS				
Beginning	<u>349,294</u>	<u>555,520</u>	<u>6,266</u>	<u>911,080</u>
Ending	<u>\$ 344,592</u>	<u>\$ 686,871</u>	<u>\$ 13,329</u>	<u>\$ 1,044,792</u>

(The accompanying notes are an integral part of these statements.)

	Business-type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee and Gordon Mill	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (75,747)	\$ 22,689	\$ (87,205)	\$ (140,263)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	206,454	119,906	78,564	404,924
Provision for losses on accounts receivable	-	22,257	-	22,257
(Increase) decrease in assets and deferred outflows of resources -				
Accounts receivable	-	(27,859)	-	(27,859)
Interfund receivable	(4,559)	-	-	(4,559)
Inventory	(2,818)	(9,262)	-	(12,080)
Prepaid items	(2,055)	(2,914)	-	(4,969)
Pension related items	2,370	669	-	3,039
Increase (decrease) in liabilities and deferred inflows of resources -				
Accounts payable	5,333	(8,020)	1,364	(1,323)
Accrued salaries and withholdings	4,116	3,024	-	7,140
Interfund payable	-	5,107	-	5,107
Intergovernmental payable	-	113	-	113
Compensated absences payable	2,513	2,971	-	5,484
Customer deposits	-	4,911	-	4,911
Net pension liability	(29,990)	(8,459)	-	(38,449)
Pension related items	21,994	6,204	-	28,198
Net cash provided (used) by operating activities	<u>\$ 127,611</u>	<u>\$ 131,337</u>	<u>\$ (7,277)</u>	<u>\$ 251,671</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:				
Cash and cash equivalents	\$ 344,592	\$ 550,865	\$ 13,329	\$ 908,786
Restricted cash	-	136,006	-	136,006
	<u>\$ 344,592</u>	<u>\$ 686,871</u>	<u>\$ 13,329</u>	<u>\$ 1,044,792</u>
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES:				
Certificate of deposit - capitalized interest	\$ 536	\$ 407	\$ -	\$ 943
Capital assets contributed	\$ 12,281	\$ -	\$ -	\$ 12,281

(The accompanying notes are an integral part of these statements.)

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Chickamauga, Georgia (the City) was established under the laws of the State of Georgia and operates under an elected Mayor-Council form of government. The City is governed by a mayor and five council members.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the City's accounting policies are described below.

Reporting Entity -

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separated organizations for which the City is financially accountable. The City is financially accountable for an organization if the city appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes, or issues their debt.

The component unit column included on the government-wide financial statements identifies the financial data of the City's discretely presented component unit. It is reported separately to emphasize that it is legally separate from the City.

A brief description of the discretely presented component unit follows:

City of Chickamauga Board of Education -

The City of Chickamauga Board of Education (the School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by votes and a superintendent appointed by the board of education. The School district is not a separate legal entity and does not have the power to levy property taxes or to issue bonded debt. Its budget is subject to approval by the City Council. As a result, the School District is a component unit of the City that has a June 30 year end. Complete financial statements of the School District can be obtained from their office: 402 Cove Road, Chickamauga, Georgia 30707.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation -

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements -

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component unit is presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants, and City's general revenues, from business-type activities, generally financed in whole or in part with rental fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City and its discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities. The government-wide financial statements were accounted for on the accrual basis.

The statement of activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying which function program revenue pertains to, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation (continued) -

Fund Financial Statements -

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting -

The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds -

Governmental funds are those through which most government functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

SPLOST Capital Projects Fund - This fund is used to account for major capital expenditures financed by special purpose local option sales tax revenue.

Debt Service Fund - This fund is used to retire the principal and pay the interest on the general obligation school bonds. The fund is financed by the School District's prorata share of the educational sales tax imposed within Walker County.

Proprietary Funds -

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following are the City's major proprietary funds:

Water and Sewerage Fund - The fund provides water and sewer services to customers within the City limits and some portions of Walker County.

Electric System Fund - This fund provides electric services to customers within the city limits.

Lee and Gordon Mill Fund - This fund provides historical tourist destinations in the City.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus -

Government-wide Financial Statements -

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements -

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting -

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange Transactions -

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within twelve months of year-end.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting (continued) -

Revenues - Non-exchange Transactions -

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes are recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Cash, Cash Equivalents, and Investments -

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.

Investments are stated at fair value based on quoted market prices.

The City has no custodial risk policy.

Georgia law authorizes the City to invest in the following types of obligations:

- Obligations of the State of Georgia or of any other states.
- Obligations of the United States Government.
- Obligations fully insured or guaranteed by the United States government or a United States government agency.
- Obligations of any corporation of the United States Government.
- Prime bankers' acceptances.
- The State of Georgia local government investment pool (i.e., Georgia Fund I).
- Repurchase agreements.
- Obligations of the other political subdivisions of the State of Georgia.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Receivables -

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. The amount estimated to be uncollectible from property tax receivable is \$457. Also, estimated uncollectible accounts receivable in the electric system proprietary fund are \$34,000. Unbilled water, sewer, and electric charges are accrued as receivables and revenue at year end.

Interfund Balances -

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/interfund payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Consumable Inventories -

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

Prepaid Items -

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Restricted Assets -

Statutory restrictions are imposed on cash and cash equivalents in amounts sufficient to cover the liability arising from utility customer deposits.

Capital Assets -

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and the enterprise funds’ statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. All capital assets maintain a capitalization threshold of five thousand dollars. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets (*continued*) -

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. Prior to implementation of GASB 34, the financial statements have not reflected this asset category or the depreciation expense for the systematic allocation of its consumption. The City's infrastructure consists of roads, bridges, and water and sewer lines.

All reported capital assets are depreciated except for land, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Lives</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land improvements	10 - 40 years	-
Buildings	15 - 75 years	5 - 50 years
Machinery and equipment	10 - 20 years	5 - 20 years
Computer equipment and software	10 years	5 years
Vehicles and road equipment	5 - 15 years	5 - 10 years
Electric system	-	3 - 10 years
Water system	-	10 - 75 years
Sewerage system	-	10 - 40 years
Furniture and fixtures	-	5 - 20 years
Infrastructure	10 - 50 years	-

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

Compensated Absences -

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences (continued) -

The total compensated absences liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “*when due.*”

Accrued Liabilities and Long-Term Obligations -

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds, long-term debt, and capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts, and Issuance Costs -

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Issuance costs are expensed in the period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. At the governmental fund reporting level, bond premiums and discounts on debt issuances are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as a debt service expenditure.

Fund Equity -

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

Fund Balance -

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund 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:

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Balance (continued) -

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. The City Council also 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. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

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.

Flow Assumptions -

When both restricted and unrestricted amounts of fund balance are available for use of expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: committed, assigned, unassigned.

Net Position -

Net position represent the residual of all elements presented in a statement of financial position. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction, or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Operating Revenues and Expenses -

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewerage services, electric system, and historical tourist destinations. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. Non-operating revenues are investment earnings, and non-operating expenses include interest expense.

Contributions of Capital -

Contributions of capital in proprietary fund financial statements arise from contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or contributions of resources restricted to capital acquisition and construction.

Interfund Activity -

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statement (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Estimates -

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

The City's deferred charge on debt refunding qualifies for reporting in this category. A deferred charge on debt refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Outflows/Inflows of Resources (continued) -

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City reports as deferred inflows of resources items that arise from the revenue recognition of intergovernmental revenues. The item, *unearned revenue*, which is reported in both the governmental funds balance sheet and the government-wide statement of net position, pertains to intergovernmental revenues received by the City before time requirements are met and thus will be recognized as inflows (revenue) in future periods once those requirements are met.

The City has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

Defined Benefit Pension Plan -

For the purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Georgia Municipal Employees Benefit System plan and additions to/deductions from the Georgia Municipal Employees Benefit System plan fiduciary net position have been determined on the same basis as they are reported by Georgia Municipal Employees Benefit System. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information -

The City adopts an annual operating budget for the general fund, each special revenue fund and the debt service fund. A project budget is adopted for each capital projects fund. Budgets are adopted for each enterprise fund, however, there is no legal requirement to report the budget compared to actual for these funds. The budget resolution reflects the total of each department's appropriation in each fund.

**CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Budgetary Information (continued) -

The budgets adopted for the general fund, special revenues funds, the debt service fund, and the enterprise funds are on a basis consistent with GAAP. The budget for the SPLOST capital projects fund is adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

The City Manager may approve budget transfers of budget line items within departments. The budgets were amended on December 7, 2015.

All unexpended annual appropriations lapse at year-end.

(3) DEPOSITS AND INVESTMENTS:

Deposits -

The bank balance is classified into three categories of credit risk: (1) cash that is insured or collateralized with securities held by the City or by its agent in its name, (2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and (3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

The City's deposits are classified as follows at December 31, 2015:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Deposits with financial institutions	<u>\$4,370,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,370,371</u>	<u>\$3,270,285</u>

Investments -

The investments in the cemetery fund are held by the First Tennessee Bank Trust Department and invested in compliance with the trust document. The investments totaling \$391,560 are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(3) DEPOSITS AND INVESTMENTS (Continued):

Cash and Investment Reconciliation:

	Cash and Cash Equivalents	Investments
Governmental funds - balance sheet	\$ 1,004,844	\$ 391,560
Governmental funds - balance sheet - certificate of deposit	659,442	-
Proprietary funds - statement of net position	1,044,792	-
Proprietary funds - statement of net position - certificate of deposit	561,507	-
Less-cash on hand	300	-
 Total	 \$ 3,270,285	 \$ 391,560

Investment Type:

	Carrying Amount	Credit Rating	Maturities
Money market funds	\$ 1,833	N/A	less than 6 months
Certificates of deposits	389,727	N/A	less than 6 months
	\$ 391,560		

(4) RECEIVABLES:

Receivables at December 31, 2015, consisted of taxes, interest, accounts (billings for user charges) including unbilled utility receivables, and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

The proprietary fund accounts receivables for electric and water and sewerage services are partially subject to concentration of credit risk. All customers are located in or near the City. One major customer accounted for approximately 15% of the sewerage revenue of the water and sewerage fund and two customers accounted for approximately 30% of the electric system revenue.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(5) PROPERTY TAXES:

The City levied the property taxes on December 3, 2015. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about December 3rd and are payable within sixty days or February 20, 2015. All unpaid taxes become delinquent sixty days after the billing date (i.e., February 20, 2016).

Property taxes receivable at December 31, 2015, consist of the following:

Year of Levy	Amount
2015	\$ 521,669
2014	10,977
2013	5,060
2012	2,558
2011	133
2010	25
2009	83
2008	21
2007	21
2006	21
2005	21
2004	21
2003	21
2002	15
2001	15
2000	27
1999	30
Total property taxes receivable	540,718
Less-allowances for uncollectibles	457
Property taxes receivable, net	\$ 540,261

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(6) CAPITAL ASSETS:

Capital assets activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:					
Nondepreciable capital assets:					
Land	\$ 339,864	\$ 62,500	\$ -	\$ -	\$ 402,364
Construction in progress	<u>291,074</u>	<u>722,183</u>	<u>-</u>	<u>(707,449)</u>	<u>305,808</u>
Total nondepreciable capital assets	<u>630,938</u>	<u>784,683</u>	<u>-</u>	<u>(707,449)</u>	<u>708,172</u>
Depreciable capital assets:					
Buildings	2,399,950	333,192	-	663,812	3,396,954
Machinery and equipment	182,319	-	19,395	-	162,924
Land improvements	649,105	14,093	10,662	-	652,536
Computer equipment and software	50,100	-	-	-	50,100
Vehicles and road equipment	660,557	220,404	20,679	-	860,282
Infrastructure	<u>2,767,201</u>	<u>-</u>	<u>72,656</u>	<u>43,637</u>	<u>2,738,182</u>
Total depreciable capital assets	<u>6,709,232</u>	<u>567,689</u>	<u>123,392</u>	<u>707,449</u>	<u>7,860,978</u>
Total capital assets	<u>7,340,170</u>	<u>1,352,372</u>	<u>123,392</u>	<u>-</u>	<u>8,569,150</u>
Accumulated depreciation:					
Buildings	1,023,672	39,763	-	-	1,063,435
Machinery and equipment	139,973	8,187	19,395	3,604	132,369
Land improvements	242,152	23,673	10,662	-	255,163
Computer equipment and software	50,100	-	-	-	50,100
Vehicles and road equipment	420,598	49,465	20,679	(3,604)	445,780
Infrastructure	<u>336,298</u>	<u>61,264</u>	<u>27,951</u>	<u>-</u>	<u>369,611</u>
Total accumulated depreciation	<u>2,212,793</u>	<u>182,352</u>	<u>78,687</u>	<u>-</u>	<u>2,316,458</u>
Governmental activities capital assets, net	<u>\$ 5,127,377</u>	<u>\$ 1,170,020</u>	<u>\$ 44,705</u>	<u>\$ -</u>	<u>\$ 6,252,692</u>

Governmental activities depreciation expense was as follows:

General government	\$ 8,273
Public safety	21,922
Highways and streets	78,858
Sanitation	20,922
Health and welfare	12,184
Recreation	<u>40,193</u>
	<u>\$ 182,352</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(6) CAPITAL ASSETS (Continued):

The following are changes in the water and sewerage fund capital assets for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities - Water and Sewerage:					
Nondepreciable capital assets:					
Land	\$ 3,994	\$ -	\$ -	\$ -	\$ 3,994
Construction in progress	<u>-</u>	<u>5,850</u>	<u>-</u>	<u>-</u>	<u>5,850</u>
Total nondepreciable capital assets	<u>3,994</u>	<u>5,850</u>	<u>-</u>	<u>-</u>	<u>9,844</u>
Depreciable capital assets:					
Buildings	78,946	-	-	-	78,946
Machinery and equipment	269,791	2,084	12,213	(87,737)	171,925
Vehicles and road equipment	-	25,716	20,679	87,737	92,774
Water system	5,111,819	19,784	2,526	-	5,129,077
Sewerage system	<u>2,639,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,639,049</u>
Total depreciable capital assets	<u>8,099,605</u>	<u>47,584</u>	<u>35,418</u>	<u>-</u>	<u>8,111,771</u>
Total capital assets	<u>8,103,599</u>	<u>53,434</u>	<u>35,418</u>	<u>-</u>	<u>8,121,615</u>
Accumulated depreciation:					
Buildings	38,002	1,675	-	-	39,677
Machinery and equipment	199,844	11,727	12,213	(78,774)	120,584
Vehicles and road equipment	-	6,065	20,679	80,473	65,859
Water system	1,454,202	119,902	2,526	-	1,571,578
Sewerage system	<u>1,214,843</u>	<u>67,085</u>	<u>-</u>	<u>(1,699)</u>	<u>1,280,229</u>
Total accumulated depreciation	<u>2,906,891</u>	<u>206,454</u>	<u>35,418</u>	<u>-</u>	<u>3,077,927</u>
Business-type activities - water and sewer fund, net	<u>\$ 5,196,708</u>	<u>\$ (153,020)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,043,688</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(6) CAPITAL ASSETS (Continued):

The following are changes in the electric system fund capital assets for the year ended December 31, 2015:

	Beginning Balance (Restated)	Increases	Decreases	Reclassifications	Ending Balance
Business-Type Activities - Electric System:					
Depreciable capital assets:					
Buildings	\$ 3,960	\$ -	\$ -	\$ -	\$ 3,960
Machinery and equipment	333,956	-	-	(149,680)	184,276
Vehicles and road equipment	-	-	-	149,680	149,680
Electric system	<u>2,313,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,313,717</u>
Total depreciable capital assets	<u>2,651,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,651,633</u>
Total capital assets	<u>2,651,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,651,633</u>
Accumulated depreciation:					
Buildings	3,320	-	-	-	3,320
Machinery and equipment	245,630	2,942	-	(75,359)	173,213
Vehicles and road equipment	-	11,268	-	75,359	86,627
Electric system	<u>1,446,722</u>	<u>105,696</u>	<u>-</u>	<u>-</u>	<u>1,552,418</u>
Total accumulated depreciation	<u>1,695,672</u>	<u>119,906</u>	<u>-</u>	<u>-</u>	<u>1,815,578</u>
Business-type activities - electric system, net	<u>\$ 955,961</u>	<u>\$ (119,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 836,055</u>

The following are changes in the Lee and Gordon Mill fund capital assets for the year ended December 31, 2015:

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Business-Type Activities - Lee and Gordon Mill:					
Nondepreciable capital assets:					
Land	\$ 1,102,700	\$ -	\$ -	\$ -	\$ 1,102,700
Depreciable capital assets:					
Buildings	2,957,267	-	-	-	2,957,267
Furniture and fixtures	327,852	-	-	-	327,852
Machinery and equipment	<u>3,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,882</u>
Total depreciable capital assets	<u>3,289,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,289,001</u>
Total capital assets	<u>4,391,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,391,701</u>
Accumulated depreciation:					
Buildings	310,171	61,346	-	-	371,517
Furniture and fixtures	121,998	16,636	-	-	138,634
Machinery and equipment	<u>3,300</u>	<u>582</u>	<u>-</u>	<u>-</u>	<u>3,882</u>
Total accumulated depreciation	<u>435,469</u>	<u>78,564</u>	<u>-</u>	<u>-</u>	<u>514,033</u>
Business-type activities - Lee and Gordon Mill, net	<u>\$ 3,956,232</u>	<u>\$ (78,564)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,877,668</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(6) CAPITAL ASSETS (Continued):

The following are changes in the component unit capital assets for the year ended June 30, 2015:

Component Unit:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Nondepreciable capital assets:					
Land	\$ 98,344	\$ -	\$ -	\$ -	\$ 98,344
Construction in progress	<u>2,747,120</u>	<u>302,709</u>	<u>-</u>	<u>(2,747,120)</u>	<u>302,709</u>
Total nondepreciable capital assets	<u>2,845,464</u>	<u>302,709</u>	<u>-</u>	<u>(2,747,120)</u>	<u>401,053</u>
Depreciable capital assets:					
Land improvements	2,166,554	5,150	-	-	2,171,704
Buildings and improvements	11,083,513	13,043	-	2,747,120	13,843,676
Equipment	<u>1,807,416</u>	<u>427,657</u>	<u>286,043</u>	<u>-</u>	<u>1,949,030</u>
Total depreciable capital assets	<u>15,057,483</u>	<u>445,850</u>	<u>286,043</u>	<u>2,747,120</u>	<u>17,964,410</u>
Total capital assets	<u>17,902,947</u>	<u>748,559</u>	<u>286,043</u>	<u>-</u>	<u>18,365,463</u>
Accumulated depreciation:					
Land improvements	529,310	119,544	-	-	648,854
Buildings and improvements	3,253,133	249,514	-	-	3,502,647
Equipment	<u>1,218,754</u>	<u>149,778</u>	<u>275,535</u>	<u>-</u>	<u>1,092,997</u>
Total accumulated depreciation	<u>5,001,197</u>	<u>518,836</u>	<u>275,535</u>	<u>-</u>	<u>5,244,498</u>
Component unit, net	<u>\$ 12,901,750</u>	<u>\$ 229,723</u>	<u>\$ 10,508</u>	<u>\$ -</u>	<u>\$ 13,120,965</u>

(7) INTERFUND BALANCES AND TRANSFERS:

Interfund receivable/payable balances reported in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>SPLOST Capital Projects</u>	<u>Water and Sewerage</u>	<u>Electric System</u>	<u>Lee and Gordon Mill</u>	<u>Total</u>
Receivables						
General fund	\$ -	\$ -	\$ -	\$ 22,507	\$ 20,000	\$ 42,507
SPLOST capital projects	54,220	-	-	-	-	54,220
Water and sewerage	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,061</u>	<u>13,000</u>	<u>102,061</u>
	<u>\$ 54,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,568</u>	<u>\$ 33,000</u>	<u>\$ 198,788</u>
Payable						
General fund	\$ -	\$ 54,220	\$ -	\$ -	\$ -	\$ 54,220
Electric system	22,507	-	89,061	-	-	111,568
Lee and Gordon Mill	<u>20,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>33,000</u>
	<u>\$ 42,507</u>	<u>\$ 54,220</u>	<u>\$ 102,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,788</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(7) INTERFUND BALANCES AND TRANSFERS (Continued):

Interfund balances are created from the payment of invoices on behalf of other funds. Interfund balances are expected to be repaid in one year.

Interfund transfers for the year ended December 31, 2015, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
<u>Transfer to</u>			
General fund	\$ -	\$ 3,463	\$ 3,463
SPLOST capital projects	62,816	-	62,816
Lee and Gordon Mill	71,325	-	71,325
	\$ 134,141	\$ 3,463	\$ 137,604

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All City transfers occur on a regular basis or are consistent with the purpose of the fund making the transfer.

(8) INTERGOVERNMENTAL PAYABLE:

The City entered into an intergovernmental agreement on April 25, 2013, to purchase Walker County Water and Sewerage Authority's (the Authority) Revenue Bonds (The City of Chickamauga Project), Series 2013 of \$1,850,000 to refinance debt in order to achieve debt service savings. The City agreed to pay the Authority all principal and interest on the bonds when due and agreed to levy an annual ad valorem tax on all taxable property located within the corporate limits of the City, at such rates within the limits prescribed by the City's charter or such greater millage as may hereafter be prescribed by applicable law, as may be necessary to produce in each year revenues that are sufficient to fulfill the City's obligation to make the bond principal and interest payments. The bond has a 2.60% interest rate, with principal payments due in annual installments of \$10,000 to \$140,000 through February 2029. This generated an intergovernmental payable of \$1,630,000 for the year ended December 31, 2015.

The remaining intergovernmental payable of \$5,870 is for sales tax.

CITY OF CHICKAMAUGA, GEORGIA
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(8) INTERGOVERNMENTAL PAYABLE (Continued):

Scheduled principal and interest payments on the intergovernmental agreement to purchase revenue bonds outstanding as of December 31, 2015, follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	110,000	\$ 40,950	\$ 150,950
2017	110,000	38,090	148,090
2018	115,000	35,165	150,165
2019	115,000	32,175	147,175
2020	120,000	29,120	149,120
2021-2025	650,000	96,330	746,330
2026-2029	<u>410,000</u>	<u>17,030</u>	<u>427,030</u>
Total	<u>\$ 1,630,000</u>	<u>\$ 288,860</u>	<u>\$ 1,918,860</u>

(9) LONG-TERM DEBT:

Primary Government -

General Obligation Bonds:

The City issued general obligation school bonds, Series 2011, for \$2,900,000 on August 16, 2011, to help finance the costs of acquiring, constructing, and equipping certain capital outlay projects for the School District. The interest rate on the bonds range from 3.0% to 4.0% and principal payments due in amounts ranging from \$555,000 to \$600,000. The bonds mature on October 2017. The bonds are secured by the City's School District pro-rata share of the educational sales and use tax imposed with Walker County. Any bonds outstanding not retired from the proceeds of these sales and use taxes shall be retired from the general fund, payable from ad valorem taxes.

Scheduled principal repayments and interest payments on general obligation bonds outstanding as of December 31, 2015, follows:

<u>Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 590,000	\$ 47,600	\$ 637,600
2017	<u>600,000</u>	<u>24,000</u>	<u>624,000</u>
Total	<u>\$ 1,190,000</u>	<u>\$ 71,600</u>	<u>\$ 1,261,600</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(9) LONG-TERM DEBT (Continued):

Primary Government (continued) -

Changes in Long-Term Obligations:

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2015:

	Beginning Balance <u>(Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Amount Due in One Year	Accrued Interest
Governmental Activities:						
General obligation						
bonds	\$ 1,770,000	\$ -	\$ 580,000	\$ 1,190,000	\$ 590,000	\$ 11,900
Bond premium	174,705	-	57,252	117,453	-	-
Compensated absences	29,766	-	2,817	26,949	25,894	-
Net pension liability	<u>149,170</u>	<u>-</u>	<u>26,721</u>	<u>122,449</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,123,641</u>	<u>\$ -</u>	<u>\$ 666,790</u>	<u>\$ 1,456,851</u>	<u>\$ 615,894</u>	<u>\$ 11,900</u>
Business-Type Activities:						
Intergovernmental						
payable	\$ 1,735,000	\$ -	\$ 105,000	\$ 1,630,000	\$ 110,000	\$ 17,658
Compensated absences	51,628	5,484	-	57,112	38,980	-
Net pension liability	<u>214,660</u>	<u>-</u>	<u>38,449</u>	<u>176,211</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,001,288</u>	<u>\$ 5,484</u>	<u>\$ 143,449</u>	<u>\$ 1,863,323</u>	<u>\$ 148,980</u>	<u>\$ 17,658</u>

The general obligation bonds are being retired by the debt service fund. The intergovernmental payable is being retired by the water and sewerage fund and Lee and Gordon Mill fund. The compensated absences liability will be paid from the fund from which the employees' salaries are paid and typically have been liquidated in the general, water and sewerage, and electric system funds.

Revenue Bonds Defeased:

On July 1, 1988, the water and sewerage fund defeased its Series 1970 and Series 1981 revenue bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2015, \$440,000 of bonds outstanding is considered defeased.

Component Unit -

Capital Lease Payable:

The School District entered into a lease agreement for buses. This lease agreement has been recorded at the present value of the future minimum lease payments as of the date of its inception.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(9) LONG-TERM DEBT (Continued):

Component Unit (continued) -

Capital Lease Payable (continued):

At June 30, 2015, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 37,162	\$ 6,805
2017	38,091	5,876
2018	39,043	4,924
2019	40,020	3,947
2020	<u>117,881</u>	<u>2,947</u>
	<u>\$ 272,197</u>	<u>\$ 24,499</u>

Capital assets being acquired under the capital lease as of June 30, 2015, are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 345,216
Less-accumulated depreciation	<u>17,261</u>
	<u>\$ 327,955</u>

Changes in Long-Term Obligations:

Changes in the School District's long-term obligations consisted of the following for the year ended June 30, 2015:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>	<u>Accrued Interest</u>
Governmental Activities:						
Capital lease	\$ -	\$ 345,216	\$ 73,019	\$ 272,197	\$ 37,162	\$ -
Net pension liability	<u>9,466,415</u>	<u>-</u>	<u>2,671,642</u>	<u>6,794,773</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,466,415</u>	<u>\$ 345,216</u>	<u>\$ 2,744,661</u>	<u>\$ 7,066,970</u>	<u>\$ 37,162</u>	<u>\$ -</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(10) NET POSITION:

Net investment in capital assets on the government-wide statement of net position as of December 31, 2015, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
Net investment in capital assets:			
Cost of capital assets	\$ 8,569,150	\$ 15,164,949	\$ 18,365,463
Less-accumulated depreciation	<u>2,316,458</u>	<u>5,407,538</u>	<u>5,244,498</u>
Book value	6,252,692	9,757,411	13,120,965
Less-intergovernmental payable	-	1,630,000	-
Less-capital lease payable	<u>-</u>	<u>-</u>	<u>272,197</u>
Net investment in capital assets	<u>\$ 6,252,692</u>	<u>\$ 8,127,411</u>	<u>\$ 12,848,768</u>

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT:

Plan Description -

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan, the City of Chickamauga Retirement Plan (the Plan), covering all regular employees and officials. The City's Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Plan Membership -

As of July 1, 2015, the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	20
Terminated vested participants not yet receiving benefits`	11
Active participants	<u>25</u>
	<u>56</u>

Benefits -

All regular City employees (i.e., 20 hours per week if hired before July 1, 2003 and 35 hours per week if hired after July 1, 2003) and elected officials are eligible to participate in the plan with benefits vesting after 10 years of service. The plans provide either:

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (Continued):

Benefits (continued) –

- (1) Normal retirement benefit, whereas the employee retires at age 65.
- (2) Early retirement benefit, whereas the employees may retire at age 55 or older.
- (3) Delayed retirement benefit, whereas the employee retires after age 65.

City employees who retire at or after age 65 are entitled to annual retirement benefits, payable monthly for life, in an amount equal to the sum of:

- (1) 1% of the final average earnings up to the amount of covered compensation plus 1.75% of final average earnings service.
- (2) 1% of the final average earnings up to the amount of covered compensation plus 1.75% of final average earnings in excess of the covered compensation multiplied by total years of credited future service.

The early retirement benefit is computed in the same manner as the normal benefits, reduced on an actuarially equivalent basis. The plan provides death benefits in the form of a lifetime pension to the beneficiary if death occurs prior to retirement.

The obligation to contribute for both the City and its employees are established by the City Council through ordinance.

Contributions -

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards Law. The GMEBS Board of Trustees has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution. The City makes all contributions to the plan. For the year ended December 31, 2015, the City's recommended contribution (and amount contributed) of \$82,609 was 8.53% of expected payroll.

Net Pension Liability -

Effective January 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2015, were used to measure total pension liability as of March 31, 2015. The balances as of March 31, 2015, constitute measurements of the net pension liability for the year ending December 31, 2015.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (Continued):

Net Pension Liability (continued) -

Actuarial Assumptions:

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	3.25% plus service based merit increases
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Cost of living adjustments	0.00%

Mortality rates were based upon the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females and RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015, are summarized in the following table:

	Long-Term Expected Real Rate of Return*	Target Allocation
Domestic equity	5.95%	50%
International equity	6.45%	15%
Fixed income	1.55%	25%
Real estate	3.75%	10%
		100%

*Rates shown are net of the 3.00% assumed rate of inflation.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (Continued):

Net Pension Liability (continued) -

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

The changes in the components of the net pension liability for the year are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 3/31/14	\$ 2,095,207	\$ 1,731,377	\$ 363,830
Charges for the year:			
Service cost	51,255	-	51,255
Interest	157,716	-	157,716
Differences between expected and actual experience	(13,337)	-	(13,337)
Contributions	-	87,760	(87,760)
Net investment income	-	166,162	(166,162)
Benefit payments	(120,333)	(120,333)	-
Administrative expense	-	(7,730)	7,730
Other	(14,611)	-	(14,611)
Net changes	60,690	125,859	(65,169)
Balances at 3/31/15	\$ 2,155,897	\$ 1,857,236	\$ 298,661

The required schedule of changes in the net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (Continued):

Net Pension Liability (continued) -

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following table presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	6.75%	7.75%	8.75%
Discount rate			
Net pension liability	\$ 536,589	\$ 298,661	\$ 97,291

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectation and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on substantive plan in effect as of March 31, 2015.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources -

For the year ended December 31, 2015, the City recognized pension expense of \$70,384. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension items from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (10,002)
Changes in assumptions	-	(10,959)
Net difference between projected and actual earnings on pension plan investments	-	(26,832)
Contributions subsequent to the measurement date of March 31, 2015*	<u>61,957</u>	<u>-</u>
	<u>\$ 61,957</u>	<u>\$ (47,793)</u>

*The amount shown for “contribution subsequent to the measurement date of March 31, 2015,” will be recognized as a reduction to net pension liability in the following measurement period.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (Continued):

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued) -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension items will be recognized in pension expense as follows:

Year	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 61,957	\$ (13,695)
2017	-	(13,695)
2018	-	(13,695)
2019	-	(6,708)
	\$ 61,957	\$ (47,793)

(12) DEFERRED COMPENSATION PLAN - PRIMARY GOVERNMENT:

The City offers all its employees a deferred compensation plan (the Georgia Municipal Association 457(b) Deferred Compensation Plan) created in accordance with Internal Revenue Code Section 457(b). This plan, which qualifies as a defined contribution plan, is available to all the City employees immediately upon employment. Participants may elect to make pre-tax contributions subject to the deferral limitations of the revenue code. Plan provisions and contribution requirements are established and may be amended by the City Council. This plan is administered by Georgia Municipal Association.

The plan assets are held in a trust for the exclusive benefit of participants and their beneficiaries. Investments are managed by the trustee under one of the available investment options, or a combination thereof. Accordingly, the assets and liabilities of this plan are not included in the accompanying financial statements. During the year ending December 31, 2015, two participating employees contributed \$880 to this plan. The City does not contribute to the plan.

(13) RETIREMENT PLANS - COMPONENT UNIT:

The School District participates in various retirement plans administered by the State of Georgia, as further explain below.

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NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Teachers' Retirement System of Georgia (TRS) -

Plan Description:

All teachers of the School District as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided:

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions:

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal 2015. The School District's contractually required contribution rate for the year ended June 30, 2015, was 13.15% of annual school district payroll. Employer contributions for the current fiscal year June 30, 2015, and the preceding two fiscal years are as follows:

<u>Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 751,088
2014	100%	679,163
2013	100%	625,539

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NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Public School Employees Retirement System (PSERS) -

Plan Description:

PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers' Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits Provided:

A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions:

The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012, contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012, contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension -

At June 30, 2015, the School District reported a liability of \$6,794,773 for its proportionate share of the net pension liability for TRS.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) -

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support. And the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 6,794,773
State of Georgia's proportionate share of the net pension liability associated with the School District	54,198
	\$ 6,848,971

The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District's TRS proportion was 0.053783%, which was a decrease of 0.000544% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is \$65,897.

The PSERS net pension liability was measure as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of \$448,187 for TRS and \$5,723 for PSERS, and revenue of \$11,621 for TRS and \$5,723 for PSERS. The revenue is support provided by the State or Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) -

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,368,802
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	77,238
School District contributions subsequent to the measurement date	7,37,092	-
	\$ 737,092	\$ 2,446,040

The School District contributions subsequent to the measurement date of June 30, 2014, for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	TRS
2016	\$ (609,754)
2017	(609,754)
2018	(609,754)
2019	(609,755)
2020	(7,023)
	\$ 2,446,040

Actuarial Assumptions:

The total pension liability as of June 30, 2014, was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

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(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) -

Actuarial Assumptions (continued):

Teachers' Retirement System:

Inflation	3.00%
Salary increases	3.75% - 7.00% average, including inflation
Investment rate of return	7.50% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2004 - June 30, 2009.

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement. for dependent beneficiaries, and for deaths In active service. and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2004 - June 30, 2009.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and Inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) -

Actuarial Assumptions (continued):

	Long-Term Expected Real Rate of Return*	Target Allocation
Fixed income	3.00%	30%
Domestic large equities	6.50%	40%
Domestic mid equities	10.00%	4%
Domestic small equities	13.00%	1%
International developed market stocks	6.50%	19%
International emerging market stocks	11.00%	6%
		100%

*Rates shown are net of the 3.00% assumed rate of inflation.

Discount Rate:

The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers' Retirement System:

	1% Decrease	Current	1% Increase
Discount rate	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$ 12,521,854	\$ 6,794,773	\$ 2,078,640

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(13) RETIREMENT PLANS - COMPONENT UNIT (Continued):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued) -

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.

(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT:

Plan Description -

The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees' Health Benefit Plan administered by the Department of Community Health. The O.C.G.A. assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report, and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy -

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

**CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT (Continued):

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health Insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2014 - June 30, 2015 \$945 per member per month

For non-certificated school personnel:

July 1, 2014 - June 30, 2015 \$596 per member per month

No additional contribution was required by the Board for fiscal year 2015, nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year June 30, 2015, and the preceding two fiscal years were as follows:

Year	Percentage Contributed	Required Contribution
2015	100%	\$ 1,036,543
2014	100%	982,514
2013	100%	894,921

(15) RISK MANAGEMENT:

The City is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The liability of the fund to the employees of any employer (City) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(15) RISK MANAGEMENT (Continued):

The City pays an annual premium to the fund for general liability, employee health and accident and worker's compensation insurance coverage. The agreement between the members of the risk pool provides that members may be required to pay additional assessments as shall be established by the governing board of the pool. However, no additional assessments have been required of the members since the City joined the pool.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all costs assessed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation, or defense.

There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceeded the City's insurance coverage during the past three years.

(16) CONTINGENT LIABILITIES:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

The City was a defendant in several lawsuits at December 31, 2015. In the opinion of the City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

(17) HOTEL/MOTEL LODGING TAX:

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 5%. Revenues were \$12,455 for the year ended December 31, 2015. Of this amount 100% was expended. Expenditures of the tax were used to promote tourism, conventions and trade shows as required by O.C.G.A. 48-13-51.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(18) JOINT VENTURE:

The City is a member of the Northwest Georgia Regional Commission (RC). The RC was created under the laws of the State of Georgia. Cities and counties in the area served by the RC are required to be members under the Official Code of Georgia Annotated Section 36-70-4. The City has no equity interest in the RC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RC ceases operation, the members can be assessed for any debt or obligation of the RC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, P.O. Box 1798, Rome, Georgia 30162.

(19) EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Expenditures exceeded appropriations in the following fund and departments.

General fund -		
Health and welfare	\$	619
Transfers out	\$	134,141
Cemetery fund -		
General government	\$	1,175
Hotel/motel tax fund -		
Housing and development	\$	1,555

(20) PRIOR PERIOD ADJUSTMENTS:

Primary Government -

During the current year, an error was identified in the general fund. This error resulted from a misstatement of sales tax receivable being overstated \$20,711. A prior period adjustment for this amount was made to correct this error to beginning fund balance, as originally reported in the general fund and beginning net position, as originally reported, for governmental activities.

Also, during the current year errors were identified in the governmental activities and business-type activities. These errors resulted from misstatement of payables and improper reconciliation of construction in progress assets. Prior years compensated absences payable was understated \$18,201 and nondepreciable capital assets were overstated \$59,110. A prior period adjustment was made to correct these errors to beginning net position, as originally reported of \$1,003 to governmental activities, \$76,308 to business-type activities, \$8,795 to the water and sewerage fund, and \$67,513 to the electric system fund.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

(20) PRIOR PERIOD ADJUSTMENTS (Continued):

Primary Government (continued) -

As discussed in Note 11, the City implemented the provisions of (GASB) Statement No. 68, *Accounting and Financial Reporting of Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* effective January 1, 2015. This new standard significantly changed the City's accounting for pension amounts. As a result, the City was required to restate beginning net position, as originally reported, for governmental and business-type activities. The prior period adjustment resulted in the initial establishment of a net pension liability and deferred outflow from resources net beginning balance of \$121,656 in the governmental activities and \$175,066 in the business-type activities. The business-type activities beginning net position was restated in the water and sewerage fund \$136,552 and the electric system fund \$38,514.

Component Unit -

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, which required the restatement of the June 30, 2014, net position in governmental activities. The result is a decrease in net position at July 1, 2014, of \$8,792,626. This change is in accordance with general accepted accounting principles.

Net position, July 1, 2014, as previously reported	\$ 15,111,003
Prior period adjustment:	
Net pension liability - TRS	(9,466,415)
Deferred outflows - School District's contribution made during fiscal year 2014	<u>673,789</u>
Net position, July 1, 2014, as restated	<u>\$ 6,318,377</u>

(21) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 4, 2016, the date which this financial statement was available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICKAMAUGA, GEORGIA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 849,300	\$ 875,445	\$ 889,376	\$ 13,931
Intergovernmental	63,375	122,000	44,126	(77,874)
Licenses and permits	51,000	51,000	39,879	(11,121)
Charges for services	314,800	333,443	332,526	(917)
Fines and forfeitures	70,500	80,550	74,325	(6,225)
Investment earnings	2,300	3,500	3,379	(121)
Contributions and donations	550	550	-	(550)
Miscellaneous	41,200	46,265	55,183	8,918
	<u>1,393,025</u>	<u>1,512,753</u>	<u>1,438,794</u>	<u>(73,959)</u>
Total revenues				
EXPENDITURES:				
Current -				
General government	282,610	730,747	565,917	(164,830)
Judicial	33,950	38,045	36,456	(1,589)
Public safety	379,750	384,045	374,815	(9,230)
Highways and streets	389,475	374,363	331,540	(42,823)
Sanitation	146,400	152,400	142,379	(10,021)
Health and welfare	26,000	24,000	24,619	619
Recreation	141,200	128,350	121,910	(6,440)
Housing and development	4,150	69,600	55,925	(13,675)
	<u>1,403,535</u>	<u>1,901,550</u>	<u>1,653,561</u>	<u>(247,989)</u>
Total expenditures				
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>(10,510)</u>	<u>(388,797)</u>	<u>(214,767)</u>	<u>174,030</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,000	3,000	3,463	463
Transfers out	(7,000)	-	(134,141)	(134,141)
Sale of capital assets	500	-	-	-
	<u>(4,500)</u>	<u>3,000</u>	<u>(130,678)</u>	<u>(133,678)</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	<u>\$ (15,010)</u>	<u>\$ (385,797)</u>	<u>(345,445)</u>	<u>\$ 40,352</u>
FUND BALANCES:				
Beginning, as previously stated			1,432,893	
Prior period adjustment			<u>(20,711)</u>	
Beginning, restated			<u>1,412,182</u>	
Ending			<u>\$ 1,066,737</u>	

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

(1) BUDGETARY BASIS OF ACCOUNTING:

The City adopted a budget on the modified accrual basis of accounting, which is the same basis of accounting as that used to reflect actual revenues and expenditures in the fund financial statements.

(2) EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Expenditures exceeded appropriations in the following funds and departments:

General fund		
Health and welfare	\$	619
Transfers out	\$	134,141
Cemetery fund -		
General government	\$	1,175
Hotel/motel tax fund -		
Housing and development	\$	1,555

**CITY OF CHICKAMAUGA, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
RELATED RATIOS
LAST 10 YEARS***

	2015
TOTAL PENSION LIABILITY:	
Service cost	\$ 51,255
Interest on total pension liability	157,716
Difference between expected and actual experience	(13,337)
Changes in assumptions	(14,611)
Benefit payments	(120,333)
Net change in total pension liability	60,690
PENSION LIABILITY:	
Beginning	2,095,207
Ending (a)	\$ 2,155,897
PLAN FIDUCIARY NET PENSION:	
Contributions - employer	\$ 87,760
Net investment income	166,162
Benefit payments	(120,333)
Administrative expenses	(7,730)
Net change in plan fiduciary net position	125,859
PLAN FIDUCIARY NET POSITION:	
Beginning	1,731,377
Ending (b)	\$ 1,857,236
Net pension liability - ending (a)-(b)	\$ 298,661
Plan fiduciary net position as a percentage of the total pension liability	86.15%
Covered-employee payroll	\$ 891,340
Net pension liability as a percentage of covered-employee payroll	33.51%

*The schedule will present 10 years of information once it is accumulated.

**CITY OF CHICKAMAUGA, GEORGIA
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF CONTRIBUTIONS
 LAST 10 YEARS***

	2015
Actuarially determined contribution	\$ 82,609
Contributions in relation to the actuarially determined contribution	82,609
Contribution excess	\$ -
Covered employee payroll	\$ 891,340
Contributions as a percentage of covered-employee payroll	9.27%

*The schedule will present 10 years of information once it is accumulated.

**CITY OF CHICKAMAUGA, GEORGIA
 DEFINED BENEFIT PENSION PLAN
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2015**

(1) VALUATION DATE:

The actuarially determined contribution rate was determined as of July 1, 2015, with an internal adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2016.

(2) METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions -	
Investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%

(3) BENEFIT CHANGES:

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

(4) CHANGES OF ASSUMPTIONS:

Amounts reported for the fiscal year ending in 2016, and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

CITY OF CHICKAMAUGA, GEORGIA
DEFINED BENEFIT PENSION PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

(4) CHANGES OF ASSUMPTIONS (Continued):

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

The inflation assumption was decreased from 3.50% to 3.25%.

The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

SUPPLEMENTARY INFORMATION

**CITY OF CHICKAMAUGA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue		Permanent	
	Campaign Heritage Trail	Hotel/ Motel Tax	Cemetery	Total Nonmajor Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 7,574	\$ 18,261	\$ -	\$ 25,835
Investments	<u>-</u>	<u>-</u>	<u>391,560</u>	<u>391,560</u>
 Total assets	 <u>\$ 7,574</u>	 <u>\$ 18,261</u>	 <u>\$ 391,560</u>	 <u>\$ 417,395</u>
 LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 199</u>
 FUND BALANCES:				
Nonspendable - Cemetery	-	-	391,560	391,560
Restricted for - Housing and development	-	18,062	-	18,062
Committed for - Recreation	<u>7,574</u>	<u>-</u>	<u>-</u>	<u>7,574</u>
 Total fund balances	 <u>7,574</u>	 <u>18,062</u>	 <u>391,560</u>	 <u>417,196</u>
 Total liabilities and fund balances	 <u>\$ 7,574</u>	 <u>\$ 18,261</u>	 <u>\$ 391,560</u>	 <u>\$ 417,395</u>

CITY OF CHICKAMAUGA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Campaign Heritage Trail</u>	<u>Hotel/ Motel Tax</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:				
Taxes	\$ -	\$ 12,455	\$ -	\$ 12,455
Investment earnings	-	-	6,360	6,360
	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>6,360</u>
Total revenues	<u>-</u>	<u>12,455</u>	<u>6,360</u>	<u>18,815</u>
EXPENDITURES:				
Current -				
General government	-	-	4,175	4,175
Recreation	1,479	-	-	1,479
Housing and development	-	13,885	-	13,885
	<u>-</u>	<u>13,885</u>	<u>-</u>	<u>13,885</u>
Total expenditures	<u>1,479</u>	<u>13,885</u>	<u>4,175</u>	<u>19,539</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,479)</u>	<u>(1,430)</u>	<u>2,185</u>	<u>(724)</u>
OTHER FINANCING SOURCES (USES):				
Transfer out	-	-	(3,463)	(3,463)
	<u>-</u>	<u>-</u>	<u>(3,463)</u>	<u>(3,463)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,463)</u>	<u>(3,463)</u>
INCREASE (DECREASE) IN FUND BALANCES	<u>(1,479)</u>	<u>(1,430)</u>	<u>(1,278)</u>	<u>(4,187)</u>
FUND BALANCES:				
Beginning	<u>9,053</u>	<u>19,492</u>	<u>392,838</u>	<u>421,383</u>
Ending	<u>\$ 7,574</u>	<u>\$ 18,062</u>	<u>\$ 391,560</u>	<u>\$ 417,196</u>

CITY OF CHICKAMAUGA, GEORGIA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 10,000	\$ 18,000	\$ 6,360	\$ (11,640)
Total revenues	<u>10,000</u>	<u>18,000</u>	<u>6,360</u>	<u>(11,640)</u>
EXPENDITURES:				
Current - General government	<u>3,000</u>	<u>3,000</u>	<u>4,175</u>	<u>1,175</u>
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>4,175</u>	<u>1,175</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,000</u>	<u>15,000</u>	<u>2,185</u>	<u>(12,815)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	5,000	7,000	-	(7,000)
Transfer out	<u>(3,000)</u>	<u>(4,000)</u>	<u>(3,463)</u>	<u>537</u>
Total other financing sources (uses)	<u>2,000</u>	<u>3,000</u>	<u>(3,463)</u>	<u>(6,463)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 9,000</u>	<u>\$ 18,000</u>	<u>(1,278)</u>	<u>\$ (19,278)</u>
FUND BALANCES:				
Beginning			<u>392,838</u>	
Ending			<u>\$ 391,560</u>	

**CITY OF CHICKAMAUGA, GEORGIA
 CAMPAIGN HERITAGE TRAIL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 100	\$ 100	\$ -	\$ (100)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total revenues	<u>1,100</u>	<u>1,100</u>	<u>-</u>	<u>(1,100)</u>
EXPENDITURES:				
Current - Recreation	<u>2,000</u>	<u>2,000</u>	<u>1,479</u>	<u>(521)</u>
Total expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,479</u>	<u>(521)</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>\$ (900)</u>	<u>\$ (900)</u>	(1,479)	<u>\$ (579)</u>
FUND BALANCES:				
Beginning			<u>9,053</u>	
Ending			<u>\$ 7,574</u>	

CITY OF CHICKAMAUGA, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 15,000	\$ 11,000	\$ 12,455	\$ 1,455
Miscellaneous	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>15,500</u>	<u>11,000</u>	<u>12,455</u>	<u>1,455</u>
EXPENDITURES:				
Current -				
Housing and development	<u>17,600</u>	<u>12,330</u>	<u>13,885</u>	<u>1,555</u>
Total expenditures	<u>17,600</u>	<u>12,330</u>	<u>13,885</u>	<u>1,555</u>
DEFICIT OF REVENUES UNDER				
EXPENDITURES				
	<u>\$ (2,100)</u>	<u>\$ (1,330)</u>	(1,430)	<u>\$ (100)</u>
FUND BALANCES:				
Beginning			<u>19,492</u>	
Ending			<u>\$ 18,062</u>	

CITY OF CHICKAMAUGA, GEORGIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 657,250	\$ 645,000	\$ 645,000	\$ -
Total revenues	<u>657,250</u>	<u>645,000</u>	<u>645,000</u>	<u>-</u>
EXPENDITURES:				
Debt service -				
Principal	575,000	580,000	580,000	-
Interest	<u>82,250</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Total expenditures	<u>657,250</u>	<u>645,000</u>	<u>645,000</u>	<u>-</u>
DEFICIT OF REVENUES UNDER EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES:				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

CITY OF CHICKAMAUGA, GEORGIA
WATER AND SEWERAGE FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2015

OPERATIONS AND MAINTENANCE EXPENSES:

Salaries	\$ 264,338
Payroll taxes	21,405
Employee benefits	81,449
Purchased water	1,438
Water treatment charges	101,431
Truck expenses	23,855
Operating supplies	28,581
Maintenance and repairs	60,077
Utilities	74,309
Professional services	20,651
Insurance	24,884
Office supplies	26,346
Telephone	6,070
Travel	6,481
Uniforms	2,345
Miscellaneous	<u>18,854</u>
 Total operations and maintenance expenses	 <u>\$ 762,514</u>

CITY OF CHICKAMAUGA, GEORGIA
ELECTRIC SYSTEM FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2015

OPERATIONS AND MAINTENANCE EXPENSES:

Salaries	\$ 52,093
Payroll taxes	18,130
Employee benefits	53,850
Distribution	62,789
Operating supplies	34,718
Maintenance and repairs	44,894
Professional services	12,728
Insurance	13,907
Customer assistance	42,994
Rent	18,000
Customer accounts	25,999
Tax equivalents	10,000
Miscellaneous	<u>33,942</u>
 Total operations and maintenance expenses	 <u>\$ 424,044</u>

CITY OF CHICKAMAUGA, GEORGIA
LEE AND GORDON MILL FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2015

OPERATIONS AND MAINTENANCE EXPENSES:

Salaries	\$ 13,229
Payroll taxes	1,008
Truck expenses	772
Operating supplies	937
Maintenance and repairs	14,875
Utilities	10,465
Professional services	2,727
Office supplies	199
Telephone	2,727
Security	535
Termite treatment	1,545
Contract labor	1,060
Rent	2,400
Miscellaneous	<u>8,914</u>
 Total operations and maintenance expenses	 <u>\$ 61,393</u>

COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Mayor and Council
City of Chickamauga, Georgia:**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chickamauga, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Chickamauga, Georgia's basic financial statements, and have issued our report thereon dated November 4, 2016. Our report includes a reference to other auditors who audited the financial statements of the City of Chickamauga Board of Education, as described in our report on the City of Chickamauga, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Chickamauga, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we

identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, 07-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies, 11-2 and 15-1.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Chickamauga, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items, 05-4 and 15-2.

City of Chickamauga, Georgia's Response to Findings

The City of Chickamauga, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Chickamauga, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Niskey & Meucham, P.C.

Chattanooga, Tennessee
November 4, 2016

**CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

PRIOR AUDIT FINDINGS:

Finding Control Number and Status -

- 05-4** The City has failed to implement the corrective action plan. The City's process of allocating expenditures between departments on a budget versus actual basis is being reviewed for consistency.

- 07-3** The City has failed to implement the corrective action plan. The City is in the process of implementing procedures to balance all balance sheet accounts on a monthly basis.

- 11-2** The City has failed to implement the corrective action plan. The additional expense in this plan is not cost effective.

**CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINANCIAL STATEMENT FINDINGS:

Finding 05-4 -

Condition: Expenditures should not exceed appropriations in individual funds or at the department level.

Criteria: Procedures should be in place to allocate actual expenditures between departments in the same manner as the budget allocation.

Effect: Due to the lack of proper procedures, the City does not have a consistent method of allocating these expenditures between departments on a budget versus actual basis. This could result in expenditures exceeding appropriations.

Recommendation: Procedures should be implemented to allocate expenditures between departments on a budget versus actual basis.

Views or Responsible Officials: The officials concur with the findings.

Planned Corrective Action: Management's response is located on pages 77-78.

Finding 07-3 -

Condition: Some material balance sheet accounts were not reconciled to supporting documentation at year end. In these instances, the ending balances were identified and supporting worksheets were prepared.

Criteria: Accounting tasks such as monthly and annual reconciliations play a key role in providing the accuracy of accounting data and information included in the financial statements.

Effect: Failure to appropriately monitor balance sheet reconciliations could result in undetected material misstatements in the financial statements. The failure to ensure appropriate account reconciliations could allow errors to go undetected in the financial statements that management uses as part of its decision making process. This finding resulted in some adjustments to beginning balances in 2015. Conversely, appropriate account reconciliations should provide management with more confidence in the financial statements.

Recommendation: A reconciliation of all balance sheet accounts should be prepared to determine that all transactions have been recorded and to discover any potential errors. These reconciliations will ensure meaningful and accurate financial statements.

View of Responsible Officials: The officials concur with the finding.

Planned Corrective Action: Management's response is located on pages 77-78.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015

Finding 11-2 -

Condition: *Government Auditing Standards* (Yellow Book) states that “absence of appropriate segregation of duties” is a deficiency in internal controls.

Criteria: Because the City has a limited number of office employees, there is not a proper segregation of duties as to cash collection, cash disbursements, general ledger adjustments, and access to other accounting records. A proper division of duties should provide a system of checks and balances so that no one person has control over a complete transaction from beginning to end.

Effect: Lack of segregation of duties could allow an employee to commit and conceal fraud that may result in financial loss or misstatement to the City.

Recommendation: To guard against undetected errors, additional employees would be needed to divide duties. However, the benefit of the additional controls are not justified to the City.

View of Responsible Officials: Due to the additional expenses involved, we cannot add additional financial personnel at this time. However, we will attempt to involve other staff when possible to reduce the risk.

Planned Corrective Action: Management’s response is located on pages 77-78.

Finding 15-1 -

Condition: The City has not employed someone with the qualifications and skills to prepare the financial statements and the related footnotes in accordance with accounting principles generally accepted in the United States of America.

Criteria: Current standards relating to the internal control structure require an entity to employ someone with the qualifications and skills to prepare financial statements and the related footnotes in accordance with accounting principles generally accepted in the United States of America.

Effect: Because of this deficiency in the internal control process, management may lack the controls necessary to present financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America.

Recommendation: Management should consider employing someone with the qualifications, skills and training to prepare financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America. However, the benefit of the additional controls are not justified to the City.

View of Responsible Officials: Management considers that the cost of employing someone with the ability to prepare the financial statements would exceed the benefits achieved, and management has no plans to employ a professional with those skills and qualifications.

Planned Corrective Action: Management’s response is located on pages 77-78.

**CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

Finding 15-2 -

Condition: Road projects are underway that were to be funded by SPLOST revenues and state grants. The projects were performed in the SPLOST capital projects fund, however, all of the grant funds allocated to the project had been deposited into the general fund. Those funds were not all transferred to the SPLOST capital projects fund as required. This resulted in a due from the general fund in the SPLOST fund.

Criteria: SPLOST funds and grant funds, when used in conjunction with other SPLOST projects are not to be commingled with other city funds.

Effect: The grant funds associated with road projects were commingled with other city funds.

Recommendation: Any time grant funds are going to be used in conjunction with a SPLOST capital project, these grant funds should be transferred into a bank account within the SPLOST capital projects fund prior to beginning the project.

View of Responsible Officials: The officials concur with the finding.

Planned Corrective Action: Management's response is located on pages 77-78.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED DECEMBER 31, 2015

PROJECT	Original Estimated Cost	Expenditures				Estimated Percentage of Completion	Cumulative Other Funding
		Prior Years	Adjustments	Current Years	Total		
2008 SPLOST -							
Garbage and trash equipment	\$ 300,000	\$ 308,159	\$ -	\$ -	\$ 308,159	100%	\$ -
Gordon Lee Mansion building renovations	100,000	74,330	-	-	74,330	74%	-
Recreation improvements	100,000	72,809	-	2,916	75,725	76%	-
Downtown streetscape construction	100,000	40,353	-	5,004	45,357	45%	-
Vehicles and equipment	150,000	108,633	-	-	108,633	72%	-
Library improvements	50,000	19,299	-	-	19,299	39%	-
Municipal parking lot	100,000	80,281	-	-	80,281	80%	-
Street improvements	100,000	109,801	-	-	109,801	100%	-
City Hall renovations	50,000	32,299	-	-	32,299	65%	-
Water-sewer improvements	382,600	184,540	-	4,281	188,821	49%	-
	<u>\$ 1,432,600</u>	<u>\$ 1,030,504</u>	<u>\$ -</u>	<u>\$ 12,201</u>	<u>\$ 1,042,705</u>		<u>\$ -</u>
2013 SPLOST -							
Resurface City Hall parking lot	\$ 25,000	\$ 2,954	\$ -	\$ -	\$ 2,954	12%	\$ -
City Hall awning	12,000	12,165	-	-	12,165	100%	-
City Hall signs	25,000	9,618	-	7,336	16,954	68%	-
City Hall renovations/equipment	25,000	3,132	-	15,430	18,562	74%	-
Renovations to American Legion building	87,000	103,684	5,300	537,681	646,665	100%	491,000
City park development	65,250	-	-	1,304	1,304	2%	-
Ball field improvements	87,000	34,000	-	15,201	49,201	57%	-
Police car	30,500	22,500	-	-	22,500	74%	-
Utility service truck	30,500	-	-	8,000	8,000	26%	-
Automated garbage truck	200,000	-	-	199,663	199,663	100%	-
Library computers	30,000	10,300	-	6,739	17,039	57%	-
Library furniture	2,500	-	-	-	-	0%	-
Library building improvements	7,500	6,206	-	1,341	7,547	100%	-
Library books and materials	3,500	-	-	-	-	0%	-
Street improvements	326,250	77,310	(5,300)	94,634	166,644	25%	83,584
Utility system upgrades	143,000	-	-	-	-	0%	-
	<u>\$ 1,100,000</u>	<u>\$ 281,869</u>	<u>\$ -</u>	<u>\$ 887,329</u>	<u>\$ 1,169,198</u>		<u>\$ 574,584</u>



City of Chickamauga

103 Crittenden Avenue • Chickamauga, Georgia 30707

706 375-3177

RAY CROWDER
Mayor

CORRECTIVE ACTION PLAN

COUNCIL MEMBERS

RANDAL DALTON
Mayor Pro Tem
Police Department

DAYMON GARRETT
Water and Sewer

EVITTE PARRISH
Electric Department
Office and Finance

LEE MILLER
Zoning and Planning

DON MARTIN
Recreation

MICHEAL R. HANEY
City Manager

RONALD ROACH
Chief of Police

THOMAS CAMERON
Public Works

BERT R. HANEY
Electric and
Water Systems

FANCI MOORE
Tourism and Events

November 4, 2016

Georgia Department of Audits and Accounts
Local Government Audit Section
270 Washington Street, S.W., Room 1-156
Atlanta, Georgia 30334-8400

The City of Chickamauga, Georgia submits the following corrective action regarding reportable findings associated with our internal controls and compliance for the year ended December 31, 2015.

The "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" issued by JHM Certified Public Accountants, on November 4, 2016, referenced instances of noncompliance and significant deficiencies. The corrective action taken on these items is as follows:

Finding 05-4 - DEPARTMENTAL EXPENDITURES OVER BUDGET

Corrective Action Plan/Management Response

We concur with this recommendation. The City Manager will review allocation of actual expenditure between departments in the same manner as the budget allocation.

Finding 07-3 - SOME MATERIAL BALANCE SHEET ACCOUNTS WERE NOT RECONCILED TO SUPPORTING DOCUMENTATION AT YEAR END.

Corrective Action Plan/Management Response

We concur with this recommendation. The City Clerk is going to keep all balance sheet accounts balanced to the best of her knowledge.



City of Chickamauga

103 Crittenden Avenue • Chickamauga, Georgia 30707

706 375-3177

RAY CROWDER
Mayor

Finding 11-2 - SEGREGATION OF DUTIES

COUNCIL MEMBERS

RANDAL DALTON
*Mayor Pro Tem
Police Department*

Corrective Action Plan/Management Response

We concur with the recommendation. The City Manager will try to involve other staff where possible to reduce risk as much as possible.

DAYMON GARRETT
Water and Sewer

Finding 15-1 - CONTROLS OVER THE FINANCIAL REPORTING PROCESS

EVITTE PARRISH
*Electric Department
Office and Finance*

Corrective Action Plan/Management Response

We concur with the recommendation. However, the cost of employing someone with the ability to prepare the financial statements would exceed the benefits achieved.

LEE MILLER
Zoning and Planning

Finding 15-2 - SPLOST FUNDS WERE COMMINGLED WITH OTHER CITY FUNDS

DON MARTIN
Recreation

Corrective Action Plan/Management Response

We concur with the recommendation. The City Clerk is going to start depositing all funds necessary to the SPLOST fund.

MICHEAL R. HANEY
City Manager

RONALD ROACH
Chief of Police

If you have any questions, please contact Micheal Haney at (706) 375-3177.

Sincerely yours,

THOMAS CAMERON
Public Works

BERT R. HANEY
*Electric and
Water Systems*

Micheal Haney
Utilities and City Manager

FANCI MOORE
Tourism and Events