

CITY OF CHICKAMAUGA, GEORGIA

Chickamauga, Georgia

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2020

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, 2020, 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.

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Chattanooga, Tennessee	iii		423 267 5945 f

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, 2020, 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.

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 55-61 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 and the schedule of projects constructed with transportation 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 OCGA 48-8-269.5 and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of projects constructed with special purpose local option sales tax proceeds, and the schedule of projects constructed with transportation special purpose local option sales tax proceeds on pages 63-64, 77-78 and 79 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, the schedule of projects constructed with special purpose local option sales tax proceeds and the schedule of projects constructed with transportation 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 65-71 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 May 2, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chickamauga, Georgia's internal control over financial reporting and compliance.

Johnson, Wickey & Meucham, P.C.

Chattanooga, Tennessee
May 2, 2022

City of Chickamauga, Georgia
Management's Discussion and Analysis
Year Ended December 31, 2020

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, 2020. 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 \$13,776,540 (net position) for the calendar year reported.
- Total net position is comprised of the following:
 1. Net investment in capital assets, of \$14,219,087 include property and equipment, net of accumulated depreciation, and is reduced by outstanding debt related to the purchase or construction of capital assets.
 2. Net position of \$1,066,135 is restricted for public safety, recreation, and by constraints imposed from outside the City such as debt covenants, grantors, contributions, laws, or regulations.
 3. Unrestricted (deficit) net position reports a total of \$1,508,682.
- The City's governmental funds reported total ending fund balance of \$2,691,504 this year. This compares to the prior year ending fund balance of \$2,055,475, showing an overall increase of \$636,029 during the current year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$1,682,995, or 111,7% of total General Fund expenditures.
- 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 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.

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 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 55 to 61 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 63.

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 is \$13,776,540. The following table provides a summary of the City's net position.

Summary of Net Position 2020						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	\$ 4,411,490	42%	\$ 2,235,165	17%	\$ 6,646,655	28%
Noncurrent assets	<u>6,082,884</u>	<u>58%</u>	<u>10,608,727</u>	<u>83%</u>	<u>16,691,611</u>	<u>72%</u>
Total assets	<u>10,494,374</u>	<u>100%</u>	<u>12,843,892</u>	<u>100%</u>	<u>23,338,266</u>	<u>100%</u>
Total deferred outflows of resources	<u>311,465</u>	<u>100%</u>	<u>454,187</u>	<u>100%</u>	<u>765,652</u>	<u>100%</u>
Liabilities:						
Current liabilities	2,370,479	37%	518,952	13%	2,889,431	28%
Long-term liabilities	<u>4,016,811</u>	<u>63%</u>	<u>3,367,205</u>	<u>87%</u>	<u>7,384,016</u>	<u>72%</u>
Total liabilities	<u>6,387,290</u>	<u>100%</u>	<u>3,886,157</u>	<u>100%</u>	<u>10,273,447</u>	<u>100%</u>
Total deferred inflows of resources	<u>22,108</u>	<u>100%</u>	<u>31,823</u>	<u>100%</u>	<u>53,931</u>	<u>100%</u>
Net position:						
Net investment in capital assets	6,082,884	138%	8,136,203	87%	14,219,087	103%
Restricted	996,604	23%	69,531	1%	1,066,135	8%
Unrestricted (deficit)	<u>(2,683,047)</u>	<u>(61%)</u>	<u>1,174,365</u>	<u>12%</u>	<u>(1,508,682)</u>	<u>(11%)</u>
Total net position	<u>\$ 4,396,441</u>	<u>100%</u>	<u>\$ 9,380,099</u>	<u>100%</u>	<u>\$ 13,776,540</u>	<u>100%</u>

Summary of Net Position 2019						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	\$ 3,765,757	37%	\$ 2,300,512	20%	\$ 6,066,269	28%
Noncurrent assets	<u>6,293,702</u>	<u>63%</u>	<u>9,465,228</u>	<u>80%</u>	<u>15,758,930</u>	<u>72%</u>
Total assets	<u>10,059,459</u>	<u>100%</u>	<u>11,765,740</u>	<u>100%</u>	<u>21,825,199</u>	<u>100%</u>
Total deferred outflows of resources	<u>212,655</u>	<u>100%</u>	<u>312,874</u>	<u>100%</u>	<u>525,529</u>	<u>100%</u>
Liabilities:						
Current liabilities	2,358,867	35%	488,020	20%	2,846,887	31%
Long-term liabilities	<u>4,409,895</u>	<u>65%</u>	<u>1,966,769</u>	<u>80%</u>	<u>6,376,664</u>	<u>69%</u>
Total liabilities	<u>6,768,762</u>	<u>100%</u>	<u>2,454,789</u>	<u>100%</u>	<u>9,223,551</u>	<u>100%</u>
Total deferred inflows of resources	<u>79,840</u>	<u>100%</u>	<u>114,897</u>	<u>100%</u>	<u>194,737</u>	<u>100%</u>
Net position:						
Net investment in capital assets	6,293,702	184%	8,046,462	84%	14,340,164	111%
Restricted	689,963	20%	77,224	1%	767,187	6%
Unrestricted (deficit)	<u>(3,560,153)</u>	<u>(104%)</u>	<u>1,385,242</u>	<u>15%</u>	<u>(2,174,911)</u>	<u>(17%)</u>
Total net position	<u>\$ 3,423,512</u>	<u>100%</u>	<u>\$ 9,508,928</u>	<u>100%</u>	<u>\$ 12,932,440</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 1.9 to 1 and 4.3 to 1 for business-type activities. For the City overall, the current ratio is 2.3 to 1.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$972,929 for governmental activities and decreased \$128,829 for business-type activities. The City's overall financial position improved during calendar year 2020.

Note that the governmental activities unrestricted net position reported a \$2,683,047 deficit in 2020. This deficit results from the fact that the City issued general obligation bonds for the City Board of Education, which is a component unit of the City. Since the assets belong to the City Board of Education 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, 2020, is \$4,018,171.

Also note that \$6,082,884 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 87% of its net position on capital. Capital assets in the business-type activities provide utility services and historical tourist destinations, 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 2020						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Program revenues:						
Charges for services	\$ 493,078	17%	\$ 3,686,997	93%	\$ 4,180,075	60%
Operating grants	884,244	30%	-	-	884,244	13%
Capital grants	343,155	11%	235,782	6%	578,937	8%
General:						
Taxes	1,107,894	37%	-	-	1,107,894	16%
Other	141,547	5%	38,817	1%	180,364	3%
Total revenues	<u>2,969,918</u>	<u>100%</u>	<u>3,961,596</u>	<u>100%</u>	<u>6,931,514</u>	<u>100%</u>
Program expenses:						
General government	364,109	19%	-	-	364,109	6%
Judicial	23,759	1%	-	-	23,759	1%
Public safety	506,374	26%	-	-	506,374	8%
Highways and streets	565,335	29%	-	-	565,335	9%
Sanitation	181,287	9%	-	-	181,287	3%
Health and welfare	39,923	2%	-	-	39,923	1%
Recreation	146,921	8%	-	-	146,921	2%
Housing and development	32,579	2%	-	-	32,579	1%
Interest	79,574	4%	-	-	79,574	1%
Water and sewerage	-	-	1,241,518	30%	1,241,518	20%
Electric	-	-	2,778,320	67%	2,778,320	46%
Lee and Gordon Mill	-	-	127,715	3%	127,715	2%
Total expenses	<u>1,939,861</u>	<u>100%</u>	<u>4,147,553</u>	<u>100%</u>	<u>6,087,414</u>	<u>100%</u>
Change in net position before transfers	1,030,057		(185,957)		844,100	
Transfers	(57,128)		57,128		-	
Change in net position	972,929		(128,829)		844,100	
Beginning net position	<u>3,423,512</u>		<u>9,508,928</u>		<u>12,932,440</u>	
Ending net position	<u>\$ 4,396,441</u>		<u>\$ 9,380,099</u>		<u>\$ 13,776,540</u>	

Summary of Changes in Net Position 2019

	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Program revenues:						
Charges for services	\$ 500,301	19%	\$ 3,901,913	85%	\$ 4,402,214	61%
Operating grants	710,100	27%	-	-	710,100	10%
Capital grants	233,735	9%	627,957	14%	861,692	12%
General:						
Taxes	1,024,793	40%	-	-	1,024,793	14%
Other	136,129	5%	54,622	1%	190,751	3%
Total revenues	<u>2,605,058</u>	<u>100%</u>	<u>4,584,492</u>	<u>100%</u>	<u>7,189,550</u>	<u>100%</u>
Program expenses:						
General government	347,209	18%	-	-	347,209	5%
Judicial	32,978	2%	-	-	32,978	1%
Public safety	466,857	24%	-	-	466,857	8%
Highways and streets	590,678	30%	-	-	590,678	10%
Sanitation	177,280	9%	-	-	177,280	3%
Health and welfare	39,343	2%	-	-	39,343	1%
Recreation	161,487	8%	-	-	161,487	3%
Housing and development	39,176	2%	-	-	39,176	1%
Interest	93,689	5%	-	-	93,689	1%
Water and sewerage	-	-	1,192,301	28%	1,192,301	19%
Electric	-	-	2,871,978	68%	2,871,978	46%
Lee and Gordon Mill	-	-	133,027	4%	133,027	2%
Total expenses	<u>1,948,697</u>	<u>100%</u>	<u>4,197,306</u>	<u>100%</u>	<u>6,146,003</u>	<u>100%</u>
Change in net position before transfers	656,361		387,186		1,043,547	
Transfers	<u>(56,383)</u>		<u>56,383</u>		-	
Change in net position	599,978		443,569		1,043,547	
Beginning net position	<u>2,823,534</u>		<u>9,065,359</u>		<u>11,888,893</u>	
Ending net position	<u>\$ 3,423,512</u>		<u>\$ 9,508,928</u>		<u>\$ 12,932,440</u>	

GOVERNMENTAL REVENUES

The City is heavily reliant on franchise taxes to support governmental operations and capital. Franchise taxes provide \$356,766 or 12.2% of the City's total governmental revenues. Charges for services are \$493,078 of revenues or 16.9% of the total. Sales taxes provide \$357,233 or 12.3% of total revenues.

Also, note that program revenues cover over 88.7% of governmental operating expenses. However, this percentage is misleading, since operating revenues includes payments from the City Board of Education of \$713,800 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 55.2% of the total governmental activities expenses. Recreation makes up 7.6% of the total governmental activities expense. General government totals around \$364,000 and the sanitation function costs the City around \$181,000 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	\$ 364,109	\$ (262,237)
Judicial	23,759	23,759
Public safety	506,374	277,839
Highways and streets	565,335	126,461
Sanitation	181,287	(80,545)
Health and welfare	39,923	39,298
Recreation	146,921	146,921
Housing and development	32,579	2,114
Interest	79,574	(54,226)
	<u>1,939,861</u>	<u>219,384</u>
Total	<u>\$ 1,939,861</u>	<u>\$ 219,384</u>

After reducing gross expenses by program revenues, general government reports revenues in excess of program expenses by \$262,237. 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 1.5% under the 2019 amount. Operating expenses increased 4.1% from 2019. The increase in expenses for the water and sewer fund is mainly due to an increase in repairs and maintenance expense. There was an operating loss for 2019 of \$121,267, which increased to a \$185,897 loss in 2020. Total net position increased \$38,420. There were capital contributions from the special purpose local options sales taxes for 2020 of \$42,431 and 2019 of \$25,049, respectively. Also, in 2019 there was additional capital contributions of \$56,500 from another business to put an additional water line/connection in as one of the phases of the water project in process.

The Electric System Fund -

The operating revenues for this fund were 7.7% under the 2019 amount and expenses decreased 3.3% under 2019. The revenues are down in the electric system mainly due to decrease in usage. The 2020 operating loss was \$156,772, as compared to an operating loss of \$32,563 in 2019. This increase in loss is due to the decrease in revenues but also an increase in repairs and maintenance expense. Total net position decreased 11.9%.

The Lee and Gordon Mill Fund -

The operating revenues for this fund were down by 7.5% and expenses for this fund have decreased 3.4% from the 2019 amount. The decrease in revenues is due to a decrease in facility rental usage and the decrease in expenses is due to not paying for a tourism director in 2020 but for half of the year in 2019. There was an operating loss for 2019 of \$67,052 which decreased to a \$66,947 loss for 2020. Total net position decreased 0.7% from 2019.

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 \$2,691,504, of which \$411,911 is considered nonspendable, \$593,653 is restricted for capital projects, housing and development, public safety, highways and streets and recreation, and \$2,945 is committed for recreation. The remaining balance of \$1,682,995 is unassigned indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of \$636,028 or 30.9% over the prior year. The net of this increase is primarily due to an increase in intergovernmental revenue but also an increase in capital outlay expense.

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 increased by \$411,365 or 29.5%. In calendar year 2019, the fund balance increased by \$19,642 or 1.4%.

Franchise taxes increased 4.3% from the 2019 amount. General fund local option sales taxes increased 15.1% over the 2019 collections. The general fund licenses and permits increased 21.7% from 2018, charges for services revenue decreased 19.2% from 2019, fines and forfeitures decreased 54.5% from 2019, miscellaneous revenues increased 7.4% from 2019 and the general fund intergovernmental revenue increased 222.0% from 2019. The net of these changes is what makes up the increase in revenues for the general fund. Most other revenue streams were consistent with that of fiscal year 2019.

The general government function increased 25.3% from 2019 due to some capital outlay purchases. The public safety function increased 19.3% from 2019 due to some capital outlay purchases. The highways and streets function decreased 33.5% from 2019 due to several roads paved in 2019. The recreation function decreased 21.2% from 2019 from prior year capital outlay purchase for the library. The net of these changes is in total what makes up the decrease in expense for the general fund. Most other expense functions were consistent from 2019.

The general fund's ending fund balance was \$1,804,462, representing the equivalent of 119.7% of annual expenditures.

The SPLOST Capital Projects Fund -

This fund increased fund balance by \$1,125, leaving a \$80,195 ending fund balance.

The Debt Service Fund -

This fund received a payment from the City Board of Education as their share of the special purpose local option sales taxes, which the City used to pay the principal and interest on the 2016 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 2020 budget on December 17, 2019, and amended the final budget on January 14, 2021. Total taxes reported were \$1,057,033, or close to the amount of the tax revenue budgeted. Intergovernmental revenues were over budget \$117,398 due to receiving some additional CARES Acting funding due to COVID-19. Licenses and permits were under budget \$8,654, charges for services was just a little under budget \$993 and fines and forfeitures were under budget \$40. Most other revenue streams were even more similar to the adopted budget. In total, the City realized 106.5% of the estimated revenues. The City overspent expenditure transfers out of \$57,128. In total, the City expended 85.2% of the final budget.

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, 2020 and 2019, was \$15,758,930 and \$15,758,930, respectively. The increase in this net investment was 3.6% for governmental and an increase of 5.3% 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.

	Capital Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Non-depreciable assets:						
Land	\$ 416,320	\$ 416,320	\$ 1,106,694	\$ 1,106,694	\$ 1,523,014	\$ 1,523,014
Construction in progress	-	19,838	2,471,956	1,033,753	2,471,956	1,053,591
Total non-depreciable assets	<u>416,320</u>	<u>436,158</u>	<u>3,578,650</u>	<u>2,140,447</u>	<u>3,994,970</u>	<u>2,576,605</u>
Depreciable assets:						
Buildings	3,463,952	3,399,261	3,039,688	3,039,688	6,503,640	6,438,949
Machinery and equipment	246,323	257,242	419,824	359,924	666,147	617,166
Land improvements	892,350	892,350	-	-	892,350	892,350
Software	50,100	50,100	1,570	1,570	51,670	51,670
Vehicles and road equipment	1,063,434	1,034,564	351,284	406,484	1,414,718	1,441,048
Water system	-	-	5,035,219	5,035,219	5,035,219	5,035,219
Sewerage system	-	-	2,666,855	2,647,645	2,666,855	2,647,645
Electric system	-	-	2,427,274	2,413,377	2,427,274	2,413,377
Furniture and fixtures	-	-	327,852	327,852	327,852	327,852
Infrastructure	3,458,476	3,458,476	-	-	3,458,476	3,458,476
Total depreciable assets	9,174,635	9,091,993	14,269,566	14,231,759	23,444,201	23,323,752
Less accumulated depreciation	<u>3,508,071</u>	<u>3,234,449</u>	<u>7,239,489</u>	<u>6,906,978</u>	<u>10,747,560</u>	<u>10,141,427</u>
Book value-						
depreciable assets	<u>5,666,564</u>	<u>5,857,544</u>	<u>7,030,077</u>	<u>7,324,781</u>	<u>12,696,641</u>	<u>13,182,325</u>
Percentage depreciated	<u>38%</u>	<u>36%</u>	<u>51%</u>	<u>49%</u>	<u>46%</u>	<u>43%</u>
Book value – all assets	<u>\$ 6,082,884</u>	<u>\$ 6,293,702</u>	<u>\$ 10,608,727</u>	<u>\$ 9,465,228</u>	<u>\$ 16,691,611</u>	<u>\$ 15,758,930</u>

At December 31, 2020, the depreciable capital assets for governmental activities were 38% depreciated. This increased 2% over the December 31, 2019, percentage. The increase is because the City has had a decrease in capital outlay purchased. The increase also indicates that the City's governmental activities are now replacing their assets at virtually the same rate as they are depreciating.

With the City's business-type activities, 51% of the asset values were depreciated at December 31, 2020, compared to 49% at December 31, 2019. 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 \$4,280,000. During the year, the City retired \$565,000 or 11.7% of the beginning outstanding general obligation bonds. In its business-type activities, the City reported notes payable from direct borrowings in the water and sewerage fund for improvements and an intergovernmental payable to refinance debt in order to achieve debt service savings in the water and sewerage fund and Lee and Gordon Mill fund. The following table provides changes in long-term obligations.

	Long-Term Obligations						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>% Change</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
General obligation bonds	\$3,700,000	\$4,280,000	\$ -	\$ -	\$3,700,000	\$4,280,000	
Bond premium	355,171	410,847	-	-	355,171	410,847	(14%)
Bond discount	(37,000)	(42,800)	-	-	(37,000)	(42,800)	(14%)
Intergovernmental payable	-	-	1,060,000	1,180,000	1,060,000	1,180,000	(10%)
Notes payable from direct borrowings	-	-	1,412,524	238,766	1,412,524	238,766	492%
Compensated absences	<u>31,393</u>	<u>35,136</u>	<u>37,180</u>	<u>33,004</u>	<u>37,180</u>	<u>68,140</u>	<u>(45%)</u>
Total	<u>\$4,049,564</u>	<u>\$4,683,183</u>	<u>\$2,509,704</u>	<u>\$1,451,770</u>	<u>\$6,527,875</u>	<u>\$6,134,953</u>	<u>\$ 6%</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, cemetery revenue's and improving service practice policies 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Board of Education
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 3,346,303	\$ 690,773	\$ 4,037,076	\$ 4,194,806
Certificates of deposit	517,699	778,889	1,296,588	-
Investments	400,006	-	400,006	-
Receivables				
Accounts	-	471,467	471,467	-
Property taxes	140,024	-	140,024	-
Sales taxes	34,680	-	34,680	197,267
Intergovernmental	-	-	-	1,187,144
Interest	4,263	4,311	8,574	-
Interfund receivable	(46,327)	46,327	-	-
Other	2,937	-	2,937	79,083
Inventory	-	45,433	45,433	34,482
Prepaid items	11,905	15,345	27,250	-
Restricted cash	-	182,620	182,620	-
Restricted cash and investments with fiscal agent or trustee	-	-	-	4,645,560
Capital assets				
Nondepreciable	416,320	3,578,650	3,994,970	1,236,945
Depreciable, net	5,666,564	7,030,077	12,696,641	28,700,692
 Total assets	 10,494,374	 12,843,892	 23,338,266	 40,275,979
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on debt refunding	-	5,979	5,979	-
Pension related items	311,465	448,208	759,673	3,114,190
OPEB plan related items	-	-	-	494,459
 Total deferred outflows of resources	 311,465	 454,187	 765,652	 3,608,649

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

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Board of Education
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Accounts payable	57,159	302,274	359,433	83,077
Accrued salaries and withholdings	28,219	22,024	50,243	1,352,397
Compensated absences payable	31,393	37,180	68,573	-
Intergovernmental payable	-	134,349	134,349	-
Accrued interest payable	29,100	13,132	42,232	-
Notes payable	-	9,993	9,993	-
Due to component unit	1,634,608	-	1,634,608	-
Financed purchases	-	-	-	99,265
General obligation bonds payable	590,000	-	590,000	-
Long-term liabilities				
Customer deposits	-	182,619	182,619	-
Intergovernmental payable, net of current portion	-	935,000	935,000	-
Notes payable, net of current portion	-	1,402,531	1,402,531	-
General obligation bonds payable, net of current portion	3,428,171	-	3,428,171	-
Financed purchases, net of current portion	-	-	-	508,695
Net pension liability	588,640	847,055	1,435,695	10,928,964
Net OPEB liability	-	-	-	7,325,858
	<u>6,387,290</u>	<u>3,886,157</u>	<u>10,273,447</u>	<u>20,298,256</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	22,108	31,823	53,931	577,937
OPEB plan related items	-	-	-	2,169,930
	<u>22,108</u>	<u>31,823</u>	<u>53,931</u>	<u>2,747,867</u>
NET POSITION				
Net investment in capital assets	6,082,884	8,136,203	14,219,087	29,249,195
Restricted for				
Public safety	600	-	600	-
Highways and streets	81,978	-	81,978	-
Recreation	26,984	69,531	96,515	-
Capital projects	444,230	-	444,230	2,122,204
Program purposes	442,812	-	442,812	88,598
Gordon Lee Charitable Trust	-	-	-	4,729,845
Unrestricted (deficit)	<u>(2,683,047)</u>	<u>1,174,365</u>	<u>(1,508,682)</u>	<u>(15,351,337)</u>
	<u>\$ 4,396,441</u>	<u>\$ 9,380,099</u>	<u>\$ 13,776,540</u>	<u>\$ 20,838,505</u>

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

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

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	\$ 364,109	\$ 46,346	\$ 580,000	\$ -	\$ 262,237		\$ 262,237	
Judicial	23,759	-	-	-	(23,759)		(23,759)	
Public safety	506,374	58,091	170,444	-	(277,839)		(277,839)	
Highways and streets	565,335	95,719	-	343,155	(126,461)		(126,461)	
Sanitation	181,287	261,832	-	-	80,545		80,545	
Health and welfare	39,923	625	-	-	(39,298)		(39,298)	
Recreation	146,921	-	-	-	(146,921)		(146,921)	
Housing and development	32,579	30,465	-	-	(2,114)		(2,114)	
Interest	79,574	-	133,800	-	54,226		54,226	
Total governmental activities	<u>1,939,861</u>	<u>493,078</u>	<u>884,244</u>	<u>343,155</u>	<u>(219,384)</u>		<u>(219,384)</u>	
Business-type activities								
Water and sewerage	1,241,518	1,034,062	-	235,782		\$ 28,326	28,326	
Electric	2,778,320	2,603,700	-	-		(174,620)	(174,620)	
Lee & Gordon Mill	127,715	49,235	-	-		(78,480)	(78,480)	
Total business-type activities	<u>4,147,553</u>	<u>3,686,997</u>	<u>-</u>	<u>235,782</u>		<u>(224,774)</u>	<u>(224,774)</u>	
Total primary government	<u>6,087,414</u>	<u>4,180,075</u>	<u>884,244</u>	<u>578,937</u>	<u>(219,384)</u>	<u>(224,774)</u>	<u>(444,158)</u>	
COMPONENT UNIT								
City of Chickamauga Board of Education	<u>\$ 15,244,370</u>	<u>\$ 1,024,958</u>	<u>\$ 8,481,051</u>	<u>\$ 22,748</u>				<u>\$ (5,715,613)</u>
GENERAL REVENUES								
Property taxes					-	-	-	1,761,178
Sales taxes					357,233	-	357,233	856,135
Franchise taxes					356,766	-	356,766	-
Alcoholic beverage tax					83,949	-	83,949	-
Insurance premium tax					259,085	-	259,085	-
Hotel/motel tax					9,686	-	9,686	-
Payments in lieu of taxes					41,175	-	41,175	-
Unrestricted grant					-	-	-	1,285,821
Investment earnings					29,291	20,969	50,260	858,018
Gain on sale of capital assets					1,500	-	1,500	-
Miscellaneous					110,756	17,848	128,604	1,057,371
Total general revenues					<u>1,249,441</u>	<u>38,817</u>	<u>1,288,258</u>	<u>5,818,523</u>
TRANSFERS								
Change in net position					<u>(57,128)</u>	<u>57,128</u>	<u>-</u>	<u>-</u>
NET POSITION								
Beginning					<u>3,423,512</u>	<u>9,508,928</u>	<u>12,932,440</u>	<u>20,735,595</u>
Ending					<u>\$ 4,396,441</u>	<u>\$ 9,380,099</u>	<u>\$ 13,776,540</u>	<u>\$ 20,838,505</u>

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

CITY OF CHICKAMAUGA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,816,935	\$ 122,627	\$ 406,741	\$ 3,346,303
Certificates of deposit	517,699	-	-	517,699
Investments	-	-	400,006	400,006
Receivables				
Property taxes	140,024	-	-	140,024
Sales taxes	34,680	-	-	34,680
Interest	4,263	-	-	4,263
Interfund receivable	30,842	-	-	30,842
Other	2,837	-	100	2,937
Prepaid items	11,905	-	-	11,905
Total assets	\$ 3,559,185	\$ 122,627	\$ 806,847	\$ 4,488,659
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 14,727	\$ 42,432	\$ -	\$ 57,159
Accrued salaries and withholdings	28,219	-	-	28,219
Interfund payable	77,169	-	-	77,169
Due to component unit	1,634,608	-	-	1,634,608
Total liabilities	1,754,723	42,432	-	1,797,155
 FUND BALANCES				
Nonspendable				
Prepaid items	11,905	-	-	11,905
Cemetery	-	-	400,006	400,006
Restricted for				
SPLOST capital projects	-	80,195	364,035	444,230
Housing and development	-	-	39,861	39,861
Public safety	600	-	-	600
Highways and streets	81,978	-	-	81,978
Culture and recreation	26,984	-	-	26,984
Committed for				
Recreation	-	-	2,945	2,945
Unassigned	1,682,995	-	-	1,682,995
Total fund balances	1,804,462	80,195	806,847	2,691,504
Total liabilities, deferred inflows of resources and fund balances	\$ 3,559,185	\$ 122,627	\$ 806,847	\$ 4,488,659

(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, 2020

Total governmental fund balances \$ 2,691,504

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	9,590,955	
Less accumulated depreciation	<u>(3,508,071)</u>	6,082,884

Liabilities that are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds	(4,018,171)	
Accrued interest	(29,100)	
Compensated absences	<u>(31,393)</u>	(4,078,664)

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	311,465	
Net pension liability	(588,640)	
Deferred inflows of resources	<u>(22,108)</u>	<u>(299,283)</u>

Net position of governmental activities \$ 4,396,441

(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, 2020

	General Fund	SPLOST Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,057,033	\$ -	\$ -	\$ 9,687	\$ 1,066,720
Intergovernmental	328,928	43,556	713,800	217,621	1,303,905
Licenses and permits	46,346	-	-	-	46,346
Charges for services	388,641	-	-	-	388,641
Fines, fees and forfeitures	22,760	-	-	-	22,760
Investment earnings	15,256	-	-	14,035	29,291
Miscellaneous	110,756	-	-	-	110,756
	<u>1,969,720</u>	<u>43,556</u>	<u>713,800</u>	<u>241,343</u>	<u>2,968,419</u>
EXPENDITURES					
Current					
General government	285,365	-	-	4,226	289,591
Judicial	23,759	-	-	-	23,759
Public safety	525,307	-	-	-	525,307
Highways and streets	384,181	-	-	-	384,181
Sanitation	145,804	-	-	-	145,804
Health and welfare	14,463	-	-	-	14,463
Recreation	106,311	-	-	375	106,686
Housing and development	21,776	-	-	5,494	27,270
Capital outlay	-	42,431	-	3,470	45,901
Debt service					
Principal retirement	-	-	580,000	-	580,000
Interest and fiscal charges	-	-	133,800	-	133,800
	<u>1,506,966</u>	<u>42,431</u>	<u>713,800</u>	<u>13,565</u>	<u>2,276,762</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES					
	<u>462,754</u>	<u>1,125</u>	<u>-</u>	<u>227,778</u>	<u>691,657</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	4,239	-	-	-	4,239
Transfers out	(57,128)	-	-	(4,239)	(61,367)
Proceeds from sale of capital assets	1,500	-	-	-	1,500
	<u>(51,389)</u>	<u>-</u>	<u>-</u>	<u>(4,239)</u>	<u>(55,628)</u>
NET CHANGE IN FUND BALANCES					
	411,365	1,125	-	223,539	636,029
FUND BALANCES					
Beginning	<u>1,393,097</u>	<u>79,070</u>	<u>-</u>	<u>583,308</u>	<u>2,055,475</u>
Ending	<u>\$ 1,804,462</u>	<u>\$ 80,195</u>	<u>\$ -</u>	<u>\$ 806,847</u>	<u>\$ 2,691,504</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, 2020**

Net changes in fund balances - total governmental funds \$ 636,029

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	(305,041)	
Capital outlay	<u>94,223</u>	(210,818)

Elimination of transfers between governmental funds.

Transfers in	(4,239)	
Transfers out	<u>4,239</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 discount	(5,800)	
Amortization of bond premium	<u>55,676</u>	629,876

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	3,743	
Pension expense	<u>(90,249)</u>	<u>(82,156)</u>

Change in net position of governmental activities \$ 972,931

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

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	<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	\$ 631,715	\$ 18,677	\$ 40,381	\$ 690,773
Certificates of deposit	362,798	416,091	-	778,889
Receivables				
Accounts	-	471,467	-	471,467
Interest	4,311	-	-	4,311
Interfund	98,857	3,819	69,531	172,207
Inventory	24,932	20,501	-	45,433
Prepaid items	6,918	8,427	-	15,345
	<u>1,129,531</u>	<u>938,982</u>	<u>109,912</u>	<u>2,178,425</u>
Total current assets				
NONCURRENT ASSETS				
Restricted cash	-	182,620	-	182,620
Capital assets				
Nondepreciable	2,475,950	-	1,102,700	3,578,650
Depreciable, net	4,070,995	572,398	2,386,684	7,030,077
	<u>6,546,945</u>	<u>755,018</u>	<u>3,489,384</u>	<u>10,791,347</u>
Total noncurrent assets				
Total assets	<u>7,676,476</u>	<u>1,694,000</u>	<u>3,599,296</u>	<u>12,969,772</u>
DEFERRED OUTFLOWS OF				
RESOURCES				
Deferred charges on debt refunding	-	-	5,979	5,979
Pension related items	349,940	98,268	-	448,208
	<u>349,940</u>	<u>98,268</u>	<u>5,979</u>	<u>454,187</u>
Total deferred outflows of resources				

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

	<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>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	117,908	182,016	2,350	302,274
Accrued salaries and withholdings	10,569	11,455	-	22,024
Compensated absences payable	17,869	19,311	-	37,180
Interfund payable	-	111,080	14,800	125,880
Intergovernmental payable	77,113	9,349	47,887	134,349
Accrued interest payable	8,733	-	4,399	13,132
Notes payable	9,993	-	-	9,993
	<u>242,185</u>	<u>333,211</u>	<u>69,436</u>	<u>644,832</u>
Total current liabilities				
LONG-TERM LIABILITIES				
Customer deposits	-	182,619	-	182,619
Intergovernmental payable, net of current portion	576,801	-	358,199	935,000
Notes payable, net of current portion	1,402,531	-	-	1,402,531
Net pension liability	658,760	188,295	-	847,055
	<u>2,638,092</u>	<u>370,914</u>	<u>358,199</u>	<u>3,367,205</u>
Total long-term liabilities				
Total liabilities	<u>2,880,277</u>	<u>704,125</u>	<u>427,635</u>	<u>4,012,037</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	25,690	6,133	-	31,823
NET POSITION				
Restricted - recreation	-	-	69,531	69,531
Net investment in capital assets	4,480,507	572,398	3,083,298	8,136,203
Unrestricted	639,942	509,612	24,811	1,174,365
	<u>\$ 5,120,449</u>	<u>\$ 1,082,010</u>	<u>\$ 3,177,640</u>	<u>\$ 9,380,099</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, 2020

	<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>
OPERATING REVENUES				
Charges for services	\$ 1,034,062	\$ 2,572,218	\$ 49,235	\$ 3,655,515
Forfeited discounts	-	31,482	-	31,482
Miscellaneous	-	17,848	-	17,848
	<u>1,034,062</u>	<u>2,621,548</u>	<u>49,235</u>	<u>3,704,845</u>
Total operating revenues				
OPERATING EXPENSES				
Purchased power	-	1,960,594	-	1,960,594
Operations and maintenance	1,014,796	729,233	38,687	1,782,716
Depreciation	205,163	88,493	77,495	371,151
	<u>1,219,959</u>	<u>2,778,320</u>	<u>116,182</u>	<u>4,114,461</u>
Total operating expenses				
OPERATING LOSS	<u>(185,897)</u>	<u>(156,772)</u>	<u>(66,947)</u>	<u>(409,616)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	10,094	10,875	-	20,969
Intergovernmental	193,351	-	-	193,351
Interest and fiscal charges	(21,559)	-	(11,533)	(33,092)
	<u>181,886</u>	<u>10,875</u>	<u>(11,533)</u>	<u>181,228</u>
Total nonoperating revenues (expenses)				
Income (loss) before capital contributions and transfers	(4,011)	(145,897)	(78,480)	(228,388)
Capital contributions	42,431	-	-	42,431
Transfers in	-	-	57,128	57,128
	<u>38,420</u>	<u>(145,897)</u>	<u>(21,352)</u>	<u>(128,829)</u>
CHANGE IN NET POSITION				
NET POSITION				
Beginning	<u>5,082,029</u>	<u>1,227,907</u>	<u>3,198,992</u>	<u>9,508,928</u>
Ending	<u>\$ 5,120,449</u>	<u>\$ 1,082,010</u>	<u>\$ 3,177,640</u>	<u>\$ 9,380,099</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, 2020

	<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	\$ 1,034,062	\$ 2,604,179	\$ 49,235	\$ 3,687,476
Cash payments to employees for services and benefits	(424,123)	(264,983)	-	(689,106)
Cash payments for goods and services	(496,616)	(2,390,525)	(29,103)	(2,916,244)
Cash payments for interfund services provided	-	(18,009)	(779)	(18,788)
Other cash payments	-	(10,000)	-	(10,000)
	<u>113,323</u>	<u>(79,338)</u>	<u>19,353</u>	<u>53,338</u>
Net cash provided (used) by operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	57,128	57,128
	<u>-</u>	<u>-</u>	<u>57,128</u>	<u>57,128</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from grants and contributed capital	193,351	-	-	193,351
Proceeds from notes payable	1,173,758	-	-	1,173,758
Interest paid on notes payable	(2,748)	-	-	(2,748)
Payments to other governments	(91,992)	-	(57,129)	(149,121)
Payments for capital acquisitions	<u>(1,320,396)</u>	<u>(73,797)</u>	<u>-</u>	<u>(1,394,193)</u>
	<u>(48,027)</u>	<u>(73,797)</u>	<u>(57,129)</u>	<u>(178,953)</u>
Net cash used by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment of accounts payable used to purchase capital assets	(63,931)	-	-	(63,931)
Investment earnings	<u>625</u>	<u>-</u>	<u>-</u>	<u>625</u>
	<u>(63,306)</u>	<u>-</u>	<u>-</u>	<u>(63,306)</u>
Net cash used by investing activities				
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	1,990	(153,135)	19,352	(131,793)
CASH AND CASH EQUIVALENTS				
Beginning	<u>629,725</u>	<u>354,432</u>	<u>21,029</u>	<u>1,005,186</u>
Ending	<u>\$ 631,715</u>	<u>\$ 201,297</u>	<u>\$ 40,381</u>	<u>\$ 873,393</u>

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

	<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>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating loss	\$ (185,897)	\$ (156,772)	\$ (66,947)	\$ (409,616)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	205,163	88,493	77,495	371,151
Provision for losses on accounts receivable	-	7,323	-	7,323
Loss on disposal of capital assets	-	16,560	-	16,560
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	-	(40,466)	-	(40,466)
Interfund receivable	6,321	(3,819)	7,693	10,195
Inventory	920	3,635	-	4,555
Prepaid items	(2,970)	(2,255)	-	(5,225)
Pension related items	(110,905)	(31,283)	-	(142,188)
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts payable	(10,376)	(18,919)	1,891	(27,404)
Accrued salaries and withholdings	3,619	3,657	-	7,276
Interfund payable	(7,514)	(14,190)	(779)	(22,483)
Intergovernmental payable	-	887	-	887
Compensated absences payable	2,756	1,420	-	4,176
Customer deposits	-	6,537	-	6,537
Net pension liability	277,005	78,129	-	355,134
Pension related items	(64,799)	(18,275)	-	(83,074)
Net cash provided (used) by operating activities	<u>\$ 113,323</u>	<u>\$ (79,338)</u>	<u>\$ 19,353</u>	<u>\$ 53,338</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ 631,715	\$ 18,677	\$ 40,381	\$ 690,773
Restricted cash	-	182,620	-	182,620
	<u>\$ 631,715</u>	<u>\$ 201,297</u>	<u>\$ 40,381</u>	<u>\$ 873,393</u>
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES				
Certificate of deposit - capitalized interest	\$ 6,797	\$ 10,875	\$ -	\$ 17,672
Capital assets contributed	\$ 42,431	\$ -	\$ -	\$ 42,431
Purchase of capital assets in accounts payable	\$ 94,586	\$ -	\$ -	\$ 94,586

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

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(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 voters 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, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

The School District financial statements include Gordon Lee Charitable Trust (Trust) that was created for the benefit of the School District for charitable purposes. The Trust's resources and income are restricted for the benefit of Gordon Lee High School. On the School District's financial statements, the Trust is considered a component unit of the School District and is discretely presented in the School District's financial statements. The Trust is operated on a calendar year basis. The financial statements of the Trust were not audited and were not engaged to be audited by the School Districts auditors. The Trust financial statements are included with the School Districts financial statements on the City's financial statements.

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 and sales 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, contributions and interest 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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

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.

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Proprietary Funds (continued)

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.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred outflows/inflows of resources 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, liabilities and deferred outflows/inflows of resources 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, 2020

(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.

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.

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 \$47,000. Unbilled water, sewer, and electric charges are accrued as receivables and revenue at year end.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventory

Inventories are valued at cost which approximates net realizable value, using first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (i.e., the consumption method).

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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 and grant revenues received to be used in accordance with the grant provisions.

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 acquisition value 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.

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

All reported capital assets are depreciated except for land, rights-of-way, 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	3 - 10 years	3 - 10 years
Vehicles and road equipment	5 - 15 years	5 - 10 years
Electric system	-	8 - 36 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 financed purchases 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.

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.*”

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, notes payable, and financed purchases 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:

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

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 represents the residual of all elements presented in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has 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.

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).

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity (continued)

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.

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 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 and inflows 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 inflows and 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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

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 and T-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 January 14, 2021.

All unexpended annual appropriations lapse at year end.

(3) DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits to be collateralized 110% by depository insurance, obligation of the U.S. government, or bonds of public authorities, counties, or municipalities. The City has no custodial credit risk policy that is more restrictive than state statutes. As of December 31, 2020, one of the financial institutions holding the City's deposits are participants of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requiring participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. As of December 31, 2020, all of the City's bank deposits were insured and/or collateralized.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(3) DEPOSITS AND INVESTMENTS (continued)

Investments

The investments in the cemetery fund are held by the First Horizon Advisor Trust Services and invested in compliance with the trust document. The investments totaling \$400,006 are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Cash and Investment Reconciliation

	Deposits With Financial Institutions	Investments
Governmental funds - balance sheet	\$ 3,346,303	\$ 400,006
Governmental funds - balance sheet - certificate of deposit	517,699	-
Proprietary funds - statement of net position	690,774	-
Proprietary funds - statement of net position - certificate of deposit	778,889	-
Proprietary funds - statement of net position - restricted	182,619	-
Less-cash on hand	(300)	-
	\$ 5,515,984	\$ 400,006

Investment Type

	Carrying Amount	Credit Rating	Maturities
Money market funds	\$ 8,283	N/A	less than 6 months
Certificates of deposits	359,326	N/A	1 to 6 years
Municipal obligations	32,397	AAA	greater than 5 years
	\$ 400,006		

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value for certain assets and liabilities using a consistent definition and accepted valuation techniques. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets and for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(3) DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The City has the following recurring fair value measurements as of December 31, 2020.

	Level 1	Level 2	Level 3	Total Fair Value
Money market funds	\$ 8,283	\$ -	\$ -	\$ 8,283
Certificates of deposits	359,326	-	-	359,326
Municipal obligations	-	32,397	-	32,397
	\$ 367,609	\$ 32,397	\$ -	\$ 400,006

The City's investments have been valued using prices quoted in active markets.

(4) RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, interest, and accounts (billings for user charges) including unbilled utility receivables.

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 16% of the sewerage revenue of the water and sewerage fund and one customer accounted for approximately 26% of the electric system revenue.

(5) PROPERTY TAXES

The City levied the property taxes on October 20, 2020. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th and are payable within sixty days or December 20, 2020. All unpaid taxes become delinquent sixty days after the billing date (i.e., December 20, 2020).

**CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

(5) PROPERTY TAXES (continued)

Property taxes receivable at December 31, 2020, consist of the following:

Year of Levy	Amount
2020	\$ 127,958
2019	10,319
2018	1,388
2017	264
2016	164
2015-1999	388
	140,481
Less-allowances for uncollectibles	457
Property taxes receivable, net	\$ 140,024

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CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(6) CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, 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	\$ 416,320	\$ -	\$ -	\$ -	\$ 416,320
Construction in progress	<u>19,838</u>	<u>12,743</u>	<u>-</u>	<u>(32,581)</u>	<u>-</u>
Total nondepreciable capital assets	<u>436,158</u>	<u>12,743</u>	<u>-</u>	<u>(32,581)</u>	<u>416,320</u>
Depreciable capital assets					
Buildings	3,399,261	32,110	-	32,581	3,463,952
Machinery and equipment	257,242	-	10,919	-	246,323
Land improvements	892,350	-	-	-	892,350
Computer equipment and software	50,100	-	-	-	50,100
Vehicles and road equipment	1,034,564	49,370	20,500	-	1,063,434
Infrastructure	<u>3,458,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,458,476</u>
Total depreciable capital assets	<u>9,091,993</u>	<u>81,480</u>	<u>31,419</u>	<u>32,581</u>	<u>9,174,635</u>
Total capital assets	<u>9,528,151</u>	<u>94,223</u>	<u>31,419</u>	<u>-</u>	<u>9,590,955</u>
Accumulated depreciation					
Buildings	1,289,530	59,662	-	-	1,349,192
Machinery and equipment	167,860	12,437	10,919	-	169,378
Land improvements	386,108	37,997	-	-	424,105
Computer equipment and software	50,100	-	-	-	50,100
Vehicles and road equipment	642,888	69,925	20,500	-	692,313
Infrastructure	<u>697,963</u>	<u>125,020</u>	<u>-</u>	<u>-</u>	<u>822,983</u>
Total accumulated depreciation	<u>3,234,449</u>	<u>305,041</u>	<u>31,419</u>	<u>-</u>	<u>3,508,071</u>
Governmental activities capital assets, net	<u>\$ 6,293,702</u>	<u>\$ (210,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,082,884</u>

Governmental activities depreciation expense was as follows:

General government	\$ 16,011
Public safety	31,625
Highways and streets	137,692
Sanitation	35,965
Health and welfare	25,460
Recreation	52,979
Housing and development	<u>5,309</u>
	<u>\$ 305,041</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(6) CAPITAL ASSETS (continued)

The following are changes in the water and sewerage fund capital assets for the year ended December 31, 2020:

	<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>1,033,753</u>	<u>1,438,203</u>	<u>-</u>	<u>-</u>	<u>2,471,956</u>
Total nondepreciable capital assets	<u>1,037,747</u>	<u>1,438,203</u>	<u>-</u>	<u>-</u>	<u>2,475,950</u>
Depreciable capital assets					
Buildings	78,462	-	-	-	78,462
Machinery and equipment	166,551	-	-	-	166,551
Computer equipment and software	1,570	-	-	-	1,570
Vehicles and road equipment	134,281	-	-	-	134,281
Water system	5,035,219	-	-	-	5,035,219
Sewerage system	<u>2,647,645</u>	<u>19,210</u>	<u>-</u>	<u>-</u>	<u>2,666,855</u>
Total depreciable capital assets	<u>8,063,728</u>	<u>19,210</u>	<u>-</u>	<u>-</u>	<u>8,082,938</u>
Total capital assets	<u>9,101,475</u>	<u>1,457,413</u>	<u>-</u>	<u>-</u>	<u>10,558,888</u>
Accumulated depreciation					
Buildings	45,856	1,580	-	-	47,436
Machinery and equipment	142,121	7,508	-	-	149,629
Computer equipment and software	1,570	-	-	-	1,570
Vehicles and road equipment	109,243	9,159	-	-	118,402
Water system	1,957,988	118,731	-	-	2,076,719
Sewerage system	<u>1,550,002</u>	<u>68,185</u>	<u>-</u>	<u>-</u>	<u>1,618,187</u>
Total accumulated depreciation	<u>3,806,780</u>	<u>205,163</u>	<u>-</u>	<u>-</u>	<u>4,011,943</u>
Business-Type Activities - Water and Sewerage, net	<u>\$ 5,294,695</u>	<u>\$ 1,252,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,546,945</u>

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CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(6) CAPITAL ASSETS (continued)

The following are changes in the electric system fund capital assets for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities -					
Electric System					
Depreciable capital assets					
Buildings	\$ 3,959	\$ -	\$ -	\$ -	\$ 3,959
Machinery and equipment	189,491	59,900	-	-	249,391
Vehicles and road equipment	272,203	-	55,200	-	217,003
Electric system	<u>2,413,377</u>	<u>13,897</u>	<u>-</u>	<u>-</u>	<u>2,427,274</u>
Total depreciable capital assets	<u>2,879,030</u>	<u>73,797</u>	<u>55,200</u>	<u>-</u>	<u>2,897,627</u>
Total capital assets	<u>2,879,030</u>	<u>73,797</u>	<u>55,200</u>	<u>-</u>	<u>2,897,627</u>
Accumulated depreciation					
Buildings	3,914	45	-	-	3,959
Machinery and equipment	183,214	7,582	-	-	190,796
Vehicles and road equipment	147,797	35,847	38,640	-	145,004
Electric system	<u>1,940,451</u>	<u>45,019</u>	<u>-</u>	<u>-</u>	<u>1,985,470</u>
Total accumulated depreciation	<u>2,275,376</u>	<u>88,493</u>	<u>38,640</u>	<u>-</u>	<u>2,325,229</u>
Business-Type Activities -					
Electric System, net	<u>\$ 603,654</u>	<u>\$ (14,696)</u>	<u>\$ 16,560</u>	<u>\$ -</u>	<u>\$ 572,398</u>

The following are changes in the Lee and Gordon Mill fund capital assets for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
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	616,898	61,346	-	-	678,244
Furniture and fixtures	204,042	16,149	-	-	220,191
Machinery and equipment	<u>3,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,882</u>
Total accumulated depreciation	<u>824,822</u>	<u>77,495</u>	<u>-</u>	<u>-</u>	<u>902,317</u>
Business-type activities -					
Lee and Gordon Mill, net	<u>\$ 3,566,879</u>	<u>\$ (77,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,489,384</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(6) CAPITAL ASSETS (continued)

The following are changes in the component unit capital assets for the year ended June 30, 2020:

Component Unit	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Nondepreciable capital assets					
Land	\$ 417,444	\$ -	\$ -	\$ -	\$ 417,444
Construction in progress	<u>1,820,370</u>	<u>1,840,470</u>	<u>2,841,339</u>	<u>-</u>	<u>819,501</u>
Total nondepreciable capital assets	<u>2,237,814</u>	<u>1,840,470</u>	<u>2,841,339</u>	<u>-</u>	<u>1,236,945</u>
Depreciable capital assets					
Land improvements	3,303,052	-	-	-	3,303,052
Buildings and improvements	27,875,014	2,853,339	-	-	30,728,353
Equipment	<u>2,188,748</u>	<u>849,434</u>	<u>656,563</u>	<u>-</u>	<u>2,381,619</u>
Total depreciable capital assets	<u>33,366,814</u>	<u>3,702,773</u>	<u>656,563</u>	<u>-</u>	<u>36,413,024</u>
Total capital assets	<u>35,604,628</u>	<u>5,543,243</u>	<u>3,497,902</u>	<u>-</u>	<u>37,649,969</u>
Accumulated depreciation					
Land improvements	1,134,628	195,139	-	-	1,329,767
Buildings and improvements	4,647,349	619,014	-	-	5,266,363
Equipment	<u>1,418,118</u>	<u>182,039</u>	<u>483,955</u>	<u>-</u>	<u>1,116,202</u>
Total accumulated depreciation	<u>7,200,095</u>	<u>996,192</u>	<u>483,955</u>	<u>-</u>	<u>7,712,332</u>
Component Unit, net	<u>\$ 28,404,533</u>	<u>\$ 4,547,051</u>	<u>\$ 3,013,947</u>	<u>\$ -</u>	<u>\$ 29,937,637</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>Water and Sewerage</u>	<u>Electric System</u>	<u>Lee and Gordon Mill</u>	<u>Total</u>
Receivables					
General fund	\$ -	\$ -	\$ 25,842	\$ 5,000	\$ 30,842
Water and sewerage	3,819	-	85,238	9,800	98,857
Lee and Gordon Mill	69,531	-	-	-	69,531
Electric system	<u>3,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,819</u>
	<u>\$ 77,169</u>	<u>\$ -</u>	<u>\$ 111,080</u>	<u>\$ 14,800</u>	<u>\$ 203,049</u>
Payable					
General fund	\$ -	\$ 3,819	\$ 3,819	\$ 69,531	\$ 77,169
Electric system	25,842	85,238	-	-	111,080
Lee and Gordon Mill	<u>5,000</u>	<u>9,800</u>	<u>-</u>	<u>-</u>	<u>14,800</u>
	<u>\$ 30,842</u>	<u>\$ 98,857</u>	<u>\$ 3,819</u>	<u>\$ 69,531</u>	<u>\$ 203,049</u>

CITY OF CHICKAMAUGA, GEORGIA
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(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 within one year.

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
<u>Transfer to</u>			
General fund	\$ -	\$ 4,239	\$ 4,239
Lee and Gordon Mill	57,128	-	57,128
	\$ 57,128	\$ 4,239	\$ 61,367

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 \$1,060,000 for the year ended December 31, 2020.

The remaining intergovernmental payable of \$9,349 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, 2020, follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 125,000	\$ 25,935	\$ 150,935
2022	125,000	22,685	147,685
2023	130,000	19,370	149,370
2024	135,000	15,925	150,925
2025	135,000	12,415	147,415
2026-2029	<u>410,000</u>	<u>17,030</u>	<u>427,030</u>
Total	<u>\$ 1,060,000</u>	<u>\$ 113,360</u>	<u>\$ 1,173,360</u>

(9) LONG-TERM DEBT

Primary Government

Notes Payable from Direct Borrowings

The City entered into a loan agreement with Georgia Environmental Facilities Authority (GEFA) to construct a new well and chemical feed building, rehabilitate an existing water tank, install water main, and related appurtenances. The GEFA loan amount the City is to receive is \$400,000. In June 2020, the GEFA loan amount the City is to receive was amended to \$1,400,000. As of December 31, 2020, the City had not received all funds for this loan, therefore no payments are scheduled to start, but is set to convert to monthly payments on the first day of the calendar month following the earliest of the completed date, May 1, 2022, or the date the loan is fully disbursed. The loan will carry a 1.89% interest rate with monthly installments including interest for 239 consecutive payments, with a final payment equal to the entire remaining unpaid principal balance and interest. Under the terms of the loan agreement with GEFA, the water and sewerage fund shall not permit the fixed charges coverage ratio for any year to be less than 1.05. The water and sewerage fund is in compliance with this covenant for the year ended December 31, 2020. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable.

The City entered into a loan agreement with Georgia Environmental Facilities Authority (GEFA) to replace manual read water meters with an automatic meter reading system, replace water mains and related appurtenances. The GEFA loan amount the City is to receive is \$1,150,000. The lender agrees to forgive \$276,000 (24%) of this loan, if all funds are drawn. As of December 31, 2020, the City had not received all funds for this loan, therefore no payments are scheduled to start, but is set to convert to monthly payments on the first day of the calendar month following the earliest of the completed date, September 1, 2021, or the date the loan is fully disbursed. The loan will carry a 0.89% interest rate with monthly installments including interest for 239 consecutive payments, with a final payment equal to the entire remaining unpaid principal balance and interest. Under the terms of the loan agreement with GEFA, the water and sewerage fund shall not permit the fixed charges coverage ratio for any year to be less than 1.05. The water and sewerage fund is in compliance with this covenant for the year ended December 31, 2020. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(9) LONG-TERM DEBT (continued)

Primary Government (continued)

General Obligation Bonds Payable

The City issued general obligation sales tax school bonds, Series 2016A, for \$2,900,000 and general obligation school bonds, Series 2016B, for \$2,500,000 on July 28, 2016, to finance the costs of acquiring, constructing, and equipping certain capital outlay projects for the School District. The Series 2016A bonds bears interest from 2.0% to 3.0%, payable semi-annually. Starting October 1, 2018, and continuing the first day of October thereafter, the City shall make varying principal payments of \$555,000 to \$610,000 through October 1, 2022, on the Series 2016A bonds. The Series 2016B bonds bears interest from 3.0% to 3.5%, payable semi-annually. Starting October 1, 2023, and continuing the first day of October thereafter, the City shall make varying principal payments of \$220,000 to \$285,000 through October 1, 2032, on the Series 2016B bonds. The Series 2016A bonds are secured by the School District's share of a special one percent (1%) sales and use tax for educational purposes which is being collected in Walker County starting July 1, 2017, for a period not to exceed 20 calendar quarters. If necessary any of these bonds outstanding not retired from the proceeds of these sales and use taxes shall be retired from ad valorem taxes which may be levied, without limitation as to rate or amount, upon all taxable property subject to taxation for school bond purposes within the territorial limits of the City. The Series 2016B bonds will constitute a pledge of the full faith and credit of the City. Principal and interest on the Series 2016B bonds are payable from the general fund of the School District or ad valorem taxes which may be levied, without limitation as to rate or amount, upon all taxable property subject to taxation for school bond purposes within the territorial limits of the City. The School District will also participate in the State of Georgia Intercept Program for additional security. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable.

Scheduled principal repayments and interest payments on general obligation bonds and notes payable outstanding as of December 31, 2020, follows:

Year	Business-Type Activities		Governmental Activities		Total
	Notes Payable from Direct Borrowing		General Obligation Bonds Payable		
	Principal	Interest	Principal	Interest	
2021	\$ 9,993	\$ 1,937	\$ 590,000	\$ 116,400	\$ 718,330
2022	73,987	22,802	610,000	98,700	805,489
2023	99,356	32,481	220,000	80,400	432,237
2024	100,839	30,997	225,000	73,800	430,636
2025	102,348	29,489	235,000	67,050	433,887
2026-2030	535,252	123,932	1,260,000	224,452	2,143,636
2031-2035	357,582	84,669	560,000	29,576	1,031,827
2036-2040	133,167	5,455	-	-	138,622
	<u>\$ 1,412,524</u>	<u>\$ 331,762</u>	<u>\$ 3,700,000</u>	<u>\$ 690,378</u>	<u>\$ 6,134,664</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year	Accrued Interest
Governmental Activities						
General obligation bonds	\$ 4,280,000	\$ -	\$ 580,000	\$ 3,700,000	\$ 590,000	\$ 29,100
Bond premium	410,847	-	55,676	355,171	-	-
Bond discount	(42,800)	-	(5,800)	(37,000)	-	-
Compensated absences	<u>35,136</u>	<u>-</u>	<u>3,743</u>	<u>31,393</u>	<u>31,393</u>	<u>-</u>
	<u>\$ 4,683,183</u>	<u>\$ -</u>	<u>\$ 633,619</u>	<u>\$ 4,049,564</u>	<u>\$ 621,393</u>	<u>\$ 29,100</u>
Business-Type Activities						
Intergovernmental payable	\$ 1,180,000	\$ -	\$ 120,000	\$ 1,060,000	\$ 125,000	\$ 11,483
Notes payable from direct borrowings	238,766	1,173,758	-	1,412,524	9,993	1,649
Compensated absences	<u>33,004</u>	<u>4,176</u>	<u>-</u>	<u>37,180</u>	<u>37,180</u>	<u>-</u>
	<u>\$ 1,451,770</u>	<u>\$ 1,177,934</u>	<u>\$ 120,000</u>	<u>\$ 2,509,704</u>	<u>\$ 172,173</u>	<u>\$ 13,132</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 notes payable are being retired by the water and sewerage fund. The compensated absences 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, 2020, \$90,000 of bonds outstanding is considered defeased.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(9) LONG-TERM DEBT (continued)

Component Unit

Financed Purchases from Direct Borrowings

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

At June 30, 2020, payments due by fiscal year which includes principal and interest for these items are as follows:

Year	Governmental Activities	
	Principal	Interest
2021	\$ 99,265	\$ 16,111
2022	101,896	13,480
2023	104,596	10,780
2024	107,368	8,008
2025	194,835	5,165
	\$ 607,960	\$ 53,544

Capital assets being acquired under the financed purchases from direct borrowings as of June 30, 2020, are as follows:

	Governmental Activities
Equipment	\$ 721,712
Less-accumulated depreciation	36,086
	\$ 685,626

Changes in Long-Term Obligations

Changes in the School District's long-term obligations consisted of the following for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year	Accrued Interest
Governmental Activities						
Financed purchases from direct borrowings	\$ 117,881	\$ 721,712	\$ 231,633	\$ 607,960	\$ 99,265	\$ -

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(10) NET POSITION

Net investment in capital assets on the government-wide statement of net position as of December 31, 2020, is as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
Net investment in capital assets			
Cost of capital assets	\$ 9,590,955	\$ 17,848,216	\$ 37,649,969
Less-accumulated depreciation	<u>3,508,071</u>	<u>7,239,489</u>	<u>7,712,332</u>
Book value	6,082,884	10,608,727	29,937,637
Less-intergovernmental payable	-	1,060,000	-
Less-notes payable	-	1,412,524	-
Less-retainages payable	-	-	80,482
Less-financed purchases	<u>-</u>	<u>-</u>	<u>607,960</u>
Net investment in capital assets	<u>\$ 6,082,884</u>	<u>\$ 8,136,203</u>	<u>\$ 29,249,195</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, 2020, the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	22
Terminated vested participants not yet receiving benefits	8
Active participants	<u>29</u>
	<u>59</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (continued)

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) are eligible to participate in the plan with benefits vesting after 10 years of service. Elected officials are immediately vested for participants in office on or before June 2, 2020 or after 8 years for participants in office after June 2, 2020. The plans provide either:

- (1) Normal retirement benefit, whereas the employee retires at age 65 with the completion of 5 years of total credited service if hired before July 1, 2003, Rule of 75 with minimum age of 50 and age 65 with 10 years of total credit service if hired or re-hired after July 1, 2003, Rule of 75 with a minimum age of 50. Officials retire at age 65, Rule of 75 with minimum age of 50. All participants are not required to be in service when satisfying the Rule of 75. However, for officials Rule of 80 with a minimum age of 50 for participants in office on or after June 2, 2020 must be in office when satisfying the normal retirement age.
- (2) Early retirement benefit, whereas the employees may retire at age 55 or older with the completion of 10 years of total credited service.
- (3) Delayed retirement benefit, whereas the employee retires after age 65.

All eligible regular City employees who retire are entitled to annual retirement benefits, payable monthly for life, in an amount equal to the sum of 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 years of total credited service as an eligible regular employee.

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, 2020, the City's recommended contribution (and amount contributed) of \$136,887 was 17.71% of expected payroll.

Net Pension Liability

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2020, were used to measure total pension liability as of March 31, 2020. The balances as of March 31, 2020, constitute measurements of the net pension liability for the year ending December 31, 2020.

CITY OF CHICKAMAUGA, GEORGIA
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(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (continued)

Net Pension Liability (continued)

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.25%
Projected salary increases		2.25% plus service based merit increases
Investment rate of return	7.375%, net of pension plan investment expense, including inflation	
Cost of living adjustments		0.00%

Mortality rates were based upon the Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25, Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 and Sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

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, 2019, are summarized in the following table:

	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic equity	6.41%	45%
International equity	6.96%	20%
Real estate	4.76%	10%
Global fixed income	3.06%	5%
Domestic fixed income	1.96%	20%
		<u>100%</u>

CITY OF CHICKAMAUGA, GEORGIA
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(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 7.375%. 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 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 March 31, 2019	\$ 2,864,812	\$ 2,031,043	\$ 833,769
Charges for the year			
Service cost	53,876	-	53,876
Interest	212,255	-	212,255
Differences between expected and actual experience	124,873	-	124,873
Contributions	-	104,429	(104,429)
Net investment loss	-	(134,456)	134,456
Benefit payments	(177,255)	(177,255)	-
Administrative expense	-	(13,832)	13,832
Changes in assumptions	167,063	-	167,063
Net changes	380,812	(221,114)	601,926
Balances at March 31, 2020	\$ 3,245,624	\$ 1,809,929	\$ 1,435,695

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.

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 7.375%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease	Current	1% Increase
	6.375%	7.375%	8.375%
Discount rate			
Net pension liability	\$ 1,799,545	\$ 1,435,695	\$ 1,128,287

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (continued)

Net Pension Liability (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (continued)

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, 2020.

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

For the year ended December 31, 2020, the City recognized pension expense of \$357,009. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension items from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 262,974	\$ -
Changes in assumptions	119,836	-
Net difference between projected and actual earnings on pension plan investments	274,198	(53,931)
Contributions subsequent to the measurement date of March 31, 2020*	102,665	-
	<u>\$ 759,673</u>	<u>\$ (53,931)</u>

*The amount shown for “contribution subsequent to the measurement date of March 31, 2020,” will be recognized as a reduction to net pension liability in the next measurement period.

Other 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
2021	\$ 339,554	\$ (35,565)
2022	188,250	(18,366)
2023	72,497	-
2024	56,707	-
	<u>\$ 657,008</u>	<u>\$ (53,931)</u>

CITY OF CHICKAMAUGA, GEORGIA
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(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, 2020, three participating employees contributed \$3,900 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 explained below.

Teachers' Retirement System of Georgia (TRS)

Plan Description

All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a 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. The Teachers Retirement System of Georgia 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.

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

Teachers' Retirement System of Georgia (TRS) (continued)

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 2020. The School District's contractually required contribution rate for the year ended June 30, 2020, was 21.14% of annual school district payroll, of which 20.88% of payroll was required from the school district and 0.26% of payroll was required from the state. For the current fiscal year, employer contributions to the pension plan were \$1,350,336 and \$16,321 from the school district and the state, respectively.

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/financials.

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 \$15.25, 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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(13) RETIREMENT PLANS - COMPONENT UNIT (continued)

Public School Employees Retirement System (PSERS) (continued)

Contributions (continued)

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. The current fiscal year contribution was \$19,801.

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

At June 30, 2020, the School District reported a liability of \$10,928,964 for its proportionate share of the net pension liability for TRS.

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	\$ 10,928,964
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>132,672</u>
	<u>\$ 11,061,636</u>

The net pension liability for TRS was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, 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, 2019.

On June 30, 2019, the School District's TRS proportion was 0.050826%, which was an increase of 0.000411% from its proportion measured as of June 30, 2018.

On June 30, 2020, 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 \$114,528.

The PSERS net pension liability was measure as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019, 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, 2019.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(13) RETIREMENT PLANS - COMPONENT UNIT (continued)

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

For the year ended June 30, 2020, the School District recognized pension expense of \$1,805,241 for TRS and \$35,319 for PSERS, and revenue of \$32,175 for TRS and \$35,319 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2020, 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
Differences between expected and actual experience	\$ 616,012	\$ 3,240
Changes of assumptions	1,048,777	-
Net difference between projected and actual earnings on pension plan investments	-	260,252
Changes in proportion and differences between School District contributions and proportionate share of contributions	99,065	314,445
School District contributions subsequent to the measurement date	1,350,336	-
	\$ 3,114,190	\$ 577,937

The School District contributions subsequent to the measurement date of \$1,350,336 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, 2021. 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
2021	\$ 505,194
2022	39,403
2023	276,210
2024	365,110
	\$ 1,185,917

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System	
Inflation	2.50%
Salary increases	3.00% - 8.75% average, including inflation
Investment rate of return	7.25% net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

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)

Actuarial Assumptions (continued)

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014, with the exception of the assumed investment rate of return.

Public School Employees Retirement System

Inflation		2.75%
Salary increases		N/A
Investment rate of return	7.30% net of pension plan investment expense, including inflation	
Post-retirement benefit increases		1.50% semi-annually

Post-retirement mortality rates were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014, with the exception of the assumed investment rate of return.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(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)

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:

	TRS Target allocation	PSERS Target allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	30.00%	(0.10)%
Domestic large stocks	51.00%	46.20%	8.90%
Domestic small stocks	1.50%	1.30%	13.20%
International developed market stocks	12.40%	12.40%	8.90%
International emerging market stocks	5.10%	5.10%	10.90%
Alternative	-	5.00%	12.00%
	<u>100%</u>	<u>100%</u>	

*Rates shown are net of the 2.75% assumed rate of inflation.

Discount Rate

The discount rate used to measure the total TRS pension liability was 7.25%. The discount rate used to measure the total PSERS pension liability was 7.30%. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(13) RETIREMENT PLANS - COMPONENT UNIT (continued)

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

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

Teachers' Retirement System

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount rate	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 17,740,908	\$ 10,928,964	\$ 5,327,126

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 publicly available at www.trsga.com/publications and www.ers.ga.gov/financials.

(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT

Plan Description

Certified teachers and non-certified public school employees of the School District are defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the school OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare action plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the board.

Benefits Provided

The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement Systems (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The school OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions

As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were \$199,643 for the year ended June 30, 2020. Active employees are not required to contribute to the School OPEB Fund.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the School District reported a liability of \$7,325,858 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as June 30, 2018. An expected total OPEB liability as of June 30, 2019, was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2019. On June 30, 2019, the School District's proportion was 0.059695%, which was a decrease of 0.000860% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$108,007. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 796,977
Changes of assumptions	254,413	1,032,714
Net difference between projected and actual earnings on OPEB plan investments	15,953	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	24,450	340,239
School District contributions subsequent to the measurement date	199,643	-
	\$ 494,459	\$ 2,169,930

School District contributions subsequent to the measurement date of \$199,643 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	OPEB
2021	\$ (416,195)
2022	(416,195)
2023	(416,808)
2024	(371,395)
2025	(209,745)
Thereafter	(44,776)
	\$ (1,875,114)

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT (continued)

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50%
Salary increases	3.00% - 8.75%, including inflation
Long-term expected rate of return	7.30%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.250%
Medicare Eligible	5.375%
Ultimate trend rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2028
Medicare Eligible	2022

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.
- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014, and adopted by the pension Board on December 17, 2015. The next experience study for TRS will be for the period ending June 30, 2018.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018, valuation were based on a review of recent plan experience done concurrently with the June 30, 2018, valuation.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of 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. During fiscal year 2018, the School OPEB fund updated their investment strategy to a more long-term approach. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00%	(0.10)%
Domestic stocks - large cap	46.20%	8.90%
Domestic stocks – small cap	1.30%	13.20%
International stocks - developed market	12.40%	8.90%
International stocks - emerging market	5.10%	10.90%
Alternatives	<u>5.00%</u>	12.00%
	<u><u>100.00%</u></u>	

*Net of inflation.

Discount rate

The discount rate has changed since the prior measurement date from 3.87% to 3.58%. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.50% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2119. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2026. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT (continued)

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School District’s proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount rate	2.58%	3.58%	4.58%
Net OPEB liability	\$ 8,515,065	\$ 7,325,858	\$ 6,358,491

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the School District’s proportionate share of net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 6,171,259	\$ 7,325,858	\$ 8,792,285

OPEB plan fiduciary net position

Detailed information about the OPEB plan’s fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at <https://sao.georgia.gov/comprehensive-annual-financial-reports>.

(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.

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(15) RISK MANAGEMENT (continued)

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) COMMITMENTS AND CONTINGENCIES

Contractual commitments

The City has construction commitments totaling \$832,926. As of December 31, 2020, the remaining balance on these commitments totaled \$277,668.

Grant contingencies

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.

Litigation

The City is subject to claims and suits arising principally in the normal course of operations. 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 \$9,687 for the year ended December 31, 2020. Of this amount 57% (\$5,494) was expended. Expenditures of the tax were used to promote tourism as required by O.C.G.A. 48-13-51.

(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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
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(19) RELATED PARTY TRANSACTIONS

The Chickamauga Auto Center is a related party with the City's management. During the year ended December 31, 2020, the City paid the Chickamauga Auto Center \$10,666 for various auto and equipment repairs.

An individual that is a related party with City's management performs professional services for the City's rental homes. During the year ended December 31, 2020, the City paid the individual \$4,328.

(20) RESTATEMENT OF PRIOR YEAR NET POSITION - COMPONENT UNIT

For fiscal year 2020, the School District made prior period adjustments due to the adoption of GASB Statement No. 84, as described in "New Accounting Pronouncements," which requires the restatement of the June 30, 2019 net position in governmental activities and fund balance in the general fund and fiduciary funds. These changes are in accordance with generally accepted accounting principles. The net position and fund balance increased by \$31,673 and net position (fiduciary funds) decreased by \$31,673.

(21) RISKS AND UNCERTAINTIES

During March 2020, a pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

(22) SUBSEQUENT EVENTS

The City issued a general obligation bond, Series 2021, for \$2,120,000 on June 3, 2021, for the purpose of providing funds to (a) pay a portion of the costs for the following capital outlay projects: (1) business district economic development and improvement projects, (2) street improvements, (3) utility system upgrades, (4) city parks, playgrounds and ballfield improvements, (5) government vehicles, garbage trucks, city emergency and utility communications and technology equipment, (6) government building renovations, equipment and technology upgrades, and (7) train depot improvements and (b) paying the costs associated with the issuance of the bond. The bond bears interest at 1.17%, payable semi-annually. Starting December 1, 2022, and continuing the first day of December thereafter, the City shall make varying principal payments of \$410,000 to \$440,000 through December 1, 2026. The bond is secured by and payable from a direct annual ad valorem tax levied, without limitation as to rate or amount, upon all taxable property within the City which is subject to taxation for such purposes, in amounts sufficient to pay the principal of and interest of this bond. Upon an even of default, all outstanding principal and accrued interest may be declared immediately due and payable.

Management has evaluated subsequent events through May 2, 2022, the date which these financial statements were 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, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final</u>
				<u>Budget</u>
REVENUES				
Taxes	\$ 972,200	\$ 1,051,157	\$ 1,057,033	\$ 5,876
Intergovernmental	119,513	211,530	328,928	117,398
Licenses and permits	50,000	55,000	46,346	(8,654)
Charges for services	350,000	389,634	388,641	(993)
Fines and forfeitures	52,800	22,800	22,760	(40)
Investment earnings	4,000	12,000	15,256	3,256
Miscellaneous	<u>108,855</u>	<u>107,650</u>	<u>110,756</u>	<u>3,106</u>
Total revenues	<u>1,657,368</u>	<u>1,849,771</u>	<u>1,969,720</u>	<u>119,949</u>
EXPENDITURES				
Current				
General government	302,128	406,518	285,365	(121,153)
Judicial	39,250	26,600	23,759	(2,841)
Public safety	514,250	543,750	525,307	(18,443)
Highways and streets	462,913	457,650	384,181	(73,469)
Sanitation	141,800	176,200	145,804	(30,396)
Health and welfare	19,000	16,700	14,463	(2,237)
Recreation	118,200	115,100	106,311	(8,789)
Housing and development	<u>19,750</u>	<u>25,850</u>	<u>21,776</u>	<u>(4,074)</u>
Total expenditures	<u>1,617,291</u>	<u>1,768,368</u>	<u>1,506,966</u>	<u>(261,402)</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>40,077</u>	<u>81,403</u>	<u>462,754</u>	<u>381,351</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,500	4,500	4,239	(261)
Transfers out	-	-	(57,128)	(57,128)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total other financing sources (uses)	<u>4,500</u>	<u>4,500</u>	<u>(51,389)</u>	<u>(55,889)</u>
NET CHANGE IN FUND BALANCES				
	<u>\$ 44,577</u>	<u>\$ 85,903</u>	411,365	<u>\$ 325,462</u>
FUND BALANCES				
Beginning			<u>1,393,097</u>	
Ending			<u>\$ 1,804,462</u>	

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

(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.

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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY						
Service cost	\$ 53,876	\$ 43,245	\$ 41,459	\$ 46,011	\$ 49,668	\$ 51,255
Interest on total pension liability	212,255	190,146	145,602	173,803	162,201	157,716
Difference between expected and actual experience	124,873	73,764	571,376	(420,965)	72,104	(13,337)
Changes in assumptions	167,063	-	33,840	-	-	(14,611)
Changes in benefit terms	-	153,170	-	-	-	-
Benefit payments	<u>(177,255)</u>	<u>(175,085)</u>	<u>(182,882)</u>	<u>(142,573)</u>	<u>(125,969)</u>	<u>(120,333)</u>
Net change in total pension liability	380,812	285,240	609,395	(343,724)	158,004	60,690
PENSION LIABILITY						
Beginning	<u>2,864,812</u>	<u>2,579,572</u>	<u>1,970,177</u>	<u>2,313,901</u>	<u>2,155,897</u>	<u>2,095,207</u>
Ending (a)	<u>\$ 3,245,624</u>	<u>\$ 2,864,812</u>	<u>\$ 2,579,572</u>	<u>\$ 1,970,177</u>	<u>\$ 2,313,901</u>	<u>\$ 2,155,897</u>
PLAN FIDUCIARY NET PENSION						
Contributions - employer	\$ 104,429	\$ 71,993	\$ 75,005	\$ 77,761	\$ 81,279	\$ 87,760
Net investment income (loss)	(134,456)	72,331	238,795	223,243	4,996	166,162
Benefit payments	(177,255)	(175,085)	(182,882)	(142,573)	(125,969)	(120,333)
Administrative expenses	<u>(13,832)</u>	<u>(13,704)</u>	<u>(11,344)</u>	<u>(11,717)</u>	<u>(8,322)</u>	<u>(7,730)</u>
Net change in plan fiduciary net position	(221,114)	(44,465)	119,574	146,714	(48,016)	125,859
PLAN FIDUCIARY NET POSITION						
Beginning	<u>2,031,043</u>	<u>2,075,508</u>	<u>1,955,934</u>	<u>1,809,220</u>	<u>1,857,236</u>	<u>1,731,377</u>
Ending (b)	<u>\$ 1,809,929</u>	<u>\$ 2,031,043</u>	<u>\$ 2,075,508</u>	<u>\$ 1,955,934</u>	<u>\$ 1,809,220</u>	<u>\$ 1,857,236</u>
Net pension liability - ending (a)-(b)	<u>\$ 1,435,695</u>	<u>\$ 833,769</u>	<u>\$ 504,064</u>	<u>\$ 14,243</u>	<u>\$ 504,681</u>	<u>\$ 298,661</u>
Plan fiduciary net position as a percentage of the total pension liability	55.77%	70.90%	80.46%	99.28%	78.19%	86.15%
Covered-employee payroll	\$ 975,457	\$ 1,082,165	\$ 980,316	\$ 933,828	\$ 940,565	\$ 891,340
Net pension liability as a percentage of covered-employee payroll	147.18%	77.05%	51.42%	1.53%	53.66%	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***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 136,887	\$ 90,943	\$ 62,476	\$ 79,182	\$ 77,287
Contributions in relation to the actuarially determined contribution	<u>136,887</u>	<u>92,943</u>	<u>64,876</u>	<u>79,182</u>	<u>77,287</u>
Contribution excess	<u>\$ -</u>	<u>\$ (2,000)</u>	<u>\$ (2,400)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 975,457	\$ 1,082,165	\$ 980,316	\$ 933,828	\$ 940,565
Contributions as a percentage of covered-employee payroll	14.03%	8.59%	6.62%	8.48%	8.22%

	<u>2015</u>
Actuarially determined contribution	\$ 82,609
Contributions in relation to the actuarially determined contribution	<u>82,609</u>
Contribution excess	<u>\$ -</u>
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, 2020**

(1) VALUATION DATE

The actuarially determined contribution rate was determined as of July 1, 2020, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2021.

(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	Remining amortization period varies for the bases, with a net effective amortization period of 16 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	7.375%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustments	N/A

(3) BENEFIT CHANGES

Amounts reported for fiscal years ending in 2020 and later reflect that effective June 2, 2020, officials became eligible to retire under the Rule of 80 with minimum age 50 and those retiring under this rule can take in-service distributions. Also effective June 2, 2020, officials who first enter office after the effective date become 100% vested after eight years.

(4) CHANGES OF ASSUMPTIONS

The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

CITY OF CHICKAMAUGA, GEORGIA
DEFINED BENEFIT PENSION PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

(4) CHANGES OF ASSUMPTIONS (continued)

The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.

The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 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 and older as long as a participant was at least eligible for early retirement.

The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.

Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.

The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.

The disability rates were changed to 50% of the rates in the prior age-based table.

The inflation assumption was decreased from 2.75% to 2.25%.

**CITY OF CHICKAMAUGA, GEORGIA
DEFINED BENEFIT PENSION PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

(4) CHANGES OF ASSUMPTIONS (continued)

The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.

The investment return assumption was decreased from 7.50% to 7.375%.

SUPPLEMENTARY INFORMATION

**CITY OF CHICKAMAUGA, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Campaign Heritage Trail</u>	<u>Hotel/ Motel Tax</u>	<u>Cemetery</u>	<u>T-SPLOST</u>	
ASSETS					
Cash and cash equivalents	\$ 2,945	\$ 39,761	\$ -	\$ 364,035	\$ 406,741
Investments	-	-	400,006	-	400,006
Other receivable	-	100	-	-	100
 Total assets	 <u>\$ 2,945</u>	 <u>\$ 39,861</u>	 <u>\$ 400,006</u>	 <u>\$ 364,035</u>	 <u>\$ 806,847</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Nonspendable					
Cemetery	-	-	400,006	-	400,006
Restricted for					
Housing and development	-	39,861	-	-	39,861
SPLOST projects	-	-	-	364,035	364,035
Committed for					
Recreation	2,945	-	-	-	2,945
 Total fund balances	 <u>2,945</u>	 <u>39,861</u>	 <u>400,006</u>	 <u>364,035</u>	 <u>806,847</u>
 Total liabilities and fund balances	 <u>\$ 2,945</u>	 <u>\$ 39,861</u>	 <u>\$ 400,006</u>	 <u>\$ 364,035</u>	 <u>\$ 806,847</u>

CITY OF CHICKAMAUGA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Special Revenue		Permanent	Capital Projects	Total
	Campaign Heritage Trail	Hotel/ Motel Tax	Cemetery	T-SPLOST	Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ 9,687	\$ -	\$ -	\$ 9,687
Intergovernmental	-	-	-	217,621	217,621
Investment earnings	-	-	14,035	-	14,035
Total revenues	-	9,687	14,035	217,621	241,343
EXPENDITURES					
Current					
General government	-	-	4,226	-	4,226
Recreation	375	-	-	-	375
Housing and development	-	5,494	-	-	5,494
Capital outlay	-	-	-	3,470	3,470
Total expenditures	375	5,494	4,226	3,470	13,565
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES					
	(375)	4,193	9,809	214,151	227,778
OTHER FINANCING USES					
Transfer out	-	-	(4,239)	-	(4,239)
Total other financing uses	-	-	(4,239)	-	(4,239)
INCREASE (DECREASE) IN FUND BALANCES					
	(375)	4,193	5,570	214,151	223,539
FUND BALANCES					
Beginning	3,320	35,668	394,436	149,884	583,308
Ending	\$ 2,945	\$ 39,861	\$ 400,006	\$ 364,035	\$ 806,847

**CITY OF CHICKAMAUGA, GEORGIA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Investment earnings	\$ 10,000	\$ 10,000	\$ 14,035	\$ 4,035
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>14,035</u>	<u>4,035</u>
EXPENDITURES				
Current				
General government	<u>6,000</u>	<u>6,000</u>	<u>4,226</u>	<u>(1,774)</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>4,226</u>	<u>(1,774)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,000</u>	<u>4,000</u>	<u>9,809</u>	<u>5,809</u>
OTHER FINANCING USES				
Transfer out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,239)</u>	<u>(239)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	5,570	<u>\$ 5,570</u>
FUND BALANCE				
Beginning			<u>394,436</u>	
Ending			<u>\$ 400,006</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, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Recreation	<u>800</u>	<u>800</u>	<u>375</u>	<u>(425)</u>
	<u>800</u>	<u>800</u>	<u>375</u>	<u>(425)</u>
Total expenditures	<u>800</u>	<u>800</u>	<u>375</u>	<u>(425)</u>
DEFICIT OF REVENUES UNDER EXPENDITURES				
	<u>\$ (800)</u>	<u>\$ (800)</u>	(375)	<u>\$ 425</u>
FUND BALANCE				
Beginning			<u>3,320</u>	
Ending			<u>\$ 2,945</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, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 12,000	\$ 10,000	\$ 9,687	\$ (313)
Total revenues	<u>12,000</u>	<u>10,000</u>	<u>9,687</u>	<u>(313)</u>
EXPENDITURES				
Current				
Housing and development	<u>11,860</u>	<u>12,290</u>	<u>5,494</u>	<u>(6,796)</u>
Total expenditures	<u>11,860</u>	<u>12,290</u>	<u>5,494</u>	<u>(6,796)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	<u>\$ 140</u>	<u>\$ (2,290)</u>	4,193	<u>\$ 6,483</u>
FUND BALANCE				
Beginning			<u>35,668</u>	
Ending			<u>\$ 39,861</u>	

CITY OF CHICKAMAUGA, GEORGIA
MAJOR DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 713,800	\$ 713,800	\$ 713,800	\$ -
Total revenues	<u>713,800</u>	<u>713,800</u>	<u>713,800</u>	<u>-</u>
EXPENDITURES				
Debt service				
Principal retirement	580,000	580,000	580,000	-
Interest and fiscal charges	<u>133,800</u>	<u>133,800</u>	<u>133,800</u>	<u>-</u>
Total expenditures	<u>713,800</u>	<u>713,800</u>	<u>713,800</u>	<u>-</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

CITY OF CHICKAMAUGA, GEORGIA
WATER AND SEWERAGE FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2020

OPERATIONS AND MAINTENANCE EXPENSES

Salaries	\$ 280,670
Payroll taxes	20,329
Employee benefits	230,800
Purchased water	480
Water treatment charges	105,493
Truck expenses	23,856
Operating supplies	40,761
Maintenance and repairs	111,993
Utilities	84,464
Professional services	15,618
Insurance	25,448
Office supplies	39,505
Telephone	7,120
Travel	1,092
Uniforms	1,267
Education	1,693
Miscellaneous	<u>24,207</u>
 Total operations and maintenance expenses	 <u>\$ 1,014,796</u>

**CITY OF CHICKAMAUGA, GEORGIA
ELECTRIC SYSTEM FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2020**

OPERATIONS AND MAINTENANCE EXPENSES

Salaries	\$ 57,341
Payroll taxes	22,103
Employee benefits	94,695
Distribution	208,393
Maintenance and repairs	94,395
Professional services	14,474
Insurance	16,203
Office supplies	50,788
Customer assistance	37,535
Customer accounts	47,660
Rent	18,000
Tax equivalents	10,000
Miscellaneous	<u>57,646</u>
 Total operations and maintenance expenses	 <u>\$ 729,233</u>

**CITY OF CHICKAMAUGA, GEORGIA
LEE AND GORDON MILL FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2020**

OPERATIONS AND MAINTENANCE EXPENSES

Operating supplies	\$ 106
Maintenance and repairs	18,366
Utilities	8,368
Telephone	1,025
Security	85
Termite treatment	1,570
Dues	499
Miscellaneous	<u>8,668</u>
 Total operations and maintenance expenses	 <u>\$ 38,687</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, 2020, 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 May 2, 2022. 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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Chattanooga, Tennessee	73		423 267 5945 f

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, 2007-3.

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 deficiency described in the accompany schedule of findings and responses to be a significant deficiency, 2011-2.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
May 2, 2022

**CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020**

PRIOR AUDIT FINDINGS

Finding Control Number and Status

2007-3 The City has failed to implement the corrective action plan. The City continues to work on processes of implementing procedures to balance all balance sheet accounts on a monthly basis.

2011-2 The City has failed to implement the corrective action plan. The additional expense in this plan is not cost effective.

2017-1 Previously reported correction action plan implemented. The finding is closed.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020

FINANCIAL STATEMENT FINDINGS

Finding 2007-3

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. 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 page 80.

Finding 2011-2

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, payroll, 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 is 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 page 80.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED DECEMBER 31, 2020

PROJECT	Original Estimated Cost	Expenditures			Estimated Percentage of Completion	Cumulative Other Funding
		Prior Years	Current Years	Total		
2008 SPLOST						
Garbage and trash equipment	\$ 300,000	\$ 308,159	\$ -	\$ 308,159	100%	\$ -
Gordon Lee Mansion building renovations	100,000	74,912	-	74,912	75%	-
Recreation improvements	100,000	78,665	-	78,665	79%	-
Downtown streetscape construction	100,000	47,139	-	47,139	47%	-
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	47,526	-	47,526	95%	-
Water-sewer improvements	382,600	194,109	-	194,109	51%	-
	<u>\$ 1,432,600</u>	<u>\$ 1,068,524</u>	<u>\$ -</u>	<u>\$ 1,068,524</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	17,139	-	17,139	69%	-
City Hall renovations/equipment	25,000	28,008	-	28,008	100%	-
Renovations to American Legion building	87,000	652,447	-	652,447	100%	491,000
City park development	65,250	63,170	-	63,170	97%	-
Ball field improvements	87,000	73,202	-	73,202	84%	-
Police car	30,500	29,961	-	29,961	98%	-
Utility service truck	30,500	9,696	-	9,696	32%	-
Automated garbage truck	200,000	199,663	-	199,663	100%	-
Library computers	30,000	16,944	-	16,944	56%	-
Library furniture	2,500	6,014	-	6,014	100%	-
Library building improvements	7,500	12,869	-	12,869	100%	-
Library books and materials	3,500	-	-	-	0%	-
Street improvements	326,250	533,522	-	533,522	87%	250,561
Utility system upgrades	143,000	51,074	42,431	93,505	65%	-
	<u>\$ 1,100,000</u>	<u>\$ 1,708,828</u>	<u>\$ 42,431</u>	<u>\$ 1,751,259</u>		<u>\$ 741,561</u>

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

PROJECT	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Years	Total	
2020 SPLOST					
Computer, technology and equipment	\$ 60,000	\$ -	\$ -	\$ -	0%
Train depot and building(s) renovations and improvements	300,000	-	-	-	0%
Playground equipment	25,000	-	-	-	0%
Playset renovations and upgrades	50,000	-	-	-	0%
Picnic pavilion	20,000	-	-	-	0%
Holland-Watson Veterans Memorial Park fencing	25,000	-	-	-	0%
Walking trail development	50,000	-	-	-	0%
Recreation ball field lights/parking lot renovation	120,000	-	-	-	0%
Recreation playing fields improvements	20,000	-	-	-	0%
Emergency and utility communications and technology equipment	80,000	-	-	-	0%
Government vehicles	90,080	-	-	-	0%
Garbage truck	230,000	-	-	-	0%
Library equipment improvements	20,000	-	-	-	0%
Library furniture	10,000	-	-	-	0%
Library building improvement and renovation projects	34,800	-	-	-	0%
Sidewalk and storm water runoff projects	50,000	-	-	-	0%
New sidewalk construction and or repairs	50,000	-	-	-	0%
Decorative poles and street signs	12,200	-	-	-	0%
Chickamauga Gate Way and way finding signs	50,000	-	-	-	0%
Utility meter replacement	225,000	-	-	-	0%
Utility software PC and software upgrade	155,000	-	-	-	0%
Electric charging stations downtown	9,800	-	-	-	0%
Chickamauga business districts economic development and improvement projects	<u>1,760,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
	<u>\$ 3,446,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH TRANSPORTATION
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED DECEMBER 31, 2020

PROJECT	Original	Expenditures			Estimated Percentage of Completion
	Estimated Cost	Prior Years	Current Years	Total	
2018 T-SPLOST					
Roads, sidewalks, right of ways, walkways, storm water upgrades, repairs, resurfacing and maintenance	<u>\$ 942,500</u>	<u>\$ 163,146</u>	<u>\$ 3,470</u>	<u>\$ 166,616</u>	18%
	<u><u>\$ 942,500</u></u>	<u><u>\$ 163,146</u></u>	<u><u>\$ 3,470</u></u>	<u><u>\$ 166,616</u></u>	



City of Chickamauga

103 Crittenden Avenue • Chickamauga, Georgia 30707

706 375-3177

CORRECTIVE ACTION PLAN

May 2, 2022

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, 2020.

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 May 2, 2022, referenced instances of noncompliance and significant deficiencies. The corrective action taken on these items is as follows:

Finding 2007-3 - 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's staff is going to keep all balance sheet accounts balanced to the best of her knowledge.

Finding 2011-2 - SEGREGATION OF DUTIES

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.

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

Sincerely yours,

Micheal Haney
Utilities and City Manager