

CITY OF CHICKAMAUGA, GEORGIA

Chickamauga, Georgia

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2021

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**

Reports on the Audit of the Financial Statements

Opinions

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, 2021, 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.

In our opinion, based on our audit and the report of the 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, 2021, 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.

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 discretely presented component unit activities.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Chickamauga, Georgia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Chickamauga, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Chickamauga, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Chickamauga, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 vii-xvi and 56-60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

Supplementary 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 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 are presented for purposes of additional analysis as required by Georgia code section OCGA 48-8-121 and OCGA 48-8-269.5 and are also not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 by us and other auditors. In our opinion, based on our audit and the report of the other auditors, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedules listed in the table of contents on pages 64-70 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023, 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 City of Chickamauga, Georgia's internal control over financial reporting and compliance.

Johnson, Wickey & Meacham, P.C.

Chattanooga, Tennessee
January 13, 2023

City of Chickamauga, Georgia
Management's Discussion and Analysis
Year Ended December 31, 2021

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, 2021. 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 \$14,594,941 (net position) for the calendar year reported.
- Total net position is comprised of the following:
 1. Net investment in capital assets, of \$14,561,777 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 \$3,071,696 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 \$3,038,532.
- The City's governmental funds reported total ending fund balance of \$4,673,420 this year. This compares to the prior year ending fund balance of \$2,691,505, showing an overall increase of \$1,981,915 during the current year.
- At the end of the current calendar year, unassigned fund balance for the General Fund was \$1,632,368, or 92.4% of total General Fund expenditures.
- The City issued a general obligation bond, Series 2021, for \$2,120,000 in 2021 and will be payable from proceeds of the 2020 special purpose local option sales tax referendum.
- The City also entered into new lease agreements to purchase new vehicles for a total cost of \$152,119 during 2021.
- 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 56 to 60 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 other 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 62.

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 \$14,594,941. The following table provides a summary of the City's net position.

Summary of Net Position 2021						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	\$ 7,207,934	53%	\$ 2,401,143	18%	\$ 9,609,077	35%
Noncurrent assets	6,505,331	47%	11,099,736	82%	17,605,067	65%
Total assets	<u>13,713,265</u>	<u>100%</u>	<u>13,500,879</u>	<u>100%</u>	<u>27,214,144</u>	<u>100%</u>
Total deferred outflows of resources	<u>193,704</u>	<u>100%</u>	<u>283,853</u>	<u>100%</u>	<u>477,557</u>	<u>100%</u>
Liabilities:						
Current liabilities	3,232,272	38%	612,399	15%	3,844,671	31%
Long-term liabilities	5,260,361	62%	3,429,414	85%	8,689,775	69%
Total liabilities	<u>8,492,633</u>	<u>100%</u>	<u>4,041,813</u>	<u>100%</u>	<u>12,534,446</u>	<u>100%</u>
Total deferred inflows of resources	<u>230,545</u>	<u>100%</u>	<u>331,769</u>	<u>100%</u>	<u>562,314</u>	<u>100%</u>
Net position:						
Net investment in capital assets	6,435,992	124%	8,125,785	86%	14,561,777	100%
Restricted	3,028,598	59%	43,098	1%	3,071,696	21%
Unrestricted (deficit)	(4,280,799)	(83%)	1,242,267	13%	(3,038,532)	(21%)
Total net position	<u>\$ 5,183,791</u>	<u>100%</u>	<u>\$ 9,411,150</u>	<u>100%</u>	<u>\$ 14,594,941</u>	<u>100%</u>

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	6,082,885	58%	10,608,728	83%	16,691,613	72%
Total assets	<u>10,494,375</u>	<u>100%</u>	<u>12,843,893</u>	<u>100%</u>	<u>23,338,268</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	4,016,811	63%	3,367,205	87%	7,384,016	72%
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)	(2,683,046)	(61%)	1,174,366	12%	(1,508,680)	(11%)
Total net position	<u>\$ 4,396,442</u>	<u>100%</u>	<u>\$ 9,380,100</u>	<u>100%</u>	<u>\$ 13,776,542</u>	<u>100%</u>

The City continues to maintain a reasonable current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 2.2 to 1 and 3.9 to 1 for business-type activities. For the City overall, the current ratio is 2.5 to 1.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$787,349 for governmental activities and increased \$31,050 for business-type activities. The City's overall financial position improved during calendar year 2021.

Note that the governmental activities unrestricted net position reported a \$4,280,799 deficit in 2021. 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 City also issued a general obligation bond during 2021 that will be paid back from the proceeds of the 2020 SPLOST money. The total net bond amount outstanding at December 31, 2021, is \$5,497,435.

Also note that \$6,505,331 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 86% 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 2021						
	Governmental Activities	Percentage of Total	Business- type Activities	Percentage of Total	Total	Percentage of Total
Program revenues:						
Charges for services	\$ 485,935	15%	\$ 4,126,226	98%	\$ 4,612,161	62%
Operating grants	731,515	23%	-	-	731,515	10%
Capital grants	786,899	25%	34,774	1%	821,673	11%
General:						
Taxes	1,083,137	34%	-	-	1,083,137	15%
Other	107,504	3%	37,613	1%	145,117	2%
Total revenues	<u>3,194,990</u>	<u>100%</u>	<u>4,198,613</u>	<u>100%</u>	<u>7,393,603</u>	<u>100%</u>
Program expenses:						
General government	431,623	18%	-	-	431,623	7%
Judicial	33,189	1%	-	-	33,189	1%
Public safety	510,536	22%	-	-	510,536	8%
Highways and streets	646,974	28%	-	-	646,974	10%
Sanitation	251,497	11%	-	-	251,497	4%
Health and welfare	149,270	6%	-	-	149,270	2%
Recreation	149,095	6%	-	-	149,095	2%
Housing and development	44,994	2%	-	-	44,994	1%
Interest	132,640	6%	-	-	132,640	2%
Water and sewerage	-	-	1,368,014	32%	1,368,014	21%
Electric	-	-	2,728,928	65%	2,728,928	42%
Lee and Gordon Mill	-	-	128,444	3%	128,444	2%
Total expenses	<u>2,349,818</u>	<u>100%</u>	<u>4,225,386</u>	<u>100%</u>	<u>6,575,204</u>	<u>100%</u>
Change in net position before transfers	845,172		(26,773)		818,399	
Transfers	<u>(57,823)</u>		<u>57,823</u>		<u>-</u>	
Change in net position	787,349		31,050		818,399	
Beginning net position	<u>4,396,442</u>		<u>9,380,100</u>		<u>13,776,542</u>	
Ending net position	<u>\$ 5,183,791</u>		<u>\$ 9,411,150</u>		<u>\$ 14,594,941</u>	

Summary of Changes in Net Position 2020

	<u>Governmental Activities</u>	<u>Percentage of Total</u>	<u>Business- type Activities</u>	<u>Percentage of Total</u>	<u>Total</u>	<u>Percentage of Total</u>
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	<u>(57,128)</u>		<u>57,128</u>		-	
Change in net position	972,929		(128,829)		844,100	
Beginning net position						
	<u>3,423,513</u>		<u>9,508,929</u>		<u>12,932,442</u>	
Ending net position	<u>\$ 4,396,442</u>		<u>\$ 9,380,100</u>		<u>\$ 13,776,542</u>	

GOVERNMENTAL REVENUES

The City is heavily reliant on franchise taxes to support governmental operations and capital. Franchise taxes provide \$286,808 or 9.1% of the City's total governmental revenues. Charges for services are \$485,935 of revenues or 15.5% of the total. Sales taxes provide \$389,665 or 12.4% of total revenues.

Also, note that program revenues cover over 85.3% of governmental operating expenses. However, this percentage is misleading, since operating revenues includes payments from the City Board of Education of \$706,400 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 49.3% of the total governmental activities expenses. Recreation makes up 6.3% of the total governmental activities expense. General government totals around \$432,000 and the sanitation function costs the City around \$251,000 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	\$ 431,623	\$ (206,867)
Judicial	33,189	33,189
Public safety	510,536	426,909
Highways and streets	646,974	(231,248)
Sanitation	251,497	(19,472)
Health and welfare	149,270	149,145
Recreation	149,095	149,095
Housing and development	44,994	28,478
Interest	132,640	16,240
	<hr/>	<hr/>
Total	<u>\$ 2,349,818</u>	<u>\$ 345,469</u>

After reducing gross expenses by program revenues, general government reports revenues in excess of program expenses by \$206,867. 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 23.1% over the 2020 amount. The increase in revenues was due to some new developments built during 2021. Operating expenses increased 8.9% from 2020. The increase in expenses for the water and sewer fund is mainly due to an increase in water treatment charges, professional services and other miscellaneous items. There was an operating loss for 2020 of \$185,897, which decreased to a \$55,520 loss in 2021. Total net position decreased \$53,604. There were capital contributions from the special purpose local options sales taxes for 2021 of \$31,703 and 2020 of \$42,431, respectively.

The Electric System Fund -

The operating revenues for this fund were 8.0% over the 2020 amount and expenses decreased 1.8% under 2020. The revenues are up in the electric system mainly due to increase in unit cost. The 2021 operating income was \$103,668, as compared to an operating loss of \$156,772 in 2020. This change is due to the increase in operating revenues while having a decrease in repairs and maintenance expense. Total net position increased 10.1%.

The Lee and Gordon Mill Fund -

The operating revenues for this fund were down by 5.9% and expenses for this fund have increased 1.5% from the 2020 amount. The decrease in revenues is due to a decrease in rental income and the increase in expenses is due to an increase in depreciation expense. There was an operating loss for 2020 of \$66,947 which decreased to a \$71,631 loss for 2021. Total net position decreased 0.8% from 2020.

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 \$4,673,420, of which \$400,803 is considered nonspendable, \$2,637,529 is restricted for capital projects, housing and development, public safety, highways and streets and recreation, and \$2,720 is committed for recreation. The remaining balance of \$1,632,368 is unassigned indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of \$1,981,915 or 73.6% over the prior year. The net of this increase is primarily due to proceeds of \$2,120,000 for general obligations bonds received during 2021.

Major Governmental Funds:

The City reports five major governmental funds, the general fund, the American Rescue Plan Act fund, the SPLOST capital projects fund, the T-SPLOST capital projects fund and the debt service fund.

The General Fund -

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance decreased by \$50,078 or 2.8%. In calendar year 2020, the fund balance increased by \$411,365 or 29.5%

Franchise taxes decreased 19.6% from the 2020 amount. General fund local option sales taxes increased 9.1% over the 2020 collections. The general fund licenses and permits increased 1.0% from 2020, charges for services revenue decreased 2.1% from 2020, fines and forfeitures increased 77.0% from 2020, miscellaneous revenues decreased 11.7% from 2020 and the general fund intergovernmental revenue decreased 80.8% from 2020. The net of these changes is what makes up the decrease in revenues for the general fund. Most other revenue streams were consistent with that of fiscal year 2020, other than the general fund also received a \$25,000 donation during 2021.

The general government function increased 55.5% from 2020 due to capital outlay purchases and other professional services. The public safety function decreased 9.3% from 2020 due a decrease in patrol wages and capital outlay. The highways and streets function increased 15.8% from 2020 due to wage and benefit increases as well as capital outlay projects. The health and welfare function increased 208% from 2020 due to an increase in capital outlay. The net of these changes is in total what makes up the increase in expense for the general fund. Most other expense functions were consistent from 2020.

The general fund's ending fund balance was \$1,754,384, representing the equivalent of 99.3% of annual expenditures.

The American Rescue Plan Act Fund - This is a new special revenue fund set up in 2021 for revenues and expenditures from the federal government under the American Rescue Plan Act. The fund received \$607,954 but only spent \$115 during 2021.

The SPLOST Capital Projects Fund - This fund increased fund balance by \$2,261,290, leaving a \$2,341,485 ending fund balance. This increase was due to receiving \$2,120,000 in bond proceeds. This bond is payable from the proceeds of the 2020 special purpose local option sales tax referendum.

The T-SPLOST Fund - This is a new major fund in 2021. The fund decreased fund balance by \$213,471, leaving a \$150,564 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 2021 budget on January 14, 2021, and amended the final budget on February 7, 2022. Total taxes reported were \$1,021,351, which was \$8,464 under budget. Intergovernmental revenues were under budget \$42,186 due to amounts budgeted for LMIG but had been received in prior year. Licenses and permits were just under budget \$211, charges for services was just a little over budget by \$1,869 and fines and forfeitures were under budget \$273. Donations were \$9,470 over budget due to unexpected donations received. In total, the City realized 95.3% of the estimated operating revenues but the City underestimated to budget for proceeds from a new lease and sale of capital assets of \$82,656 and \$1200 in 2021. The City overspent expenditure transfers out of \$57,823. In total, the City expended 93.0% of the final operating 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, 2021 and 2020, was \$17,605,067 and \$16,691,611, respectively. The increase in this net investment was 6.9% for governmental and an increase of 4.6% 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Non-depreciable assets:						
Land	\$ 416,320	\$ 416,320	\$ 1,106,694	\$ 1,106,694	\$ 1,523,014	\$ 1,523,014
Construction in progress	<u>102,405</u>	<u>-</u>	<u>1,360,271</u>	<u>2,471,956</u>	<u>1,462,676</u>	<u>2,471,956</u>
Total non-depreciable assets	<u>518,725</u>	<u>416,320</u>	<u>2,466,965</u>	<u>3,578,650</u>	<u>2,985,690</u>	<u>3,994,970</u>
Depreciable assets:						
Buildings	2,826,926	3,463,952	3,077,688	3,039,688	5,904,614	6,503,640
Machinery and equipment	280,820	246,323	396,404	419,824	677,224	666,147
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	1,295,432	1,063,434	435,322	351,284	1,730,754	1,414,718
Water system	-	-	6,708,252	5,035,219	6,708,252	5,035,219
Sewerage system	-	-	2,698,779	2,666,855	2,698,779	2,666,855
Electric system	-	-	2,419,743	2,427,274	2,419,743	2,427,274
Furniture and fixtures	-	-	327,852	327,852	327,852	327,852
Infrastructure	<u>3,909,001</u>	<u>3,458,476</u>	<u>-</u>	<u>-</u>	<u>3,909,001</u>	<u>3,458,476</u>
Total depreciable assets	9,254,629	9,174,635	16,065,610	14,269,566	25,320,239	23,444,201
Less accumulated depreciation	<u>3,268,023</u>	<u>3,508,071</u>	<u>7,432,839</u>	<u>7,239,489</u>	<u>10,700,862</u>	<u>10,747,560</u>
Book value-						
depreciable assets	<u>5,986,606</u>	<u>5,666,564</u>	<u>8,632,771</u>	<u>7,030,077</u>	<u>14,619,377</u>	<u>12,696,641</u>
Percentage depreciated	<u>35%</u>	<u>38%</u>	<u>46%</u>	<u>51%</u>	<u>42%</u>	<u>46%</u>
Book value – all assets	<u>\$ 6,505,331</u>	<u>\$ 6,082,884</u>	<u>\$ 11,099,736</u>	<u>\$ 10,608,727</u>	<u>\$ 17,605,067</u>	<u>\$ 16,691,611</u>

At December 31, 2021, the depreciable capital assets for governmental activities were 35% depreciated. This decreased 3% over the December 31, 2020, percentage. The decrease is because the City added approximately \$770,000 in depreciable capital assets during the current year.

With the City’s business-type activities, 46% of the asset values were depreciated at December 31, 2021, compared to 51% at December 31, 2020. The decrease is because the City added approximately \$1,940,000 in depreciable capital assets during the current year.

Long-Term Debt -

At the end of the calendar year, the City had general obligation bonds outstanding of \$5,230,000. During the year, the City entered into a new bond, Series 2021 for \$2,100,000 and retired \$590,000 or 15.9% 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 City also entered into some finance purchases for new vehicles during 2021 and is paid by the fund leasing the corresponding asset. The following table provides changes in long-term obligations.

	Long-Term Obligations						% Change
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
General obligation bonds	\$5,230,000	\$3,700,000	\$ -	\$ -	\$5,230,000	\$3,700,000	41%
Bond premium	298,535	355,171	-	-	298,535	355,171	(16%)
Bond discount	(31,100)	(37,000)	-	-	(31,100)	(37,000)	(16%)
Intergovernmental payable	-	-	935,000	1,060,000	935,000	1,060,000	(12%)
Notes payable from direct borrowings	-	-	1,980,679	1,412,524	1,980,679	1,412,524	40%
Financed purchases	69,339	-	58,271	-	127,610	-	100%
Compensated absences	<u>33,821</u>	<u>31,393</u>	<u>41,527</u>	<u>37,180</u>	<u>75,348</u>	<u>68,573</u>	<u>10%</u>
Total	<u>\$5,600,595</u>	<u>\$4,049,564</u>	<u>\$3,015,477</u>	<u>\$2,509,704</u>	<u>\$8,616,072</u>	<u>\$6,559,268</u>	<u>31%</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, 2021

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Board of Education
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 6,051,155	\$ 863,970	\$ 6,915,125	\$ 4,488,178
Certificates of deposit	529,161	793,939	1,323,100	-
Investments	388,349	-	388,349	-
Receivables				
Accounts	-	520,047	520,047	-
Property taxes	147,192	-	147,192	-
Sales taxes	39,074	-	39,074	142,916
Intergovernmental	-	-	-	1,397,221
Interest	1,148	284	1,432	-
Interfund receivable	38,369	(38,369)	-	-
Other	1,032	-	1,032	7,543
Inventory	-	54,624	54,624	21,532
Prepaid items	12,454	13,545	25,999	-
Restricted cash	-	193,103	193,103	-
Restricted cash and investments with fiscal agent or trustee	-	-	-	4,861,006
Capital assets				
Nondepreciable	518,725	2,466,965	2,985,690	1,141,040
Depreciable, net	5,986,606	8,632,771	14,619,377	28,781,368
 Total assets	 13,713,265	 13,500,879	 27,214,144	 40,840,804
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on debt refunding	-	5,104	5,104	-
Pension related items	193,704	278,749	472,453	3,377,231
OPEB plan related items	-	-	-	1,699,852
 Total deferred outflows of resources	 193,704	 283,853	 477,557	 5,077,083

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

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Board of Education
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
LIABILITIES				
Accounts payable	93,812	312,284	406,096	160,402
Accrued salaries and withholdings	30,384	22,191	52,575	1,394,203
Compensated absences payable	33,821	41,527	75,348	-
Intergovernmental payable	-	135,074	135,074	-
Accrued interest payable	26,742	12,693	39,435	-
Notes payable	-	65,776	65,776	-
Due to component unit	1,802,479	-	1,802,479	-
Unearned revenue	607,839	-	607,839	-
Financed purchases	27,195	22,854	50,049	101,895
General obligation bonds payable	1,020,000	-	1,020,000	-
Long-term liabilities				
Customer deposits	-	193,102	193,102	-
Intergovernmental payable, net of current portion	-	810,000	810,000	-
Notes payable, net of current portion	-	1,914,903	1,914,903	-
General obligation bonds payable, net of current portion	4,477,435	-	4,477,435	-
Financed purchases, net of current portion	42,144	35,417	77,561	406,800
Net pension liability	330,782	475,992	806,774	12,001,496
Net OPEB liability	-	-	-	8,670,867
	<u>8,492,633</u>	<u>4,041,813</u>	<u>12,534,446</u>	<u>22,735,663</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	230,545	331,769	562,314	378,222
OPEB plan related items	-	-	-	2,070,094
	<u>230,545</u>	<u>331,769</u>	<u>562,314</u>	<u>2,448,316</u>
NET POSITION				
Net investment in capital assets	6,435,992	8,125,786	14,561,778	29,263,672
Restricted for				
Public safety	600	-	600	-
Highways and streets	81,978	-	81,978	-
Recreation	26,984	43,098	70,082	-
Capital projects	2,492,049	-	2,492,049	2,514,169
Program purposes	426,987	-	426,987	89,968
Gordon Lee Charitable Trust	-	-	-	5,019,443
Unrestricted (deficit)	<u>(4,280,799)</u>	<u>1,242,266</u>	<u>(3,038,533)</u>	<u>(16,153,344)</u>
Total net position	<u>\$ 5,183,791</u>	<u>\$ 9,411,150</u>	<u>\$ 14,594,941</u>	<u>\$ 20,733,908</u>
(The accompanying notes are an integral part of these statements.)				

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

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	\$ 431,623	\$ 48,375	\$ 590,115	\$ -	\$ 206,867		\$ 206,867	
Judicial	33,189	-	-	-	(33,189)		(33,189)	
Public safety	510,536	58,627	25,000	-	(426,909)		(426,909)	
Highways and streets	646,974	91,323	-	786,899	231,248		231,248	
Sanitation	251,497	270,969	-	-	19,472		19,472	
Health and welfare	149,270	125	-	-	(149,145)		(149,145)	
Recreation	149,095	-	-	-	(149,095)		(149,095)	
Housing and development	44,994	16,516	-	-	(28,478)		(28,478)	
Interest	132,640	-	116,400	-	(16,240)		(16,240)	
Total governmental activities	<u>2,349,818</u>	<u>485,935</u>	<u>731,515</u>	<u>786,899</u>	<u>(345,469)</u>		<u>(345,469)</u>	
Business-type activities								
Water and sewerage	1,368,014	1,272,154	-	34,774		\$ (61,086)	(61,086)	
Electric	2,728,928	2,807,754	-	-		78,826	78,826	
Lee & Gordon Mill	128,443	46,317	-	-		(82,126)	(82,126)	
Total business-type activities	<u>4,225,385</u>	<u>4,126,225</u>	<u>-</u>	<u>34,774</u>		<u>(64,386)</u>	<u>(64,386)</u>	
Total primary government	<u>6,575,203</u>	<u>4,612,160</u>	<u>731,515</u>	<u>821,673</u>	<u>(345,469)</u>	<u>(64,386)</u>	<u>(409,855)</u>	
COMPONENT UNIT								
City of Chickamauga Board of Education	<u>\$ 16,177,885</u>	<u>\$ 897,364</u>	<u>\$ 8,953,238</u>	<u>\$ 452,421</u>				<u>\$ (5,874,862)</u>
GENERAL REVENUES								
Property taxes					-	-	-	1,756,783
Sales taxes					389,665	-	389,665	934,928
Franchise taxes					286,808	-	286,808	-
Alcoholic beverage tax					78,223	-	78,223	-
Insurance premium tax					266,655	-	266,655	-
Hotel/motel tax					16,972	-	16,972	-
Payments in lieu of taxes					44,814	-	44,814	-
Unrestricted grant					-	-	-	1,524,360
Investment earnings					8,517	11,645	20,162	452,207
Gain on sale of capital assets					1,200	825	2,025	-
Miscellaneous					97,787	25,143	122,930	1,101,986
Total general revenues					<u>1,190,641</u>	<u>37,613</u>	<u>1,228,254</u>	<u>5,770,264</u>
TRANSFERS								
Change in net position					<u>(57,823)</u>	<u>57,823</u>	<u>-</u>	<u>-</u>
NET POSITION								
Beginning					<u>4,396,442</u>	<u>9,380,100</u>	<u>13,776,542</u>	<u>20,838,506</u>
Ending					<u>\$ 5,183,791</u>	<u>\$ 9,411,150</u>	<u>\$ 14,594,941</u>	<u>\$ 20,733,908</u>

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

CITY OF CHICKAMAUGA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>SPLOST Capital Projects</u>	<u>T-SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,901,917	\$ 607,839	\$ 2,352,297	\$ 150,564	\$ 38,538	\$ 6,051,155
Certificates of deposit	529,161	-	-	-	-	529,161
Investments	-	-	-	-	388,349	388,349
Receivables						
Property taxes	147,192	-	-	-	-	147,192
Sales taxes	39,074	-	-	-	-	39,074
Interest	1,148	-	-	-	-	1,148
Interfund receivable	39,918	-	26,000	-	-	65,918
Other	932	-	-	-	100	1,032
Prepaid items	12,454	-	-	-	-	12,454
	<u>\$ 3,671,796</u>	<u>\$ 607,839</u>	<u>\$ 2,378,297</u>	<u>\$ 150,564</u>	<u>\$ 426,987</u>	<u>\$ 7,235,483</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 57,000	\$ -	\$ 36,812	\$ -	\$ -	\$ 93,812
Accrued salaries and withholdings	30,384	-	-	-	-	30,384
Interfund payable	27,549	-	-	-	-	27,549
Due to component unit	1,802,479	-	-	-	-	1,802,479
Unearned revenue	-	607,839	-	-	-	607,839
	<u>1,917,412</u>	<u>607,839</u>	<u>36,812</u>	<u>-</u>	<u>-</u>	<u>2,562,063</u>
FUND BALANCES						
Nonspendable						
Prepaid items	12,454	-	-	-	-	12,454
Cemetery	-	-	-	-	388,349	388,349
Restricted for						
Capital projects	-	-	2,341,485	150,564	-	2,492,049
Housing and development	-	-	-	-	35,918	35,918
Public safety	600	-	-	-	-	600
Highways and streets	81,978	-	-	-	-	81,978
Culture and recreation	26,984	-	-	-	-	26,984
Committed for						
Recreation	-	-	-	-	2,720	2,720
Unassigned	1,632,368	-	-	-	-	1,632,368
	<u>1,754,384</u>	<u>-</u>	<u>2,341,485</u>	<u>150,564</u>	<u>426,987</u>	<u>4,673,420</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,671,796</u>	<u>\$ 607,839</u>	<u>\$ 2,378,297</u>	<u>\$ 150,564</u>	<u>\$ 426,987</u>	<u>\$ 7,235,483</u>

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

CITY OF CHICKAMAUGA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total governmental fund balances \$ 4,673,420

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	9,773,354	
Less accumulated depreciation	<u>(3,268,023)</u>	6,505,331

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

Financed purchases	(69,339)	
General obligation bonds	(5,497,435)	
Accrued interest	(26,742)	
Compensated absences	<u>(33,821)</u>	(5,627,337)

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	193,704	
Net pension liability	(330,782)	
Deferred inflows of resources	<u>(230,545)</u>	<u>(367,623)</u>

Net position of governmental activities \$ 5,183,791

(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, 2021

	General Fund	American Rescue Plan Act	SPLOST Capital Projects	T-SPLOST	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 1,021,351	\$ -	\$ -	\$ -	\$ -	\$ 16,972	\$ 1,038,323
Intergovernmental	63,164	115	539,239	247,660	706,400	-	1,556,578
Licenses and permits	46,789	-	-	-	-	-	46,789
Charges for services	380,519	-	-	-	-	-	380,519
Fines, fees and forfeitures	40,277	-	-	-	-	-	40,277
Investment earnings	10,058	-	-	-	-	(1,541)	8,517
Contributions and donations	25,000	-	-	-	-	-	25,000
Miscellaneous	97,787	-	-	-	-	-	97,787
	<u>1,684,945</u>	<u>115</u>	<u>539,239</u>	<u>247,660</u>	<u>706,400</u>	<u>15,431</u>	<u>3,193,790</u>
Total revenues							
EXPENDITURES							
Current							
General government	443,707	115	-	-	-	4,661	448,483
Judicial	33,189	-	-	-	-	-	33,189
Public safety	476,595	-	-	-	-	-	476,595
Highways and streets	444,991	-	-	-	-	-	444,991
Sanitation	182,440	-	-	-	-	-	182,440
Health and welfare	44,548	-	-	-	-	-	44,548
Recreation	107,883	-	-	-	-	225	108,108
Housing and development	18,770	-	-	-	-	20,915	39,685
Capital outlay	-	-	329,687	461,131	-	-	790,818
Debt service							
Principal retirement	13,317	-	-	-	590,000	-	603,317
Interest and fiscal charges	1,072	-	12,264	-	116,400	-	129,736
Issuance costs	-	-	55,998	-	-	-	55,998
	<u>1,766,512</u>	<u>115</u>	<u>397,949</u>	<u>461,131</u>	<u>706,400</u>	<u>25,801</u>	<u>3,357,908</u>
Total expenditures							
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES							
	<u>(81,567)</u>	<u>-</u>	<u>141,290</u>	<u>(213,471)</u>	<u>-</u>	<u>(10,370)</u>	<u>(164,118)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	5,456	-	-	-	-	-	5,456
Transfers out	(57,823)	-	-	-	-	(5,456)	(63,279)
Proceeds from financed purchases	82,656	-	-	-	-	-	82,656
Proceeds from general obligations bonds	-	-	2,120,000	-	-	-	2,120,000
Proceeds from sale of capital assets	1,200	-	-	-	-	-	1,200
	<u>31,489</u>	<u>-</u>	<u>2,120,000</u>	<u>-</u>	<u>-</u>	<u>(5,456)</u>	<u>2,146,033</u>
Total other financing sources (uses)							
NET CHANGE IN FUND BALANCES							
	(50,078)	-	2,261,290	(213,471)	-	(15,826)	1,981,915
FUND BALANCES							
Beginning	1,804,462	-	80,195	364,035	-	442,813	2,691,505
Ending	<u>\$ 1,754,384</u>	<u>\$ -</u>	<u>\$ 2,341,485</u>	<u>\$ 150,564</u>	<u>\$ -</u>	<u>\$ 426,987</u>	<u>\$ 4,673,420</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, 2021

Net changes in fund balances - total governmental funds \$ 1,981,915

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	(372,726)	
Capital outlay	874,435	501,709

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (79,262)

Elimination of transfers between governmental funds.

Transfers in	(5,456)	
Transfers out	5,456	-

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.

Proceeds of financed purchases	(82,656)	
Financed purchases principal payments	13,317	
Proceeds of general obligation bonds	(2,120,000)	
General obligation bond principal payments	590,000	
Amortization of bond discount	(5,900)	
Amortization of bond premium	56,636	(1,548,603)

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	2,358	
Compensated absences	(2,428)	
Pension expense	(68,340)	(68,410)

Change in net position of governmental activities \$ 787,349

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

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	<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	\$ 648,057	\$ 164,902	\$ 51,011	\$ 863,970
Certificates of deposit	372,211	421,728	-	793,939
Receivables				
Accounts	-	520,047	-	520,047
Interest	284	-	-	284
Interfund	133,251	-	27,549	160,800
Inventory	31,361	23,263	-	54,624
Prepaid items	7,307	6,238	-	13,545
	<u>1,192,471</u>	<u>1,136,178</u>	<u>78,560</u>	<u>2,407,209</u>
Total current assets				
NONCURRENT ASSETS				
Restricted cash	-	193,103	-	193,103
Capital assets				
Nondepreciable	1,364,265	-	1,102,700	2,466,965
Depreciable, net	5,672,736	600,513	2,359,522	8,632,771
	<u>7,037,001</u>	<u>793,616</u>	<u>3,462,222</u>	<u>11,292,839</u>
Total noncurrent assets				
Total assets	<u>8,229,472</u>	<u>1,929,794</u>	<u>3,540,782</u>	<u>13,700,048</u>
DEFERRED OUTFLOWS OF				
RESOURCES				
Deferred charges on debt refunding	-	-	5,104	5,104
Pension related items	217,761	60,988	-	278,749
	<u>217,761</u>	<u>60,988</u>	<u>5,104</u>	<u>283,853</u>
Total deferred outflows of resources				

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

	Business-Type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee and Gordon Mill	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	101,996	207,720	2,568	312,284
Accrued salaries and withholdings	10,876	11,315	-	22,191
Compensated absences payable	19,760	21,767	-	41,527
Interfund payable	29,900	154,469	14,800	199,169
Intergovernmental payable	77,112	10,074	47,888	135,074
Accrued interest payable	8,812	-	3,881	12,693
Notes payable	65,776	-	-	65,776
Financed purchases	8,858	8,858	5,138	22,854
Total current liabilities	<u>323,090</u>	<u>414,203</u>	<u>74,275</u>	<u>811,568</u>
LONG-TERM LIABILITIES				
Customer deposits	-	193,102	-	193,102
Intergovernmental payable, net of current portion	499,689	-	310,311	810,000
Notes payable, net of current portion	1,914,903	-	-	1,914,903
Financed purchases, net of current portion	13,727	13,727	7,963	35,417
Net pension liability	369,330	106,662	-	475,992
Total long-term liabilities	<u>2,797,649</u>	<u>313,491</u>	<u>318,274</u>	<u>3,429,414</u>
Total liabilities	<u>3,120,739</u>	<u>727,694</u>	<u>392,549</u>	<u>4,240,982</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	<u>259,648</u>	<u>72,121</u>	<u>-</u>	<u>331,769</u>
NET POSITION				
Restricted - recreation	-	-	43,098	43,098
Net investment in capital assets	4,456,936	577,928	3,090,922	8,125,786
Unrestricted	<u>609,910</u>	<u>613,039</u>	<u>19,317</u>	<u>1,242,266</u>
Total net position	<u>\$ 5,066,846</u>	<u>\$ 1,190,967</u>	<u>\$ 3,153,337</u>	<u>\$ 9,411,150</u>

(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, 2021

	<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	\$ 1,272,154	\$ 2,763,928	\$ 46,317	\$ 4,082,399
Forfeited discounts	-	43,826	-	43,826
Miscellaneous	650	24,493	-	25,143
	<u>1,272,804</u>	<u>2,832,247</u>	<u>46,317</u>	<u>4,151,368</u>
Total operating revenues				
OPERATING EXPENSES				
Purchased power	-	1,996,544	-	1,996,544
Operations and maintenance	1,118,751	687,031	37,169	1,842,951
Depreciation	209,573	45,004	80,779	335,356
	<u>1,328,324</u>	<u>2,728,579</u>	<u>117,948</u>	<u>4,174,851</u>
Total operating expenses				
OPERATING GAIN (LOSS)	<u>(55,520)</u>	<u>103,668</u>	<u>(71,631)</u>	<u>(23,483)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	6,007	5,638	-	11,645
Intergovernmental	3,071	-	-	3,071
Interest and fiscal charges	(39,690)	(349)	(10,495)	(50,534)
Proceeds from sale of capital assets	825	-	-	825
	<u>(29,787)</u>	<u>5,289</u>	<u>(10,495)</u>	<u>(34,993)</u>
Total nonoperating revenues (expenses)				
Income (loss) before capital contributions and transfers	(85,307)	108,957	(82,126)	(58,476)
Capital contributions	31,703	-	-	31,703
Transfers in	-	-	57,823	57,823
	<u>(53,604)</u>	<u>108,957</u>	<u>(24,303)</u>	<u>31,050</u>
CHANGE IN NET POSITION				
NET POSITION				
Beginning	<u>5,120,450</u>	<u>1,082,010</u>	<u>3,177,640</u>	<u>9,380,100</u>
Ending	<u>\$ 5,066,846</u>	<u>\$ 1,190,967</u>	<u>\$ 3,153,337</u>	<u>\$ 9,411,150</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, 2021

	<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	\$ 1,272,804	\$ 2,783,607	\$ 46,317	\$ 4,102,728
Cash payments to employees for services and benefits	(569,067)	(283,076)	5,031	(847,112)
Cash payments for goods and services	(450,564)	(2,329,845)	-	(2,780,409)
Cash received for interfund services provided	-	47,208	-	47,208
Other cash payments	-	(10,000)	-	(10,000)
	<u>253,173</u>	<u>207,894</u>	<u>51,348</u>	<u>512,415</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	57,823	57,823
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from grants and contributed capital	3,071	-	-	3,071
Proceeds from sale of capital assets	825	1,200	-	2,025
Proceeds from notes payable	588,181	-	-	588,181
Principal paid on notes payable	(20,025)	-	-	(20,025)
Interest paid on notes payable	(23,262)	-	-	(23,262)
Principal paid on financed purchases	(4,338)	(4,338)	(2,516)	(11,192)
Interest paid on financed purchases	(349)	(349)	(203)	(901)
Payments to other governments	(93,113)	-	(57,822)	(150,935)
Payments for capital acquisitions	(593,856)	(47,699)	(38,000)	(679,555)
	<u>(142,866)</u>	<u>(51,186)</u>	<u>(98,541)</u>	<u>(292,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment of accounts payable used to purchase capital assets	(94,586)	-	-	(94,586)
Investment earnings	621	-	-	621
	<u>(93,965)</u>	<u>-</u>	<u>-</u>	<u>(93,965)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,342	156,708	10,630	183,680
CASH AND CASH EQUIVALENTS				
Beginning	<u>631,715</u>	<u>201,297</u>	<u>40,381</u>	<u>873,393</u>
Ending	<u>\$ 648,057</u>	<u>\$ 358,005</u>	<u>\$ 51,011</u>	<u>\$ 1,057,073</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 GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating gain (loss)	\$ (55,520)	\$ 103,668	\$ (71,631)	\$ (23,483)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities				
Depreciation	209,573	45,004	80,779	335,356
Provision for losses on accounts receivable	-	9,344	-	9,344
Loss on disposal of capital assets	-	303	-	303
(Increase) decrease in assets and deferred outflows of resources				
Accounts receivable	-	(57,923)	-	(57,923)
Interfund receivable	(34,394)	3,819	41,982	11,407
Inventory	(6,429)	(2,762)	-	(9,191)
Prepaid items	(389)	2,189	-	1,800
Pension related items	132,179	37,280	-	169,459
Increase (decrease) in liabilities and deferred inflows of resources				
Accounts payable	31,527	25,704	218	57,449
Accrued salaries and withholdings	307	(140)	-	167
Interfund payable	29,900	43,389	-	73,289
Intergovernmental payable	-	725	-	725
Compensated absences payable	1,891	2,456	-	4,347
Customer deposits	-	10,483	-	10,483
Net pension liability	(289,430)	(81,633)	-	(371,063)
Pension related items	<u>233,958</u>	<u>65,988</u>	<u>-</u>	<u>299,946</u>
Net cash provided by operating activities	<u>\$ 253,173</u>	<u>\$ 207,894</u>	<u>\$ 51,348</u>	<u>\$ 512,415</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	\$ 648,057	\$ 164,902	\$ 51,011	\$ 863,970
Restricted cash	<u>-</u>	<u>193,103</u>	<u>-</u>	<u>193,103</u>
	<u>\$ 648,057</u>	<u>\$ 358,005</u>	<u>\$ 51,011</u>	<u>\$ 1,057,073</u>
NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES				
Certificate of deposit - capitalized interest	\$ 9,413	\$ 5,638	\$ -	\$ 15,051
Capital assets contributed	\$ 31,703	\$ -	\$ -	\$ 31,703
Purchase of capital assets in accounts payable	\$ 47,147	\$ -	\$ -	\$ 47,147
Capital assets purchased with direct financing	\$ 26,923	\$ 26,923	\$ 15,617	\$ 69,463

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

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(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, 2021

(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, 2021

(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.

American Rescue Plan Act Fund - This fund accounts for revenue and expenditures from the federal government under the American Rescue Plan Act.

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

T-SPLOST Fund - This fund accounts for the acquisition of assets with proceeds from the transportation special local option sales tax.

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Proprietary Funds

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

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

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

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

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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.

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. The amount estimated to be uncollectible from property tax receivable is \$457. Also, estimated uncollectible accounts receivable in the electric system proprietary fund are \$57,000. Unbilled water, sewer, and electric charges are accrued as receivables and revenue at year end.

Interfund Balances

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

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, 2021, 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, 2021

(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, 2021

(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, 2021

(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, 2021

(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, 2021

(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 February 7, 2022.

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, 2021, 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, 2021, all of the City's bank deposits were insured and/or collateralized.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(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 \$388,349 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	\$ 6,051,155	\$ 388,349
Governmental funds - balance sheet - certificate of deposit	529,161	-
Proprietary funds - statement of net position	863,970	-
Proprietary funds - statement of net position - certificate of deposit	793,939	-
Proprietary funds - statement of net position - restricted	193,103	-
Less-cash on hand	(300)	-
	\$ 8,431,028	\$ 388,349

Investment Type

	Carrying Amount	Credit Rating	Maturities
Money market funds	\$ 80,334	N/A	less than 6 months
Certificates of deposits	276,914	N/A	3 to 6 years
Municipal obligations	31,101	AAA	greater than 5 years
	\$ 388,349		

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, 2021

(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, 2021.

	Level 1	Level 2	Level 3	Total Fair Value
Money market funds	\$ 80,334	\$ -	\$ -	\$ 80,334
Certificates of deposits	276,914	-	-	276,914
Municipal obligations	-	31,101	-	31,101
	\$ 357,248	\$ 31,101	\$ -	\$ 388,349

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

(4) RECEIVABLES

Receivables at December 31, 2021, 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 27% of the sewerage revenue of the water and sewerage fund and one customer accounted for approximately 27% of the electric system revenue.

(5) PROPERTY TAXES

The City levied the property taxes on October 20, 2021. 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, 2021. All unpaid taxes become delinquent sixty days after the billing date (i.e., December 20, 2021).

**CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

(5) PROPERTY TAXES (continued)

Property taxes receivable at December 31, 2021, consist of the following:

Year of Levy	Amount
2021	\$ 137,782
2020	6,724
2019	2,253
2018	258
2017	82
2016-1999	550
	147,649
Less-allowances for uncollectibles	457
Property taxes receivable, net	\$ 147,192

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CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(6) CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, 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>-</u>	<u>102,405</u>	<u>-</u>	<u>-</u>	<u>102,405</u>
Total nondepreciable capital assets	<u>416,320</u>	<u>102,405</u>	<u>-</u>	<u>-</u>	<u>518,725</u>
Depreciable capital assets					
Buildings	3,463,952	23,853	660,879	-	2,826,926
Machinery and equipment	246,323	34,497	-	-	280,820
Land improvements	892,350	-	-	-	892,350
Computer equipment and software	50,100	-	-	-	50,100
Vehicles and road equipment	1,063,434	263,155	31,157	-	1,295,432
Infrastructure	<u>3,458,476</u>	<u>450,525</u>	<u>-</u>	<u>-</u>	<u>3,909,001</u>
Total depreciable capital assets	<u>9,174,635</u>	<u>772,030</u>	<u>692,036</u>	<u>-</u>	<u>9,254,629</u>
Total capital assets	<u>9,590,955</u>	<u>874,435</u>	<u>692,036</u>	<u>-</u>	<u>9,773,354</u>
Accumulated depreciation					
Buildings	1,349,192	62,307	581,617	-	829,882
Machinery and equipment	169,378	12,646	-	-	182,024
Land improvements	424,105	37,997	-	-	462,102
Computer equipment and software	50,100	-	-	-	50,100
Vehicles and road equipment	692,313	116,720	31,157	-	777,876
Infrastructure	<u>822,983</u>	<u>143,056</u>	<u>-</u>	<u>-</u>	<u>966,039</u>
Total accumulated depreciation	<u>3,508,071</u>	<u>372,726</u>	<u>612,774</u>	<u>-</u>	<u>3,268,023</u>
Governmental activities capital assets, net	<u>\$ 6,082,884</u>	<u>\$ 501,709</u>	<u>\$ 79,262</u>	<u>\$ -</u>	<u>\$ 6,505,331</u>

Governmental activities depreciation expense was as follows:

General government	\$ 18,176
Public safety	32,448
Highways and streets	167,726
Sanitation	69,057
Health and welfare	25,460
Recreation	54,550
Housing and development	<u>5,309</u>
	<u>\$ 372,726</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(6) CAPITAL ASSETS (continued)

The following are changes in the water and sewerage fund capital assets for the year ended December 31, 2021:

	<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>2,471,956</u>	<u>570,248</u>	<u>-</u>	<u>(1,681,933)</u>	<u>1,360,271</u>
Total nondepreciable capital assets	<u>2,475,950</u>	<u>570,248</u>	<u>-</u>	<u>(1,681,933)</u>	<u>1,364,265</u>
Depreciable capital assets					
Buildings	78,462	-	-	-	78,462
Machinery and equipment	166,551	-	2,089	-	164,462
Computer equipment and software	1,570	-	-	-	1,570
Vehicles and road equipment	134,281	85,641	28,739	-	191,183
Water system	5,035,219	11,816	20,716	1,681,933	6,708,252
Sewerage system	<u>2,666,855</u>	<u>31,924</u>	<u>-</u>	<u>-</u>	<u>2,698,779</u>
Total depreciable capital assets	<u>8,082,938</u>	<u>129,381</u>	<u>51,544</u>	<u>1,681,933</u>	<u>9,842,708</u>
Total capital assets	<u>10,558,888</u>	<u>699,629</u>	<u>51,544</u>	<u>-</u>	<u>11,206,973</u>
Accumulated depreciation					
Buildings	47,436	1,538	-	-	48,974
Machinery and equipment	149,629	7,334	2,089	-	154,874
Computer equipment and software	1,570	-	-	-	1,570
Vehicles and road equipment	118,402	13,326	28,739	-	102,989
Water system	2,076,719	118,285	20,716	-	2,174,288
Sewerage system	<u>1,618,187</u>	<u>69,090</u>	<u>-</u>	<u>-</u>	<u>1,687,277</u>
Total accumulated depreciation	<u>4,011,943</u>	<u>209,573</u>	<u>51,544</u>	<u>-</u>	<u>4,169,972</u>
Business-Type Activities - Water and Sewerage, net	<u>\$ 6,546,945</u>	<u>\$ 490,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,037,001</u>

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CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(6) CAPITAL ASSETS (continued)

The following are changes in the electric system fund capital assets for the year ended December 31, 2021:

	<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	249,391	-	21,331	-	228,060
Vehicles and road equipment	217,003	62,605	51,086	-	228,522
Electric system	<u>2,427,274</u>	<u>12,017</u>	<u>19,548</u>	<u>-</u>	<u>2,419,743</u>
Total depreciable capital assets	<u>2,897,627</u>	<u>74,622</u>	<u>91,965</u>	<u>-</u>	<u>2,880,284</u>
Total capital assets	<u>2,897,627</u>	<u>74,622</u>	<u>91,965</u>	<u>-</u>	<u>2,880,284</u>
Accumulated depreciation					
Buildings	3,959	-	-	-	3,959
Machinery and equipment	190,796	7,054	21,331	-	176,519
Vehicles and road equipment	145,004	14,535	49,583	-	109,956
Electric system	<u>1,985,470</u>	<u>23,415</u>	<u>19,548</u>	<u>-</u>	<u>1,989,337</u>
Total accumulated depreciation	<u>2,325,229</u>	<u>45,004</u>	<u>90,462</u>	<u>-</u>	<u>2,279,771</u>
Business-Type Activities -					
Electric System, net	<u>\$ 572,398</u>	<u>\$ 29,618</u>	<u>\$ 1,503</u>	<u>\$ -</u>	<u>\$ 600,513</u>

The following are changes in the Lee and Gordon Mill fund capital assets for the year ended December 31, 2021:

	<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	38,000	-	-	2,995,267
Furniture and fixtures	327,852	-	-	-	327,852
Machinery and equipment	3,882	-	-	-	3,882
Vehicles	<u>-</u>	<u>15,617</u>	<u>-</u>	<u>-</u>	<u>15,617</u>
Total depreciable capital assets	<u>3,289,001</u>	<u>53,617</u>	<u>-</u>	<u>-</u>	<u>3,342,618</u>
Total capital assets	<u>4,391,701</u>	<u>53,617</u>	<u>-</u>	<u>-</u>	<u>4,445,318</u>
Accumulated depreciation					
Buildings	678,244	61,767	-	-	740,011
Furniture and fixtures	220,191	16,149	-	-	236,340
Machinery and equipment	3,882	-	-	-	3,882
Vehicles	<u>-</u>	<u>2,863</u>	<u>-</u>	<u>-</u>	<u>2,863</u>
Total accumulated depreciation	<u>902,317</u>	<u>80,779</u>	<u>-</u>	<u>-</u>	<u>983,096</u>
Business-type activities -					
Lee and Gordon Mill, net	<u>\$ 3,489,384</u>	<u>\$ (27,162)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,462,222</u>

CITY OF CHICKAMAUGA, GEORGIA
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DECEMBER 31, 2021

(6) CAPITAL ASSETS (continued)

The following are changes in the component unit capital assets for the year ended June 30, 2021:

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>819,501</u>	<u>879,818</u>	<u>975,723</u>	<u>-</u>	<u>723,596</u>
Total nondepreciable capital assets	<u>1,236,945</u>	<u>879,818</u>	<u>975,723</u>	<u>-</u>	<u>1,141,040</u>
Depreciable capital assets					
Land improvements	3,303,052	16,456	460,000	-	2,859,508
Buildings and improvements	30,728,353	1,072,761	-	-	31,801,114
Equipment	<u>2,381,619</u>	<u>202,241</u>	<u>-</u>	<u>-</u>	<u>2,583,860</u>
Total depreciable capital assets	<u>36,413,024</u>	<u>1,291,458</u>	<u>460,000</u>	<u>-</u>	<u>37,244,482</u>
Total capital assets	<u>37,649,969</u>	<u>2,171,276</u>	<u>1,435,723</u>	<u>-</u>	<u>38,385,522</u>
Accumulated depreciation					
Land improvements	1,329,767	180,355	276,000	-	1,234,122
Buildings and improvements	5,266,363	662,865	-	-	5,929,228
Equipment	<u>1,116,202</u>	<u>183,562</u>	<u>-</u>	<u>-</u>	<u>1,299,764</u>
Total accumulated depreciation	<u>7,712,332</u>	<u>1,026,782</u>	<u>276,000</u>	<u>-</u>	<u>8,463,114</u>
Component Unit, net	<u>\$ 29,937,637</u>	<u>\$ 1,144,494</u>	<u>\$ 1,159,723</u>	<u>\$ -</u>	<u>\$ 29,922,408</u>

(7) INTERFUND BALANCES AND TRANSFERS

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

	<u>General Fund</u>	<u>SPLOST Capital Projects</u>	<u>Water and Sewerage</u>	<u>Electric System</u>	<u>Lee and Gordon Mill</u>	<u>Total</u>
Receivables						
General fund	\$ -	\$ -	\$ 3,900	\$ 31,018	\$ 5,000	\$ 39,918
Water and sewerage	-	-	26,000	123,451	9,800	26,000
Lee and Gordon Mill	27,549	-	-	-	-	133,251
Electric system	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,549</u>
	<u>\$ 27,549</u>	<u>\$ -</u>	<u>\$ 29,900</u>	<u>\$ 154,469</u>	<u>\$ 14,800</u>	<u>\$ 226,718</u>
Payable						
General fund	\$ -	\$ -	\$ -	\$ -	\$ 27,549	\$ 27,549
Water and sewerage	3,900	26,000	-	-	-	29,900
Electric system	31,018	-	123,451	-	-	154,469
Lee and Gordon Mill	<u>5,000</u>	<u>-</u>	<u>9,800</u>	<u>-</u>	<u>-</u>	<u>14,800</u>
	<u>\$ 39,918</u>	<u>\$ 26,000</u>	<u>\$ 133,251</u>	<u>\$ -</u>	<u>\$ 27,549</u>	<u>\$ 226,718</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, 2021, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
<u>Transfer to</u>			
General fund	\$ -	\$ 5,456	\$ 5,456
Lee and Gordon Mill	57,823	-	57,823
	\$ 57,823	\$ 5,456	\$ 63,279

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 \$935,000 for the year ended December 31, 2021.

The remaining intergovernmental payable of \$10,074 is for sales tax.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(8) INTERGOVERNMENTAL PAYABLE (continued)

Scheduled principal and interest payments on the intergovernmental agreement to purchase revenue bonds outstanding as of December 31, 2021, follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	140,000	8,840	148,840
2027-2029	<u>270,000</u>	<u>8,190</u>	<u>278,190</u>
Total	<u>\$ 935,000</u>	<u>\$ 87,425</u>	<u>\$ 1,022,425</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, 2021, 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 completion 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, 2021. 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. The City started making payments on the loan June 2021. The City only drew \$986,176 of the loan and \$236,683 was forgiven. The loan has a 0.89% interest rate with monthly installments payable including interest for 239 consecutive payments, with a final payment equal to the entire remaining unpaid principal balance and interest in May 2041. 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, 2021. 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
DECEMBER 31, 2021

(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.

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(9) LONG-TERM DEBT (continued)

Primary Government (continued)

Scheduled principal repayments and interest payments on general obligation bonds and notes payable outstanding as of December 31, 2021, follows:

Year	Business-Type Activities		Governmental Activities		Total
	Notes Payable from Direct Borrowing		General Obligation Bonds Payable		
	Principal	Interest	Principal	Interest	
2022	\$ 65,776	\$ 20,458	\$ 1,020,000	\$ 123,504	\$ 1,229,738
2023	89,181	28,429	635,000	100,407	853,017
2024	90,528	28,072	650,000	88,952	857,552
2025	91,898	26,702	665,000	77,229	860,829
2026	93,290	25,310	680,000	229,600	1,028,200
2027-2031	488,167	104,832	1,295,000	29,576	1,917,575
2032-2036	526,658	66,340	285,000	-	877,998
2037-2041	535,181	23,957	-	-	559,138
	<u>\$ 1,980,679</u>	<u>\$ 324,100</u>	<u>\$ 5,230,000</u>	<u>\$ 649,268</u>	<u>\$ 8,184,047</u>

Financed Purchases from Direct Borrowings

The City entered into a lease-purchase agreement for vehicles. 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 December 31, 2021, payments due by fiscal year which includes principal and interest for these items are as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 27,195	\$ 1,583	\$ 22,854	\$ 1,330
2023	27,960	817	23,498	687
2024	14,184	114	11,919	96
	<u>\$ 69,339</u>	<u>\$ 2,514</u>	<u>\$ 58,271</u>	<u>\$ 2,113</u>

Capital assets being acquired under the financed purchases from direct borrowings as of December 31, 2021, are as follows:

	Governmental Activities	Business-Type Activities
Equipment	\$ 82,656	\$ 69,463
Less-accumulated depreciation	<u>15,154</u>	<u>10,267</u>
	<u>\$ 67,502</u>	<u>\$ 79,730</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(9) LONG-TERM DEBT (continued)

Changes in Long-Term Obligations

Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year	Accrued Interest
Governmental Activities						
General obligation bonds	\$ 3,700,000	\$ 2,120,000	\$ 590,000	\$ 5,230,000	\$ 1,020,000	\$ 26,742
Bond premium	355,171	-	56,636	298,535	-	-
Bond discount	(37,000)	-	(5,900)	(31,100)	-	-
Financed purchases	-	82,656	13,317	69,339	27,195	-
Compensated absences	31,393	2,428	-	33,821	33,821	-
	<u>\$ 4,049,564</u>	<u>\$ 2,205,084</u>	<u>\$ 654,053</u>	<u>\$ 5,600,595</u>	<u>\$ 1,081,016</u>	<u>\$ 26,742</u>
Business-Type Activities						
Intergovernmental payable	\$ 1,060,000	\$ -	\$ 125,000	\$ 935,000	\$ 125,000	\$ 10,130
Notes payable from direct borrowings	1,412,524	588,180	20,025	1,980,679	65,776	2,563
Financed purchases	-	69,463	11,192	58,271	22,854	-
Compensated absences	37,180	4,347	-	41,527	41,527	-
	<u>\$ 2,509,704</u>	<u>\$ 661,990</u>	<u>\$ 156,217</u>	<u>\$ 3,015,477</u>	<u>\$ 255,157</u>	<u>\$ 12,693</u>

The general obligation bonds are being retired by the debt service fund and from proceeds of the 2020 special purpose local option sales tax referendum. 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 financed purchase for vehicles is paid by the fund leasing the vehicle. 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.

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, 2021, payments due by fiscal year which includes principal and interest for these items are as follows:

Year	Governmental Activities	
	Principal	Interest
2022	\$ 101,895	\$ 13,480
2023	104,596	10,780
2024	107,368	8,008
2025	194,836	5,165
	<u>\$ 508,695</u>	<u>\$ 37,433</u>

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(9) LONG-TERM DEBT (continued)

Component Unit (continued)

Financed Purchases from Direct Borrowings (continued)

Capital assets being acquired under the financed purchases from direct borrowings as of June 30, 2021, are as follows:

	Governmental Activities
Equipment	\$ 721,712
Less-accumulated depreciation	108,257
	\$ 613,455

Changes in Long-Term Obligations

Changes in the School District's long-term obligations consisted of the following for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year	Accrued Interest
Governmental Activities						
Financed purchases from direct borrowings	\$ 607,960	\$ -	\$ 99,265	\$ 508,695	\$ 101,895	\$ -

(10) NET POSITION

Net investment in capital assets on the government-wide statement of net position as of December 31, 2021, is as follows:

	Governmental Activities	Business-Type Activities	Component Unit
Net investment in capital assets			
Cost of capital assets	\$ 9,773,354	\$ 18,532,575	\$ 38,385,522
Less-accumulated depreciation	3,268,023	7,432,839	8,463,114
Book value	6,505,331	11,099,736	29,922,408
Less-intergovernmental payable	-	935,000	-
Less-notes payable	-	1,980,679	-
Less-contracts payable	-	-	90,000
Less-retainages payable	-	-	60,041
Less-financed purchases	69,339	58,271	508,695
Net investment in capital assets	\$ 6,435,992	\$ 8,125,786	\$ 29,263,672

**CITY OF CHICKAMAUGA, GEORGIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

(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, 2021, the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	23
Terminated vested participants not yet receiving benefits	8
Active participants	26
	57

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.

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

Benefits (continued)

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, 2021, the City's recommended contribution (and amount contributed) of \$174,717 was 16.97% of expected payroll.

Net Pension Liability

Actuarial data developed in connection with the City's actuarial valuation as of July 1, 2021, were used to measure total pension liability as of March 31, 2021. The balances as of March 31, 2021, constitute measurements of the net pension liability for the year ending December 31, 2021.

Actuarial Assumptions

The total pension liability in the July 1, 2021, 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 headcount 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, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Net Pension Liability (continued)

Actuarial Assumptions (continued)

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, 2020, are summarized in the following table:

	Long-Term Expected Real Rate of Return	Target Allocation
Domestic equity	6.40%	45%
International equity	7.05%	20%
Real estate	4.50%	10%
Global fixed income	1.25%	5%
Domestic fixed income	1.15%	20%
		100%

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.

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

(11) DEFINED BENEFIT PENSION PLAN - PRIMARY GOVERNMENT (continued)
Net Pension Liability (continued)

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, 2020	\$ 3,245,624	\$ 1,809,929	\$ 1,435,695
Charges for the year			
Service cost	50,256	-	50,256
Interest	235,745	-	235,745
Differences between expected and actual experience	31,949	-	31,949
Contributions	-	146,345	(146,345)
Net investment income	-	811,097	(811,097)
Benefit payments	(198,673)	(198,673)	-
Administrative expense	-	(10,571)	10,571
Net changes	119,277	(748,198)	(628,921)
Balances at March 31, 2021	\$ 3,364,901	\$ 2,558,127	\$ 806,774

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	\$ 1,183,336	\$ 806,774	\$ 488,373

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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, 2021.

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

For the year ended December 31, 2021, the City recognized pension expense of \$341,400. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension items from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 84,026	\$ -
Changes in assumptions	55,688	-
Net difference between projected and actual earnings on pension plan investments	201,701	(562,314)
Contributions subsequent to the measurement date of March 31, 2021*	<u>131,038</u>	<u>-</u>
	<u>\$ 472,453</u>	<u>\$ (562,314)</u>

*The amount shown for “contribution subsequent to the measurement date of March 31, 2021,” 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:

<u>Year</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 196,237	\$ (154,353)
2023	80,484	(135,987)
2024	64,694	(135,987)
2025	<u>-</u>	<u>(135,987)</u>
	<u>\$ 341,415</u>	<u>\$ (562,314)</u>

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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, 2021, three participating employees contributed \$3,350 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
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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 6.00% of their annual pay during fiscal 2021. The School District's contractually required contribution rate for the year ended June 30, 2021, was 19.06% of annual school district payroll, of which 18.85% of payroll was required from the school district and 0.21% of payroll was required from the state. For the current fiscal year, employer contributions to the pension plan were \$1,264,356 and \$14,757 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 \$15.50, 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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(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 \$21,646.

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

At June 30, 2021, the School District reported a liability of \$12,001,496 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	\$ 12,001,496
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>147,039</u>
	<u>\$ 12,148,535</u>

The net pension liability for TRS was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020, 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, 2020.

On June 30, 2020, the School District's TRS proportion was 0.049544%, which was a decrease of 0.001282% from its proportion measured as of June 30, 2019.

On June 30, 2021, 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 \$116,852.

The PSERS net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020, 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, 2020.

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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)

For the year ended June 30, 2021, the School District recognized pension expense of \$1,899,515 for TRS and \$23,515 for PSERS, and revenue of \$25,382 for TRS and \$23,515 for PSERS. The revenue is support provided by the State or Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2021, 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	\$ 522,669	\$ -
Changes of assumptions	1,236,168	-
Net difference between projected and actual earnings on pension plan investments	289,058	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	64,980	378,222
School District contributions subsequent to the measurement date	1,264,356	-
	\$ 3,377,231	\$ 378,222

The School District contributions subsequent to the measurement date 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, 2022. 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
2022	\$ 314,947
2023	545,522
2024	634,093
2025	240,091
	\$ 1,734,653

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2019, 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

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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 for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018, 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, 2019, 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.

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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)

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 with the exception of TRS, which assumed a rate of 2.50% 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 plans' 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:

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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)

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

Teachers' Retirement System

	1% Decrease	Current	1% Increase
Discount rate	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 19,031,508	\$ 12,001,496	\$ 6,238,902

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 \$255,701 for the year ended June 30, 2021. Active employees are not required to contribute to the School OPEB Fund.

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(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, 2021, the School District reported a liability of \$8,670,867 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as June 30, 2019. An expected total OPEB liability as of June 30, 2020, 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, 2020. At June 30, 2020, the School District's proportion was 0.059035%, which was a decrease of 0.000660% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$265,481. At June 30, 2021, 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	\$ -	\$ 946,589
Changes of assumptions	1,433,969	771,521
Net difference between projected and actual earnings on OPEB plan investments	22,600	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	17,582	351,984
School District contributions subsequent to the measurement date	225,701	-
	\$ 1,699,852	\$ 2,070,094

School District contributions subsequent to the measurement date 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, 2022. 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
2022	\$ (251,284)
2023	(251,891)
2024	(207,013)
2025	(46,929)
2026	113,733
Thereafter	47,441
	\$ (595,943)

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

Actuarial Assumptions

The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2019, 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, 2020:

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	7.00%
Medicare Eligible	5.25%
Ultimate trend rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate trend rate	
Pre-Medicare Eligible	2029
Medicare Eligible	2023

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 Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree Mortality Table projected generationally with MP-2019 projection scale (set forward one year and adjusted 106%) is used for death prior to retirement and for service retirements and beneficiaries. The Pub-2010 Teachers Mortality Table for Disabled Retirees projected generationally with MP-2019 Projection scale (set forward one year and adjusted 106%) is used for disability retirements. For both, rates of improvement were reduced by 20% for all years prior to the ultimate rate.
- 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. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2018, and with the exception of the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018, valuation.

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, 2019, valuation were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation.

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

Actuarial Assumptions (continued)

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.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	0.50%
Equity	70.00%	9.20%
	100.00%	

*Net of inflation.

Discount rate

In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 2.22% was used as the discount rate, as compared with last year's rate of 3.58%. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation bonds with an average rating of AA or higher (2.21% per the Municipal Bond Index Rate). 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 2118.

CITY OF CHICKAMAUGA, GEORGIA
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(14) POST-EMPLOYMENT BENEFITS - COMPONENT UNIT (continued)

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

The following presents the collective net OPEB liability of the participating employers calculated using the discount rate of 2.22%, as well as what the School 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 (1.22%) or 1-percentage-point higher (3.22%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount rate	1.22%	2.22%	3.22%
Net OPEB liability	\$ 10,186,838	\$ 8,670,867	\$ 7,458,513

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

The following presents the collective net OPEB liability of the participating employers, as well as what the collective 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	\$ 7,219,368	\$ 8,670,867	\$ 10,550,136

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the Annual Comprehensive Financial Report (ACFR) which is publicly available at <https://sao.georgia.gov/statewide-reporting/acfr>.

(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.

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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

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 \$16,972 for the year ended December 31, 2021. Of this amount 100% 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
DECEMBER 31, 2021

(19) RELATED PARTY TRANSACTIONS

The Chickamauga Auto Center is a related party with the City's management. During the year ended December 31, 2021, the City paid the Chickamauga Auto Center \$6,506 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, 2021, the City paid the individual \$4,100.

(20) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceed appropriations in the following fund and departments:

General fund

Debt service

Principal retirement	\$	13,317
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Interest and fiscal charges	\$	1,072
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(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

Management has evaluated subsequent events through January 13, 2023, 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, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,011,800	\$ 1,029,815	\$ 1,021,351	\$ (8,464)
Intergovernmental	119,513	105,350	63,164	(42,186)
Licenses and permits	55,000	47,000	46,789	(211)
Charges for services	387,500	378,650	380,519	1,869
Fines and forfeitures	52,800	40,550	40,277	(273)
Investment earnings	12,000	12,000	10,058	(1,942)
Contributions	-	15,530	25,000	9,470
Miscellaneous	107,855	98,907	97,787	(1,120)
	<u>1,746,468</u>	<u>1,727,802</u>	<u>1,684,945</u>	<u>(42,857)</u>
Total revenues				
EXPENDITURES				
Current				
General government	366,205	450,624	443,707	(6,917)
Judicial	39,560	39,600	33,189	(6,411)
Public safety	476,100	545,450	476,595	(68,855)
Highways and streets	573,700	464,020	444,991	(19,029)
Sanitation	141,800	195,800	182,440	(13,360)
Health and welfare	22,100	48,300	44,548	(3,752)
Recreation	95,720	134,750	107,883	(26,867)
Housing and development	24,750	20,720	18,770	(1,950)
Debt service				
Principal retirement	-	-	13,317	13,317
Interest and fiscal charges	-	-	1,072	1,072
	<u>1,739,935</u>	<u>1,899,264</u>	<u>1,766,512</u>	<u>(132,752)</u>
Total expenditures				
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	<u>6,533</u>	<u>(171,462)</u>	<u>(81,567)</u>	<u>89,895</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,500	5,500	5,456	(44)
Transfers out	-	-	(57,823)	(57,823)
Proceeds from financed purchases	-	40,000	82,656	42,656
Proceeds from sale of capital assets	-	-	1,200	1,200
	<u>4,500</u>	<u>45,500</u>	<u>31,489</u>	<u>(14,011)</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES				
	<u>\$ 11,033</u>	<u>\$ (125,962)</u>	<u>(50,078)</u>	<u>\$ 75,884</u>
FUND BALANCES				
Beginning			<u>1,804,462</u>	
Ending			<u>\$ 1,754,384</u>	

CITY OF CHICKAMAUGA, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

(1) BUDGETARY BASIS OF ACCOUNTING

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

(2) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceed appropriations in the following fund and departments:

General fund

Debt service

Principal retirement

\$ 13,317

Interest and fiscal charges

\$ 1,072

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*

	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY							
Service cost	\$ 50,256	\$ 53,876	\$ 43,245	\$ 41,459	\$ 46,011	\$ 49,668	\$ 51,255
Interest on total pension liability	235,745	212,255	190,146	145,602	173,803	162,201	157,716
Difference between expected and actual experience	31,949	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	(198,673)	(177,255)	(175,085)	(182,882)	(142,573)	(125,969)	(120,333)
Net change in total pension liability	119,277	380,812	285,240	609,395	(343,724)	158,004	60,690
PENSION LIABILITY							
Beginning	3,245,624	2,864,812	2,579,572	1,970,177	2,313,901	2,155,897	2,095,207
Ending (a)	<u>\$ 3,364,901</u>	<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	\$ 146,345	\$ 104,429	\$ 71,993	\$ 75,005	\$ 77,761	\$ 81,279	\$ 87,760
Net investment income (loss)	811,097	(134,456)	72,331	238,795	223,243	4,996	166,162
Benefit payments	(198,673)	(177,255)	(175,085)	(182,882)	(142,573)	(125,969)	(120,333)
Administrative expenses	(10,571)	(13,832)	(13,704)	(11,344)	(11,717)	(8,322)	(7,730)
Net change in plan fiduciary net position	748,198	(221,114)	(44,465)	119,574	146,714	(48,016)	125,859
PLAN FIDUCIARY NET POSITION							
Beginning	1,809,929	2,031,043	2,075,508	1,955,934	1,809,220	1,857,236	1,731,377
Ending (b)	<u>\$ 2,558,127</u>	<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>\$ 806,774</u>	<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	76.02%	55.77%	70.90%	80.46%	99.28%	78.19%	86.15%
Covered-employee payroll	\$ 1,068,628	\$ 975,457	\$ 1,082,165	\$ 980,316	\$ 933,828	\$ 940,565	\$ 891,340
Net pension liability as a percentage of covered-employee payroll	75.50%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 174,717	\$ 136,887	\$ 90,943	\$ 62,476	\$ 79,182
Contributions in relation to the actuarially determined contribution	<u>174,717</u>	<u>136,887</u>	<u>92,943</u>	<u>64,876</u>	<u>79,182</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,000)</u>	<u>\$ (2,400)</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,068,628	\$ 975,457	\$ 1,082,165	\$ 980,316	\$ 933,828
Contributions as a percentage of covered-employee payroll	16.35%	14.03%	8.59%	6.62%	8.48%

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 77,287	\$ 82,609
Contributions in relation to the actuarially determined contribution	<u>77,287</u>	<u>82,609</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 940,565	\$ 891,340
Contributions as a percentage of covered-employee payroll	8.22%	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, 2021**

(1) VALUATION DATE

The actuarially determined contribution rate was determined as of July 1, 2021, 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, 2022.

(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 15 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

All benefits remain unchanged.

(4) CHANGES OF ASSUMPTIONS

There were no changes in methods or assumptions since the last valuation.

SUPPLEMENTARY INFORMATION

**CITY OF CHICKAMAUGA, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	Special Revenue		Permanent	Total
	Campaign Heritage Trail	Hotel/ Motel Tax	Cemetery	Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,720	\$ 35,818	\$ -	\$ 38,538
Investments	-	-	388,349	388,349
Other receivable	-	100	-	100
	<u>\$ 2,720</u>	<u>\$ 35,918</u>	<u>\$ 388,349</u>	<u>\$ 426,987</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
 FUND BALANCES				
Nonspendable				
Cemetery	-	-	388,349	388,349
Restricted for				
Housing and development	-	35,918	-	35,918
Committed for				
Recreation	2,720	-	-	2,720
	<u>2,720</u>	<u>35,918</u>	<u>388,349</u>	<u>426,987</u>
Total fund balances	<u>2,720</u>	<u>35,918</u>	<u>388,349</u>	<u>426,987</u>
Total liabilities and fund balances	<u>\$ 2,720</u>	<u>\$ 35,918</u>	<u>\$ 388,349</u>	<u>\$ 426,987</u>

CITY OF CHICKAMAUGA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Total</u>
	<u>Campaign</u>	<u>Hotel/</u>		<u>Nonmajor</u>
	<u>Heritage</u>	<u>Motel/</u>		<u>Governmental</u>
	<u>Trail</u>	<u>Tax</u>	<u>Cemetery</u>	<u>Funds</u>
REVENUES				
Taxes	\$ -	\$ 16,972	\$ -	\$ 16,972
Investment earnings (loss)	-	-	(1,541)	(1,541)
	<u>-</u>	<u>-</u>	<u>(1,541)</u>	<u>(1,541)</u>
Total revenues	<u>-</u>	<u>16,972</u>	<u>(1,541)</u>	<u>15,431</u>
EXPENDITURES				
Current				
General government	-	-	4,661	4,661
Recreation	225	-	-	225
Housing and development	-	20,915	-	20,915
	<u>-</u>	<u>20,915</u>	<u>-</u>	<u>20,915</u>
Total expenditures	<u>225</u>	<u>20,915</u>	<u>4,661</u>	<u>25,801</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(225)</u>	<u>(3,943)</u>	<u>(6,202)</u>	<u>(10,370)</u>
OTHER FINANCING USES				
Transfer out	-	-	(5,456)	(5,456)
	<u>-</u>	<u>-</u>	<u>(5,456)</u>	<u>(5,456)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(5,456)</u>	<u>(5,456)</u>
DECREASE IN FUND BALANCES	(225)	(3,943)	(11,658)	(15,826)
FUND BALANCES				
Beginning	<u>2,945</u>	<u>39,861</u>	<u>400,007</u>	<u>442,813</u>
Ending	<u>\$ 2,720</u>	<u>\$ 35,918</u>	<u>\$ 388,349</u>	<u>\$ 426,987</u>

**CITY OF CHICKAMAUGA, GEORGIA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings (loss)	\$ 10,000	\$ 10,000	\$ (1,541)	\$ (11,541)
Total revenues	10,000	10,000	(1,541)	(11,541)
EXPENDITURES				
Current				
General government	5,500	6,000	4,661	(1,339)
Total expenditures	5,500	6,000	4,661	(1,339)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	4,500	4,000	(6,202)	(10,202)
OTHER FINANCING USES				
Transfer out	(4,500)	(4,000)	(5,456)	(1,456)
NET CHANGE IN FUND BALANCES				
	\$ -	\$ -	(11,658)	\$ (11,658)
FUND BALANCE				
Beginning			400,007	
Ending			\$ 388,349	

**CITY OF CHICKAMAUGA, GEORGIA
 CAMPAIGN HERITAGE TRAIL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2021**

	<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>225</u>	<u>(575)</u>
	<u>800</u>	<u>800</u>	<u>225</u>	<u>(575)</u>
Total expenditures	<u>800</u>	<u>800</u>	<u>225</u>	<u>(575)</u>
DEFICIT OF REVENUES UNDER EXPENDITURES				
	<u>\$ (800)</u>	<u>\$ (800)</u>	(225)	<u>\$ 575</u>
FUND BALANCE				
Beginning			<u>2,945</u>	
Ending			<u>\$ 2,720</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, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 12,000	\$ 20,000	\$ 16,972	\$ (3,028)
Total revenues	<u>12,000</u>	<u>20,000</u>	<u>16,972</u>	<u>(3,028)</u>
EXPENDITURES				
Current				
Housing and development	<u>33,760</u>	<u>21,660</u>	<u>20,915</u>	<u>(745)</u>
Total expenditures	<u>33,760</u>	<u>21,660</u>	<u>20,915</u>	<u>(745)</u>
DEFICIT OF REVENUES OVER EXPENDITURES	<u>\$ (21,760)</u>	<u>\$ (1,660)</u>	(3,943)	<u>\$ (2,283)</u>
FUND BALANCE				
Beginning			<u>39,861</u>	
Ending			<u>\$ 35,918</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, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final</u>
				<u>Budget</u>
REVENUES				
Intergovernmental	\$ 706,400	\$ 713,800	\$ 706,400	\$ (7,400)
Total revenues	<u>706,400</u>	<u>713,800</u>	<u>706,400</u>	<u>(7,400)</u>
EXPENDITURES				
Debt service				
Principal retirement	590,000	580,000	590,000	10,000
Interest and fiscal charges	<u>116,400</u>	<u>133,800</u>	<u>116,400</u>	<u>(17,400)</u>
Total expenditures	<u>706,400</u>	<u>713,800</u>	<u>706,400</u>	<u>(7,400)</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, 2021

OPERATIONS AND MAINTENANCE EXPENSES

Salaries	\$ 282,659
Payroll taxes	20,574
Employee benefits	226,236
Purchased water	667
Water treatment charges	146,413
Truck expenses	38,501
Operating supplies	35,946
Maintenance and repairs	104,400
Utilities	82,229
Professional services	43,888
Insurance	28,937
Office supplies	43,362
Telephone	8,110
Uniforms	3,521
Education	1,042
Miscellaneous	<u>52,266</u>
 Total operations and maintenance expenses	 <u>\$ 1,118,751</u>

CITY OF CHICKAMAUGA, GEORGIA
ELECTRIC SYSTEM FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2021

OPERATIONS AND MAINTENANCE EXPENSES

Salaries	\$ 58,760
Payroll taxes	22,702
Employee benefits	98,591
Distribution	202,207
Maintenance and repairs	40,306
Professional services	14,558
Insurance	16,203
Office supplies	58,453
Customer assistance	38,784
Customer accounts	46,988
Rent	18,264
Tax equivalents	10,000
Miscellaneous	<u>61,215</u>
 Total operations and maintenance expenses	 <u>\$ 687,031</u>

**CITY OF CHICKAMAUGA, GEORGIA
LEE AND GORDON MILL FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2021**

OPERATIONS AND MAINTENANCE EXPENSES

Operating supplies	\$ 1,122
Maintenance and repairs	12,757
Utilities	7,448
Office supplies	58
Telephone	1,032
Termite treatment	1,245
Dues	998
Miscellaneous	<u>12,509</u>
 Total operations and maintenance expenses	 <u>\$ 37,169</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, 2021, 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 January 13, 2023. 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.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, 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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies, 2011-2 and 2021-2.

Report on Compliance and Other Matters

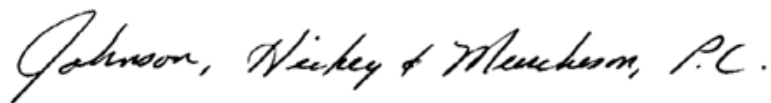
As a part of obtaining reasonable assurance about whether the City of Chickamauga, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-1.

City of Chickamauga, Georgia's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Chickamauga, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Chickamauga, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Chattanooga, Tennessee
January 13, 2023

**CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021**

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.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

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 pages 80 and 81.

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 pages 80 and 81.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

Finding 2021-1

Condition: The City used SPLOST funding to apply for a grant to use in conjunction with SPLOST for a SPLOST approved project. The City paid for these grant application fees with SPLOST funding yet didn't receive the grant, resulting in a due from the water and sewer fund in the SPLOST fund.

Criteria: SPLOST funds should not have a due from another fund.

Effect: The cost to apply for a grant was used with SPLOST funds, which is not a SPLOST approved project.

Recommendation: Any time grant funds are going to be used in conjunction with a SPLOST capital project, these grant funds should be transferred into a bank account within the SPLOST capital projects fund prior to beginning the project, not when applying for a grant.

View of Responsible Officials: Management concurs with the finding.

Planned Corrective Action: Management's response is located on pages 80 and 81.

Finding 2021-2

Condition: The City does not perform regular inventory counts and the annual inventory count was not completed until several weeks after year end.

Criteria: Accounting principles generally accepted in the United States of America require the safeguarding of assets through policies and procedures that provide a reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of the City's assets that would have a material effect on the financial statements.

Effect: The City could have misstatement in inventory amounts.

Recommendation: The City needs to perform regular inventory counts and specifically at year end. The City also needs to record additions and deletions on a monthly basis and to develop a plan to count inventory timely at year end to ensure that inventory records are accurately maintained.

View of Responsible Officials: Management concurs with the finding.

Planned Corrective Action: Management's response is located on pages 80 and 81.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED DECEMBER 31, 2021

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	31,703	82,777	58%	-
	<u>\$ 1,100,000</u>	<u>\$ 1,708,828</u>	<u>\$ 31,703</u>	<u>\$ 1,740,531</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, 2021

PROJECT	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Years	Total	
2020 SPLOST					
Computer, technology and equipment	\$ 60,000	\$ -	\$ 313	\$ 313	1%
Train depot and building(s) renovations and improvements	300,000	-	3,474	3,474	1%
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	-	10,595	10,595	42%
Walking trail development	50,000	-	2,363	2,363	5%
Recreation ball field lights/parking lot renovation	120,000	-	64,112	64,112	53%
Recreation playing fields improvements	20,000	-	-	-	0%
Emergency and utility communications and technology equipment	80,000	-	1,348	1,348	2%
Government vehicles	90,080	-	-	-	0%
Garbage truck	230,000	-	180,500	180,500	78%
Library equipment improvements	20,000	-	5,527	5,527	28%
Library furniture	10,000	-	-	-	0%
Library building improvement and renovation projects	34,800	-	-	-	0%
Sidewalk and storm water runoff projects	50,000	-	1,750	1,750	4%
New sidewalk construction and or repairs	50,000	-	1,760	1,760	4%
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	-	610	610	0%
Electric charging stations downtown	9,800	-	-	-	0%
Chickamauga business districts economic development and improvement projects	<u>1,760,000</u>	<u>-</u>	<u>25,632</u>	<u>25,632</u>	1%
	<u>\$ 3,446,880</u>	<u>\$ -</u>	<u>\$ 297,984</u>	<u>\$ 297,984</u>	

Reconciliation of SPLOST expenditures per
financial statements to schedule of projects:
SPLOST expenditures per financial statements
Less 2013 SPLOST expenditures
Less debt service
Interest and fees

\$ 397,949
31,703
68,262

SPLOST 2020 expenditures per
schedule of projects

\$ 297,984

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH TRANSPORTATION
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED DECEMBER 31, 2021

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>\$ 166,616</u>	<u>\$ 461,131</u>	<u>\$ 627,747</u>	67%
	<u>\$ 942,500</u>	<u>\$ 166,616</u>	<u>\$ 461,131</u>	<u>\$ 627,747</u>	



City of Chickamauga

103 Crittenden Avenue • Chickamauga, Georgia 30707

706 375-3177

CORRECTIVE ACTION PLAN

January 13, 2023

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, 2021.

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 January 13, 2023, 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.



City of Chickamauga

103 Crittenden Avenue • Chickamauga, Georgia 30707

706 375-3177

Finding 2021-1 - DUE TO SPLOST

Corrective Action Plan/Management Response

We concur with the recommendation. The City will not use grant fees with SPLOST money.

Finding 2021-2 - INVENTORY

Corrective Action Plan/Management Response

We concur with the recommendation. The City will start keeping up monthly with inventory and will perform year end inventory counts on time in the future.

DEPARTMENTAL EXPENDITURES OVER BUDGET

Corrective Action Plan/Management Response

The City Manager will review allocation of actual expenditure between departments in the same manners as the budget allocation.

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

Sincerely yours,

Micheal Haney
Utilities and City Manager