# CITY OF CHATSWORTH, GEORGIA

## ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2018

**Crowe-Mallette & Associates**
**Certified Public Accountants**
**Ringgold, Georgia**

INTRODUCTION SECTION

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**City of Chatsworth, Georgia**
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**December 31, 2018**


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**City of Chatsworth, Georgia**

**Council Members and Management**

**As of December 31, 2018**

Mayor ..... Tyson Haynes

Mayor Pro-Tem/Public Safety ..... Fred Welch

Council Member/Infrastructure ..... Jeff Cloer

Council Member/Intergovernmental Relations & Technology ..... Rhett Griffin

Council Member/Finance Officer ..... K. W. Gong

City Clerk ..... Wilma Nolan

Municipal Court Judge ..... Ron Wilson

City Attorney ..... Steve Williams

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# FINANCIAL SECTION

CROWE · MALLETTE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Ken Mallette, CPA
Rodney Crowe, CPA

**INDEPENDENT AUDITOR'S REPORT**

Mayor and Council Members
City of Chatsworth, Georgia
Chatsworth, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Chatsworth, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Chatsworth, Georgia, as of December 31, 2018, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chatsworth, Georgia's basic financial statements. The Introductory Section, Other Supplemental Information, and Statistical Information are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental Information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2019, on our consideration of the City of Chatsworth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Chatsworth, Georgia's internal control over financial reporting and compliance.



Crowe-Mallette & Associates
June 28, 2019

The City of Chatsworth's ("the City") management is pleased to provide this narrative overview and analysis of the financial activities of the City for the calendar year ended December 31, 2018. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures that follow this section.

## FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by $34,788,509 (net position) for the calendar year reported. Of this amount $9,116,392 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- For the calendar year reported, the City's activities are comprised of the following:
  - Governmental activities operated at a surplus of $159,562; and
  - Business-type activities operated at a deficit of $(77,879).

- The City's governmental funds reported total ending fund balance of $4,974,249.

- At the end of the current calendar year, unassigned fund balance for the general fund was $4,183,997, or 106.19% of total general fund expenditures.

- The business-type activities, the City of Chatsworth, Georgia's enterprise funds, reported total ending net position of $26,181,521. Of this balance $5,087,529 or 19.43% is unrestricted. The remaining $21,093,992 or 80.57% of net position is invested in capital assets and restricted to capital projects and debt service.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction of the City of Chatsworth, Georgia's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with 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 City's government-wide financial statements include the statement of net position and the statement of activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The government-wide statement of net position presents information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The City reports assets when it acquires ownership and reports liabilities when incurred. Over time, increases or decreases of 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 City infrastructure, in addition to the financial information provided in this report.

The statement of activities reports the revenues and expenses of the City. This statement is prepared using the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. All current year revenues and expenses are included regardless of when cash is received or paid. The difference is described as the change in net position. The important purposes of the design of the statement of activities are to (1) show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers, and (2) present the result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The City of Chatsworth divides the statement of net position and the statement of activities into two types of activities:

- **Governmental activities –** The activities reported in this category are the City's basic services such as general administration, fire, police, public works, recreation, and municipal court. These activities are principally supported by taxes and intergovernmental transfers.
- **Business-Type activities –** The activities reported that the City charges fees to customers to recover all or a significant portion of costs for the services provided by Water Works Commission, a component unit of the City of Chatsworth, Georgia, included in the Water and Sewer fund.

The government-wide financial statements can be found on pages 15, 16, and 17 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 track specific resources and expenditures, either for management purposes or because of legal mandates. 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.

**Governmental Funds**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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

The City of Chatsworth, Georgia adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 through 27 of this report.

**Proprietary Funds**

The City of Chatsworth, Georgia maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Chatsworth, Georgia uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the City of Chatsworth, Georgia.

The basic proprietary fund financial statements can be found on pages 28 through 31 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 63 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Chatsworth, Georgia, assets exceeded liabilities by $34,788,509 at the close of this fiscal year.

The largest portion of the City of Chatsworth, Georgia's net position, $24,824,422, or 71.36% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City of Chatsworth, Georgia uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Chatsworth, Georgia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position totaling, $847,695, or 2.44% represents resources that are subject to external restrictions on how they may be used:

- The largest portion of the restricted net position, $573,570, or 1.65% is restricted for debt service;
- Another portion, $220,727, or 0.63% is restricted for capital projects; and
- The final portion, $53,398, or 0.15% is restricted for public safety.

The remaining balance of unrestricted net position of $9,116,392, or 26.21% may be used to meet the government's ongoing obligations to its citizens and creditors. The City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The table below provides a summary of the City's net position broken down by governmental and business type activities.

**City of Chatsworth, Georgia**
**Net Position**

| | 2018 | | 2017 | | 2018 | 2017 |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business Type Activities | Governmental Activities as restated | Business Type Activities as restated | Total | Total |
| Current and other assets | $ 5,141,837 | $ 7,990,205 | $ 5,152,786 | $ 7,527,581 | $ 13,132,042 | $ 12,680,367 |
| Capital assets, net | 4,320,703 | 28,968,009 | 3,840,373 | 28,404,197 | 33,288,712 | 32,244,570 |
| Total assets | 9,462,540 | 36,958,214 | 8,993,159 | 35,931,778 | 46,420,754 | 44,924,937 |
| Deferred outflows of resources | 79,808 | 136,931 | 47,494 | 94,071 | 216,739 | 141,565 |
| Current liabilities | 280,530 | 2,091,548 | 114,420 | 1,829,492 | 2,372,078 | 1,943,912 |
| Long-term liabilities | 516,465 | 8,735,499 | 430,634 | 7,932,524 | 9,251,964 | 8,363,158 |
| Total liabilities | 796,995 | 10,827,047 | 545,054 | 9,762,016 | 11,624,042 | 10,307,070 |
| Deferred inflows of resources | 138,365 | 4,433 | 48,173 | 4,433 | 142,798 | 52,606 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,854,569 | 20,969,853 | 3,726,244 | 20,546,079 | 24,824,422 | 24,272,323 |
| Restricted | 723,556 | 124,139 | 401,912 | 117,884 | 847,695 | 519,796 |
| Unrestricted | 4,028,863 | 5,087,529 | 4,319,270 | 5,595,437 | 9,116,392 | 9,914,707 |
| Total net position | $ 8,606,988 | $ 26,181,521 | $ 8,447,426 | $ 26,259,400 | $ 34,788,509 | $ 34,706,826 |

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

### Changes in Net Position

As of the close of the current fiscal year, the City of Chatsworth, Georgia's governmental net position increased by $81,683. Governmental activities increased the City's net position by $159,562, and the business-type activities decreased the City's net position by $77,879.

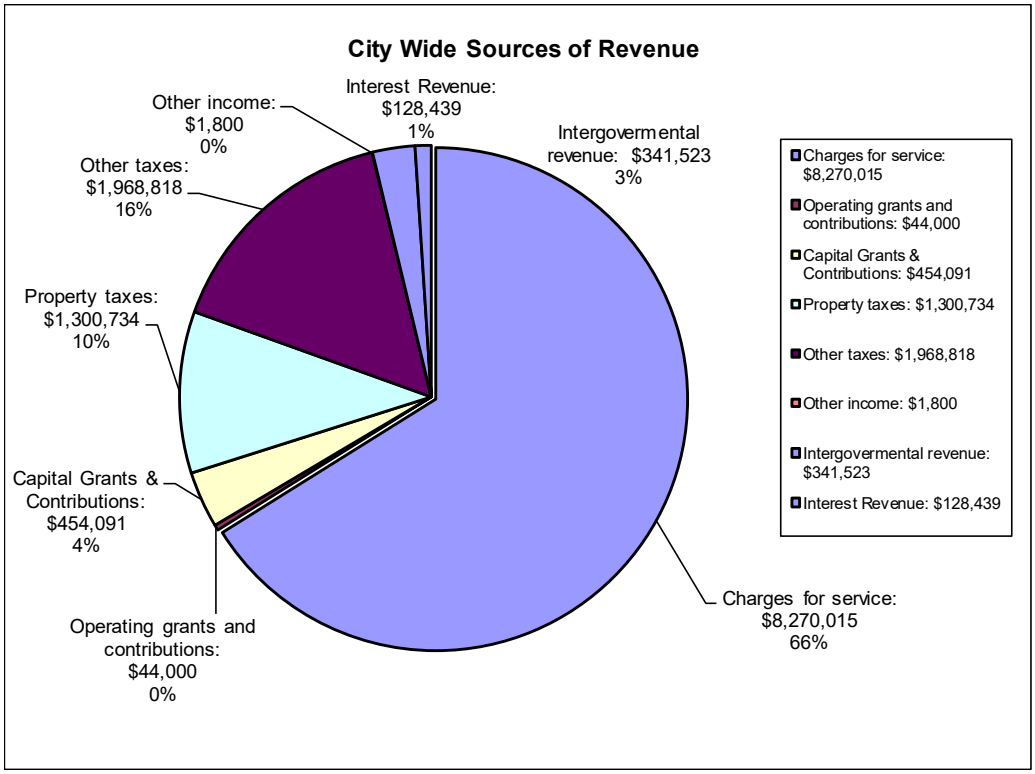
The table below provides a summary of the City's net position broken down by governmental and business-type activities.

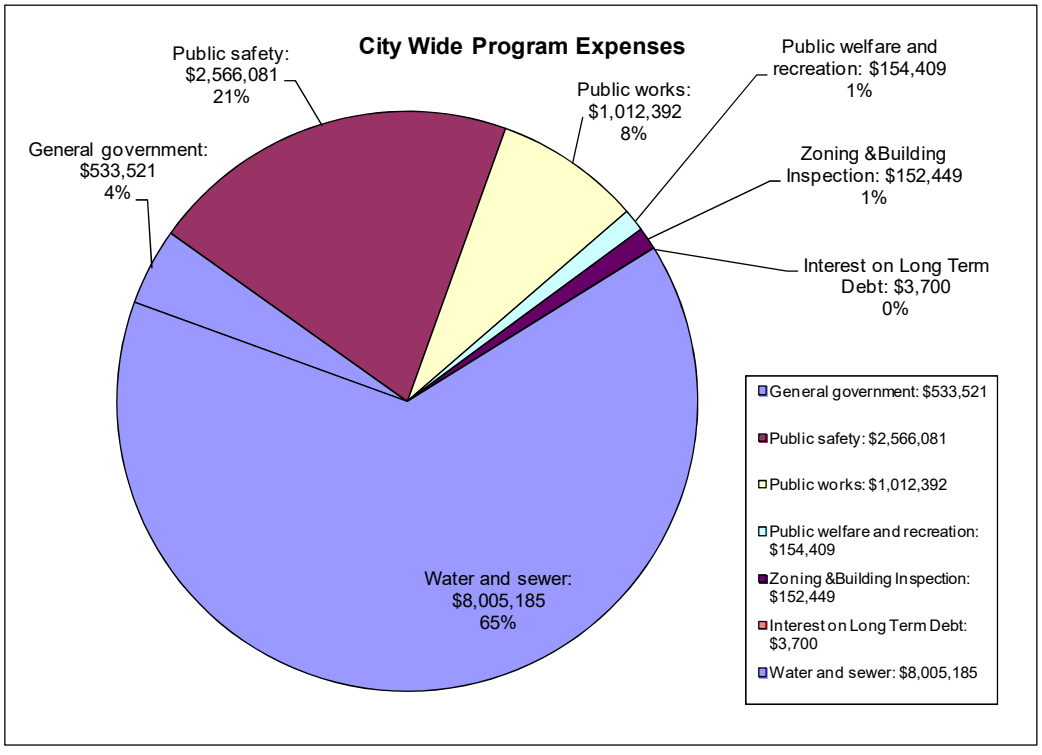
**City of Chatsworth, Georgia**
**Changes in Net Position**

| | 2018 | | 2017 | | 2018 | 2017 |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business Type Activities | Governmental Activities | Business Type Activities | Total | Total |
| REVENUE | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 581,847 | $ 7,688,168 | $ 649,246 | $ 7,219,838 | $ 8,270,015 | $ 7,869,084 |
| Operating grants and contributions | 44,000 | - | 129,843 | - | 44,000 | 129,843 |
| Capital grants and contributions | 454,091 | - | 470,033 | - | 454,091 | 470,033 |
| General revenues: | | | | | | |
| Property taxes | 1,300,734 | - | 1,089,770 | - | 1,300,734 | 1,089,770 |
| Other taxes | 1,968,818 | - | 1,922,138 | - | 1,968,818 | 1,922,138 |
| Other Revenue | 182,826 | 160,497 | 240,883 | 39,822 | 343,323 | 280,705 |
| Interest Revenue | 49,798 | 78,641 | 101,506 | 126,617 | 128,439 | 228,123 |
| Total revenues | 4,582,114 | 7,927,306 | 4,603,420 | 7,386,277 | 12,509,419 | 11,989,696 |
| EXPENSES | | | | | | |
| General government | 533,521 | - | 522,028 | - | 533,521 | 522,028 |
| Public safety | 2,566,081 | - | 2,476,243 | - | 2,566,081 | 2,476,243 |
| Public works | 1,012,392 | - | 963,732 | - | 1,012,392 | 963,732 |
| Public welfare and recreation | 154,409 | - | 144,819 | - | 154,409 | 144,819 |
| Building inspection | 152,449 | - | 160,174 | - | 152,449 | 160,174 |
| Interest on long-term debt | 3,700 | 184,417 | - | 159,387 | 188,117 | 159,387 |
| Water & sewer | - | 7,820,768 | - | 7,218,341 | 7,820,768 | 7,218,341 |
| Total expenses | 4,422,552 | 8,005,185 | 4,266,996 | 7,377,728 | 12,427,737 | 11,644,724 |
| Increase (decrease) in net position before transfers | 159,562 | (77,879) | 336,424 | 8,549 | 81,683 | 344,973 |
| Transfers | - | - | - | - | - | - |
| Change in net position | 159,562 | (77,879) | 336,424 | 8,549 | 81,683 | 344,973 |
| Net position - beginning | 8,447,426 | 26,259,400 | 8,111,002 | 26,250,851 | 34,706,826 | 34,361,853 |
| Prior period adjustment | | | | - | | - |
| Net position - ending | $ 8,606,988 | $ 26,181,521 | $ 8,447,426 | $ 26,259,400 | $ 34,788,509 | $ 34,706,825 |

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

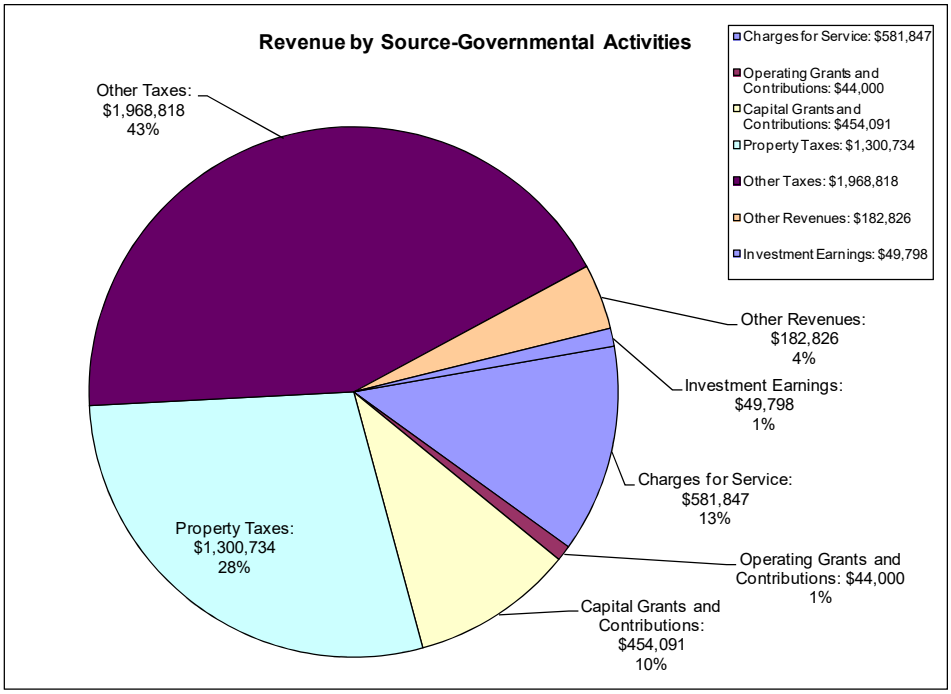
The graphs below summarize the $12,509,419 of the City-Wide Revenue by source, and the associated $12,427,737 of expenses by program. The graph combines data from both governmental and business-type activities.



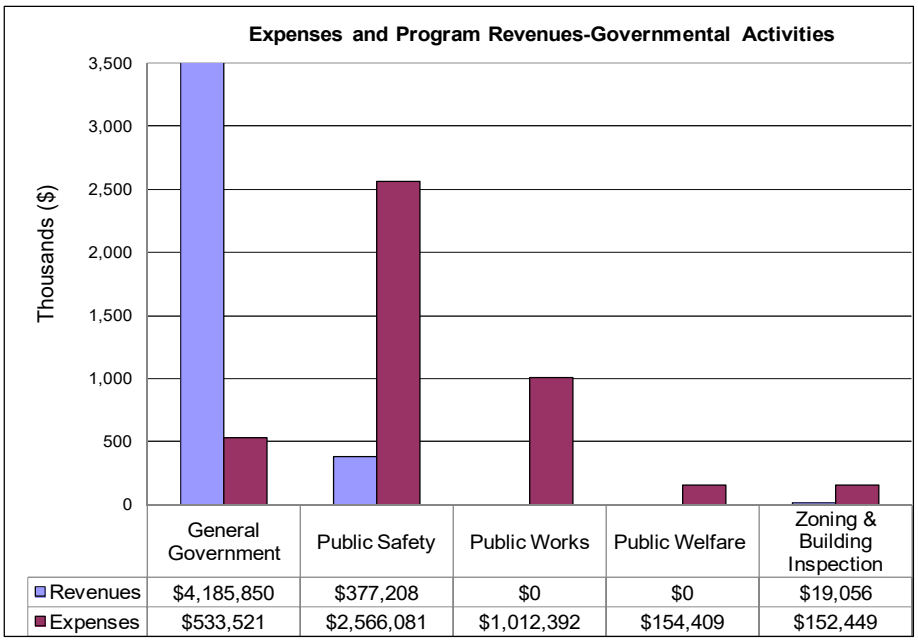



**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

Governmental activities accounted for revenues of $4,582,114. The following graph summarizes the revenue by source.



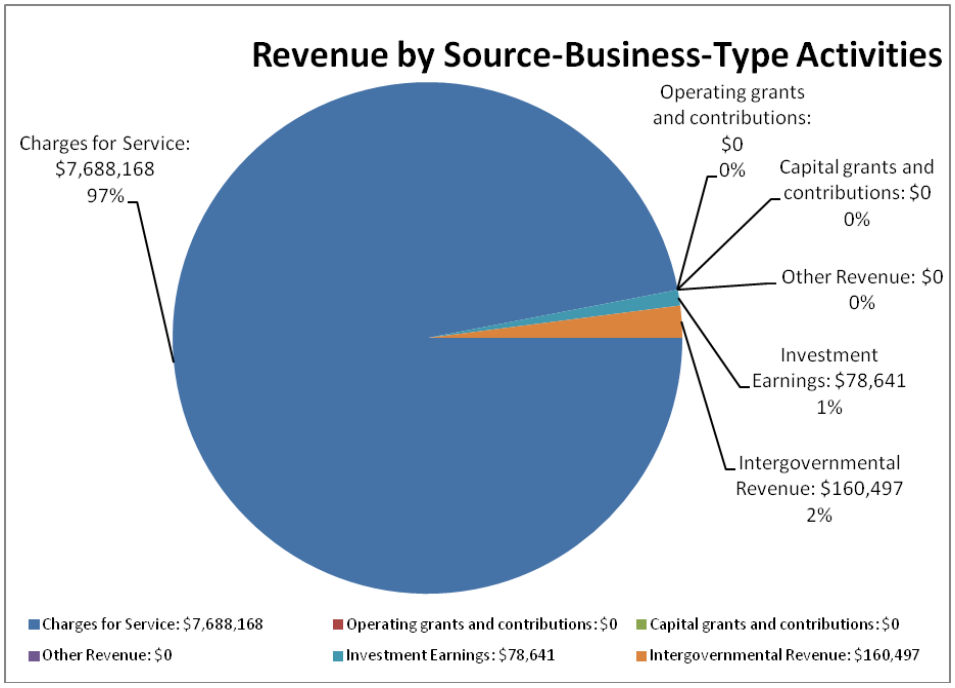

The following graph summarizes the revenue and related expense for each governmental program of the City. The difference between expense and revenue is the financial burden placed on the City's taxpayers for each program.



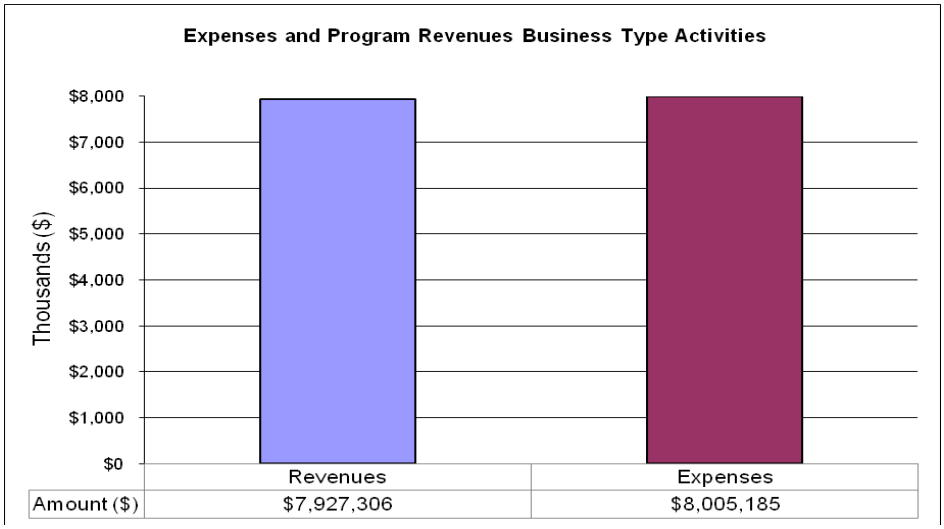
**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)**

**Business-type activities**

Business-type activities accounted for revenues of $7,927,306. The following graph summarizes the revenue by source.




The following graph summarizes the revenue and related expense of operating the Sewer and Water fund.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Chatsworth, Georgia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City of Chatsworth, Georgia's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Chatsworth, Georgia's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Chatsworth, Georgia's governmental funds reported combined ending fund balances of $4,974,249. 84.11% of this total amount or $4,183,997 constitutes unassigned fund balance.

The general fund is the chief operating fund of the City of Chatsworth, Georgia. At the end of the current fiscal year, unassigned fund balance of the general fund was $4,183,997. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 106.19% of total fund expenditures.

**Proprietary Funds**

The City of Chatsworth, Georgia's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to $5,087,529.

**General Fund Budgetary Highlights**

Tax revenues are over budget by $308,700 due to increases in valuation and increase in tax rate from 2.8 mills to 3.0 mills. Miscellaneous income is over budget due to the collection of a one-time fee of $118,238 for a perpetual lease on property for a tower. This resulted in an increase in total revenues for 2018 over 2017 of $356,000.

Expenditures were under budget by a total of $61,000.

The general fund obtained lease financing for the purchase of a fire truck in the amount of $400,000 and transferred to the 2019 SPLOST fund $550,000 so that the truck could be purchased for $541,647 ahead of time, before the 2019 collections began. The transfer will be repaid to general fund by making lease payments from 2019 SPLOST funds. The 2013 SPLOST cycle collected $454,091 and spent $503,267.

**City of Chatsworth, Georgia's Outstanding Debt**

At the end of the current fiscal year, the City of Chatsworth, Georgia had $466,134 debt outstanding in the governmental fund and $9,504,654 outstanding in the proprietary fund. See Note 8 for detail of debt.

## CAPITAL ASSET AND DEBT ADMINISTRATION

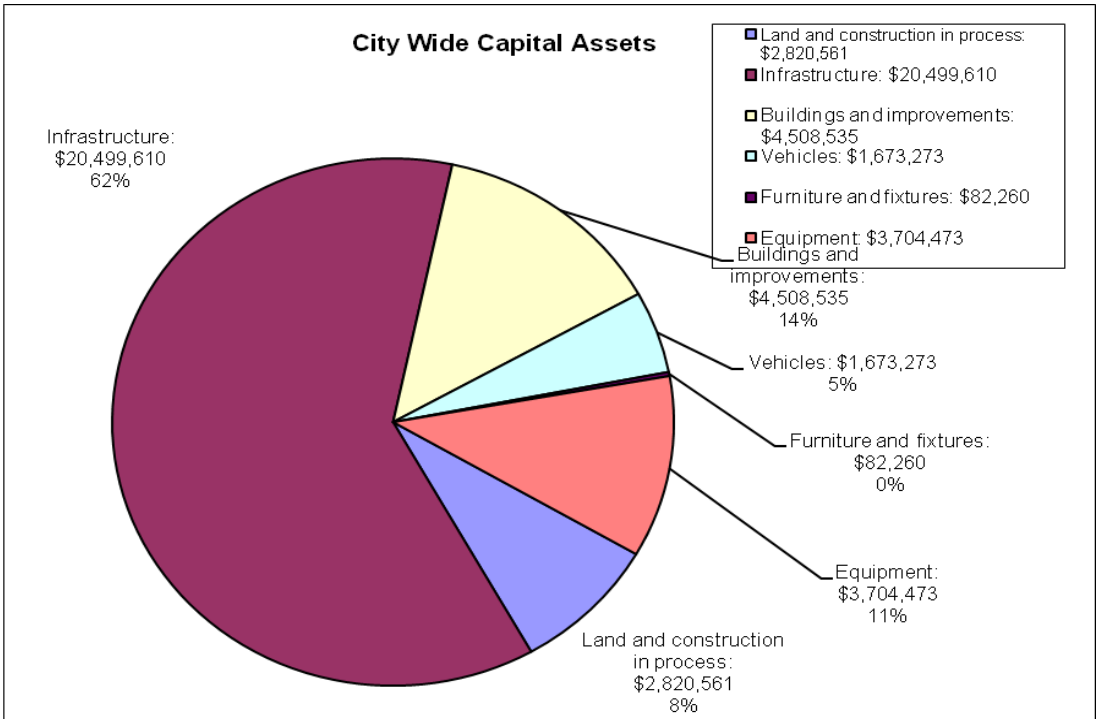
Investment in capital assets, net of accumulated depreciation, for both governmental and business-type activities, *Primary Government*, increased $332,887. Beginning balance was $32,244,570, plus current year additions of $3,319,619, less current year depreciation of $2,265,477, less net dispositions / reclassifications of $10,000 resulted in an ending balance of $33,288,712.

## CAPITAL ASSET AND DEBT ADMINISTRATION
## (Continued)

The table below summarizes the City's investment in capital assets and is broken down by government and business type activities. Additional information on the City's capital assets can be found in Note 12 of this report.

City of Chatsworth, Georgia's Capital Assets
(Net of Depreciation)

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Land and construction in process | $ 595,407 | $ 2,225,154 | $ 2,820,561 |
| Infrastructure | 1,020,602 | 19,479,008 | 20,499,610 |
| Buildings and improvements | 837,777 | 3,670,758 | 4,508,535 |
| Vehicles | 1,288,569 | 384,704 | 1,673,273 |
| Furniture and fixtures | 14,597 | 67,663 | 82,260 |
| Equipment | 563,751 | 3,140,722 | 3,704,473 |
| **Total capital assets** | **$ 4,320,703** | **$ 28,968,009** | **$ 33,288,712** |



**Requests for Information**

This financial report is designed to provide a general overview of the City of Chatsworth, Georgia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Chatsworth, Georgia, 400 North Third Ave, Chatsworth, GA 30705.

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# BASIC FINANCIAL STATEMENTS

**CITY OF CHATSWORTH, GEORGIA**
**Statement of Net Position**
**December 31, 2018**

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | $ 1,495,117 | $ 2,119,145 | $ 3,614,262 |
| Investments | 2,363,155 | 3,445,576 | $ 5,808,731 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 173,578 | - | 173,578 |
| Accounts | - | 981,766 | 981,766 |
| Intergovernmental | - | 1,040,285 | 1,040,285 |
| Other | 669,204 | 22,226 | 691,430 |
| Inventory | - | 193,995 | 193,995 |
| Prepaid expenses | 73,083 | 27,216 | 100,299 |
| Due from other governments | 110,278 | - | 110,278 |
| Restricted assets: | | | |
| Cash and cash equivalents | 184,196 | 159,996 | 344,192 |
| Due from other governments | 73,226 | - | 73,226 |
| Total current assets | 5,141,837 | 7,990,205 | 13,132,042 |
| **NON-CURRENT ASSETS** | | | |
| Land and other non-depreciable assets | 595,407 | 2,225,154 | 2,820,561 |
| Other capital assets, net of accumulated depreciation | 3,725,296 | 26,742,855 | 30,468,151 |
| Total non-current assets | 4,320,703 | 28,968,009 | 33,288,712 |
| Total assets | 9,462,540 | 36,958,214 | 46,420,754 |
| DEFERRED OUTFLOWS OR RESOURCES | | | |
| Pension related items | 79,808 | 136,931 | 216,739 |

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

**CITY OF CHATSWORTH, GEORGIA**
**Statement of Net Position**
**December 31, 2018**

| | | | |
|---|---|---|---|
| **LIABILITIES AND NET POSITION** | | | |
| **CURENT LIABILITIES** | | | |
| Accounts payable | $ 51,871 | $ 208,538 | $ 260,409 |
| Compensared absences payable | 88,022 | 108,420 | |
| Accrued expenses and other liabilities | 48,597 | 50,717 | 99,314 |
| Customer deposits payable | - | 971,817 | 971,817 |
| Unearned revenue | - | 25,943 | 25,943 |
| Interfund balances | (29,520) | 29,520 | - |
| Notes payable - current | - | 88,852 | 88,852 |
| Capital lease - current | 121,560 | 156,883 | 278,443 |
| Payable from restricted assets: | | | |
| Revenue bonds payable - current | - | 415,000 | 415,000 |
| Accrued interest payable | - | 35,858 | 35,858 |
| Total current liabilities | 280,530 | 2,091,548 | 2,175,636 |
| **Long-term Liabilities** | | | |
| Revenue bonds payable | - | 5,294,968 | 5,294,968 |
| Notes payable | - | 2,768,765 | 2,768,765 |
| Capital leases | 344,574 | 241,580 | |
| Net Pension liability | 171,891 | 430,186 | 602,077 |
| Total long-term liabilities | 516,465 | 8,735,499 | 8,665,810 |
| Total liabilities | 796,995 | 10,827,047 | 10,841,446 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related items | 138,365 | 86,577 | 224,942 |
| Net Position | | | |
| Net investment in capital assets | 3,854,569 | 20,969,853 | 24,824,422 |
| Restricted for debt service | 466,134 | 107,436 | 573,570 |
| Restricted for capital projects | 204,024 | 16,703 | 220,727 |
| Restricted for public safety | 53,398 | - | 53,398 |
| Unrestricted | 4,028,863 | 5,087,529 | 9,116,392 |
| Total net position | 8,606,988 | 26,181,521 | 34,788,509 |

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

# CITY OF CHATSWORTH, GEORGIA
## Statement of Activities
## Year Ended December 31, 2018

| Functions/Programs | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position Primary Government | | |
|---|---|---|---|---|---|---|---|
| Primary Government | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | $ 533,521 | $ 229,583 | $ - | $ 454,091 | $ 150,153 | $ - | $ 150,153 |
| Public safety | 2,566,081 | 333,208 | 44,000 | - | (2,188,873) | - | (2,188,873) |
| Public works | 1,012,392 | - | - | - | (1,012,392) | - | (1,012,392) |
| Public welfare and recreation | 154,409 | - | - | - | (154,409) | - | (154,409) |
| Zoning and Building Inspection | 152,449 | 19,056 | - | - | (133,393) | - | (133,393) |
| Interest on long term debt | 3,700 | | | - | (3,700) | - | (3,700) |
| Total governmental activities | 4,422,552 | 581,847 | 44,000 | 454,091 | (3,342,614) | - | (3,342,614) |
| Business-type activities | | | | | | | |
| Water & Sewer | 8,005,185 | 7,688,168 | - | - | - | (317,017) | (317,017) |
| Total business-type activities | 8,005,185 | 7,688,168 | - | - | - | (317,017) | (317,017) |
| Total primary government | $ 12,427,737 | $8,270,015 | $ 44,000 | $ 454,091 | $ (3,342,614) | $ (317,017) | $ (3,659,631) |
| General revenues: | | | | | | | |
| Property tax | | | | | $ 1,300,734 | $ - | $ 1,300,734 |
| Franchise tax | | | | | 721,952 | - | 721,952 |
| Local option sales tax | | | | | 586,095 | - | 586,095 |
| Malt beverage tax | | | | | 106,452 | - | 106,452 |
| Motor vehicle tax | | | | | 144,128 | - | 144,128 |
| Occupational tax | | | | | 66,899 | - | 66,899 |
| Premium tax | | | | | 308,632 | - | 308,632 |
| Other taxes | | | | | 34,660 | - | 34,660 |
| Donations | | | | | 1,800 | - | 1,800 |
| Other revenue | | | | | - | - | - |
| Interest revenue | | | | | 94,729 | 134,679 | 229,408 |
| Decrease in fair value of investments | | | | | (44,931) | (56,038) | (100,969) |
| Intergovermental revenues | | | | | 181,026 | 160,497 | 341,523 |
| Total general revenue | | | | | 3,502,176 | 239,138 | 3,741,314 |
| Transfers | | | | | - | - | - |
| Total general revenues and transfers | | | | | 3,502,176 | 239,138 | 3,741,314 |
| Change in net position | | | | | 159,562 | (77,879) | 81,683 |
| **Net position** - beginning of year, restated | | | | | 8,447,426 | 26,259,400 | 34,706,826 |
| **Net position** - end of year | | | | | $ 8,606,988 | $ 26,181,521 | $ 34,788,509 |

**The accompanying notes are an intergral part of the financial statements.**

**CITY OF CHATSWORTH, GEORGIA**
**Governmental Funds**
**Balance Sheet**
**December 31, 2018**

| | General Fund | SPLOST Capital Projects | Other Governmental Fund | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | $ 1,495,117 | $ 130,798 | $ 53,398 | $ 1,679,313 |
| Investment | 2,363,155 | - | - | 2,363,155 |
| Property tax receivable - net | 173,578 | - | - | 173,578 |
| Interfund receivables | 29,520 | - | - | 29,520 |
| Other receivables | 669,204 | - | - | 669,204 |
| Due from other governments | 110,278 | 73,226 | - | 183,504 |
| Prepaid items | 73,083 | - | - | 73,083 |
| Total assets | $ 4,913,935 | $ 204,024 | $ 53,398 | $ 5,171,357 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 45,484 | $ 6,387 | - | $ 51,871 |
| Accrued wages | 48,597 | - | - | 48,597 |
| Payroll tax payable | | - | - | - |
| Internal balances | | | - | - |
| Total liabilities | 94,081 | 6,387 | - | 100,468 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred revenue - property taxes | 96,640 | - | - | 96,640 |
| **FUND BALANCES** | | | | |
| Nonspendable - | | | | |
| Prepaid items | 73,083 | - | - | 73,083 |
| Restricted for - | | | | |
| Debt Services | 466,134 | | | 466,134 |
| SPLOST Projects | - | 197,637 | - | 197,637 |
| Public Safety | - | - | 53,398 | 53,398 |
| Unassigned | 4,183,997 | - | - | 4,183,997 |
| Total fund balances | 4,723,214 | 197,637 | 53,398 | 4,974,249 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES** | $ 4,913,935 | $ 204,024 | $ 53,398 | $ 5,171,357 |

The accompanying notes are an integral part of the financial statements

**CITY OF CHATSWORTH, GEORGIA**
**Reconciliation of the Governmental Funds Balance Sheet**
**to the Statement of Net Positions**
**December 31, 2018**

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $ 4,974,249 |
| **Amounts reported for Governmental Activities in the Statement of Net Position are different because:** | | |
| Capital assets do not represent financial resources and therefore are not reported in the funds but are reported for governmental activities: | | |
| Cost | 10,957,631 | |
| Less accumulated depreciation | (6,636,928) | 4,320,703 |
| Liabilities, including notes, bonds, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position: | | |
| Capital lease payable | (466,134) | |
| Compensated absences | (88,022) | (554,156) |
| Interfund receivables and payables between governmental funds are reported on the governmental fund's balance sheet but are eliminated on the government-wide statement of net position. | | |
| Interfund receivables | (29,520) | |
| Interfund payables | 29,520 | |
| Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current periods expenditures and, therefore, are deferred in the funds. | | 96,640 |
| 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-pension related | 79,808 | |
| Net pension liability | (171,891) | |
| Deferred inflows of resources-pension related | (138,365) | (230,448) |
| **Net Position of Governmental Activities** | | $ 8,606,988 |

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

**CITY OF CHATSWORTH, GEORGIA**
**Governmental Funds**
**Statement of Revenues, Expenditures, and Changes in Fund Balances**
**Year Ended December 31, 2018**

| | General Fund | SPLOST Capital Projects | Other Governmental Fund | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 3,260,842 | $ - | $ - | $ 3,260,842 |
| License and permits | 64,213 | - | - | 64,213 |
| Intergovernmental | 225,026 | 454,091 | - | 679,117 |
| Fines and forfeitures | 316,110 | - | 16,637 | 332,747 |
| Investment earnings | 49,798 | - | - | 49,798 |
| Other revenue | 186,687 | - | - | 186,687 |
| Total revenues | 4,102,676 | 454,091 | 16,637 | 4,573,404 |
| **EXPENDITURES** | | | | |
| **Current expenditures** | | | | |
| General government | 424,898 | - | - | 424,898 |
| Public safety | 2,363,102 | - | 900 | 2,364,002 |
| Street department | 859,871 | - | - | 859,871 |
| Public welfare and recreation | 142,720 | - | - | 142,720 |
| Zoning and codes enforcement | 73,190 | - | - | 73,190 |
| Building inspector | 76,328 | - | - | 76,328 |
| Capital outlay | - | 993,221 | 11,660 | 1,004,881 |
| Debt service - principal | - | 47,995 | - | 47,995 |
| - interest | - | 3,700 | - | 3,700 |
| Total expenditures | 3,940,109 | 1,044,916 | 12,560 | 4,997,585 |
| Excess (deficiency) of revenues over expenditures | 162,567 | (590,825) | 4,077 | (424,181) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from capital leases | 400,000 | | | 400,000 |
| Transfers in | - | 550,000 | - | 550,000 |
| Transfers out | (550,000) | - | - | (550,000) |
| Total other financing sources (uses) | (150,000) | 550,000 | - | 400,000 |
| Net change in fund balance | 12,567 | (40,825) | 4,077 | (24,181) |
| **Fund balances -** beginning of year | 4,710,647 | 238,462 | 49,321 | 4,998,430 |
| **Fund balances -** end of year | $ 4,723,214 | $ 197,637 | $ 53,398 | $ 4,974,249 |

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

**CITY OF CHATSWORTH, GEORGIA**
**Reconciliation of the Statement of Revenues,**
**Expenditures and Changes in Fund Balances of Governmental Funds**
**to the Statement of Activities**
**For the Fiscal Year Ended December 31, 2018**

| | | |
|---|---|---|
| **Net Changes in Fund Balances - Total Governmental Funds** | | $ (24,181) |
| **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 as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | | |
| Capital outlay in excess of depreciation expense | | 480,330 |
| Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. | | |
| Proceeds from capital leases | (400,000) | |
| Principal payments on leases | 47,995 | |
| | | (352,005) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred inflows: | | |
| Unavailable deferred property tax revenues | | 8,709 |
| Certain items reported in the statement of activities don't require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | | |
| Net change in accrued liability for compensated absences | | 2,739 |
| Net change in liability for Pensions | | 101,848 |
| Net change in deferred inflows - pension related | | (90,192) |
| Net change in deferred outflows - pension related | | 32,314 |
| **Change in Net Position of Governmental Activities** | | $ 159,562 |

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

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**CITY OF CHATSWORTH, GEORGIA**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**
**Year Ended December 31, 2018**

| | Budgeted Amounts | | | Variance Over |
|---|---|---|---|---|
| | Original | Final | Actual | (Under) |
| **REVENUES** | | | | |
| **Taxes** | | | | |
| City property tax | $ 1,096,375 | $ 1,096,375 | $ 1,292,025 | $ 195,650 |
| Premium tax | 290,000 | 290,000 | 308,632 | 18,632 |
| Franchise tax | 727,400 | 727,400 | 721,952 | (5,448) |
| Local options sales tax | 600,000 | 600,000 | 586,095 | (13,905) |
| Malt beverage tax | 125,500 | 125,500 | 106,452 | (19,048) |
| Motor vehicle tax | 90,000 | 90,000 | 144,128 | 54,128 |
| Occupational tax | 63,000 | 63,000 | 66,899 | 3,899 |
| Banking tax | 35,000 | 35,000 | 34,660 | (340) |
| Total taxes | 3,027,275 | 3,027,275 | 3,260,842 | 233,568 |
| **License and permits** | | | | |
| Building Permits | 20,000 | 20,000 | 31,517 | 11,517 |
| Malt and beverage license | 33,500 | 33,500 | 32,696 | (804) |
| Total license and permits | 53,500 | 53,500 | 64,213 | 10,713 |
| **Intergovernmental** | | | | |
| State grants for street const. | 64,843 | 64,843 | - | (64,843) |
| Grant - Homeland Security | - | - | 44,000 | 44,000 |
| Franchise tax from Water Works | 190,000 | 190,000 | 181,026 | (8,974) |
| Total intergovernmental | 254,843 | 254,843 | 225,026 | (29,817) |
| **Fines and forfeitures** | | | | |
| Police and courts | 301,000 | 301,000 | 316,110 | 15,110 |
| Total fines and forfeitures | 301,000 | 301,000 | 316,110 | 15,110 |
| **Investment earnings** | | | | |
| Investment earnings | 1,500 | 1,500 | 49,798 | 48,298 |
| Total investment earnings | 1,500 | 1,500 | 49,798 | 48,298 |
| **Other revenue** | | | | |
| Miscellaneous | 363,119 | 363,119 | 186,687 | (176,432) |
| Total other revenue | 363,119 | 363,119 | 186,687 | (176,432) |
| **TOTAL REVENUES** | 4,001,237 | 4,001,237 | 4,102,676 | 101,439 |

(Continued)

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

**CITY OF CHATSWORTH, GEORGIA**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**
**Budget and Actual (Continued)**
**Year Ended December 31, 2018**

| | Budgeted Amounts | | | Variance (Over) |
|---|---|---|---|---|
| | Original | Final | Actual | Under |
| **EXPENDITURES** | | | | |
| **Current expenditures** | | | | |
| **General government** | | | | |
| Administration | | | | |
| Administrative salaries | $ 155,057 | $ 155,813 | $ 155,962 | $ (149) |
| Health Insurance | 17,668 | 19,902 | 22,365 | (2,463) |
| Payroll taxes | 13,973 | 12,956 | 12,956 | - |
| Retirement contribution | 7,594 | 7,594 | 7,552 | 42 |
| Advertising | 2,000 | 1,500 | 968 | 532 |
| Telephone | 8,000 | 7,915 | 7,644 | 271 |
| Office supplies | 15,000 | 15,522 | 15,522 | - |
| Repairs and maintenance | 7,500 | 5,587 | 5,587 | - |
| Dues and subscriptions | 15,000 | 14,184 | 13,145 | 1,039 |
| Professional services | 28,000 | 28,000 | 27,500 | 500 |
| Utilities | 10,000 | 6,257 | 6,257 | - |
| Gas & Oil | 1,200 | 2,072 | 2,073 | (1) |
| Miscellaneous expenditures | 45,000 | 44,759 | 62,754 | (17,995) |
| Local Development | 7,500 | 7,500 | 2,000 | 5,500 |
| Library aid | 30,000 | 30,000 | 30,000 | - |
| Contributions | 3,600 | 3,600 | 650 | 2,950 |
| Capital purchases | - | - | - | - |
| Total administration | 367,092 | 363,161 | 372,935 | (9,774) |
| Building and plant | | | | |
| Insurance | 8,000 | 14,081 | 14,081 | - |
| Janitorial | 3,500 | 3,500 | 3,487 | 13 |
| Total building and plant | 11,500 | 17,581 | 17,568 | 13 |
| Council | | | | |
| Mayor and Council | 27,600 | 27,600 | 27,600 | - |
| Total council | 27,600 | 27,600 | 27,600 | - |
| Elections | | | | |
| Election | - | - | - | - |
| Total elections | - | - | - | - |
| Law | | | | |
| Professional services | 7,000 | 6,244 | 4,224 | 2,020 |
| Education and training | 4,000 | 2,606 | 2,571 | 35 |
| Total law | 11,000 | 8,850 | 6,795 | 2,055 |
| Total general government | $ 417,192 | $ 417,192 | $ 424,898 | $ (7,706) |

(Continued)

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

**CITY OF CHATSWORTH, GEORGIA**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**
**Year Ended December 31, 2018**

| | Budgeted Amounts | | | Variance (Over) |
|---|---|---|---|---|
| | Original | Final | Actual | Under |
| **EXPENDITURES (Continued)** | | | | |
| **Current expenditures (Continued)** | | | | |
| **Public safety** | | | | |
| Police department | | | | |
| Salaries | $ 836,940 | $ 836,940 | $ 894,284 | $ (57,344) |
| Payroll taxes | 63,219 | 63,219 | 63,134 | 85 |
| Group health insurance | 100,118 | 100,118 | 119,357 | (19,239) |
| Retirement expenditures | 45,000 | 45,000 | 39,648 | 5,352 |
| Workers compensation insurance | 21,960 | 21,960 | 23,707 | (1,747) |
| Office supplies | 6,000 | 6,000 | 3,509 | 2,491 |
| Janitorial | 1,250 | 1,250 | 1,283 | (33) |
| Utilities | 9,000 | 9,000 | 8,911 | 89 |
| Telephone | 16,503 | 16,503 | 17,653 | (1,150) |
| Insurance | 15,014 | 15,014 | 23,519 | (8,505) |
| Uniforms | 13,000 | 13,000 | 16,229 | (3,229) |
| Fuel | 35,000 | 35,000 | 49,676 | (14,676) |
| Supplies and materials | 11,000 | 11,000 | 10,486 | 514 |
| Repairs and maintenance | 10,000 | 10,000 | 3,273 | 6,727 |
| Personnel training | 13,850 | 13,850 | 13,549 | 301 |
| State Fines | 20,500 | 20,500 | 22,178 | (1,678) |
| Jail board and fund | 27,500 | 27,500 | 32,305 | (4,805) |
| Medical Expenditures | 500 | 500 | 62 | 438 |
| Vehicle expenditures | 9,000 | 9,000 | 9,221 | (221) |
| Miscellaneous | 15,000 | 15,000 | 15,445 | (445) |
| Peace officer training fund | 15,000 | 15,000 | 18,466 | (3,466) |
| Technology | 14,975 | 14,975 | 14,959 | 16 |
| Indemnification Fund | 1,500 | 1,500 | 3,490 | (1,990) |
| Budgeted and non-budgeted contributions | 24,000 | 24,000 | 29,226 | (5,226) |
| Capital Purchases | - | - | - | - |
| Total police department | 1,325,829 | 1,325,829 | 1,433,570 | (107,741) |
| Fire department | | | | |
| Salaries | 669,772 | 656,429 | 637,085 | 19,344 |
| Payroll taxes | 51,238 | 51,238 | 43,471 | 7,767 |
| Group health insurance | 86,636 | 91,990 | 103,372 | (11,382) |
| Retirement expenditures | 30,000 | 30,000 | 28,483 | 1,517 |
| Workers compensation insurance | 17,690 | 17,690 | 16,595 | 1,095 |
| Insurance | 10,000 | 10,404 | 10,404 | - |
| Telephone | 8,305 | 8,757 | 8,757 | - |
| Advertising | 250 | 250 | - | 250 |
| Personnel training | 6,000 | 6,000 | 5,153 | 847 |
| Office supplies | 1,000 | 1,000 | 360 | 640 |
| Maintenance | 8,000 | 8,000 | 7,874 | 126 |
| Utilities | 19,200 | 19,200 | 17,468 | 1,732 |
| Fuel | 10,700 | 11,184 | 11,184 | - |
| Uniforms | 12,000 | 12,000 | 4,488 | 7,512 |
| Protective clothing | 14,400 | 14,400 | 8,613 | 5,787 |
| Equipment repairs | 11,500 | 18,062 | 17,586 | 476 |
| Truck expenditures | 8,700 | 8,700 | 3,071 | 5,629 |
| Janitorial | 1,000 | 1,000 | 390 | 610 |
| Miscellaneous | 2,600 | 2,687 | 1,871 | 816 |
| Technology | 4,200 | 4,200 | 3,282 | 918 |
| Medical Expenditures | 500 | 500 | 25 | 475 |
| Capital purchases | - | - | - | - |
| Total fire department | 973,691 | 973,691 | 929,532 | 44,159 |
| Total public safety | $2,299,520 | $2,299,520 | $2,363,102 | $ (63,582) |

(Continued)

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

**CITY OF CHATSWORTH, GEORGIA**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**
**Year Ended December 31, 2018**

| | Budgeted Amounts | | | Variance (Over) |
|---|---|---|---|---|
| | Original | Final | Actual | Under |
| **EXPENDITURES (Continued)** | | | | |
| **Current expenditures (Continued)** | | | | |
| Public works | | | | |
| Street department | | | | |
| Salaries | $ 497,248 | $ 497,248 | $ 438,742 | $ 58,506 |
| Payroll taxes | 38,040 | 38,040 | 30,801 | 7,239 |
| Group health Ins | 70,671 | 70,671 | 68,381 | 2,290 |
| Retirement insurance | 21,559 | 21,559 | 21,469 | 90 |
| Workers compensation Ins | 20,000 | 20,000 | 11,261 | 8,739 |
| Insurance | 16,000 | 16,000 | 10,404 | 5,596 |
| Auto | 10,000 | 10,000 | 6,980 | 3,020 |
| Uniforms | 9,000 | 9,988 | 9,988 | - |
| Fuel | 30,000 | 36,881 | 36,881 | - |
| Supplies & materials | 35,000 | 35,239 | 32,619 | 2,620 |
| Repairs and maintenance | 18,000 | 18,000 | 17,879 | 121 |
| Utilities | 190,000 | 190,000 | 171,252 | 18,748 |
| Street improvements | 15,000 | 6,892 | 1,282 | 5,610 |
| Office supplies | 600 | 600 | 127 | 473 |
| Telephone | 2,200 | 2,200 | 1,805 | 395 |
| Contract Labor | 1,000 | 1,000 | - | 1,000 |
| Equipment rental | 500 | 500 | - | 500 |
| Miscellaneous | 6,000 | 6,000 | - | 6,000 |
| Capital Purchases | - | - | - | - |
| Total street department | 980,818 | 980,818 | 859,871 | 120,947 |
| Total public works | 980,818 | 980,818 | 859,871 | 120,947 |
| Public welfare and recreation | | | | |
| Health and Sanitation | | | | |
| Salaries | 47,548 | 45,681 | 44,681 | 1,000 |
| Payroll taxes | 3,638 | 3,265 | 3,265 | - |
| Group health insurance | 5,889 | 5,521 | 5,693 | (172) |
| Retirement expenditures | 2,523 | 2,523 | 2,523 | - |
| Workers compensation insurance | 4,000 | 1,185 | 1,185 | - |
| Insurance | 2,500 | 1,419 | 1,419 | - |
| Supplies & materials | 750 | 10 | 10 | - |
| Repairs & maintenance | 7,500 | 10,361 | 10,361 | - |
| Uniforms | 700 | 1,422 | 1,422 | - |
| Miscellaneous | 500 | 11 | 11 | - |
| Fuel | 8,000 | 9,538 | 9,538 | - |
| Tipping fees | 25,000 | 27,612 | 27,612 | - |
| Health department aid | 5,000 | 5,000 | 5,000 | - |
| Capital Purchases | - | - | - | - |
| Budgeted contributions | 30,000 | 30,000 | 30,000 | - |
| Total health and sanitation | 143,548 | 143,548 | 142,720 | 828 |
| Parks and recreation | | | | |
| Recreation expenditures | - | - | - | - |
| Total parks and recreation | - | - | - | - |
| Total welfare and recreation | $ 143,548 | $ 143,548 | $ 142,720 | $ 828 |

(Continued)

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

**CITY OF CHATSWORTH, GEORGIA**
**General Fund**
**Statement of Revenues, Expenditures and Changes in Fund Balance -**
**Budget and Actual (Continued)**
**Year Ended December 31, 2018**

| | Budgeted Amounts | | | Variance (Over) |
|---|---|---|---|---|
| | Original | Final | Actual | Under |
| **EXPENDITURES (Continued)** | | | | |
| **Current expenditures (Continued)** | | | | |
| Zoning and Codes Enforcement | | | | |
| Salaries | $ 47,798 | $ 49,372 | $ 49,395 | $ (23) |
| Payroll taxes | 3,657 | 3,657 | 3,553 | 104 |
| Group health | 5,889 | 5,889 | 6,299 | (410) |
| Retirement | 2,523 | 2,523 | 2,523 | - |
| Workman's compensation | 1,700 | 1,700 | 1,482 | 218 |
| Janitorial | 1,200 | 1,200 | 1,080 | 120 |
| Insurance | 1,500 | 1,148 | 946 | 202 |
| Auto | 1,000 | 1,000 | 140 | 860 |
| Utilities | 2,800 | 2,800 | 2,086 | 714 |
| Fuel | 1,500 | 1,537 | 1,537 | - |
| Uniform | 500 | 500 | - | 500 |
| Contract Services | 5,000 | 5,000 | - | 5,000 |
| Personnel training | 1,000 | 1,000 | - | 1,000 |
| Office supplies | 1,500 | 1,500 | 613 | 887 |
| Maintenance and supplies | 500 | 500 | 296 | 204 |
| Equipment repairs | 500 | 500 | - | 500 |
| Telephone | 1,500 | 1,889 | 1,889 | - |
| Dues | 1,000 | 1,235 | 1,235 | - |
| Miscellaneous | 2,000 | 117 | 116 | 1 |
| Capital Purchases | - | - | - | - |
| Total Zoning and Codes Enforcement | 83,067 | 83,067 | 73,190 | 9,877 |
| Building Inspection | | | | |
| Salaries | $ 54,472 | $ 56,573 | $ 56,650 | $ (77) |
| Payroll taxes | 4,167 | 4,167 | 4,035 | 132 |
| Group health | 5,889 | 5,889 | 6,299 | (410) |
| Retirement | 2,523 | 2,523 | 2,523 | - |
| Workman's compensation | 1,220 | 1,482 | 1,482 | - |
| Janitorial | 120 | 120 | - | 120 |
| Insurance | 591 | 946 | 946 | - |
| Auto | 1,000 | 286 | 286 | - |
| Fuel | 1,200 | 1,200 | 1,148 | 52 |
| Uniform | 520 | 520 | 153 | 367 |
| Contract Services | 1,200 | 717 | 450 | 267 |
| Personnel training | 750 | 50 | 50 | - |
| Office supplies | 360 | 762 | 762 | - |
| Maintenance and supplies | 200 | 200 | 87 | 113 |
| Equipment repairs | 200 | 200 | - | 200 |
| Telephone | 1,080 | 1,457 | 1,457 | - |
| Dues | 1,600 | - | - | - |
| Miscellaneous | - | - | - | - |
| Capital Purchases | - | - | - | - |
| Total Building Inspection | 77,092 | 77,092 | 76,328 | 764 |

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

**CITY OF CHATSWORTH, GEORGIA**
**General Fund**
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**
**Budget and Actual (Continued)**
**Year Ended December 31, 2018**

| | Budgeted Amounts | | | Variance (Over) |
|---|---|---|---|---|
| | Original | Final | Actual | Under |
| **EXPENDITURES (Continued)** | | | | |
| **Current expenditures (Continued)** | | | | |
| **Total Expenditures** | 4,001,237 | 4,001,237 | 3,940,109 | 61,128 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 162,567 | (162,567) |
| **Other financing sources (uses)** | | | | |
| Proceeds from capital leases | | | 400,000 | 400,000 |
| Transfers in | - | - | | - |
| Transfers out | - | - | (550,000) | (550,000) |
| Total other financing sources (uses) | - | - | (150,000) | (150,000) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | - | - | 12,567 | (312,567) |
| **Fund balance -** beginning of year | 4,710,647 | 4,710,647 | 4,710,647 | - |
| **Fund balance -** end of year | $4,710,647 | $4,710,647 | $4,723,214 | $ (12,567) |

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

**CITY OF CHATSWORTH, GEORGIA**
**Proprietary Funds**
**Statement of Net Position**
**December 31, 2018**

| ASSETS | Water and Sewerage Fund |
|---|---|
| **CURRENT ASSETS** | |
| Cash and cash equivalents | $ 2,119,145 |
| Investments | 3,445,576 |
| Receivables, net of allowance for uncollectibles: | |
| Accounts | 981,766 |
| Intergovernmental | 1,040,285 |
| Other | 22,226 |
| Inventory | 193,995 |
| Prepaid expenses | 27,216 |
| Restricted assets: | |
| Cash and cash equivalents | 159,996 |
| Total current assets | 7,990,205 |
| **NON-CURRENT ASSETS** | |
| Capital assets: | |
| Land | 901,794 |
| Buildings | 8,018,714 |
| Infrastructure | 43,062,297 |
| Machinery and equipment | 5,621,007 |
| Vehicles | 998,950 |
| Construction in progress | 1,323,360 |
| | 59,926,122 |
| Less accumulated depreciation | 30,958,113 |
| Total non-current assets | 28,968,009 |
| Total assets | 36,958,214 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension related items | 136,931 |

See Notes to Financial Statements

**CITY OF CHATSWORTH, GEORGIA**
**Proprietary Funds**
**Statement of Net Position (Continued)**
**December 31, 2018**

| | | |
|---|---|---|
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Payable from current assets: | | |
| Accounts payable | $ | 208,538 |
| Accrued expenses and other liabilities | | 50,717 |
| Compensated absences and other liabilities | | 108,420 |
| Interfund balances | | 29,520 |
| Customer deposits payable | | 971,817 |
| Unearned revenue | | 25,943 |
| Notes payable - current | | 88,852 |
| Capital leases - current | | 156,883 |
| Payable from restricted assets: | | |
| Revenue bonds payable - current | | 415,000 |
| Accrued interest payable | | 35,858 |
| Total current liabilities | | 2,091,548 |
| **LONG-TERM LIABILITIES** | | |
| Revenue bonds payable | | 5,294,968 |
| Notes payable | | 2,768,765 |
| Capital leases | | 241,580 |
| Net pension liability | | 430,186 |
| Total long-term liabilities | | 8,735,499 |
| Total liabilities | | 10,827,047 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related items | | 86,577 |
| **NET POSITION** | | |
| Net investment in capital assets | | 20,969,853 |
| Restricted for debt service | | 107,436 |
| Restricted for capital projects | | 16,703 |
| Unrestricted | | 5,087,529 |
| Total net position | $ | 26,181,521 |

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

**CITY OF CHATSWORTH, GEORGIA**
**Proprietary Funds**
**Statement of Revenues, Expenses, and Changes in Net Position**
**Year Ended December 31, 2018**

| | Water and Sewerage Fund |
|---|---|
| **Operating revenues** | |
| Charges for services: | |
| Water sales | $ 5,312,403 |
| Sewer sales | 1,514,157 |
| Connection fees | 224,050 |
| Other fees and charges | 637,558 |
| Total operating revenues | 7,688,168 |
| **Operating expenses** | |
| Administrative | 1,641,813 |
| Distribution and maintenance | 1,829,956 |
| Sewer plant | 583,507 |
| Water plant | 1,926,495 |
| Depreciation | 1,838,997 |
| Total operating expenses | 7,820,768 |
| Operating income | (132,600) |
| **Non-operating revenues (expenses)** | |
| Interest income | 134,679 |
| Intergovernmental revenues | 160,497 |
| Interest expense and fiscal charges | (184,417) |
| Increase in fair vaue of investments | (56,038) |
| Other | 0 |
| Total non-operating revenues (expenses), net | 54,721 |
| Change in net position | (77,879) |
| **Net position, beginning of year** | 26,259,400 |
| **Net position, end of year** | $ 26,181,521 |

**See Notes to Financial Statements.**

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

## CITY OF CHATSWORTH, GEORGIA
## Proprietary Funds
## Statement of Cash Flows
## Year Ended December 31, 2018

| | Water and Sewerage Fund |
|---|---|
| **Cash Flows from Operating Activities** | |
| Receipts from customers and users | $ 7,616,319 |
| Payments to suppliers | (3,478,157) |
| Payments to employees | (2,538,140) |
| Net cash provided by operating activities | 1,600,022 |
| **Cash Flows from Non-Capital Financing Activities** | |
| Proceeds from non-capital related borrowing | 1,133,210 |
| Payment of loan proceeds to Murray County Industrial Development Authority | (1,133,210) |
| Receipts on long-term receivable from Murray County Industrial Development Authority | 100,000 |
| Principal payments on loan | (165,318) |
| Net cash used in capital and related financing activities | (65,318) |
| **Cash Flows from Capital and Related Financing Activities** | |
| Purchases of capital assets | (2,402,809) |
| Proceeds from long-term borrowings | 654,720 |
| Proceeds from capital grant | 160,497 |
| Principal payments on long-term borrowings | (497,942) |
| Interest paid on long-term borrowings | (196,764) |
| Net cash provided by investing activities | (2,282,298) |
| **Cash Flows from Investing Activities** | |
| Purchases of investments | (1,571,135) |
| Proceeds from maturities of investments | 1,584,365 |
| Interest received | 127,604 |
| | 140,834 |
| Net decrease in cash and cash equivalents | (606,760) |
| **Cash and cash equivalents:** | |
| Beginning of year | 2,885,901 |
| End of year | $ 2,279,141 |
| **Classified as:** | |
| Cash and cash equivalents | $ 2,119,145 |
| Restricted cash and cash equivalents | 159,996 |
| | $ 2,279,141 |
| **Reconciliation of Operating Income to Net Cash Provided By Operating Activities** | |
| Operating loss | $ (132,600) |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 1,838,997 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (132,172) |
| Increase in inventory | (16,912) |
| Decrease in prepaid expenses | 50,717 |
| Decrease in deferred outflows - pension items | (42,860) |
| Decrease in accounts payable and accrued expenses | (65,593) |
| Increase in unearned revenue | 1,581 |
| Increase in customer deposits payable | 58,742 |
| Decrease in net pension liability | (42,022) |
| Increase in deferred inflows - pension items | 82,144 |
| Net cash provided by operating activities | $ 1,600,022 |
| **Non-Cash Investing Activities** | |
| Decrease in fair value of investments | $ (56,038) |

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

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The City of Chatsworth, Georgia ("the City") was incorporated on June 7, 1926, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Administration form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture and recreation, education, public improvements, planning and zoning, general administrative services, and public utilities.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. The City does not apply FASB pronouncements or Accounting Principles Board Opinions issued after November 30, 1989. The more significant accounting policies of the City are described below.

### A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB issued statement No. 14, *The Financial Reporting Entity*, and GAAP. This statement requires that the financial statements present the fund types and account groups of the City of Chatsworth (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board, and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The following component unit has been presented as a discretely presented component unit because of the significance of the operational relationship with the City.

**The City of Chatsworth Water Works Commission** (the "Commission"), a body politic, was duly created under the Acts of the General Assembly of the State of Georgia in 1947. The Commission was created to provide water and related services throughout the City of Chatsworth, Georgia. The Commission currently serves customers in the City of Chatsworth and Murray County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Commission is governed by a board of commissioners, which are appointed by the Mayor of Chatsworth. The Commission's financial information is included within the City of Chatsworth, Georgia's financial statements as a discretely presented component unit.

**The Downtown Development Authority of Chatsworth** – The Downtown Development Authority is a registered local government authority and a component of the City of Chatsworth, but is inactive and has no assets. Therefore, it is not presented in the financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A. Reporting Entity (Continued)

**Related Organizations** – The Housing Authority of the City of Chatsworth, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed by the City of Chatsworth, Georgia. The City of Chatsworth, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Chatsworth, Georgia is a related organization.

### B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types(the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

**Government-wide Statements** – The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, inter-governmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is designed to view the City as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements – GASB Statement No. 34 (Continued)**

**Fund Financial Statements** – The fund financial statements are, in substance, very similar to the financial statements presented in the previous model, and provide information about the City's funds, including governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprises funds, each displayed in a separate column.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

**General Fund –** This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Capital Projects Fund –** This governmental fund is used to account for the Special Local Option Sales Tax (SPLOST) receipts of the City.

The City reports the following major enterprise fund:

**Water and Sewer Fund –** This fund is used to account for the provision of water and sewer services to the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

**C. Measurement Focus – Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus – Basis of Accounting (Continued)**

Property taxes, sales taxes, franchise taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund equity at the governmental fund 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 assets and 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 purpose for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable– Fund balance classification includes amounts that 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 Council also may modify or rescind the commitment.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus – Basis of Accounting (Continued)**

Assigned – Fund balances are reported as assigned when amounts are constrained by the Council action to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

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

Net Position – Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is presented in three components as follows:

Net investment in capital assets – Capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

All governmental and business-type activities of the City follow FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

**D. Encumbrance Accounting**

Encumbrance accounting is a system used to track outstanding purchase commitments that have not yet resulted in liabilities. Encumbrances are commitments related to unperformed (executory) contracts for goods or services. When a purchase order or commitment is placed, the governmental unit reduces the amount of budgetary authority remaining in the budget category and records an outstanding encumbrance. When the goods or services have been received, the encumbrance balance is reduced and the expenditure and a liability is recorded. The City of Chatsworth, Georgia does not use encumbrance accounting.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

In accordance with Office Code of Georgia Annotated (O.C.G.A.)§ 36-81-3, budgets are legally adopted for the general fund and the enterprise fund.

During the last weeks of the year, budget requests are prepared for each department based on the activities of the current year with anticipated changes for the next year including needed capital expenditures. The budget requests are submitted to the Council at a scheduled meeting. The council formally adopts an annual appropriated budget for the general fund. This budget is adopted on a departmental basis. The City manager is authorized to transfer budgeted amounts within departments. The Council adopts a flexible budget for the water and sewer fund. The expense estimates of the flexible budget are not appropriations but approved plans.

Budgets are adopted on a basis consistent with GAAP. Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted or as amended by the Council. Individual amendments are not material in relation to the original appropriations. All annual appropriations, which are not expended, lapse at year-end.

The level of control (the level at which expenses may not exceed appropriations without approval of the Commission) for each legally adopted annual operating budget is at the department level. This is the level of comparison which is presented in the basic financial statements.

### F. Cash and Cash Equivalents

For cash flow reporting purposes in proprietary funds, cash includes petty cash, amounts in demand deposits and cash equivalents. The City considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents on December 31, 2018.

### G. Investments

All investments are made in accordance with O.C.G.A. § 36-83-4 and are reported at fair value, which is based on quoted market price.

The City of Chatsworth, Georgia is authorized to invest in the following:

1. Obligations of the State of Georgia or of other states;
2. Obligations issued by the United States government;
3. Obligations fully insured or guaranteed by the United States government or a United States government agency;
4. Obligations of any corporation of the United States government;
5. Prime bankers' acceptance;
6. The local government investment pool established by Georgia Code Section 36-83-8;
7. Repurchase agreements; and
8. Obligations of other political subdivisions of the State of Georgia.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage dating back to 1985), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets recorded under capital leases and the accumulated amortization thereon is included with depreciation expense. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Years |
|---|---|
| Building and improvements | 40 |
| Fire department | 7–12 |
| Furniture and equipment | 7 |
| Police department | 5–12 |
| Public works | 7–12 |
| Infrastructure | 20 |

Capital assets of the enterprise fund are accounted for in the enterprise fund and are stated at cost or estimated fair market value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The Commission defines its capitalization policy as assets costing $1,000 and having an estimated useful life of greater than three years.

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

### I. Inventories

Supplies and materials are recorded as expenditures at the time items are purchased and are not inventoried at year-end due to lack of materiality.

**Water and Sewer Fund -** Inventories of materials and supplies are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The Commission uses the consumption method of accounting for inventory, in that as materials are purchased they are coded to inventory and then as subsequently used they are expensed in the fund.

### J. Restricted Net Position

The City records restrictions of net position, which are maintained for specific purposes.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### K. Interfund Transactions

**Interfund Receivables and Payables -** Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

**Transactions Between Funds -** Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated, but treated as transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

### L. Compensated Absences

Employees eligible for leave include full time employees and part-time employees that have been employed by the Council for one year and work a minimum of 20 hours per week. During the first 10 years of employment, a full time employee accrues 10 days of vacation leave per year. After 10 years, the employee shall accrue 15 days of vacation leave. The maximum of unused vacation leave a full time and eligible part-time employee may accumulate after 10 years is 160 hours.

Unused vacation benefits and compensatory time will be paid to the employees upon separation from the City. Accumulated unpaid compensated absence amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

### M. Long-term Obligations

In the governmental-wide financial statements, long-term debt and other long term obligations are reported as liabilities on the Statement of Net Position.

### N. Prepayment of Expenditures

Government fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditure in the period disbursed.

### O. Prepayment of Expenditures

Government fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditure in the period disbursed.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Property Taxes

Property tax levies by the City are assessed by the Assessor of Property in Murray County and collected by the City. Property tax revenues are recognized on the modified accrual basis.

The property tax calendar applicable to the current fiscal year is as follows:

| | |
|---|---|
| Lien date | October 20, 2017 |
| Levy date | October 20, 2017 |
| Tax bills mailed | October 20, 2017 |
| Payment due date | October 20, 2017 through February 28, 2018 |
| Delinquency date | March 1, 2018 |

### Q. Capital Contributions:

Capital contributions consist of capital grants or contributions from developers, customers and other entities.

### R. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### S. Bond Premium, Discount and Issuance Costs

Bond premiums, and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable in the statement of net position. Issuance costs are expensed when paid in the statement of revenues, expenses, and changes in net position.

### T. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

### U. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Chatsworth Water Works Commission Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTE 2. DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's deposit balances as of December 31, 2018:

**As reported in the Governmental Funds Statement of Net Position**

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 1,495,117 |
| Investments | | 2,363,155 |
| Restricted: | | |
| Cash and cash equivalents | | 184,196 |
| | $ | 4,042,468 |
| | | |
| Cash deposited with financial institutions | $ | 1,679,313 |
| Municipal debt obligations | | 2,284,773 |
| US government agency bond obligations | | 78,382 |
| | $ | 4,042,468 |

**Custodial Credit Risk for 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 statues require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2018, the City did not have any deposits which were uninsured or under collateralized, as defined by State statutes.

On December 31, 2018, the City had the following investments:

| Type of Investment | Maturity Date or Weighted Avg. Maturity | | Fair Value |
|---|---|---|---|
| US Government Agency Bonds | 5.44 years | $ | 78,382 |
| Municipal Bonds | 6.10 years | | 2,284,773 |
| **Total Investments** | | $ | 2,363,155 |

**Credit Risk for Investments** – State Statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of the political subdivisions of the State of Georgia.

Aside from adherence to State statutes, the City does not have a formal policy that restricts its investments to a certain quality rating. As of December 31, 2018, the City's investments in obligations of U.S. government agencies were rated Aaa and its municipal debt obligations ranged from Aaa to Baa1 as rated by Moody's Investor Services.

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in obligations of the States of Texas, Arkansas and Georgia. These investments have a market value of $1,179,035 and represent 49.90% of the City's total investments at year-end. The table below provides a detail of the market value and percentage of the City's total investments at year-end invested in each of these issuers:

| State | Market Value | Percentage |
|---|---|---|
| Texas | $ 137,529 | 5.82% |
| Arkansas | 135,055 | 5.72% |
| Georgia | 906,451 | 38.36% |
| | $ 1,179,035 | 49.90% |

**Interest Rate Risk** – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## Water Works Commission

Following is a reconciliation of the Commission's deposit balances as of December 31, 2018:

### As reported in the Proprietary Funds Statement of Net Position

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 2,119,145 |
| Investments | | 3,445,576 |
| Restricted: | | |
| Cash and cash equivalents | | 159,996 |
| | $ | 5,724,717 |
| | | |
| Cash deposited with financial institutions | $ | 2,279,141 |
| Municipal bonds | | 3,273,467 |
| US government agency bond obligations | | 172,109 |
| | $ | 5,724,717 |

**Custodial Credit Risk: Deposits –** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and the Commission's policy, require all deposits and investments (other than federal or state government instruments) to be collateralized 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2018, the Commission did not have any deposits which were uninsured or under collateralized, as defined by State statutes.

**NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)**

On December 31, 2018, the Commission had the following investments:

| Type of Investment | Weighted Avg. Maturity | Fair Value |
|---|---|---|
| US Government Agency Bonds | 2.64 years | $ 172,109 |
| Municipal Bonds | 7.39 years | 3,273,467 |
| **Total investments** | | $ 3,445,576 |

**Credit Risk for Investments –**State Statutes authorize the Commission to invest in U.S. Government obligations; U.S. Government agency (or corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposits issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds. Operating funds of the Commission are currently invested in U.S. Government agency bonds and municipal bonds.

Aside from adherence to State statutes, the Commission does not have a formal policy that restricts its investments to a certain quality rating. As of December 31, 2018, the Commission's investments in obligations of U.S. government agencies were rated Aaa and its municipal debt obligations ranged from Aaa to A- as rated by Moody's Investor Services.

The Commission places no limit on the amount it may invest in any one issuer. More than 5 percent of the Commission's investments are in obligations of the States of Georgia, Hawaii, Minnesota, Mississippi, Pennsylvania and Washington. These investments have a market value of $2,048,537 and represent 59.5% of the Commission's total investments at year-end. The table below provides a detail of the market value and percentage of the Commission's total investments at year-end invested in each of these issuers:

| State | Market Value | Percentage |
|---|---|---|
| Georgia | $ 608,356 | 17.7% |
| Hawaii | 219,384 | 6.4% |
| Minnesota | 322,446 | 9.4% |
| Mississippi | 411,393 | 11.9% |
| Pennsylvania | 254,688 | 7.4% |
| Washington | 232,270 | 6.7% |
| | $ 2,048,537 | 59.5% |

**Interest Rate Risk –**The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Fair Value Measurements** – The Commission categorizes its fair value within the fair value hierarchy by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Commission's recurring fair value measurements as of December 31, 2018 are as follows:

| Investment | Level 1 | Level 2 | Fair Value |
|---|---|---|---|
| Municipal Bonds | $ 154,120 | $ 3,119,347 | $ 3,273,467 |
| United States Government Agency Bonds | - | 172,109 | 172,109 |
| Total investments measured at fair value | $ 154,120 | $ 3,291,456 | $ 3,445,576 |

The Municipal Bonds classified in Level 1 of the fair value hierarchy are valued using a documented trade history in the exact security. The investments in Municipal Bonds and United States Government Agency Bonds classified as Level 2 of the fair value hierarchy are valued using a present value of expected future cash flow model. This pricing is used to value securities based on the present value of the expected future cash flows of each security.

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and Commission policy require all deposits to be collateralized by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2018, the Commission had deposits with two (2) financial institutions collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. Additionally, the Commission had deposits with one (1) financial institution that were collateralized by pledged securities, as defined above, such that all of the Commission's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

## NOTE 3. NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

No transactions occurred involving investing, capital and financing activities that affect recognized assets or liabilities but do not result in cash receipts or payments during the year.

## NOTE 4. PROPERTY TAXES

A summary of property taxes receivable on December 31, 2018 is as follows:

| | Current Levy | Prior Levies | Total |
|---|---|---|---|
| General Fund | | | |
| Property Taxes Receivable | $ 172,316 | $ 3,195 | $ 175,511 |
| Allowance for Uncollectible Taxes | (1,869) | (64) | (1,933) |
| Net | $ 170,447 | $ 3,131 | $ 173,578 |

## NOTE 5. RECEIVABLES

### General Fund

The following amounts are due from other governments on December 31, 2018:

| | |
|---|---|
| Murray County Georgia – SPLOST | $ 73,226 |
| State of Georgia – Sales Tax | 110,278 |
| Total | $ 183,504 |

### Proprietary Funds

Customer accounts receivable include billed but uncollected amounts and unbilled receivables based on a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following on December 31, 2018:

| | |
|---|---|
| Receivables: | |
| Accounts | $ 991,475 |
| Less allowance for uncollectibles | 9,709 |
| Net accounts receivable | $ 981,766 |
| | |
| Other receivables | $ 22,226 |

In January 2018, the Commission entered into a transaction with the Murray County Industrial Development Authority (the "IDA") in which the Commission has provided financing in the amount of $1,133,000 for the IDA to make purchases and sales of land and property. Interest on the note is variable from 0%-3% and is due monthly. A minimum of one annual principal payment is required; however, there is no set maturity date or payment amount on the note. As of December 31, 2018, the balance of the note receivable was $1,033,210.

## NOTE 6. DEFERRED INFLOWS OF RESOURCES

The governmental funds financial statements report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item, under a modified accrual basis of accounting, that qualifies for reporting in this category. Therefore, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

At the end of the current fiscal year, the component of deferred inflows of resources reported in the governmental funds is as follows:

| | Unavailable | Total |
|---|---|---|
| Property Taxes | $96,640 | $96,640 |

## NOTE 7. CAPITALIZATION OF INTEREST COSTS

During construction periods, interest costs related to construction loans are capitalized.

## NOTE 8. LONG-TERM DEBT

**City**

Long-term debt activity for the year ended December 31, 2018 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Capital lease | 114,129 | 400,000 | 47,995 | 466,134 | 121,560 |
| Net pension liability | 273,739 | - | 101,848 | 171,891 | - |
| Bonds payable | - | - | - | - | - |
| Compensated absences | 90,761 | - | 2,739 | 88,022 | 88,022 |
| Total long-term liabilities | 478,629 | 400,000 | 152,582 | 726,047 | 209,582 |

**Capital Lease Payable**

In August 2016, the City entered into a lease agreement with Branch Bank & Trust to finance the purchase of a 2015 Dodge Charger in the amount of $34,953.40 with interest at 3.35% and quarterly payments of $3,073.77. On September 1, 2017 the City entered into a lease agreement to purchase three Police vehicles with GM Financial payable in quarterly payments of $9,835.77 with interest at 3.87% for 12 quarters. On July 17, 2018 the City entered into a lease agreement with BB&T to finance the purchase of a 2013 Fire Truck in the amount of $400,000 payable in 5 annual payments of $88,216.54 with interest at 3.35%.

**NOTE 8. LONG-TERM DEBT (CONTINUED)**

Debt service requirements to maturity are as follows:

| | | |
|---|---|---|
| Year ending December 31, | 2019 | 121,560 |
| | 2020 | 96,714 |
| | 2021 | 79,913 |
| | 2022 | 82,590 |
| | 2023 | 85,357 |
| | | $ 466,134 |

**Water Work Commission**

Long-term debt activity for the year ended December 31, 2018 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Bonds payable | $ 6,050,000 | $ - | $ (410,000) | 5,640,000 | $ 415,000 |
| Premium | 80,189 | - | (10,221) | 69,968 | - |
| Revenue bonds payable, net | 6,130,189 | - | (420,221) | 5,709,968 | 415,000 |
| Notes payable | 1,721,410 | 1,389,467 | (253,260) | 2,857,617 | 88,852 |
| Capital leases | - | 398,463 | - | 398,463 | 156,883 |
| Net pension liability | 472,208 | 323,011 | (365,033) | 430,186 | - |
| Compensated absences | 106,658 | 119,050 | (117,288) | 108,420 | 108,420 |
| Total long-term liabilities | $ 8,430,465 | $2,229,991 | $ (1,155,802) | $ 9,504,654 | $ 769,155 |

**Revenue Bonds**

In September 2012, the Commission issued Water and Sewer Refunding and Improvement Revenue Bonds, Series 2012 to prepay its outstanding loans with the Georgia Environmental Finance Authority (GEFA) and to acquire, construct and equip extensions, additions, and improvements to its utility system. The bonds bear interest at rates ranging from 2.00 – 3.00% and mature in 2030.

Debt service requirements to maturity for the Commission's revenue bonds are as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal year ending December 31, | | | |
| 2019 | 415,000 | 137,825 | 552,825 |
| 2020 | 425,000 | 129,525 | 554,525 |
| 2021 | 435,000 | 121,025 | 556,025 |
| 2022 | 440,000 | 111,781 | 551,781 |
| 2023 | 450,000 | 102,431 | 552,431 |
| 2024-2028 | 2,420,000 | 349,400 | 2,769,400 |
| 2029-2030 | 1,055,000 | 47,700 | 1,102,700 |
| Total | $ 5,640,000 | $ 999,687 | $ 6,639,687 |

**NOTE 8. LONG-TERM DEBT (CONTINUED)**

**Notes Payable**

**GEFA Notes -** In July 2015, the Commission incurred debt to the Georgia Environmental Finance Authority (GEFA) for the construction of a solar photovoltaic system at its wastewater treatment plant. The original amount of the note was $2,201,740 and included a loan forgiveness component of $300,000 which was reported as intergovernmental revenue when earned. The remaining balance of the note bears interest at a fixed rate of 1.03% payable at the beginning of each month beginning December 2015 until 2035 with monthly payments totaling $8,772. The debt service to maturity is as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending December 31, | | | |
| 2019 | $ 88,852 | $ 16,406 | $ 105,258 |
| 2020 | 89,771 | 15,487 | 105,258 |
| 2021 | 90,700 | 14,558 | 105,258 |
| 2022 | 91,639 | 13,619 | 105,258 |
| 2023 | 92,587 | 12,671 | 105,258 |
| 2024-2028 | 477,508 | 48,780 | 526,288 |
| 2029-2033 | 502,733 | 23,556 | 526,289 |
| 2034-2035 | 199,680 | 2,063 | 201,743 |
| Total | $ 1,633,470 | $ 147,140 | $ 1,780,610 |

In January 2018, the Commission executed a promissory note to the Georgia Environmental Finance Authority (GEFA) to borrow up to $6.1 million from the Clean Water State Revolving Fund for the construction of the Mill Creek Wastewater Treatment Plant. The unpaid principal balance of the note will bear interest at 1.89%, which includes principal forgiveness of up to $500,000 if all funds are drawn, and will be payable monthly until the project is completed. At that time, the note will be finalized and will enter into its repayment phase. As of December 31, 2018, the Commission had made draws totaling $256,255 on this note payable to GEFA. As the project is still in the construction phase, and amortization schedule has not been determined for this note and thus the entire payable is reported in more than one year.

**Wells Fargo –** In January 2018, the Commission executed a note payable with Wells Fargo in order to finance the loan receivable with the Murray County IDA (see Note 3 for additional information). The Commission incurred debt in the form of a note payable with the bank, specifically a margin loan of $1,133,210 that is collateralized by the Commission's investment portfolio. There is no amortization schedule determined by the bank; however, margin calls are subject to be made as necessary at interest rates ranging from 3.25% to 3.75%. The bank reduces the loan by redeeming securities in the Commission's portfolio and, ultimately, the Commission will be repaid by the payments made by the IDA on the note receivable. As of December 31, 2018, the outstanding amount of the loan was $967,892.

## NOTE 8. LONG-TERM DEBT (CONTINUED)

### Capital Leases

In 2018, the Commission entered into lease agreements as lessee for financing the acquisition of equipment used in the general operations of the Commission. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. The lease agreements do not contain a stated rate of interest; however, if the Commission does not make the annual payments as required, interest and penalties may apply. As of December 31, 2018, the Commission had equipment under capital leases with a cost of $398,463 and accumulated depreciation of $25,425 for a net book value of $373,038. Annual depreciation of these assets is included in depreciation expense.

The Commission's total capital lease debt service requirements to maturity are as follows:

| Fiscal Year Ending December 31, | | |
|---|---|---|
| 2019 | $ | 156,883 |
| 2020 | | 156,883 |
| 2021 | | 84,697 |
| Total minimum lease payments | $ | 398,463 |

## NOTE 9. SEGMENT INFORMATION

The City of Chatsworth Water Works Commission issues revenue bonds to support construction of and improvements to the water and sewer systems. The Water and Sewer Fund financial statements are presented as the only proprietary fund of the City. Services provided by the fund are described in Note 1.

## NOTE 10. RESTRICTED ASSETS

Certain proceeds of the revenue bonds and GEFA loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

## NOTE 11. CAPITAL ASSETS

Depreciation expense was charged to the functions of the primary government as follows:

| | |
|---|---|
| General government | $ 111,718 |
| Public safety | 231,855 |
| Public works | 62,565 |
| Public welfare | 15,908 |
| Zoning & Building inspection | 4,434 |
| Total | $ 426,480 |

Capital asset activity for the year ended December 31, 2018 was as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 595,407 | $ - | $ - | $ 595,407 |
| Total | 595,407 | - | - | 595,407 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,066,982 | 35,044 | | 2,102,026 |
| Infrastructure | 3,355,705 | 193,481 | | 3,549,186 |
| Equipment | 1,580,372 | 36,088 | (71,964) | 1,544,496 |
| Furniture and fixtures | 80,905 | 3,535 | (620) | 83,820 |
| Vehicles | 2,611,103 | 648,662 | (177,069) | 3,082,696 |
| Total | 9,695,067 | 916,810 | (249,653) | 10,362,224 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,211,194) | (53,055) | - | (1,264,249) |
| Infrastructure | (2,435,954) | (92,630) | - | (2,528,584) |
| Equipment | (941,541) | (111,168) | 71,964 | (980,745) |
| Furniture and fixtures | (66,630) | (3,213) | 620 | (69,223) |
| Vehicles | (1,794,782) | (166,414) | 167,069 | (1,794,127) |
| Total | (6,450,101) | (426,480) | 239,653 | (6,636,928) |
| Total capital assets, being depreciated - net | 3,244,966 | 490,330 | (10,000) | 3,725,296 |
| Governmental activities, capital assets - net | $ 3,840,373 | $ 490,330 | $ (10,000) | $ 4,320,703 |

Additions to capital assets consist of SPLOST fund additions of $905,150 and confiscated fund additions of $11,660.

## NOTE 11. CAPITAL ASSETS (CONTINUED)

### Water Works Commission

Capital asset activity for the year ended December 31, 2018 was as follows:

| Business-Type activities | Beginning Balance | Increases | Retirements & Transfers | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 901,794 | $ - | $ - | $ 901,794 |
| Construction in progress | 457,349 | 1,130,254 | (264,243) | 1,323,360 |
| Total | 1,359,143 | 1,130,254 | (264,243) | 2,225,154 |
| Capital assets being depreciated: | | | | |
| Buildings | 8,018,714 | - | - | 8,018,714 |
| Infrastructure | 42,259,897 | 538,157 | 264,243 | 43,062,297 |
| Machinery and equipment | 4,825,028 | 538,625 | - | 5,363,653 |
| Furniture and fixtures | 239,452 | 17,902 | - | 257,354 |
| Vehicles | 821,079 | 177,871 | - | 998,950 |
| Total | 56,164,170 | 1,272,555 | 264,243 | 57,700,968 |
| Less accumulated depreciation for: | | | | |
| Buildings | (4,066,709) | (281,247) | - | (4,347,956) |
| Infrastructure | (22,454,754) | (1,128,535) | - | (23,583,289) |
| Machinery and equipment | (1,920,077) | (302,854) | - | (2,222,931) |
| Furniture and fixtures | (167,174) | (22,517) | - | (189,691) |
| Vehicles | (510,402) | (103,844) | - | (614,246) |
| | (29,119,116) | (1,838,997) | - | (30,958,113) |
| Total capital assets, being depreciated - net | 27,045,054 | (566,442) | 264,243 | 26,742,855 |
| Business-type activities, capital assets - net | $ 28,404,197 | $ 563,812 | $ - | $ 28,968,009 |

## NOTE 12. DEFINED BENEFIT PENSION PLAN

### Plan Description

The retirement plans, City of Chatsworth and Water Works Commission Retirement Plan ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City and Commission are commingled with contributions made by other members of GMEBS for investment purposes. The City and Commission do 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 calling (404) 688-0472 or by writing to:

Georgia Municipal Association
Risk Management and Employee Benefit Services
201 Pryor Street, SW
Atlanta, Georgia 30303

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by Commissioners, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, who work twenty hours or more per week, are eligible to participate after one year. Benefits start vesting after five years of service and are fully vested after ten. However, as of April 1, 2010 and for thirty days thereafter, the City and Commission allowed employees with less than ten years of service to opt out of the defined benefit plan and enroll in a new defined contribution pension plan. Subsequently, as of April 30, 2010, the defined benefit plan was closed to new membership, and all new employees of the City and Commission are automatically enrolled in the new defined contribution pension plan.

At July 1, 2018, the date of the most recent actuarial valuation, there were 103 participants in the Plan consisting of the following:

| | City | Water Works |
|---|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 26 | 21 |
| Inactive plan members entitled to but not receiving benefits | 14 | 6 |
| Active plan members | 23 | 12 |
| **Total** | **63** | **39** |

**NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Contributions**

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS 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, as adopted by the Board of Commissioners, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City and Commission are required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the Board of Commissioners. For the year ended December 31, 2018, the City and Commission's recommended contribution rates were 5.37% and 13.97% respectively of annual payroll.

City and Commission contributions to the Plan were $63,067 and $92,487 respectively for the year ended December 31, 2018. Employees of the City and Commission do not contribute to the Plan.

**Net Pension Liability of the City and Commission**

The Commission's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 with updated procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

*Actuarial assumptions*. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Inflation | 2.75% |
| Salary increases | 2.75% plus service based merit increases |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |

Mortality rates of the July 1, 2017 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010-June 30, 2014.

**NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Net Pension Liability of the City and Commission (Continued)**

The long-term expected rate of return on pension plan investments 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. 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, 2018 are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return* |
|---|---|---|
| Domestic equity | 45% | 6.71% |
| International equity | 20% | 7.71 |
| Global fixed income | 5% | 3.36 |
| Real estate | 10% | 5.21 |
| Domestic fixed income | 20% | 2.11 |
| Cash | -% | |
| Total | 100% | |

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.50%. This is a reduction to the discount rate utilized in the prior year of 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

**NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Net Pension Liability of the City (Continued)**

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2018 were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|---|---|---|
| **Balances at 12/31/17** | $ 3,002,416 | $ 2,728,677 | $ 273,739 |
| **Changes for the year:** | | | |
| Service cost | 23,623 | - | 23,623 |
| Interest | 226,745 | - | 226,745 |
| Differences between expected and actual experience | (8,816) | - | (8,816) |
| Assumption changes | - | - | - |
| Contributions-employer | - | 63,261 | (63,261) |
| Net investment income | - | 335,513 | (335,513) |
| Benefit payments, including refunds of employee contributions | (153,349) | (153,349) | - |
| Administrative expense | - | (12,071) | 12,071 |
| Other | 43,303 | - | 43,303 |
| **Net changes** | 131,506 | 233,354 | (101,848) |
| **Balances at 12/31/18** | $ 3,133,922 | $ 2,962,031 | $ 171,891 |

The required schedule of changes in the City's 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 presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| City's net pension liability | $ 578,225 | $ 171,891 | $ (165,176) |

**NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Net Pension Liability of the City (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 expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2018 and the current sharing pattern of costs between employer and employee.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended December 31, 2018, the City recognized pension expense of $63,067. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ (25,205) |
| Changes in assumptions | 32,478 | (5,669) |
| Net difference between projected and actual earnings on pension plan investments | - | (107,491) |
| City contributions subsequent to the measurement date | 47,330 | - |
| Total | $ 79,808 | $ ( 138,365) |

City contributions subsequent to the measurement date of $47,330 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2019. 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 ending December 31: | |
|---|---|
| 2019 | (35,798) |
| 2020 | (3,593) |
| 2021 | (40,896) |
| 2022 | (25,600) |
| Total | (105,887) |

**NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Net Pension Liability of the Commission (Continued)**

*Changes in the Net Pension Liability of the Commission.* The changes in the components of the net pension liability of the Commission for the fiscal year ended December 31, 2018 were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|---|---|---|
| **Balances at 12/31/17** | $ 2,702,015 | $ 2,229,807 | $ 472,208 |
| **Changes for the year:** | | | |
| Service cost | 20,977 | - | 20,977 |
| Interest | 202,197 | - | 202,197 |
| Differences between expected and actual experience | 52,216 | - | 52,216 |
| Changes in actuarial assumptions | 40,009 | - | 40,009 |
| Contributions-employer | - | 91,856 | (91,856) |
| Net investment income | - | 273,177 | (273,177) |
| Benefit payments, including refunds of employee contributions | (186,046) | (186,046) | - |
| Administrative expense | - | (7,612) | 7,612 |
| **Net changes** | 129,353 | 171,375 | (42,022) |
| **Balances at 12/31/18** | $ 2,831,368 | $ 2,401,182 | $ 430,186 |

The required schedule changes in the Commission's 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 presents the net pension liability of the Commission, calculated using the discount rate of 7.50 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Commission's net pension liability | $ 733,120 | $ 430,186 | $ 170,286 |

**NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Net Pension Liability of the Commission (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 expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2018 and the current sharing pattern of costs between employer and employee.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended December 31, 2018, the Commission recognized pension expense of $95,225. At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 40,894 | $ - |
| Changes in assumptions | 26,672 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 86,577 |
| Commission contributions subsequent to the measurement date | 69,365 | - |
| Total | $ 136,931 | $ 86,577 |

Commission contributions subsequent to the measurement date of $69,365 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2019. 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 ending December 31: | |
|---|---|
| 2019 | $ 20,279 |
| 2020 | 22,143 |
| 2021 | (40,571) |
| 2022 | (20,862) |
| Total | $ (19,011) |

## NOTE 13 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

The City and Commission's Profit Sharing Plan is a single employer defined contribution plan established and administered by Newport Group for all City and Commission employees. The City and Commission automatically contribute 3% of an eligible employee's salary. Additionally, the City and Commission match 100% for each dollar of employee contributions up to 3% of the employee's salary. Employees are eligible after one year of employment and are fully vested after five years. Plan provisions and contributions requirements are established and may be amended by the Board of Commissioners.

For the year ending December 31, 2018, number of plan members and the employer contributions are as follow:

| | Number of Plan Members | Employer Contributions |
|---|---|---|
| City of Chatsworth | 24 | $ 42,651 |
| Water Works Commission | 33 | 90,431 |

The City and Commission have a deferred compensation plan (the plan) for its employees under Internal Revenue Code section 457. The plan allows any full time employee to voluntarily defer receipt of up to 25 percent of their gross compensation, not to exceed the maximum annual contribution established by the Internal Revenue Service. The City and Commission do not contribute to the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the participants in the deferred compensation plan. The Newport plan is the current plan offered to new employees; while the Nationwide plan is the original plan with no new participants entering.

For The year ending December 31, 2018, employee contributions are as follow:

| | Nationwide | Newport |
|---|---|---|
| City of Chatsworth | $ 6,234 | $ 25,266 |
| Water Works Commission | 4,300 | 106,039 |

The deferred compensation plans of the City and the Commission do not meet the criteria in NGCA statement 1, Governmental Accounting and Financial Reporting Principles, paragraph 26(3)(8), for inclusion in the financial statements of the City.

## NOTE 14. RISK MANAGEMENT

### City

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together in prior years with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the three prior years have not exceeded the coverages.

In 2010, the City's coverage for workers' compensation was changed to a private insurance company with limits of coverage set at $1,000,000.

The City also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. The City carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs. Deductibles are generally set at $1,000.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 14. RISK MANAGEMENT (CONTINUED)**

**Water Works Commission**

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Commission is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Commission is also to allow the pool's agents and attorneys to represent the Commission in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Commission within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

The Commission also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. The Commission carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

## NOTE 15. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto.

During its year ended December 31, 2018, the City paid $4,300 in such dues. Membership in NWGRC is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the NWGRC in Georgia. The NWGRC Board membership includes the chief elected official of each municipality of the area. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of NWGRC. There were no related party transactions during the year. Separate financial statements may be obtained from:

Northwest Georgia Regional Commission
P.O. Box 1798
Rome, Georgia 30162-1798

The Commission is a member of the North Georgia Water Resources Partnership which is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is regional organization of water related interests in North Georgia for monitoring and contribution to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities of federal, state, and local entities. The Commission pays annual dues for its membership and during the year ended December 31, 2018 such dues amounted to $2,000. Additional information may be obtained from:

Northwest Georgia Regional Water Resources Partnership
P. O. Box 1798
Rome, Georgia 30162-1798

## NOTE 16. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018 the City did not engage in any related party transactions with immediate family members of the Commissioners.

## NOTE 17. CONTINGENT LIABILITIES

**Litigation**

The City is subject to legal actions in the ordinary course of business. In the opinion of management and legal counsel, the City has adequate legal defenses and insurance coverage with respect to such actions and the liability, if any, which might result from these proceedings, would not have a material effect on the financial position of the City.

## NOTE 17. CONTINGENT LIABILITIES (CONTINUED)

### Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

## NOTE 18. EVALUATION OF SUBSEQUENT EVENTS

On May 22, 2018 the taxpayers of Murray County approved another 1% special purpose local option sales tax to provide an estimated $28,750,000 over a period of six years beginning January 1, 2019. The city's share will be 10.5% or $3,018,750. On June 1, 2018 the city council approved the purchase of a new fire truck financed by a lease from BB&T Bank with the first payment due in 2019 in the amount of $88,216. On May 6, 2019 the city council approved the purchase of a garbage truck in the amount of $300,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CHATSWORTH, GEORGIA**
**REQUIRED SUPPLEMENTARY INFORMATION**
**RETIREMENT PLAN**
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY**
**AND RELATED RATIOS**

CITY

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ 23,623 | $ 23,854 | $ 23,343 | $ 29,710 |
| Interest on pension liability | 226,745 | 219,796 | 216,935 | 212,158 |
| Differences between expected and actual experience | (8,816) | (2,606) | (56,369) | (15,984) |
| Changes of assumptions | 43,303 | - | - | (28,346) |
| Benefit payments, including refunds on employee contributions | (153,349) | (149,406) | (144,589) | (127,212) |
| **Net change in total pension liability** | 131,506 | 91,638 | 39,320 | 70,326 |
| | 3,002,416 | 2,910,778 | 2,871,458 | 2,801,132 |
| **Total pension liability - ending (a)** | $ 3,133,922 | $ 3,002,416 | $ 2,910,778 | $ 2,871,458 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 63,261 | $ 70,132 | $ 84,747 | $ 97,634 |
| Net investment income | 335,513 | 310,549 | 6,871 | 229,253 |
| Benefit payments, including refunds of member contributions | (153,349) | (149,406) | (144,589) | (127,212) |
| Administrative expenses | (12,071) | (12,466) | (8,949) | (8,339) |
| **Net change in plan fiduciary net position** | 233,354 | 218,809 | (61,920) | 191,336 |
| **Plan fiduciary net position - beginning** | 2,728,677 | 2,509,868 | 2,571,788 | 2,380,452 |
| **Plan fiduciary net position - ending (b)** | $ 2,962,031 | $ 2,728,677 | $ 2,509,868 | $ 2,571,788 |
| **City's net pension liability - ending (a) - (b)** | $ 171,891 | $ 273,739 | $ 400,910 | $ 299,670 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 94.52% | 90.88% | 86.23% | 89.56% |
| **Covered-employee payroll** | $ 1,105,460 | $ 1,173,211 | $ 1,202,440 | $ 1,223,950 |
| **City's net pension liability as a percentage of covered-employee payroll** | 15.55% | 23.33% | 33.34% | 24.48% |

**Notes to the schedule:**
The schedule will present 10 years of information once it is accumulated

**CITY OF CHATSWORTH, GEORGIA**
**REQUIRED SUPPLEMENTARY INFORMATION**
**RETIREMENT PLAN**
**SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY**
**AND RELATED RATIOS**

WATER WORKS COMMISSION

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Total pension liability** | | | | |
| Service cost | $ 20,977 | $ 19,053 | $ 21,433 | $ 21,314 |
| Interest on pension liability | 202,197 | 198,593 | 194,790 | 189,952 |
| Differences between expected and actual experience | 52,216 | 18,251 | 19,610 | 43,682 |
| Changes of assumptions | 40,009 | - | - | (17,731) |
| Benefit payments, including refunds on employee contributions | (186,046) | (192,752) | (180,752) | (168,834) |
| **Net change in total pension liability** | 129,353 | 43,145 | 55,081 | 68,383 |
| **Total pension liability - beginning** | 2,702,015 | 2,658,870 | 2,603,789 | 2,535,406 |
| **Total pension liability - ending (a)** | $ 2,831,368 | $ 2,702,015 | $ 2,658,870 | $ 2,603,789 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 91,856 | $ 92,159 | $ 85,567 | $ 105,333 |
| Net investment income | 273,177 | 255,738 | 5,036 | 195,983 |
| Benefit payments, including refunds of member contributions | (186,046) | (192,752) | (180,752) | (168,834) |
| Administrative expenses | (7,612) | (7,892) | (5,233) | (4,723) |
| **Net change in plan fiduciary net position** | 171,375 | 147,253 | (95,382) | 127,759 |
| **Plan fiduciary net position - beginning** | 2,229,807 | 2,082,554 | 2,177,936 | 2,050,177 |
| **Plan fiduciary net position - ending (b)** | $ 2,401,182 | $ 2,229,807 | $ 2,082,554 | $ 2,177,936 |
| **City's net pension liability - ending (a) - (b)** | $ 430,186 | $ 472,208 | $ 576,316 | $ 425,853 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 84.81% | 82.52% | 78.32% | 83.64% |
| **Covered-employee payroll** | $ 684,739 | $ 672,226 | $ 680,926 | $ 751,718 |
| **City's net pension liability as a percentage of covered-employee payroll** | 62.82% | 70.25% | 84.64% | 56.65% |

**Notes to the schedule:**
The schedule will present 10 years of information once it is accumulated

# CITY OF CHATSWORTH, GEORGIA
# REQUIRED SUPPLEMENTARY INFORMATION
# RETIREMENT PLAN
# SCHEDULE OF CONTRIBUTIONS

**City:**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 63,067 | $ 63,325 | $ 72,401 | $ 88,862 | 100,558 |
| Contributions in relation to the actuarially determined contribution | 63,067 | 63,325 | 72,401 | 88,862 | 100,558 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 1,173,211 | $ 1,202,440 | $ 1,223,950 | $ 1,351,588 | $ 1,391,841 |
| Contributions as a percentage of covered-employee payroll | 5.37% | 5.18% | 5.94% | 6.46% | 7.10% |

**Notes to the Schedule:**

(1) Actuarial Assumptions:

| | |
|---|---|
| Valuation Date | July 1, 2017 |
| Cost Method | Projected Unit Credit |
| Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial vali is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return on Investments | 7.50% |
| Projected Salary Increases | 2.75% plus service based merit increases |
| Cost-of-living Adjustment | 0.00% |
| Amortization Method | Closed level dollar for unfunded liability |
| Remaining Amortization Period | Varies for the bases, with a net effective amortization period of ten (10) years. |

(2) The schedule will present 10 years of information once it is accumulated

**Water Works:**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 92,487 | $ 91,730 | $ 92,245 | $ 93,591 | $ 109,247 |
| Contributions in relation to the actuarially determined contribution | 92,487 | 84,344 | 92,245 | 93,591 | 109,247 |
| Contribution deficiency (excess) | $ - | $ 7,386 | $ - | $ - | $ - |
| Covered-employee payroll | $ 682,198 | $ 619,967 | $ 711,182 | $ 799,040 | $1,391,841 |
| Contributions as a percentage of covered-employee payroll | 13.97% | 13.60% | 12.97% | 11.71% | 7.10% |

**Notes to the Schedule:**

(1) Actuarial Assumptions:

| | |
|---|---|
| Valuation Date | July 1, 2017 |
| Cost Method | Projected Unit Credit |
| Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return on Investments | 7.50% |
| Projected Salary Increases | 2.75% plus service based merit increases |
| Cost-of-living Adjustment | 0.00% |
| Amortization Method | Closed level dollar for unfunded liability |
| Remaining Amortization Period | Varies for the bases, with a net effective amortization period of ten (10) years. |

(2) The schedule will present 10 years of information once it is accumulated

**OTHER SUPPLEMENTARY INFORMATION**

**City of Chatsworth, Georgia**
**Schedule of Property Taxes Receivable**
**General Fund**
**December 31, 2018**

| Year of Levy | |
|---|---|
| **2018** | $ 172,316 |
| **2017** | 1,412 |
| **2016** | 828 |
| 2015 | 473 |
| 2014 | 482 |
| Total property taxes receivable | 175,511 |
| Less: allowance for uncollectible | (1,933) |
| Net property taxes receivable | $ 173,578 |

**City of Chatsworth, Georgia**
**Schedule of Changes in Property Taxes Receivable**
**General Fund**
**December 31, 2018**

| | Taxes Receivable December 31, 2017 | Taxes Levied | Pickups and (Releases) | Collections | Taxes Receivable December 31, 2018 |
|---|---|---|---|---|---|
| 2018 | $ - | $ 1,305,021 | $ (5,674) | $ (1,127,031) | $ 172,316 |
| 2017 | 125,353 | - | - | (123,941) | 1,412 |
| 2016 | 3,472 | - | - | (2,644) | 828 |
| 2015 | 999 | - | - | (526) | 473 |
| 2014 | 582 | - | - | (100) | 482 |
| Total | $ 130,406 | $ 1,305,021 | $ (5,674) | $ (1,254,242) | $ 175,511 |

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**STATISTICAL INFORMATION**

**City of Chatsworth, Georgia**
**Statistical Information**
**December 31, 2018**

## I. SCHEDULE OF TAX RATES AND ASSESSMENTS

| Tax Year | City Tax Rate | Assessment | Levy |
|---|---|---|---|
| 2018 | 0.0300% | $ 437,393,381 | $ 1,305,021 |
| 2017 | 0.2800% | 392,947,171 | 1,091,988 |
| 2016 | 0.2800% | 374,374,843 | 1,048,250 |
| 2015 | 0.2262% | 377,033,225 | 852,850 |
| 2014 | 0.2274% | 370,537,692 | 842,602 |
| 2013 | 0.2274% | 362,191,823 | 823,624 |
| 2012 | 0.2265% | 363,845,033 | 824,109 |
| 2011 | 0.2342% | 314,529,098 | 736,627 |
| 2010 | 0.2342% | 343,099,471 | 803,593 |

## II. BILLING RATES

The water and sewer rates for the City of Chatsworth for the year ended December 31, 2018 were:

### Water Rates

| Meter Size | Minimum Usage (Gallons) | Minimum Monthly Bill |
|---|---|---|
| 5/8" | 0 - 1000 | $10.00 minimum |
| 5/8" | >1000 | $2.90 Minimum per 1000 gal. |
| 1" | 0 - 2500 | $22.00 minimum |
| Above 1" up to 2" | 0 - 3500 | $35.00 minimum |
| 2" | 0 - 4500 | $42.00 minimum |
| 3" | 0 - 7500 | $62.00 minimum |
| 4" | 0 - 8500 | $84.00 minimum |
| 6" | 0 - 18500 | $124.00 minimum |
| 8" | 0 - 23500 | $160.00 minimum |

### Sewer Rates

| Meter Size | Minimum Usage (Gallons) | Minimum Monthly Bill |
|---|---|---|
| Gallons | 0 - 1000 | $10.00 minimum |
| Gallons | All Over 1000 | $3.85 per 1000 gal. |

Water rates outside the City are 180% of City rates.

No outside sewer available except by special permit from the Mayor and City Council.

As of December 31, 2017, the City had 11,350 water customers and 2,314 sewer customers.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

CROWE · MALLETTE
— & ASSOCIATES —
CERTIFIED PUBLIC ACCOUNTANTS

Ken Mallette, CPA
Rodney Crowe, CPA

**INDEPENDENT AUDITOR'S 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***

Mayor and Council Members
City of Chatsworth, Georgia
Chatsworth, 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 business-type and each major fund and the remaining fund information of the City of Chatsworth, Georgia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Chatsworth, Georgia's basic financial statements and have issued our report thereon dated June 28, 2019.

**Internal Control over Financial Reporting**

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

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.



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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Chatsworth, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**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.



Crowe-Mallette & Associates
June 28, 2019

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**SPECIAL LOCAL OPTION SALES TAX**

CROWE - MALLETTE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Ken Mallette, CPA
Rodney Crowe, CPA

**INDEPENDENT AUDITOR'S REPORT**

**ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX**

Honorable Mayor and Council members
City of Chatsworth, Georgia
Chatsworth, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Chatsworth, Georgia for the year ended December 31, 2018. This schedule is the responsibility of the City of Chatsworth, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note A and is not intended to be a complete presentation of the City of Chatsworth, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above present fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Chatsworth, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Crowe-Mallette & Associates
June 28, 2019



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**CITY OF CHATSWORTH, GEORGIA**
**Schedule of Projects Constructed with Special Purpose**
**Local Option Sales Tax – 2013 Cycle**
**Year Ended December 31, 2018**

| Project # | Project | Original Estimated Cost | Revised Estimated Cost | Expenditures | | | Estimated Percent of Completion |
|---|---|---|---|---|---|---|---|
| | | | | Prior Years | Current Year | Total | |
| 1 | Fire Department Equipment | $ 750,000 | $ 750,000 | $ 789,024 | $ 9,997 | $ 799,021 | 107% |
| 2 | Police Department Equipment | 285,000 | 285,000 | 206,795 | 152,609 | 359,404 | 126% |
| 3 | Street Department Equipment | 320,000 | 320,000 | 257,672 | 7,383 | 265,055 | 83% |
| 4 | Sanitation Department Equipment | 180,000 | 180,000 | - | - | - | 0% |
| 5 | Streets, Parks, Drainage | 820,000 | 820,000 | 551,213 | 318,992 | 870,205 | 106% |
| 6 | Economic Development | 400,000 | 400,000 | 47,772 | - | 47,772 | 12% |
| 7 | Technology Upgrades | 80,000 | 80,000 | 39,011 | 14,285 | 53,296 | 67% |
| | Total | $ 2,835,000 | $ 2,835,000 | $ 1,891,487 | $ 503,266 | $ 2,394,753 | 84% |

**CITY OF CHATSWORTH, GEORGIA**
**Schedule of Projects Constructed with Special Purpose**
**Local Option Sales Tax – 2018 Cycle**
**Year Ended December 31, 2018**

| Project # | Project | Original Estimated Cost | Revised Estimated Cost | Expenditures | | | Estimated Percent of Completion |
|---|---|---|---|---|---|---|---|
| | | | | Prior Years | Current Year | Total | |
| 1 | Fire Department Equipment | $ 820,000 | $ 820,000 | $ - | $ 541,650 | $ 541,650 | 66% |
| 2 | Police Department Equipment | 550,000 | 550,000 | - | - | - | 0% |
| 3 | Street Department Equipment | 370,000 | 370,000 | - | - | - | 0% |
| 4 | Sanitation Department Equipment | 300,000 | 300,000 | - | - | - | 0% |
| 5 | Streets, Parks, Drainage | 731,750 | 731,750 | - | - | - | 0% |
| 6 | Economic Development | 30,000 | 30,000 | - | - | - | 0% |
| 7 | Technology Upgrades | 217,000 | 217,000 | - | - | - | 0% |
| | Total | $ 3,018,750 | $ 3,018,750 | $ - | $ 541,650 | $ 541,650 | 18% |