CITY OF CHICKAMAUGA, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2009

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For the Year Ended December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Chickamauga
Chickamauga, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chickamauga, Georgia, as of and for the year ended December 31, 2009, which collectively comprise the City of Chickamauga, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chickamauga, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit, the City of Chickamauga Board of Education. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Chickamauga Board of Education, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chickamauga, Georgia, as of December 31, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 30, 2010, on our consideration of the City of Chickamauga, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 3 through 12 and 41 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chickamauga, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the Schedule of Projects constructed with Special Purpose Local Option Sales Tax Proceeds as required by Georgia code section OCGA 48-8-121 are also not a required part of the basic financial statements of the City of Chickamauga, Georgia. The schedule of expenditures of federal awards and the Schedule of Projects constructed with Special Purpose Local Option Sales Tax proceeds have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Chattanooga, Tennessee
June 30, 2010

Within this section of City of Chickamauga, Georgia's (the City's) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities for the City for the calendar year ended December 31, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by $12,592,712 (net assets) for the calendar year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of $11,620,259 include property and equipment, net of accumulated depreciation, and are reduced by outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of $579,872 are restricted for public safety, culture and recreation, and by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net assets report a total of $392,581.
- The City's governmental funds reported total ending fund balance of $1,594,248 this year. This compares to the prior year ending fund balance of $826,134 showing an increase of $768,114 during the current year. The increase was primarily due to SPLOST receiving money for a new project schedule.
- At the end of the current calendar year, unreserved fund balance for the General Fund was $1,014,376, or 95.3% of total General Fund expenditures.
- Additional repairs and improvements to areas of the City's water system are still in progress as of December 31, 2009.
- A new special purpose local option sales tax ("SPLOST") was passed by referendum and was effective January 1, 2009.
- Overall, the City continues to maintain a strong financial position, in spite of a somewhat depressed economy.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets 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's infrastructure, in addition to the financial information provided in this report.

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

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

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

The government-wide financial statements are presented on pages 13 and 14 of this report.

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. In addition, the budget and actual comparison is presented as a basic financial statement.

The basic governmental fund financial statements are presented on pages 15 to 18 of this report.

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

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

The basic enterprise fund financial statements are presented on pages 19 to 22 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 23 of this report.

OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's budget presentations. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Combining and individual statements and schedules for nonmajor funds are presented in a subsequent section of this report beginning on page 45.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

The City's net assets at calendar year-end are $12,592,712. The following table provides a summary of the City's net assets.

Summary of Net Assets
2009

	Governmental Activities	Percentage of Total	Business-type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	$1,717,971	30%	$1,838,877	16%	$ 3,556,848	20%
Noncurrent assets	4,023,651	70%	9,778,488	84%	13,802,139	80%
Total assets	5,741,622	100%	11,617,365	100%	17,358,987	100%
Liabilities:						
Current liabilities	743,453	38%	628,213	22%	1,371,666	29%
Long-term liabilities	1,225,000	62%	2,169,609	78%	3,394,609	71%
Total liabilities	1,968,453	100%	2,797,822	100%	4,766,275	100%
Net assets:						
Invested in capital assets, net of related debt	4,023,651	107%	7,596,608	86%	11,620,259	92%
Restricted	579,872	15%	--	--	579,872	5%
Unrestricted (deficit)	(830,354)	(22%)	1,222,935	14	392,581	3%
Total net assets	$ 3,773,169	100%	$8,819,543	100%	$12,592,712	100%

Summary of Net Assets
2008

	Governmental Activities	Percentage of Total	Business-type Activities	Percentage of Total	Total	Percentage of Total
Assets:						
Current assets	$1,214,489	25%	$1,582,161	15%	$2,796,650	18%
Noncurrent assets	3,717,807	75%	8,743,983	85%	12,461,790	82%
Total assets	4,932,296	100%	10,326,144	100%	15,258,440	100%
Liabilities:						
Current liabilities	996,792	36%	258,122	12%	1,254,914	25%
Long-term liabilities	1,805,000	64%	1,948,387	88%	3,753,387	75%
Total liabilities	2,801,792	100%	2,206,509	100%	5,008,301	100%
Net assets:						
Invested in capital assets, net of related debt	3,712,189	174%	6,817,807	84%	10,529,996	103%
Restricted	374,416	18%	--	--	374,416	3%
Unrestricted	(1,956,101)	(92%)	1,301,828	16%	(654,273)	(6%)
Total net assets	$2,130,504	100%	$8,119,635	100%	$10,250,139	100%

The City continues to maintain a reasonable current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 2.3 to 1 and 2.9 to 1 for business-type activities. For the City overall, the current ratio is 2.6 to 1.

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased $1,642,665 for governmental activities and $699,908 for business-type activities. The City's overall financial position improved during calendar year 2009.

Note that the governmental activities unrestricted net assets reported a $830,354 deficit in 2009. This deficit results from the fact that the City issued $2.9 million of general obligation bonds for City School District, which is a component unit of the City. Since the assets belong to the School District and the City reports the debt, the debt is not considered capital debt and the outstanding amount reduces the City's unrestricted net assets. The amount outstanding at December 31, 2009, is $1,805,000.

Also, note that $4,023,651 of the governmental activities' net assets are tied up in capital. The City uses these capital assets to provide services to its citizens. However, with business-type activities, the City has spent approximately 86% of its net assets on capital. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund.

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

Summary of Changes in Net Assets
2009

	Governmental Activities	Percentage of Total	Business-type Activities	Percentage of Total	Total	Percentage of Total
Revenues:						
Program:						
Charges for services	$243,224	8%	$4,505,538	85%	$4,748,762	57%
Operating grants	644,504	21	--	--	644,504	8
Capital grants	4,115	--	729,735	14	733,850	9
General:						
Taxes	1,011,117	33	--	--	1,011,117	12
Other	1,168,302	38	47,507	1	1,215,809	14
Total revenues	3,071,262	100%	5,282,780	100%	8,354,042	100%
Program expenses:						
General government	195,175	14%	--	--%	195,175	3%
Judicial	1,472	--	--	--	1,472	--
Public safety	325,081	24	--	--	325,081	6
Highways and streets	380,696	28	--	--	380,696	6
Sanitation	158,146	12	--	--	158,146	3
Health and welfare	17,054	1	--	--	17,054	--
Recreation	206,210	15	--	--	206,210	4
Housing and development	17,610	1	--	--	17,610	--
Interest	75,141	5	--	--	75,141	1
Water and sewerage	--	--	1,150,820	25	1,150,820	19
Electric	--	--	3,181,584	69	3,181,584	53
Lee & Gordon Mill	--	--	302,480	7	302,480	5
Total expenses	1,376,585	100%	4,634,884	100%	6,011,469	100%
Change in net assets before transfers	1,694,677		647,896		2,342,573	
Transfers	(52,012)		52,012		--	
Change in net assets	1,642,665		699,908		2,342,573	
Beginning net assets	2,130,504		8,119,635		10,250,139	
Ending net assets	$3,773,169		$8,819,543		$12,592,712	

Summary of Changes in Net Assets
2008

	Governmental Activities	Percentage of Total	Business-type Activities	Percentage of Total	Total	Percentage of Total
Revenues:						
Program:						
Charges for services	$258,974	10%	$4,551,213	98%	$4,810,187	67%
Operating grants	1,203,794	48	--	--	1,203,794	17
Capital grants	707	--	14,833	--	15,540	--
General:						
Taxes	973,098	39	--	--	973,098	14
Other	72,804	3	66,065	2	138,869	2
Total revenues	2,509,377	100%	4,632,111	100%	7,141,488	100%
Program expenses:						
General government	144,482	12%	--	--%	144,482	2%
Judicial	1,750	--	--	--	1,750	--
Public safety	326,148	26	--	--	326,148	5
Highways and streets	277,752	23	--	--	277,752	5
Sanitation	227,347	18	--	--	227,347	4
Health and welfare	18,418	1	--	--	18,418	--
Recreation	117,624	10	--	--	117,624	2
Housing and development	25,212	2	--	--	25,212	--
Interest	95,256	8	--	--	95,256	2
Water and sewerage	--	--	1,149,488	25	1,149,488	20
Electric	--	--	3,128,035	68	3,128,035	54
Lee & Gordon Mill	--	--	325,682	7	325,682	6
Total expenses	1,233,989	100%	4,603,205	100%	5,837,194	100%
Change in net assets before transfers	1,275,388		28,906		1,304,294	
Transfers	(55,123)		55,123		--	
Change in net assets	1,220,265		84,029		1,304,294	
Beginning net assets	910,239		8,035,606		8,945,845	
Ending net assets	$2,130,504		$8,119,635		$10,250,139	

GOVERNMENTAL REVENUES

The City is heavily reliant on franchise taxes to support governmental operations and capital. Franchise taxes provided 18.2% of the City's total governmental revenues. Charges for services are $243,224 of revenues or 7.9% of the total. Sales taxes provide $138,975 or 4.5% of total revenues.

Also, note that program revenues cover over 64.8% of governmental operating expenses. However, this percentage is misleading since operating revenues includes payments from the City Board of Education of $639,228 for debt principal, which is not included in the expense column.

GOVERNMENTAL FUNCTIONAL EXPENSES

The public safety and the highways and streets functions make up approximately 51.3% of the total governmental activities expenses. General government totals over $195,000 and the sanitation function costs the City over $158,000 annually.

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

Governmental Activities

	Total Cost of Services	Net Cost of Services
General government	$195,175	$(365,111)
Judicial	1,472	1,472
Public safety	325,081	298,865
Highways and streets	380,696	307,667
Sanitation	158,146	17,172
Health and welfare	17,054	15,754
Recreation	206,210	206,210
Housing and Development	17,610	6,800
Interest	75,141	(4,087)
Total	$1,376,585	$484,742

After reducing gross expenses by program revenues, general government reports revenues in excess of program expenses by $365,111. This excess relates to the reimbursement from the City Board of Education for the repayment of debt principal as referenced above.

BUSINESS-TYPE ACTIVITIES (Revenues vs. Costs)

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

The Water and Sewerage Fund. The operating revenues for this fund were 3.9% over the 2008 amount. Operating expenses decreased 1.6% from 2008. The increase in revenue and small decrease in expenses for the water and sewer fund is because of a rate increase in the middle of 2008. There was an operating loss for 2008 of $61,234, which decreased to a $681 loss in 2009. Total net assets increased 14.9%. Finally, capital contributions from the special purpose local option sales taxes were up $27,943.

The Electric System Fund. The operating revenues for this fund were 2.3% under the 2008 amount and expenses increased 1.7% over 2008. The 2009 operating income was $4,906 as compared to an operating income of $133,871 in 2008. However, total net asses increased .5%.

The Lee and Gordon Mill Fund. The operating revenues for this fund were 12.1% under the 2008 amount and expenses for this fund have decreased 7.4% from the 2008 amount. The decrease is due to the decline in the economy. There was an operating loss for 2008 of $15,876 which decreased to a $28,061 loss for 2009. However, total net assets increased 3.3% from 2008 due to a capital contribution of $74,330 from the special purpose local option sales tax in 2009.

FINANCIAL ANALYSIS OF CITY'S FUNDS

Governmental Funds. As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $1,594,248, of which $28,826 is reserved for a new walking trail in the City, and $3,431 is reserved for public safety. The remaining balance of $1,014,376 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of $768,114 or 93.0% over the prior year. The increase is primarily due to SPLOST money for a new project schedule in 2009.

Major Governmental Funds

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

The General Fund. The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance increased by $220,380 or 26.7%. In calendar year 2008, the fund balance increased by $108,438 or 15.1%.

Franchise taxes increased 2.6% over that of 2008. General fund local option sales taxes decreased 45.9% over the 2008 collections. There is intergovernmental revenue of $1,010,940 in 2009. Most other revenue streams were consistent with that of fiscal year 2008.

The highways and streets function increased 37.1% from 2008. This increase is related primarily to a streetscape project that occurred in 2009. The sanitation function decreased 30.4% from 2008 due to the purchase of all new trash cans for the City's residents in 2008. The recreation function increased 5.3% from 2008 due to some additional capital outlay for the mansion.

The general fund's ending balance was $1,046,633, representing the equivalent of 98.3% of annual expenditures.

The SPLOST Capital Projects Fund. This fund increased fund balance by $498,472, leaving a $154,687 fund balance.

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

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

BUDGETARY HIGHLIGHTS

The General Fund. The City approved the 2009 budget on December 8, 2008 and amended the budget on December 14, 2009. Total taxes reported were $939,196, or close to the amount of the tax revenue budget. Most revenue streams were similar to the adopted budget. In total, the City realized 100% of the estimated revenues.

The City overspent expenditure functions for public safety of $1,716, highways and streets of $87,231, recreation of $37,783, debt service of $6,221, and transfers out of $60,358. In total, the City expended over one hundred percent of the final budget. The City underspent due to not having a consistent process of allocating expenditures between departments on a budget versus actual basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2009, was $4,023,651 and $9,778,488, respectively. The total increase in this net investment was 8.2% for governmental and 10.6% for business-type activities. See Note F for additional information about changes in capital assets during the calendar year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Non-depreciable assets:						
Land	$264,310	$264,310	$1,056,694	$1,056,694	$1,321,004	$1,321,004
Construction in progress	167,719	16,247	1,246,475	186,139	1,414,194	202,386
Total non-depreciable assets	432,029	280,557	2,303,169	1,242,833	2,735,198	1,523,390
Depreciable assets:						
Buildings	2,204,523	2,172,224	2,167,499	2,093,169	4,372,022	4,265,393
Machinery and equipment	152,783	147,783	490,585	541,806	643,368	689,589
Land improvements	552,816	480,007	--	--	552,816	480,007
Software	50,100	50,100	--	--	50,100	50,100
Vehicles and road equipment	617,274	458,928	--	--	617,274	458,928
Water system	--	--	3,229,456	3,229,456	3,229,456	3,229,456
Sewerage system	--	--	2,626,586	2,620,889	2,626,586	2,620,889
Electric system	--	--	2,041,832	1,865,963	2,041,832	1,865,963
Furniture and fixtures	--	--	327,852	327,852	327,852	327,852
Infrastructure	1,457,208	1,457,208	--	--	1,457,208	1,457,208
Total depreciable assets	5,034,704	4,766,250	10,883,810	10,679,135	15,918,514	15,445,385
Less accumulated depreciation	1,443,082	1,329,000	3,408,491	3,177,985	4,851,573	4,506,985
Book value - depreciable assets	3,591,622	3,437,250	7,475,319	7,501,150	11,066,941	10,938,400
Percentage depreciated	29%	28%	31%	30%	30%	29%
Book value - all assets	$4,023,651	$3,717,807	$9,778,488	$8,743,983	$13,802,139	$12,461,790

At December 31, 2009, the depreciable capital assets for governmental activities were 29% depreciated. This increased 1% over the December 31, 2008 percentage. This comparison indicates that the City is replacing its assets at virtually the same rate as they are depreciating, which is a positive indicator.

With the City's business-type activities, 31% of the asset values were depreciated at December 31, 2009, compared to 30% at December 31, 2008.

Long-term Debt. At the end of the calendar year, the City had general obligation bonds outstanding of $1,805,000. During the year, the City retired $560,000 or 23.7% of the beginning outstanding general obligation bonds. In its business-type activities, the City reported capital leases with a balance of $257,338, which was used to finance a sewer collection system.

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals		
	2009	2008	2009	2008	2009	2008	% Change
General obligation bonds	$1,805,000	$2,365,000	$ --	$ --	$1,805,000	$2,365,000	(24%)
Long-term debt	--	--	1,924,542	1,612,962	1,924,542	1,612,962	19%
Capital leases	--	5,618	257,338	313,214	257,338	318,832	(19%)
Compensated absences	24,742	23,141	32,750	24,880	57,492	48,021	20%
Total	$1,829,742	$2,393,759	$2,214,630	$1,951,056	$4,044,372	$4,344,815	(7%)

See Note H for additional information about the City's long-term debt.

ECONOMIC CONDITIONS AFFECTING THE CITY

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

CONDUCTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager at (706) 375-3177.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Board of Education
ASSETS				
Cash and cash equivalents	$311,259	$646,350	$957,609	$553,745
Certificates of deposit	916,430	450,000	1,366,430	--
Restricted assets	--	27,821	27,821	--
Investments	347,202	--	347,202	3,658,365
Receivables:				
Accounts	--	467,233	467,233	6,206
Property taxes	111,465	--	111,465	--
Sales taxes	22,348	--	22,348	142,754
Intergovernmental	--	185,264	185,264	884,922
Interest	--	--	--	11,199
Other	--	3,720	3,720	--
Inventory	--	33,609	33,609	14,912
Prepaid items	9,267	9,276	18,543	--
Other assets	--	15,604	15,604	--
Capital assets:				
Nondepreciable	432,029	2,303,169	2,735,198	441,289
Depreciable, net	3,591,622	7,475,319	11,066,941	8,889,244
TOTAL ASSETS	5,741,622	11,617,365	17,358,987	14,602,636
LIABILITIES				
Accounts and contracts payable	53,061	411,950	465,011	4,326
Accrued salaries and wages	442	--	442	1,115,585
Intergovernmental payable	--	7,390	7,390	--
Accrued interest payable	15,117	7,378	22,495	--
Internal payable	(42,014)	42,014	--	--
Due to component unit	112,105	--	112,105	--
Compensated absences payable	24,742	32,750	57,492	--
Capital leases payable	--	55,322	55,322	--
Long-term debt	--	71,409	71,409	--
General obligation bonds payable	580,000	--	580,000	--
Long-term liabilities :				
Customer deposits	--	114,460	114,460	--
Capital leases payable (net of current portion)	--	202,016	202,016	--
Long-term debt (net of current portion)	--	1,853,133	1,853,133	--
General obligation bonds payable (net of current portion)	1,225,000	--	1,225,000	--
TOTAL LIABILITIES	1,968,453	2,797,822	4,766,275	1,119,911
NET ASSETS				
Invested in capital assets, net of related debt	4,023,651	7,596,608	11,620,259	9,330,533
Restricted for:				
Public safety	3,431	--	3,431	--
Culture and recreation	28,826	--	28,826	--
Capital projects	154,687	--	154,687	2,603,642
Program purposes	392,928	--	392,928	220,126
Unrestricted (deficit)	(830,354)	1,222,935	392,581	1,328,424
TOTAL NET ASSETS	$3,773,169	$8,819,543	$12,592,712	$13,482,725

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

FUNCTION/PROGRAMS	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets Primary Government: Total	Component Unit
Primary Government								
Governmental activities:								
General government	$195,175	$286	$560,000	$--	$365,111		$365,111	
Judicial	1,472	--	--	--	(1,472)		(1,472)	
Public safety	325,081	24,940	1,276	--	(298,865)		(298,865)	
Highways and streets	380,696	69,029	4,000	--	(307,667)		(307,667)	
Sanitation	158,146	140,974	--	--	(17,172)		(17,172)	
Health and welfare	17,054	1,300	--	--	(15,754)		(15,754)	
Recreation	206,210	--	--	--	(206,210)		(206,210)	
Housing and development	17,610	6,695	--	4,115	(6,800)		(6,800)	
Interest	75,141	--	79,228	--	4,087		4,087	
Total governmental activities	1,376,585	243,224	644,504	4,115	(484,742)		(484,742)	
Business-type activities:								
Water and sewerage	1,150,820	1,108,849	--	655,405		613,434	613,434	
Electric	3,181,584	3,167,796	--	--		(13,788)	(13,788)	
Lee & Gordon Mill	302,480	228,893	--	74,330		743	743	
Total business-type activities	4,634,884	4,505,538	--	729,735		600,389	600,389	
Total primary government	$6,011,469	$4,748,762	$644,504	$733,850	$(484,742)	600,389	115,647	
Component unit:								
City of Chickamauga Board of Education	$11,721,174	$977,374	$6,590,191	$75,837				$(4,077,772)
General Revenues:								
Property taxes					--		--	1,226,141
Sales taxes					138,975		138,975	675,086
Franchise taxes					558,810		558,810	
Alcohol beverage taxes					70,219		70,219	
Business occupation taxes					53,671		53,671	
Insurance premium taxes					124,470		124,470	
Hotel/motel tax					8,711		8,711	
Intergovernmental revenue					1,010,940		1,010,940	
Payments in lieu of taxes					56,261	--	56,261	--
Unrestricted grant					--	--	--	704,345
Gain on sale of capital assets					1,700	--	1,700	--
Investment earnings					68,796	8,813	77,609	89,266
Contributions and donations					29,570	--	29,570	--
Miscellaneous					57,296	38,694	95,990	861,063
Transfers					(52,012)	52,012	--	--
Total general revenues and transfers					2,127,407	99,519	2,226,926	3,555,901
Change in net assets					1,642,665	699,908	2,342,573	(521,871)
Net assets beginning of year					2,130,504	8,119,635	10,250,139	14,004,596
Net assets end of year					$3,773,169	$8,819,543	$12,592,712	$13,482,725

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	General	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$281,365	$10,633	$19,261	$311,259
Certificates of deposit	681,205	225,000	10,225	916,430
Investments	--	--	347,202	347,202
Receivables:				
Property taxes	111,465	--	--	111,465
Sales taxes	22,348	--	--	22,348
Interfund receivable	181,390	--	16,240	197,630
Prepaid items	9,267	--	--	9,267
TOTAL ASSETS	$1,287,040	$235,633	$392,928	$1,915,601
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$41,982	$11,079	$--	$53,061
Interfund payable	85,749	69,867	--	155,616
Accrued expenditures	442	--	--	442
Due to component unit	112,105	--	--	112,105
Deferred revenue	129	--	--	129
Total liabilities	240,407	80,946	--	321,353
Fund balances:				
Reserved for:				
Public safety	3,431	--	--	3,431
Culture and recreation	28,826	--	--	28,826
Unreserved:				
Undesignated, reported in:				
General fund	1,014,376	--	--	1,014,376
Special revenue funds	--	--	392,928	392,928
Capital projects fund	--	154,687	--	154,687
Total fund balances	1,046,633	154,687	392,928	1,594,248
TOTAL LIABILITIES AND FUND BALANCES	$1,287,040	$235,633	$392,928	$1,915,601

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2009

Total governmental fund balances		$1,594,248
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.		
Cost of capital assets	5,466,733	
Less accumulated depreciation	(1,443,082)	4,023,651
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property taxes		129
Liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(1,805,000)	
Accrued interest	(15,117)	
Compensated absences	(24,742)	(1,844,859)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$3,773,169

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	General	SPLOST Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$939,196	$ --	$ --	$8,711	$947,907
Intergovernmental	14,816	1,010,940	639,228	4,115	1,669,099
Licenses and permits	53,671	--	--	--	53,671
Charges for services	219,223	--	--	--	219,223
Fines and forfeitures	24,001	--	--	--	24,001
Investment earnings	17,544	4,698	--	46,554	68,796
Contributions and donations	29,570	--	--	--	29,570
Miscellaneous	39,650	--	--	17,645	57,295
TOTAL REVENUES	1,337,671	1,015,638	639,228	77,025	3,069,562
EXPENDITURES					
Current:					
General government	159,820	--	--	5,713	165,533
Judicial	1,472	--	--	--	1,472
Public safety	311,516	--	--	--	311,516
Highways and streets	334,031	--	--	--	334,031
Sanitation	127,251	--	--	--	127,251
Health and welfare	7,143	--	--	--	7,143
Recreation	113,583	--	--	10,382	123,965
Housing and development	3,804	--	--	13,806	17,610
Capital outlay	--	517,166	--	--	517,166
Debt service:					
Principal retirement	5,618	--	560,000	--	565,618
Interest and fiscal charges	603	--	79,228	--	79,831
TOTAL EXPENDITURES	1,064,841	517,166	639,228	29,901	2,251,136
Excess of revenues over expenditures	272,830	498,472	--	47,124	818,426
OTHER FINANCING SOURCES (USES)					
Transfers in	13,208	--	--	9,125	22,333
Transfers out	(67,358)	--	--	(6,987)	(74,345)
Sale of capital assets	1,700	--	--	--	1,700
TOTAL OTHER FINANCING SOURCES (USES)	(52,450)	--	--	2,138	(50,312)
Net change in fund balances	220,380	498,472	--	49,262	768,114
Fund balances - beginning of year	826,253	(343,785)	--	343,666	826,134
Fund balances - end of year	$1,046,633	$154,687	$--	$392,928	$1,594,248

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Net changes in fund balances - total government funds		$768,114
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 capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$(134,099)	
Capital outlay	468,617	334,518
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) decreases net assets.		(28,674)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes:		
Deferred at December 31, 2009	129	
Deferred at December 31, 2008	(129)	--
Elimination of transfers between governmental funds:		
Transfers in	(22,333)	
Transfers out	22,333	--
Interest expense reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability at December 31, 2009	(15,117)	
Liability at December 31, 2008	19,807	4,690
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.		
Bond principal payments	560,000	
Capital lease obligations payments	5,618	565,618
Compensated absences reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Liability at December 31, 2009	(24,742)	
Liability at December 31, 2008	23,141	(1,601)
Change in net assets of governmental activities		$1,642,665

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009

	Business-type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee & Gordon Mill	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$302,890	$304,437	$39,023	$646,350
Certificates of deposit	250,000	200,000	--	450,000
Restricted cash	27,821	--	--	27,821
Receivables:				
Accounts	--	467,233	--	467,233
Interfund	172,462	--	--	172,462
Intergovernmental	179,677	--	--	179,677
Other	3,720	--	--	3,720
Inventory	15,373	18,236	--	33,609
Prepaid items	4,956	4,320	--	9,276
TOTAL CURRENT ASSETS	956,899	994,226	39,023	1,990,148
NONCURRENT ASSETS				
Capital assets:				
Nondepreciable	1,237,242	13,227	1,052,700	2,303,169
Depreciable, net	4,148,168	1,081,373	2,245,778	7,475,319
Intergovernmental receivable	5,587	--	--	5,587
Other assets	--	--	15,604	15,604
TOTAL NONCURRENT ASSETS	5,390,997	1,094,600	3,314,082	9,799,679
TOTAL ASSETS	6,347,896	2,088,826	3,353,105	11,789,827
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	191,415	219,666	869	411,950
Accrued interest	7,378	--	--	7,378
Intergovernmental payable	--	7,390	--	7,390
Interfund payable	29,843	133,168	31,465	194,476
Compensated absences payable	17,455	15,295	--	32,750
Capital leases payable	55,322	--	--	55,322
Long-term debt	36,810	--	34,599	71,409
TOTAL CURRENT LIABILITIES	338,223	375,519	66,933	780,675
LONG-TERM LIABILITIES:				
Customer deposits	--	114,460	--	114,460
Interfund payable	--	--	20,000	20,000
Capital leases payable (net of current portion)	202,016	--	--	202,016
Long-term debt (net of current portion)	1,084,237	--	768,896	1,853,133
TOTAL LONG-TERM LIABILITIES	1,286,253	114,460	788,896	2,189,609
TOTAL LIABILITIES	1,624,476	489,979	855,829	2,970,284
NET ASSETS				
Invested in capital assets, net of related debt	4,007,025	1,094,600	2,494,983	7,596,608
Unrestricted net assets	716,395	504,247	2,293	1,222,935
TOTAL NET ASSETS	$4,723,420	$1,598,847	$2,497,276	$8,819,543

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee & Gordon Mill	Total
OPERATING REVENUES				
Charges for services	$1,108,849	$3,115,016	$228,893	$4,452,758
Forfeited discounts	--	52,780	--	52,780
Miscellaneous	--	18,694	20,000	38,694
TOTAL OPERATING REVENUES	1,108,849	3,186,490	248,893	4,544,232
OPERATING EXPENSES				
Purchased power	--	2,793,863	--	2,793,863
Operations and maintenance	956,600	290,629	220,700	1,467,929
Depreciation	152,930	97,092	56,254	306,276
TOTAL OPERATING EXPENSES	1,109,530	3,181,584	276,954	4,568,068
OPERATING INCOME (LOSS)	(681)	4,906	(28,061)	(23,836)
NONOPERATING REVENUES (EXPENSES)				
Interest and fiscal charges	(41,290)	--	(25,526)	(66,816)
Intergovernmental	612,629	--	--	612,629
Investment earnings	5,401	3,412	--	8,813
TOTAL NONOPERATING REVENUES (EXPENSES)	576,740	3,412	(25,526)	554,626
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	576,059	8,318	(53,587)	530,790
Capital contributions	42,776	--	74,330	117,106
Transfers in	--	--	58,233	58,233
Transfers out	(6,221)	--	--	(6,221)
CHANGE IN NET ASSETS	612,614	8,318	78,976	699,908
Net assets - beginning of year	4,110,806	1,590,529	2,418,300	8,119,635
Net assets - end of year	$4,723,420	$1,598,847	$2,497,276	$8,819,543

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee & Gordon Mill	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$1,105,129	$3,229,977	$248,893	$4,583,999
Cash payments to employees for services and benefits	(331,796)	(158,626)	(48,940)	(539,362)
Cash payments for goods and services	(319,837)	(2,943,518)	(171,768)	(3,435,123)
Cash paid from interfund services provided	--	90,586	(14,535)	56,051
Other cash payments	--	(8,620)	--	(8,620)
NET CASH PROVIDED BY OPERATING ACTIVITIES	453,496	189,799	13,650	656,945
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in (out)	(6,221)	--	58,233	52,012
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from grants and contributed capital	612,629	--	--	612,629
Proceeds from long-term debt	360,030	--	--	360,030
Principal paid on long-term debt	(14,869)	--	(33,581)	(48,450)
Interest paid on long-term debt	(22,433)	--	(24,651)	(47,084)
Principal paid on capital lease	(55,876)	--	--	(55,876)
Interest paid on capital lease	(18,857)	--	--	(18,857)
Payments for capital acquisitions	(1,076,623)	(147,052)	--	(1,223,675)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(215,999)	(147,052)	(58,232)	(421,283)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	5,401	3,412	--	8,813
Purchase of certificate of deposit	(250,000)	(200,000)	--	(450,000)
NET CASH USED IN INVESTING ACTIVITIES	(244,599)	(196,588)	--	(441,187)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,323)	(153,841)	13,561	(153,513)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	344,034	458,278	25,372	827,684
CASH AND CASH EQUIVALENTS - END OF YEAR	$330,711	$304,437	$39,023	$674,171

See accompanying notes to the basic financial statements.

CITY OF CHICKAMAUGA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009
(Continued)

	Business-type Activities - Enterprise Funds			
	Water and Sewerage	Electric System	Lee & Gordon Mill	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$(681)	$4,906	$(28,061)	$(23,836)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	152,930	97,092	56,254	306,276
Provision for losses on accounts receivable	--	43,565	--	43,565
Increase (decrease) in assets:				
Accounts receivable	(3,720)	40,692	--	36,972
Interfund receivable	202,858	36,033	--	238,891
Intergovernmental receivable	(45,579)	--	--	(45,579)
Inventory	2,412	1,985	--	4,397
Prepaid items	(955)	496	--	(459)
Increase (decrease) in liabilities:				
Accounts payable	153,878	(66,581)	(8)	87,289
Accrued salaries and wages	(6,699)	(4,894)	--	(11,593)
Accrued interest	(35,575)	--	--	(35,575)
Interfund payable	29,843	34,553	(14,535)	49,861
Intergovernmental payable	--	(3,929)	--	(3,929)
Compensated absences payable	4,784	3,086	--	7,870
Customer deposits	--	2,795	--	2,795
NET CASH PROVIDED BY OPERATING ACTIVITIES	$453,496	$189,799	$13,650	$656,945
NONCASH CAPITAL ACTIVITIES				
Capital assets contributed	$42,776	$--	$74,330	$117,106

See accompanying notes to the basic financial statements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

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

A.1 *Reporting Entity*

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

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

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

A brief description of the discretely presented component unit follows:

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

A.2 *Basis of Presentation*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A.3 *Measurement Focus*

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

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

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

A.4 *Basis of Accounting*

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

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

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

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

Deferred Revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

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

A.5 *Assets, Liabilities and Fund Equity*

A.5.1 *Cash, Cash Equivalents, and Investments*

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

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

The City has no custodial risk policy.

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

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

A.5.2 *Receivables*

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. The amount estimated to be uncollectible from property tax receivable is $456. Also, estimated uncollectible accounts receivable in the electric system proprietary fund are $47,000. Unbilled water, sewer, and electric charges are accrued as receivables and revenue at year end.

A.5.3 *Interfund Balances*

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

A.5.4 *Consumable Inventories*

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

A.5.5 *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

A.5.6 *Restricted Assets*

Restricted assets are grant revenues received to be used in accordance with the grant provisions.

A.5.7 *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the Governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

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

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

	Estimated Lives	
Asset Class	Governmental Activities	Business-type Activities
Land improvements	10-40 Years	--
Buildings	15-75 Years	10-50 Years
Machinery and equipment	10-15 Years	3-10 Years
Computer equipment and software	10 Years	8 Years
Vehicles	5-15 Years	--
Electric system	--	12.5-36 Years
Water system	--	15-75 Years
Furniture and fixtures	--	10-20 Years
Infrastructure	10-50 Years	--

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

A.5.8 *Compensated Absences*

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

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

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

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

A.5.9 *Accrued Liabilities and Long-term Obligations*

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

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

A.5.10 *Bond Premiums, Discounts, and Issuance Costs*

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable, and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

A.5.11 *Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance. Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets. Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets 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. All other net assets are reported as unrestricted.

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

A.6 *Revenues and Expenditures and Expenses*

A.6.1 *Operating Revenues and Expenses*

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

A.6.2 *Contributions of Capital*

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

A.6.3 *Interfund Activity*

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

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

A.7 *Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

The City Manager may approve budget transfers of budget line items within departments. The budgets were amended on December 14, 2009.

All unexpended annual appropriations lapse at year-end.

NOTE C - DEPOSITS AND INVESTMENTS

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

The City's deposits are classified as follows at December 31, 2009:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Deposits with financial institutions	$2,487,866	$866,430	$--	$3,354,296	$2,351,160

Investments. The investments in the Cemetery Fund are held by the First Tennessee Bank Trust Department and invested in compliance with the trust document. The investments totaling $347,202 are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Cash and Investment Reconciliation:

	Cash and Cash Equivalents	Investments
Fund Reporting Level:		
Governmental Funds - Balance Sheet	$311,259	$347,202
Governmental Funds - Balance Sheet - Certificate of deposit	916,430	--
Proprietary Fund Type Statement of Net Assets	646,350	--
Proprietary Fund Type Statement of Net Assets - Certificate of Deposit	450,000	--
Proprietary Fund Type Statement of Net Assets - Restricted	27,821	--
Less cash on hand	(700)	--
Total	$2,351,160	$347,202

Investment type:

	Carrying Amount	Credit Rating	Maturities
Money market funds	$10,040	N/A	Less than 6 months
Mutual funds	94,790	N/A	Less than 6 months
Taxable fixed income funds	242,372	N/A	Less than 6 months
	$347,202		

NOTE D - RECEIVABLES

Receivables at December 31, 2009, consisted of taxes, interest, accounts (billings for user charges) including unbilled utility receivables, and intergovernmental receivables arising from grants.

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

The proprietary fund accounts receivables for electric and water and sewerage services are partially subject to concentration of credit risk. All customers are located in or near the City. Two major customers account for approximately 56% of the sewerage revenue of the water and sewerage fund and three customers accounted for approximately 46% of the electric system revenue.

NOTE E - PROPERTY TAXES

The City levied the property taxes on October 20, 2009. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days or December 20, 2009. All unpaid taxes become delinquent sixty days after the billing date (i.e., December 20, 2009).

Property taxes receivable at December 31, 2009 consist of the following:

Year of Levy	Amount
2009	$93,666
2008	8,711
2007	4,569
2006	1,939
2005	777
2004	716
2003	979
2002	233
2001	266
2000	40
1999	25
Total property taxes receivable	111,921
Less - Allowance for uncollectibles	456
Property taxes receivable - net	$111,465

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 1/1/2009	Additions	Deductions	Balance 12/31/2009
Governmental activities:				
Nondepreciable capital assets:				
Land	$264,310	$ --	$--	$264,310
Construction in progress	16,247	151,472	--	167,719
Total nondepreciable capital assets	280,557	151,472	--	432,029
Depreciable capital assets:				
Buildings	2,172,224	32,299	--	2,204,523
Machinery and equipment	147,783	5,000	--	152,783
Land improvements	480,007	72,809	--	552,816
Software	50,100	--	--	50,100
Vehicles and road equipment	458,928	207,037	48,691	617,274
Infrastructure	1,457,208	--	--	1,457,208
Total depreciable capital assets	4,766,250	317,145	48,691	5,034,704
Total capital assets	5,046,807	468,617	48,691	5,466,733
Accumulated depreciation:				
Buildings	817,959	32,458	--	850,417
Machinery and equipment	76,461	12,171	--	88,632
Land improvements	125,541	16,675	--	142,216
Software	24,340	5,010	--	29,350
Vehicles and road equipment	233,380	35,088	20,017	248,451
Infrastructure	51,319	32,697	--	84,016
Total accumulated depreciation	1,329,000	134,099	20,017	1,443,082
Governmental activities capital assets, net	$3,717,807	$334,518	$28,674	$4,023,651

Governmental activities depreciation expense was as follows:

General government	$12,831
Public safety	11,697
Highways and streets	50,952
Sanitation	18,630
Health and welfare	30,078
Culture and recreation	9,911
Total governmental activities depreciation expense	$134,099

The following are changes in the water and sewer fund capital assets:

	Balance 1/1/2009	Additions	Deductions	Balance 12/31/2009
Business-type activities - water and sewer fund:				
Nondepreciable capital assets:				
Land	$ 3,994	$ --	$--	$ 3,994
Construction in progress	144,095	1,089,153	--	1,233,248
Total nondepreciable capital assets	148,089	1,089,153	--	1,237,242
Depreciable capital assets:				
Buildings	114,519	--	--	114,519
Machinery and equipment	280,141	24,549	75,770	228,920
Water System	3,229,456	--	--	3,229,456
Sewerage System	2,620,889	5,697	--	2,626,586
Total depreciable capital assets	6,245,005	30,246	75,770	6,199,481
Total capital assets	6,393,094	1,119,399	75,770	7,436,723
Accumulated depreciation:				
Buildings	61,540	2,251	--	63,791
Machinery and equipment	223,172	13,240	75,770	160,642
Water Systems	873,146	71,624	--	944,770
Sewerage System	816,295	65,815	--	882,110
Total accumulated depreciation	1,974,153	152,930	75,770	2,051,313
Business-type activities water and sewer fund, net	$4,418,941	$966,469	$--	$5,385,410

The following are changes in the electric fund capital assets:

	Balance 1/1/2009	Additions	Deductions	Balance 12/31/2009
Business-type activities - electric fund:				
Nondepreciable capital assets:				
Construction in progress	$42,044	$64,027	$92,844	$13,227
Depreciable capital assets:				
Buildings	3,960	--	--	3,960
Machinery and equipment	261,665	--	--	261,665
Electric System	1,865,963	175,869	--	2,041,832
Total depreciable capital assets	2,131,588	175,869	--	2,307,457
Total capital assets	2,173,632	239,896	92,844	2,320,684
Accumulated depreciation:				
Buildings	2,331	--	--	2,331
Machinery and equipment	228,998	7,356	--	236,354
Electric System	897,663	89,736	--	987,399
Total accumulated depreciation	1,128,992	97,092	--	1,226,084
Business-type activities - electric fund - net	$1,044,640	$142,804	$92,844	$1,094,600

The following are changes in the Lee and Gordon Mill fund capital assets:

	Balance 1/1/2009	Additions	Deductions	Balance 12/31/2009
Business-type activities - Lee and Gordon Mill fund:				
Nondepreciable capital assets:				
Land	$1,052,700	$ --	$--	$1,052,700
Depreciable capital assets:				
Buildings	1,974,690	74,330	--	2,049,020
Furniture and fixtures	327,852	--	--	327,852
Total depreciable capital assets	2,302,542	74,330	--	2,376,872
Total capital assets	3,355,242	74,330	--	3,429,572
Accumulated depreciation:				
Buildings	52,659	39,618	--	92,277
Furniture and fixtures	22,181	16,636	--	38,817
Total accumulated depreciation	74,840	56,254	--	131,094
Business-type activities - Lee and Gordon Mill fund - net	$3,280,402	$18,076	$--	$3,298,478

The following are changes in the component unit capital assets:

	Balance 7/1/2008	Additions	Deductions	Balance 6/30/2009
Component unit:				
Nondepreciable capital assets:				
Land	$98,344	$ --	$ --	$98,344
Construction in progress	305,136	504,046	466,237	342,945
Total nondepreciable capital assets	403,480	504,046	466,237	441,289
Depreciable capital assets:				
Land improvements	345,212	56,071	122,581	278,702
Buildings and improvements	9,457,616	487,616	--	9,945,232
Equipment	1,364,712	395,374	33,089	1,726,997
Total depreciable capital assets	11,167,540	939,061	155,670	11,950,931
Total capital assets	11,571,020	1,443,107	621,907	12,392,220
Accumulated depreciation:				
Land improvements	181,558	13,137	94,460	100,235
Buildings and improvements	1,995,982	174,158	--	2,170,140
Equipment	697,742	126,659	33,089	791,312
Total accumulated depreciation	2,875,282	313,954	127,549	3,061,687
Component unit - net	$8,695,738	$1,129,153	$494,358	$9,330,533

NOTE G - INTERFUND BALANCES AND TRANSFERS

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

	General Fund	SPLOST	Nonmajor Governmental Funds	Water and Sewerage	Electric System	Lee & Gordon Mill	Total
Receivable							
General fund	$ --	$69,867	$--	$29,843	$30,215	$51,465	$181,390
Nonmajor governmental funds	16,240	--	--	--	--	--	16,240
Water and Sewerage	69,509	--	--	--	102,953	--	172,462
	$85,749	$69,867	$--	$29,843	$133,168	$51,465	$370,092
Payable							
General fund	$ --	$--	$16,240	$69,509	$--	$--	$85,749
SPLOST	69,867	--	--	--	--	--	69,867
Water and Sewerage	29,843	--	--	--	--	--	29,843
Electric System	30,215	--	--	102,953	--	--	133,168
Lee & Gordon Mill	51,465	--	--	--	--	--	51,465
	$181,390	$--	$16,240	$172,462	$--	$--	$370,092

Interfund balances are created from the payment of invoices on behalf of other funds. Interfund balances are expected to be repaid in one year, except for $20,000 of Lee and Gordon Mill's interfund payable which is long-term.

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfer to	General Fund	Nonmajor Governmental Funds	Water and Sewerage	Total
General fund	$ --	$6,987	$6,221	$13,208
Nonmajor governmental funds	9,125	--	--	9,125
Lee & Gordon Mill	58,233	--	--	58,233
	$67,358	$6,987	$6,221	$80,566

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

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

NOTE H - LONG-TERM DEBT

The City issued general obligation school bonds, Series 2006, for $2,900,000 on December 22, 2006 to help finance the cost of acquiring, constructing, and equipping certain capital projects for the Board of Education. The bonds carry a 3.35% interest rate. The bonds are secured by the City's Board of Education's pro-rata share of the educational sales tax imposed with Walker County, upon termination of the educational sales tax presently in effect. Any bonds outstanding not retired from the proceeds of these sales taxes shall be retired from the general fund, payable from ad valorem taxes.

Long-term Debt. The City received a Georgia Environmental Facilities Authority (GEFA) loan to fund repairs and improvements of the water and sewer system. The GEFA loan amount the City is to receive is $1,280,000. As of December 31, 2009, the City had not received all funds for this loan; they received the remaining amount of $199,156 during the beginning of 2010. The City started making payments on a portion of the loan and accrued interest with monthly installments of $5,680, including interest, beginning July 2009. The City plans to start paying on the remainder of the loan amount in August 2010. The total capitalized interest outstanding for this project for the year ended December 31, 2009 was $2,761. The loan will carry a 4.18% interest rate with monthly installments including interest for 239 consecutive payments, with a final payment due in June 2029 equal to the entire remaining unpaid principal balance and interest. Under the terms of the loan agreement with GEFA, the water and sewer fund shall not permit the fixed charges coverage ratio for any year to be less than 1.05. The water and sewer fund is in compliance with this covenant for the year ended December 31, 2009.

The City received a second GEFA loan for $875,000 in order to acquire the Gordon Lee Mansion in the Lee and Gordon Mill fund. The loan carries an interest rate of 3.0% and is payable in monthly installments of $4,853, including interest until October 2027.

Scheduled principal repayments and interest payments on all obligations outstanding as of December 31, 2009, follows.

	Principal		Interest		
Year	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total
2010	$580,000	$71,409	$60,468	$68,137	$780,014
2011	600,000	82,629	41,038	75,333	799,000
2012	625,000	85,706	20,928	72,256	803,890
2013	--	88,927	--	69,035	157,962
2014	--	92,247	--	65,715	157,962
2015-2019	--	515,794	--	274,017	789,811
2020-2024	--	620,421	--	169,391	789,812
2025-2029	--	566,565	--	47,354	613,919
Total	$1,805,000	$2,123,698	$122,434	$841,238	$4,892,370

Capital Leases. The City leases the sewer collection system with a historical cost and accumulated amortization under capital lease arrangements as follows:

	Business-type Activities Water and Sewerage
Sewer collection system	$2,078,665
Accumulated amortization	805,483
Capital lease asset, net	$1,273,182

Future minimum lease payments at December 31, 2009, are as follows:

Year	Business-type Activities Water and Sewerage
2010	$70,429
2011	70,757
2012	70,757
2013	70,757
2014	11,793
Total minimum lease payments	294,493
Less: Deferred interest	37,155
Present value of minimum lease payments	$257,338

The interest rate on the capitalized lease is 6.5% and is imputed based on the City's incremental borrowing rate at the inception of the lease. The capital lease has a bargain purchase option for a nominal amount.

Changes in Long-term Debt. Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2009:

Governmental Activities	Outstanding 1/1/2009	Additions	Reductions	Outstanding 12/31/2009	Amounts Due in One Year	Accrued Interest
General obligation bonds	$2,365,000	$ --	$560,000	$1,805,000	$580,000	$15,117
Compensated absences	23,141	1,601	--	24,742	24,742	--
Capital lease	5,618	--	5,618	--	--	--
Total Governmental Activities	$2,393,759	$1,601	$565,618	$1,829,742	$604,742	$15,117
Business-Type Activities						
Capital leases	$313,214	$ --	$55,876	$257,338	$55,322	$1,394
Compensated absences	24,880	7,870	--	32,750	32,750	--
Long-term debt	1,612,962	360,030	48,450	1,924,542	71,409	5,984
Total Business-Type Activities	$1,951,056	$367,900	$104,326	$2,214,630	$159,481	$7,378

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

Revenue Bonds Defeased. On July 1, 1988, Chickamauga Water and Sewer System defeased its Series 1970 and Series 1981 revenue bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2009, $770,000 of bonds outstanding are considered defeased.

NOTE I - PENSIONS

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. GMEBS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City council established the benefit provisions and has the authority to amend these provisions through City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City. GMEBS is changing the valuation date to July, therefore, the last report available is January 1, 2009. That report may be obtained by writing to:

The Segal Company
2018 Powers Ferry, Suite 850
Atlanta, Georgia 30339-5003

All full-time City employees (i.e., 20 hours per week) with one year of service and elected officials are eligible to participate in the plan with benefits vesting after 10 years of service. The plans provide either:

(1) Normal retirement benefit, whereas the employee retires at age 65

(2) Early retirement benefit, whereas the employee may retire at age 55 or older

(3) Delayed retirement benefit, whereas the employee retires after 65

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

(1) 1% of the final average earnings up to the amount of covered compensation plus 1 3/4% of final average earnings service.

(2) 1% of the final average earnings up to the amount of covered compensation plus 1 3/4% of final average earnings in excess of the covered compensation multiplied by total years of credited future service.

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

Funding Policy. The obligations to contribute for both the City and its employees are established by the City council through ordinance. City employees are not required to contribute to GMEBS. The City is required to contribute 100% of the amounts necessary to fund the System using the actuarial basis specified by statute. The current contribution rate is 8.71% of annual covered payroll.

Annual Pension Cost. For December 31, 2009, the City's annual pension cost of $78,532 for GMEBS was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2009, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses); (b) projected salary increases of 5.00% per year for inflation, and (c) .50% per year for merit or seniority. There is no post retirement benefit increase assumption. The actuarial value of GMEBS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. GMEBS unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis of 30 years, beginning January 1, 1982. The remaining amortization period at December 31, 2009, was 2 years.

Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	$1,294,536	$1,212,408	$(82,128)	106.8%	$632,725	-13.0%
1/1/2008	1,397,085	1,340,288	(56,797)	104.2%	578,521	-9.8%
1/1/2009	1,173,103	1,434,581	261,478	81.8%	646,730	40.4%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability.

Year Ended December 31,	Annual Required Contribution	Actual Contribution	Percentage Contributed	Net Pension Obligation
2007	$47,702	$52,478	110%	$(4,776)
2008	45,079	52,145	116%	(7,066)
2009	73,102	78,532	107%	(5,430)

NOTE J - NET ASSETS

Net assets on the government-wide statement of net assets as of December 31, 2009 are as follows:

	Governmental Activities	Business-Type Activities	Component Unit
Investments in capital assets, net of related debt:			
Cost of capital assets	$5,466,733	$13,186,979	$12,392,220
Less accumulated depreciation	1,443,082	3,408,491	3,061,687
Book value	4,023,651	9,778,488	9,330,533
Less capital related debt	--	2,181,880	--
Investment in capital assets, net of related debt	$4,023,651	$7,596,608	$9,330,533

NOTE K - RISK MANAGEMENT

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

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

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

The City continues to carry commercial insurance for employee health and accident coverage. There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceeded the City's insurance coverage during the past three years.

NOTE L - CONTINGENT LIABILITIES

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

The City was a defendant in several lawsuits at December 31, 2009. In the opinion of City management, the outcome of these contingencies will not have a material effect on the financial position of the City.

NOTE M – RELATED PARTY TRANSACTIONS

One of the City's largest customers is owned by a member of the city council. The amount recorded in proprietary funds operating revenue was $1,029,039 for the year ended December 31, 2009.

NOTE N - JOINT VENTURE

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

NOTE O - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following fund and departments.

General Fund -	
Public safety	$1,716
Highways and streets	$87,231
Recreation	$37,783
Principal retirement	$5,618
Interest and fiscal charges	$603
Transfers out	$60,358
Cemetery Fund - transfers out	$114
Campaign Heritage Trail Fund - Recreation	$1,935

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICKAMAUGA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	$828,100	$927,253	$939,196	$11,943
Intergovernmental	9,200	12,600	14,816	2,216
Licenses and permits	42,000	43,000	53,671	10,671
Charges for services	226,400	220,352	219,223	(1,129)
Fines and forfeitures	26,200	26,400	24,001	(2,399)
Investment earnings	9,000	17,245	17,544	299
Contributions and donations	40,000	59,000	29,570	(29,430)
Miscellaneous	4,200	29,065	39,650	10,585
Total revenues	1,185,100	1,334,915	1,337,671	2,756
EXPENDITURES				
Current:				
General government	230,600	228,100	159,820	(68,280)
Judicial	1,600	1,900	1,472	(428)
Public safety	379,500	309,800	311,516	1,716
Highways and streets	334,050	246,800	334,031	87,231
Sanitation	132,200	140,500	127,251	(13,249)
Health and welfare	9,000	9,700	7,143	(2,557)
Recreation	59,000	75,800	113,583	37,783
Housing and development	32,750	17,700	3,804	(13,896)
Debt Service:				
Principal retirement	--	--	5,618	5,618
Interest and fiscal charges	--	--	603	603
Total expenditures	1,178,700	1,030,300	1,064,841	34,541
Excess of revenues over expenditures	6,400	304,615	272,830	(31,785)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	4,000	13,208	9,208
Transfers out	(7,000)	(7,000)	(67,358)	(60,358)
Sale of capital assets	1,000	1,800	1,700	(100)
Total other financing sources (uses)	--	(1,200)	(52,450)	(51,250)
Net change in fund balances	$6,400	$303,415	220,380	$(83,035)
Fund balances - beginning of year			826,253	
Fund balances - end of year			$1,046,633	

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - RETIREMENT PLAN
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY SCHEDULE
December 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability (AAL) - Projected Unit Credit (b)	Unfunded* AAL (UAAL) b-a	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/00	$969,041	$735,001	$(234,040)	131.8%	$394,714	-59.3%
1/1/01	1,027,715	821,157	(206,558)	125.2%	436,532	-47.3%
1/1/02	1,063,868	924,497	(139,371)	115.1%	459,942	-30.3%
1/1/03	1,042,910	982,483	(60,427)	106.2%	488,751	-12.4%
1/1/04	1,092,358	1,078,070	(14,288)	101.3%	527,494	-2.7%
1/1/05	1,147,108	1,123,160	(23,948)	102.1%	560,004	-4.3%
1/1/06	1,212,266	1,145,148	(67,118)	105.9%	538,697	-12.5%
1/1/07	1,294,536	1,212,408	(82,128)	106.8%	632,725	-13.0%
1/1/08	1,397,085	1,340,288	(56,797)	104.2%	578,521	-9.8%
1/1/09	1,173,103	1,434,581	261,478	81.8%	646,730	40.4%

All annual contributions presented in these required supplementary schedules were determined as part of the actuarial valuations at the dates indicated.

* Unfunded frozen actuarial liability was reestablished as of January 1, 1982.

Schedule of Employer Contribution

Year Ended December 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2000	$4,376	$4,362	100%
2001	4,662	4,662	100%
2002	21,610	18,785	87%
2003	25,660	24,647	96%
2004	35,361	34,152	97%
2005	38,749	38,603	100%
2006	41,176	43,552	106%
2007	47,702	52,478	110%
2008	45,079	52,145	116%
2009	73,102	78,532	107%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5.5%
Projected rate of inflation	5.0%

All annual contributions presented in these required supplementary schedules were determined as part of the actuarial valuations at the dates indicated.

NOTE A - BUDGETARY BASIS OF ACCOUNTING

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

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds and departments:

General Fund -	
Public safety	$1,716
Highways and streets	$87,231
Recreation	$37,783
Principal retirement	$5,618
Interest and fiscal charges	$603
Transfers out	$60,358
Cemetery Fund - transfers out	$114
Campaign Heritage Trail Fund - Recreation	$1,935

NOTE C - CHANGES IN ACTUARIAL INFORMATION

All assumptions and methods remain unchanged, except the valuation date changed from January to July.

SUPPLEMENTARY INFORMATION

CITY OF CHICKAMAUGA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2009

	Flood Mitigation Project Phase I	Cemetery	Campaign Heritage Trail	Hotel/Motel Tax	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and cash equivalents	$--	$ --	$19,261	$ --	$19,261
Certificate of deposit	--	--	10,225	--	10,225
Investments	--	347,202	--	--	347,202
Interfund receivable	--	9,125	--	7,115	16,240
TOTAL ASSETS	$--	$356,327	$29,486	$7,115	$392,928
LIABILITIES AND FUND BALANCES					
LIABILITIES	$--	$ --	$ --	$ --	$ --
FUND BALANCES					
Unreserved, undesignated	--	356,327	29,486	7,115	392,928
TOTAL LIABILITIES AND FUND BALANCES	$--	$356,327	$29,486	$7,115	$392,928

CITY OF CHICKAMAUGA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2009

	Flood Mitigation Project Phase I	Cemetery	Campaign Heritage Trail	Hotel/Motel Tax	Total Nonmajor Special Revenue Funds
REVENUES					
Taxes	$ --	$ --	$ --	$8,711	$8,711
Intergovernmental	4,115	--	--	--	4,115
Investment earnings	--	46,329	225	--	46,554
Miscellaneous	--	--	17,109	536	17,645
TOTAL REVENUES	4,115	46,329	17,334	9,247	77,025
EXPENDITURES					
Current:					
General government	--	5,713	--	--	5,713
Recreation	--	--	10,382	--	10,382
Housing and development	8,729	--	--	5,077	13,806
TOTAL EXPENDITURES	8,729	5,713	10,382	5,077	29,901
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(4,614)	40,616	6,952	4,170	47,124
OTHER FINANCING SOURCES (USES)					
Transfers in	--	9,125	--	--	9,125
Transfers out	--	(6,987)	--	--	(6,987)
TOTAL OTHER FINANCING USES	--	2,138	--	--	2,138
INCREASE (DECREASE) IN FUND BALANCES	(4,614)	42,754	6,952	4,170	49,262
FUND BALANCES - BEGINNING OF YEAR	4,614	313,573	22,534	2,945	343,666
FUND BALANCES - END OF YEAR	$ --	$356,327	$29,486	$7,115	$392,928

CITY OF CHICKAMAUGA, GEORGIA
FLOOD MITIGATION PROJECT PHASE I FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Intergovernmental	$8,729	$8,729	$4,115	$(4,614)
EXPENDITURES				
CURRENT:				
Housing and development	8,729	8,729	8,729	--
DEFICIT OF REVENUES UNDER EXPENDITURES	$--	$--	(4,614)	$(4,614)
FUND BALANCES – BEGINNING OF YEAR			4,614	
FUND BALANCES – END OF YEAR			$--	

CITY OF CHICKAMAUGA, GEORGIA
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Investment earnings	$18,000	$30,934	$46,329	$15,395
EXPENDITURES				
Current:				
General government	3,000	5,848	5,713	(135)
TOTAL EXPENDITURES	3,000	5,848	5,713	(135)
EXCESS OF REVENUES OVER EXPENDITURES	15,000	25,086	40,616	15,530
OTHER FINANCING SOURCES (USES)				
Transfers in	5,500	2,300	9,125	6,825
Transfers out	(8,000)	(6,873)	(6,987)	114
TOTAL OTHER FINANCING SOURCES (USES)	(2,500)	(4,573)	2,138	6,711
NET CHANGE IN FUND BALANCES	$12,500	$20,513	42,754	$22,241
FUND BALANCES – BEGINNING OF YEAR			313,573	
FUND BALANCES – END OF YEAR			$356,327	

CITY OF CHICKAMAUGA, GEORGIA
CAMPAIGN HERITAGE TRAIL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Intergovernmental	$7,500	$ --	$ --	$ --
Investment earnings	--	150	225	75
Miscellaneous	--	3,750	17,109	13,359
TOTAL REVENUES	7,500	3,900	17,334	13,434
EXPENDITURES				
Current:				
Recreation	7,500	8,447	10,382	1,935
TOTAL EXPENDITURES	7,500	8,447	10,382	1,935
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$--	$(4,547)	6,952	$11,499
FUND BALANCES – BEGINNING OF YEAR			22,534	
FUND BALANCES – END OF YEAR			$29,486	

CITY OF CHICKAMAUGA, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDLE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes	$13,000	$15,000	$8,711	$(6,289)
Miscellaneous	--	--	536	536
TOTAL REVENUES	13,000	15,000	9,247	(5,753)
EXPENDITURES				
Current:				
Housing and development	13,000	9,900	5,077	(4,823)
EXCESS OF REVENUES OVER EXPENDITURES	$ --	$5,100	4,170	$ (930)
FUND BALANCES – BEGINNING OF YEAR			2,945	
FUND BALANCES – END OF YEAR			$7,115	

CITY OF CHICKAMAUGA, GEORGIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Intergovernmental	$639,228	$639,228	$639,228	$--
EXPENDITURES				
Debt Service:				
Principal	560,000	560,000	560,000	--
Interest	79,228	79,228	79,228	--
TOTAL EXPENDITURES	639,228	639,228	639,228	--
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$--	$--	--	$--
FUND BALANCES - BEGINNING OF YEAR			--	
FUND BALANCES - END OF YEAR			$--	

CITY OF CHICKAMAUGA, GEORGIA
WATER AND SEWERAGE FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
For the Year Ended December 31, 2009

OPERATIONS AND MAINTENANCE EXPENSES	
Salaries	$238,979
Payroll taxes	17,681
Employee benefits	73,221
Purchased water	350
Water treatment charges	357,965
Truck expense	17,342
Operating supplies	39,739
Maintenance and repairs	52,037
Utilities	65,582
Professional services	18,284
Insurance	15,085
Office supplies	23,170
Telephone	8,100
Travel	2,384
Uniforms	2,387
Miscellaneous	24,294
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	$956,600

CITY OF CHICKAMAUGA, GEORGIA
ELECTRIC SYSTEM FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
For the Year Ended December 31, 2009

OPERATIONS AND MAINTENANCE EXPENSES	
Salaries	$42,301
Payroll taxes	1,118
Employee benefits	3,051
Distribution	83,843
Operating supplies	20,359
Maintenance and repairs	54,809
Professional services	8,027
Insurance	1,066
Customer assistance	29,167
Rent	3,600
Customer accounts	27,554
Tax equivalents	8,620
Miscellaneous	7,114
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	$290,629

CITY OF CHICKAMAUGA, GEORGIA
LEE & GORDON MILL FUND
SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES
For the Year Ended December 31, 2009

OPERATIONS AND MAINTENANCE EXPENSES	
Salaries	$45,462
Payroll taxes	3,478
Truck	769
Operating supplies	1,382
Maintenance and repairs	4,261
Utilities	13,281
Office supplies	259
Telephone	3,646
Travel	947
Security	1,597
Termite treatment	560
Catering	128,502
Dues	300
Licenses	200
Rent	9,700
Miscellaneous	6,356
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	$220,700

COMPLIANCE

BURK, PEARLMAN
NEBBEN & HUGGINS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

7030 LEE HIGHWAY • SUITE 202 • CHATTANOOGA, TENNESSEE 37421
TELEPHONE: (423) 490-8500 • FAX: (423) 490-1400
admin@bpnhcpa.com

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

To the Mayor and Council
City of Chickamauga
Chickamauga, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Chickamauga, Georgia, as of and for the year ended December 31, 2009, which, except for the component unit audited by other auditors, collectively comprise the City of Chickamauga, Georgia's basic financial statements and have issued our report thereon dated June 30, 2010. 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.

We did not audit the financial statements of the component unit, the City of Chickamauga Board of Education. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the City of Chickamauga Board of Education in the component unit column is based on the report of other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Chickamauga, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 05-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 05-2, 05-4, 07-1, 07-2, 07-3 and 08-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chickamauga, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 05-4.

The City of Chickamauga, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Chickamauga, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the mayor, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burk, Pearlman, Nobles, Hudgins, PLLC

Chattanooga, Tennessee
June 30, 2010

BURK, PEARLMAN
NEBBEN & HUGGINS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

7030 LEE HIGHWAY • SUITE 202 • CHATTANOOGA, TENNESSEE 37421
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Council
City of Chickamauga
Chickamauga, Georgia

Compliance

We have audited the compliance of the City of Chickamauga, Georgia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City of Chickamauga, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Chickamauga, Georgia's management. Our responsibility is to express an opinion on the City of Chickamauga, Georgia's compliance based on our audit.

The City of Chickamauga, Georgia's basic financial statements include the operations of the City of Chickamauga Board of Education component unit which received $994,447 in federal awards which is not included in the schedule during the year ended June 30, 2009. Our audit, described below, did not include the operations of the City of Chickamauga Board of Education component unit because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Chickamauga, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Chickamauga, Georgia's compliance with those requirements.

In our opinion, the City of Chickamauga, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of the City of Chickamauga, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Chickamauga, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report

on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Chickamauga, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Chickamauga, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Chickamauga, Georgia's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor, management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burk, Pearlman, Nibbs, Huggins, PLLC

Chattanooga, Tennessee
June 30, 2010

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Georgia Department of Community Affairs			
Community Development Block Grant	14.228	07-p-x-146-2-3323	$500,000
	14.228	09-p-x-146-2-5149	112,629
			612,629
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Georgia Emergency Management Agency			
Disaster Assistance	83.516	HMPG 1033-0201	4,115
TOTAL FEDERAL ASSISTANCE			$616,744

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Chickamauga, Georgia, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipient

The City did not provide federal assistance to any subrecipient.

CITY OF CHICKAMAUGA, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

05-2 The City has failed to implement the corrective action plan. The City continues to try to find a way of establishing procedures to reconcile these accounts.

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

07-1 The City has failed to implement the corrective action plan. The City is in the process of establishing control procedures to provide reasonable assurance that employee files provide all sufficient documentation pertaining to the City.

07-2 The City has failed to implement the corrective action plan. The City is in the process of implementing procedures for preventing duplicate check numbers for disbursements and canceling disbursement invoices after they have been paid.

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

08-1 The City failed to implement the corrective action plan during 2009. The bank that holds the Cemetery Fund investments has moved these investments to areas authorized by the State of Georgia in April 2010.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	x Yes	___ No
Significant deficiencies identified that are not considered to be material weaknesses?	x Yes	___ None reported
Noncompliance material to financial statements noted?	x Yes	___ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	___ Yes	x No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	x None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ Yes	x No

Identification of major program:

CFDA Number	Name of Federal Programs or Cluster
14.228	U.S. Department of Housing and Urban Development Community Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	___ Yes	x No

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS

FINANCIAL STATEMENT FINDINGS

Finding 05-2:

Condition: Accounts receivable for utility billings and customer deposits for water and sewer customers are not being reconciled monthly.

Criteria: Procedures should be in place to reconcile on a monthly basis.

Effect: Due to the lack of proper procedures, the City has no method of reconciling these accounts. This could result in improper reporting or instances of fraud that could go undetected.

Recommendation: Procedures should be implemented to reconcile these accounts on a monthly basis.

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

Planned corrective action: Management's response is located on pages 67-68.

Finding 05-4:

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

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

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

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

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

Planned corrective action: Management's response is located on pages 67-68.

Finding 07-1:

Condition: Insufficient documentation pertaining to employee personnel files was noted. Records of additions to or deductions from wages and approved time sheets were missing from employee files.

Criteria: Internal control procedures should be in place to provide reasonable assurance that payroll deductions have been authorized by the employee and time sheets are properly approved.

Effect: Due to the lack of adequate payroll documentation and inadequate internal control procedures, there is a possibility of employee checks being computed incorrectly.

Recommendation: Internal control procedures must be implemented to provide reasonable assurance that employee personnel files are maintained on all City employees. Employee files should include the correct supporting documentation in accordance with Regulations 29 CFR Part 516 and the recordkeeping requirements should be in accordance with the Fair Standards Labor Act. Before the issuance of an employee's payroll check, all required forms and supporting documentation should be obtained for this employee.

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

Planned corrective action: Management's response is located on pages 67-68.

Finding 07-2:

Condition: The City does not employ sufficient internal control procedures for disbursements regarding duplicate check numbers and cancellation of invoices.

Criteria: Procedures should be in place to prevent duplicate check numbers and cancellation of invoices after they have been paid.

Effect: Due to the lack of proper procedures, the City could write checks with the same check number and pay an invoice twice.

Recommendation: Procedures should be implemented for preventing duplicate check numbers for disbursements and canceling disbursement invoices after they have been paid.

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

Planned corrective action: Management's response is located on pages 67-68.

Finding 07-3:

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

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

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

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

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

Planned corrective action: Management's response is located on pages 67-68.

Finding 08-1:

Condition: Some of the investments in the Cemetery Fund do not meet the Georgia law of authorized investments. They are invested in mutual funds.

Criteria: Investments will be moved to comply with Georgia law.

Effect: The State of Georgia requires a finding to be in place.

Recommendation: Procedures should be implemented to make sure that none of the Cemetery Fund investments get moved to unauthorized investments.

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

Planned corrective action: Management's response is located on pages 67-68.

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

None reported.

CITY OF CHICKAMAUGA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS
For the Year Ended December 31, 2009

	ORIGINAL ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENTAGE OF COMPLETION
		PRIOR YEARS	CURRENT YEAR	TOTAL	
SPLOST 4					
City Hall computer upgrade	$50,000	$57,488	$ --	$57,488	100
Downtown Streetscape construction	250,000	514,907	(78,775)	436,132	100
Recreation improvements	75,000	115,682	--	115,682	100
Vehicles and equipment	100,000	131,341	--	131,341	100
Cupola Depot construction	50,000	17,000	--	17,000	35
History and genealogy room library addition	100,000	100,000	--	100,000	100
Streets and bridges improvements	75,000	83,234	--	83,234	100
Water-sewer improvements	336,750	262,124	--	262,124	78
	$1,036,750	$1,281,776	$(78,775)	$1,203,001	
2008 SPLOST					
Garbage and trash equipment	$300,000	$140,870	$167,289	$308,159	100
Gordon Lee Mansion building renovations	100,000	--	74,330	74,330	74
Recreation improvements	100,000	--	72,809	72,809	73
Downtown Streetscape construction	100,000	--	18,598	18,598	19
Vehicles and equipment	150,000	36,033	68,488	104,521	70
Library improvements	50,000	--	13,376	13,376	27
Municipal parking lot	100,000	80,281	--	80,281	80
Street improvements	100,000	3,825	105,976	109,801	100
City Hall renovations	50,000	--	32,299	32,299	65
Water-sewer improvements	382,600	--	42,776	42,776	11
	$1,432,600	$261,009	$595,941	$856,950	

CITY OF CHICKAMAUGA
CHICKAMAUGA, GEORGIA 30707
"Historic Chickamauga"

TELEPHONE 706-375-3177

RAY CROWDER
Mayor

COUNCIL MEMBERS

RANDAL DALTON
Mayor Pro Tem
Police Dept.

ROBERT ROBERTSON
Office & Finance
Recreation

DAYMON GARRETT
Water and Sewer

JAMES STAUB
Streets & Grounds
Planning & Development

EVITTE PARRISH
Electric Dept.

JUANITA CROWDER
Recorder

JOHN CULPEPPER
City Manager

JIM POWELL
Office Manager

MICHEAL HANEY
Chief of Police

June 30, 2010

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

The City of Chickamauga, Georgia submits the following plan for corrective action regarding reportable conditions associated with our internal controls and compliance for the year ended December 31, 2009.

The "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" issued by Burk, Pearlman, Nebben & Huggins, PLLC, on June 30, 2010, referenced instances of noncompliance and significant deficiencies. The corrective action taken on these items is as follows:

Finding 05-2
ACCOUNTS RECEIVABLE FOR UTILITY BILLINGS AND CUSTOMER DEPOSITS FOR WATER AND SEWER ARE NOT BEING RECONCILED ON A MONTHLY BASIS

Corrective Action Plan/Management Response

We concur with the recommendation. Training will be taken by all applicable employees on how to reconcile these items to the general ledger.

Finding 05-4
DEPARTMENTAL EXPENDITURES OVER BUDGET

Corrective Action Plan/Management Response

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

CITY OF CHICKAMAUGA
CHICKAMAUGA, GEORGIA 30707
"Historic Chickamauga"

TELEPHONE 706-375-3177

Finding 07-1
INSUFFICIENT DOCUMENTATION PERTAINING TO EMPLOYEE PERSONNEL FILES

Corrective Action Plan/Management Response

We concur with this recommendation. The Payroll and Billing Clerk will make sure that any additions or deductions to an employee's payroll will have an authorization or employee signature in the personnel file.

Finding 07-2
PROCEDURES TO PREVENT THE USE OF DUPLICATE CHECK NUMBERS AND TO CANCEL INVOICES NEEDS TO BE IMPROVED

Corrective Action Plan/Management Response

We concur with this recommendation. The City Clerk will be the only one writing checks and will start canceling all invoices after they have been paid.

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

Corrective Action Plan/Management Response

We concur with this recommendation. The City Clerk is going to keep all balance sheet accounts balanced to the best of her knowledge and the more complex accounts the City is going to contract with an outside agency to help keep these accounts in balance.

Finding 08-1
SOME INVESTMENTS IN THE CEMETERY FUND ARE UNAUTHORIZED INVESTMENTS WITH THE STATE OF GEORGIA

Corrective Action Plan/Management Response

We concur with this recommendation. The bank that holds the Cemetery Fund investments has been notified about moving these investments to investments authorized by the state of Georgia and was corrected in April 2010.

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

Sincerely,

John Culpepper
Utilities and City Manager