

CITY OF CHATSWORTH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

B. Rodney Crowe, CPA, P.C.
Certified Public Accountant
Ringgold, Georgia

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF CHEMISTRY
5800 S. UNIVERSITY AVENUE
CHICAGO, ILLINOIS 60637

INTRODUCTION SECTION

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City of Chatsworth, Georgia
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December 31, 2015

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City of Chatsworth, Georgia
Council Members and Management
As of December 31, 2015

Mayor..... Dan Penland

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

Council Member/Infrastructure Gary Brock

Council Member/Intergovernmental Relations & TechnologyCeleste Martin

Council Member/Finance Officer Brad Rowe

City Clerk..... Wilma Nolan

Municipal Court Judge Ron Wilson

City Attorney..... Steve Williams

10/10/2017
10/10/2017
10/10/2017

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FINANCIAL SECTION



B. RODNEY CROWE, CPA, P.C.
Certified Public Accountant

187 LAFAYETTE STREET
P.O. BOX 1056
RINGGOLD, GA 30736-1056
PHONE 706 / 965-2738
706 / 965-6100
FAX 706 / 965-4503
brcrowe@catt.com

B. RODNEY CROWE, CPA, CFP

*Members
American Institute of
Certified Public Accountants
Georgia and Tennessee Societies
of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Chatsworth, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Chatsworth, Georgia, as of December 31, 2015, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 12 and 19, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information and Other Information

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

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

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2016, on our consideration of the City of Chatsworth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Chatsworth, Georgia's internal control over financial reporting and compliance.



B. Rodney Crowe, CPA, P.C.
May 30, 2016

**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

The City of Chatsworth's ("the City") management is pleased to provide this narrative overview and analysis of the financial activities of the City for the calendar year ended December 31, 2015. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures that follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$33,539,669 (net position) for the calendar year reported. Of this amount \$8,949,864 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- For the calendar year reported, the City's activities are comprised of the following:
 - Governmental activities operated at a deficit of \$127,915; and
 - Business-type activities operated at a surplus of \$867,054.
- The City's governmental funds reported total ending fund balance of \$4,874,127.
- At the end of the current calendar year, unassigned fund balance for the general fund was \$4,292,349, or 120.52% of total general fund expenditures.
- The business-type activities, the City of Chatsworth, Georgia's enterprise funds, reported total ending net position of \$25,632,222. Of this balance \$5,065,979, or 19.76% is unrestricted. The remaining \$20,566,243, or 80.24% of net position is invested in capital assets and restricted to capital projects and debt service.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The City's government-wide financial statements include the statement of net position and the statement of activities.

**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The government-wide statement of net position presents information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. The City reports assets when it acquires ownership and reports liabilities when incurred. Over time, increases or decreases of net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

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

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

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

The government-wide financial statements can be found on pages 15, 16, and 17 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to track specific resources and expenditures, either for management purposes or because of legal mandates. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Governmental Funds

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

**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

The basic governmental fund financial statements can be found on pages 18 through 26 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 27 through 30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 60 of this report.

**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Chatsworth, Georgia, assets exceeded liabilities by \$33,539,669 at the close of this fiscal year.

The largest portion of the City of Chatsworth, Georgia's net position, \$23,820,799, or 71.02% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City of Chatsworth, Georgia uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Chatsworth, Georgia's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position totaling, \$769,006, or 2.29% represents resources that are subject to external restrictions on how they may be used:

- The largest portion of the restricted net position, \$543,938, or 1.62% is restricted for capital projects;
- Another portion, \$194,575, or 0.58% is restricted for debt services; and
- The final portion, \$30,492, or 0.09% is restricted for public safety.

The remaining balance of unrestricted net position of \$8,949,864, or 26.68% may be used to meet the government's ongoing obligations to its citizens and creditors. The City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The table below provides a summary of the City's net position broken down by governmental and business type activities.

**City of Chatsworth, Georgia
Net Position**

	<u>2015</u>		<u>2014</u>		<u>2015</u>	<u>2014</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Governmental Activities as restated</u>	<u>Business Type Activities as restated</u>	<u>Total</u>	<u>Total</u>
Current and other assets	\$ 4,980,206	\$ 6,920,791	\$ 5,122,604	\$ 6,306,208	\$ 11,900,997	\$ 11,428,812
Capital assets, net	3,474,898	29,274,796	3,635,136	27,282,472	32,749,694	30,917,608
Total assets	<u>8,455,104</u>	<u>36,195,587</u>	<u>8,757,740</u>	<u>33,588,680</u>	<u>44,650,691</u>	<u>42,346,420</u>
Deferred outflows of resources	66,646	102,956	75,418	81,935	169,602	157,353
Current liabilities	168,921	1,759,415	211,855	1,395,765	1,928,336	1,607,620
Long-term liabilities	372,931	8,861,815	585,941	7,509,682	9,234,746	8,095,623
Total liabilities	<u>541,852</u>	<u>10,621,230</u>	<u>797,796</u>	<u>8,905,447</u>	<u>11,163,082</u>	<u>9,703,243</u>
Deferred inflows of resources	72,452	45,091	-	-	117,543	-
Net position:						
Net investment in capital assets	3,382,898	20,437,901	3,451,136	19,940,579	23,820,799	23,391,715
Restricted	640,664	128,342	532,248	492,195	769,006	1,024,443
Unrestricted	3,883,885	5,065,979	4,051,978	4,332,394	8,949,864	8,384,372
Total net position	<u>\$ 7,907,447</u>	<u>\$ 25,632,222</u>	<u>\$ 8,035,362</u>	<u>\$ 24,765,168</u>	<u>\$ 33,539,669</u>	<u>\$ 32,800,530</u>

**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Changes in Net Position

As of the close of the current fiscal year, the City of Chatsworth, Georgia's governmental net position increased by \$739,139. Governmental activities decreased the City's net position by \$127,915, and the business-type activities increased the City's net position by \$867,054.

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

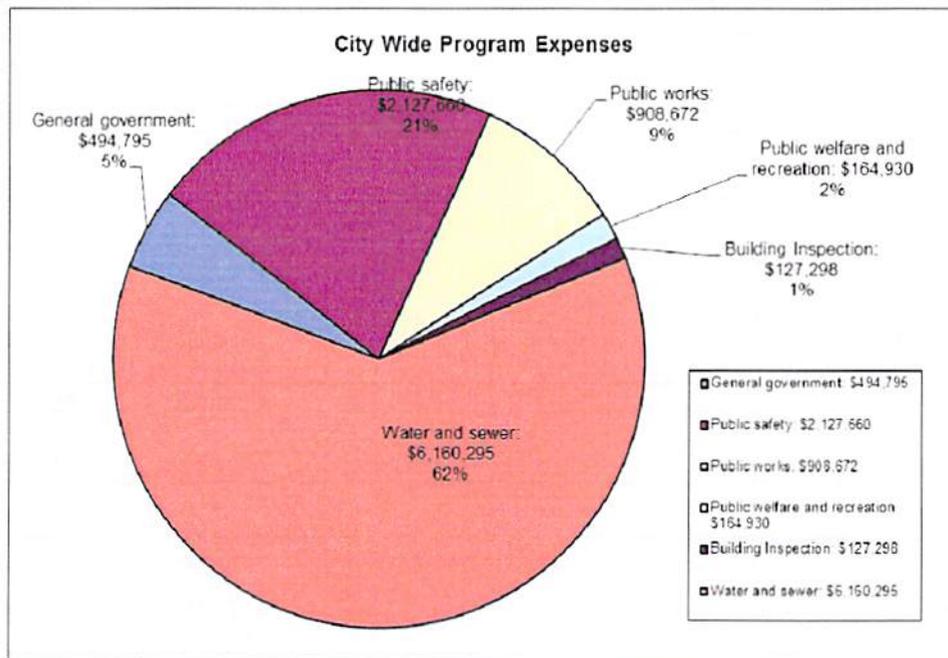
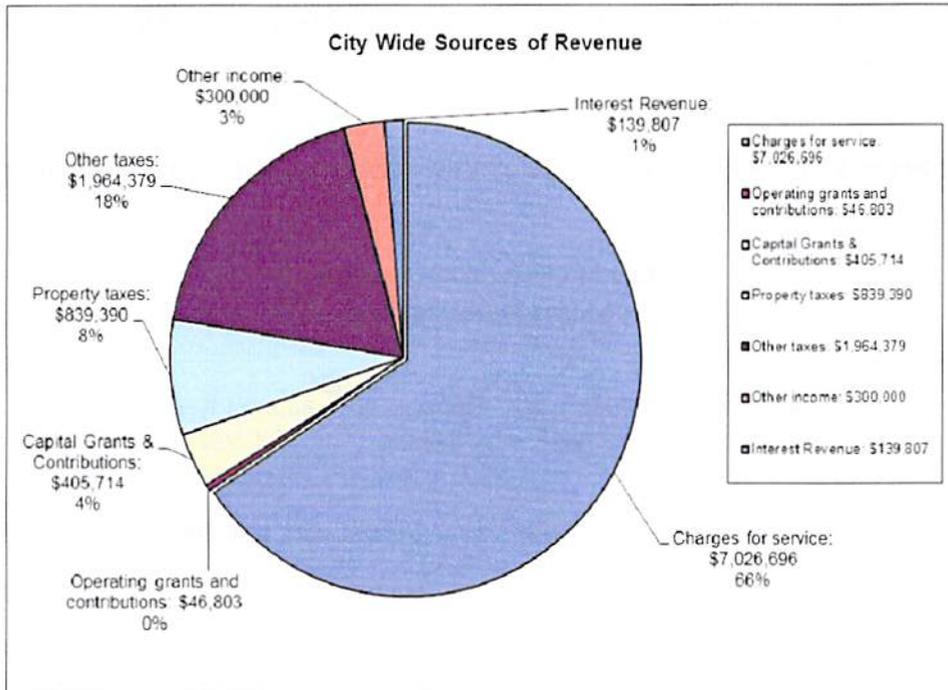
**City of Chatsworth, Georgia
Changes in Net Position**

	<u>2015</u>		<u>2014</u>		<u>2015</u>	<u>2014</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Total</u>
REVENUE						
Program revenues:						
Charges for services	\$ 369,230	\$ 6,657,466	\$ 306,328	\$ 6,482,946	\$ 7,026,696	\$ 6,789,274
Operating grants and contributions	46,803	-	45,242	-	46,803	45,242
Capital grants and contributions	405,714	-	411,012	-	405,714	411,012
General revenues:						
Property taxes	839,390	-	837,515	-	839,390	837,515
Other taxes	1,964,379	-	2,020,477	-	1,964,379	2,020,477
Other Revenue	-	300,000	-	147,045	300,000	147,045
Interest Revenue	69,924	69,883	69,267	39,168	139,807	108,435
Total revenues	<u>3,695,440</u>	<u>7,027,349</u>	<u>3,689,841</u>	<u>6,669,159</u>	<u>10,722,789</u>	<u>10,359,000</u>
EXPENSES						
General government	494,795	-	1,250,405	-	494,795	1,250,405
Public safety	2,127,660	-	2,082,359	-	2,127,660	2,082,359
Public works	908,672	-	865,904	-	908,672	865,904
Public welfare and recreation	164,930	-	155,423	-	164,930	155,423
Building inspection	127,298	-	155,190	-	127,298	155,190
Interest on long-term debt	-	156,448	-	164,667	156,448	164,667
Water & sewer	-	6,003,847	-	5,710,251	6,003,847	5,710,251
Total expenses	<u>3,823,355</u>	<u>6,160,295</u>	<u>4,509,281</u>	<u>5,874,918</u>	<u>9,983,650</u>	<u>10,384,199</u>
Increase (decrease) in net position before transfers	<u>(127,915)</u>	<u>867,054</u>	<u>(819,440)</u>	<u>794,241</u>	<u>739,139</u>	<u>(25,199)</u>
Transfers	-	-	-	-	-	-
Change in net position	<u>(127,915)</u>	<u>867,054</u>	<u>(819,440)</u>	<u>794,241</u>	<u>739,139</u>	<u>(25,199)</u>
Net position - beginning	8,035,362	24,765,168	9,200,065	24,374,221	32,800,530	33,574,286
Prior period adjustment	-	-	(345,262)	(403,294)	-	(748,556)
Net position - ending	<u>\$ 7,907,447</u>	<u>\$ 25,632,222</u>	<u>\$ 8,035,362</u>	<u>\$ 24,765,168</u>	<u>\$ 33,539,669</u>	<u>\$ 32,800,530</u>

**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

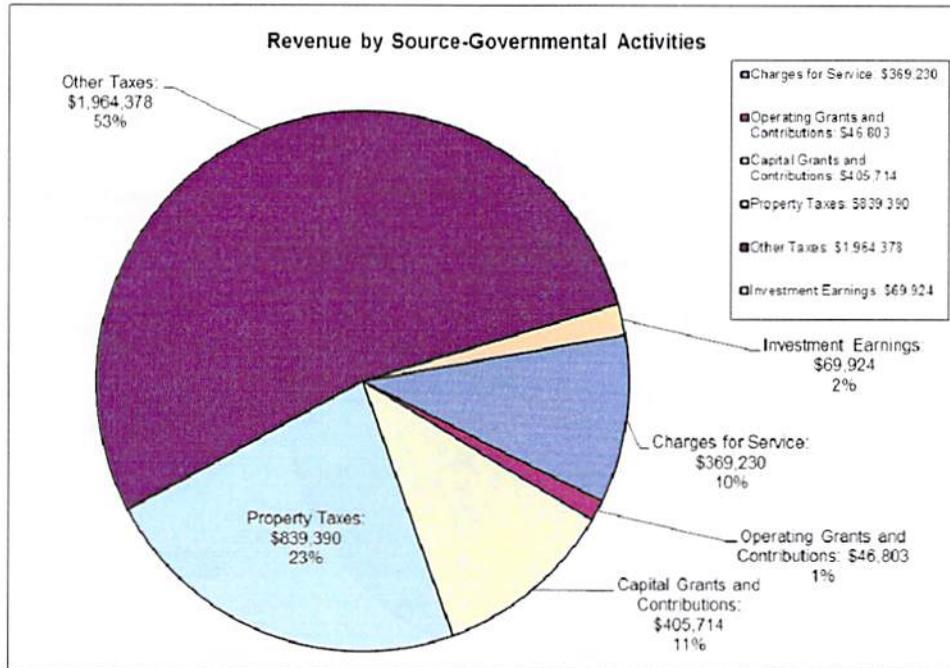
The graphs below summarize the \$10,722,789 of the City-Wide Revenue by source, and the associated \$9,983,650 of expenses by program. The graph combines data from both governmental and business-type activities.



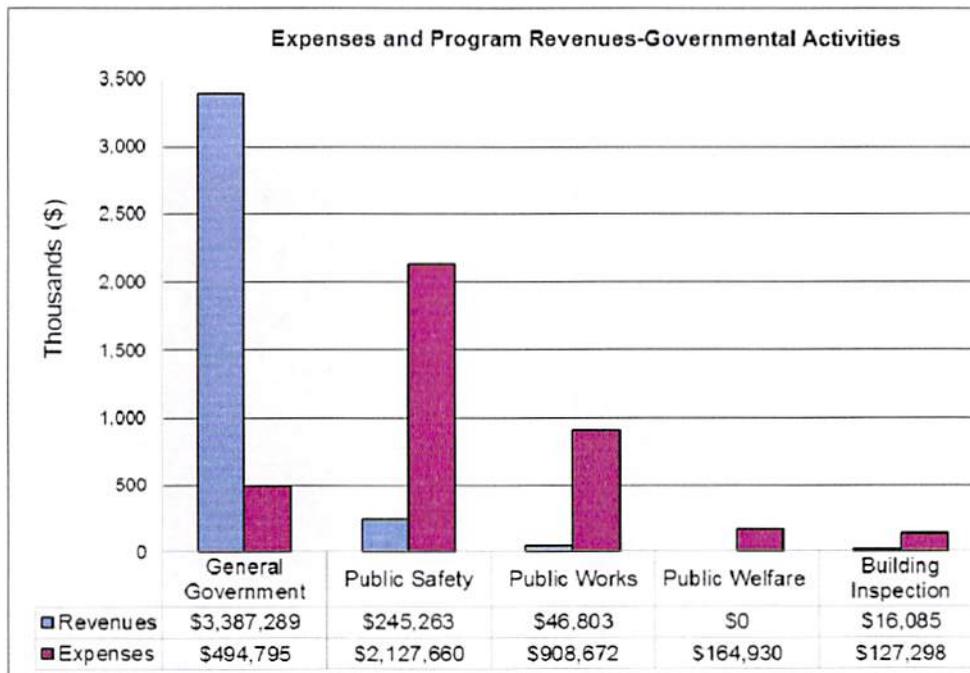
**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Governmental activities accounted for revenues of \$3,695,440. The following graph summarizes the revenue by source.



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

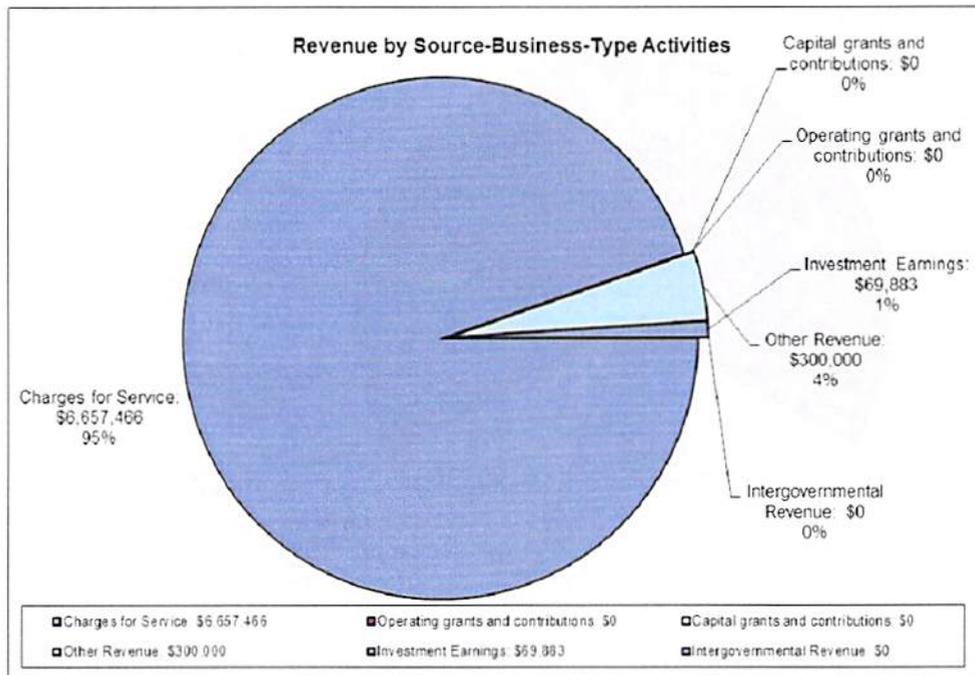


**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

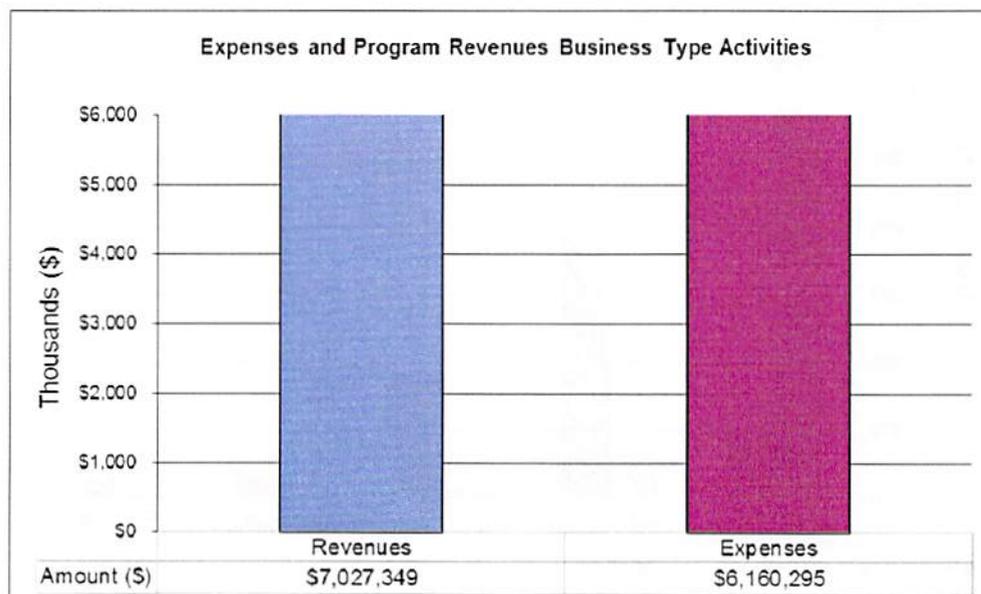
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Business-type activities

Business-type activities accounted for revenues of \$7,027,349. The following graph summarizes the revenue by source.



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



**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Chatsworth, Georgia's governmental funds reported combined ending fund balances of \$4,874,127. 88.06% of this total amount or \$4,292,349 constitutes unassigned fund balance.

The general fund is the chief operating fund of the City of Chatsworth, Georgia. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,292,349. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 120.52% of total fund expenditures.

Proprietary Funds

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

Unrestricted net position at the end of the year amounted to \$5,065,979.

In July 2015, the Commission incurred debt to the Georgia Environmental Finance Authority (GEFA) for the construction of a solar photovoltaic system at its wastewater treatment plant. The original amount of the note was \$2,201,740 and included a loan forgiveness component of \$300,000 which is reported as intergovernmental revenue in the current year.

General Fund Budgetary Highlights

Local option sales tax was under budget \$77,807 because the local economy did not rebound as much as expected in 2015. Investment earnings were \$67,924 higher than the budget because of the switch from investing in certificate of deposit to bonds paying 3-4%.

A new 2013 SPLOST fund, with collection beginning in year 2013, is approved to finance purchase of new equipment, improving streets and drainage, and economic development projects. Collections in 2015 amounted to \$405,714 and expenditures amounted to \$186,859.

City of Chatsworth, Georgia's Outstanding Debt

At the end of the current fiscal year, the City of Chatsworth, Georgia had \$92,000 debt outstanding in the governmental fund and \$8,836,895 outstanding in the proprietary fund. See Note 8 for detail of debt.

CAPITAL ASSET AND DEBT ADMINISTRATION

Investment in capital assets, net of accumulated depreciation, for both governmental and business-type activities, *Primary Government*, increased \$1,832,086. Beginning balance was \$30,917,608, plus current year additions of \$3,460,112, less current year depreciation of \$1,894,565, plus net dispositions / reclassifications of \$266,539 resulted in an ending balance of \$32,749,694.

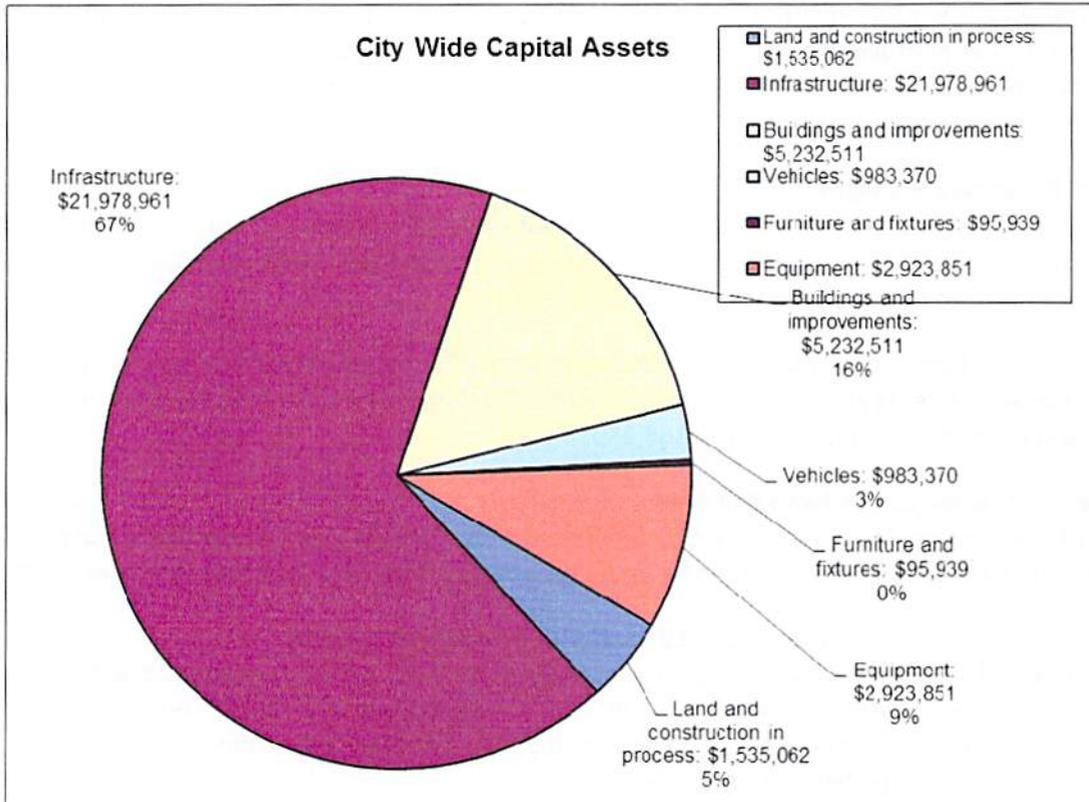
**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

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

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

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

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	\$ 595,407	\$ 939,655	\$ 1,535,062
Infrastructure	747,848	21,231,113	21,978,961
Buildings and improvements	850,356	4,382,155	5,232,511
Vehicles	671,589	311,781	983,370
Furniture and fixtures	9,923	86,016	95,939
Equipment	599,775	2,324,076	2,923,851
Total capital assets	\$ 3,474,898	\$ 29,274,796	\$ 32,749,694



**City of Chatsworth, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

CURRENTLY KNOWN CONDITIONS AFFECTING FUTURE YEARS

Chatsworth Water Works Commission general manager was authorized by the City to begin negotiations to purchase an additional 18.5 acres of land and obtain a loan of up to \$6,500,000 through the Georgia Environmental Finance Authority for construction of the Mill Creek Wastewater Plant in 2016.

In November 2015, the City of Chatsworth Water Works Commission began operations of a new Solar Panel facility capable of producing 1 megawatt hour of electricity per day, enough to run the utility's main office as well as the nearby water treatment plant. The money saved by not having to buy electricity will total \$2.2 million over the 25 year life of the panels and they will be able to sell about \$1.9 million of excess electricity.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF CHATSWORTH, GEORGIA
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business- Type	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 926,493	\$ 2,892,497	\$ 3,818,990
Investments	2,565,958	2,976,685	\$ 5,542,643
Receivables, net of allowance for uncollectibles:			
Property taxes	103,093	-	103,093
Accounts	-	696,912	696,912
Other	691,383	9,898	701,281
Inventory	-	132,045	132,045
Prepaid expenses	54,212	43,956	98,168
Due from other governments	90,404	-	90,404
Restricted assets:			
Cash and cash equivalents	460,344	168,798	629,142
Due from other governments	88,319	-	88,319
Total current assets	<u>4,980,206</u>	<u>6,920,791</u>	<u>11,900,997</u>
NON-CURRENT ASSETS			
Interfund balances	-	-	-
Land and other non-depreciable assets	595,407	939,655	1,535,062
Other capital assets, net of accumulated depreciation	2,879,491	28,335,141	31,214,632
Total non-current assets	<u>3,474,898</u>	<u>29,274,796</u>	<u>32,749,694</u>
Total assets	<u>8,455,104</u>	<u>36,195,587</u>	<u>44,650,691</u>
DEFERRED OUTFLOWS OR RESOURCES			
Pension related items	<u>66,646</u>	<u>102,956</u>	<u>169,602</u>

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

CITY OF CHATSWORTH, GEORGIA
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business- Type	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 34,675	\$ 291,830	\$ 326,505
Accrued expenses and other liabilities	73,929	32,096	106,025
Customer deposits payable	-	813,713	813,713
Unearned revenue	-	73,488	73,488
Interfund balances	(31,683)	31,683	-
Notes payable - current		86,149	86,149
Revenue bonds payable - current	-	390,000	390,000
Accrued interest payable	-	40,456	40,456
Capital lease	92,000	-	92,000
Total current liabilities	168,921	1,759,415	1,928,336
Long-term Liabilities			
Compensated absences	73,261	75,216	148,477
Revenue bonds payable	-	6,552,295	6,552,295
Notes payable		1,808,451	1,808,451
Net Pension liability	299,670	425,853	725,523
Total long-term liabilities	372,931	8,861,815	9,234,746
Total liabilities	541,852	10,621,230	11,163,082
DEFERRED INFLOWS OF RESOURCES			
Pension related items	72,452	45,091	117,543
Net Position			
Net investment in capital assets	3,382,898	20,437,901	23,820,799
Restricted for debt service	92,000	102,575	194,575
Restricted for capital projects	518,171	25,767	543,938
Restricted for public safety	30,492	-	30,492
Unrestricted	3,883,885	5,065,979	8,949,864
Total net position	7,907,447	25,632,222	33,539,669

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

City of Chatsworth, Georgia
Statement of Activities
Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 494,795	\$ 107,882	\$ -	\$ 405,714	\$ 18,801	\$ -	\$ 18,801
Public safety	2,127,660	245,263	-	-	(1,882,397)	-	(1,882,397)
Public works	908,672	-	46,803	-	(861,869)	-	(861,869)
Public welfare and recreation	164,930	-	-	-	(164,930)	-	(164,930)
Building Inspection	127,298	16,085	-	-	(111,213)	-	(111,213)
Total governmental activities	<u>3,823,355</u>	<u>369,230</u>	<u>46,803</u>	<u>405,714</u>	<u>(3,001,608)</u>	<u>-</u>	<u>(3,001,608)</u>
Business-type activities							
Water & Sewer	6,160,295	6,657,466	-	-	-	497,171	497,171
Total business-type activities	<u>6,160,295</u>	<u>6,657,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,171</u>	<u>497,171</u>
Total primary government	\$ 9,983,650	\$ 7,026,696	\$ 46,803	\$ 405,714	\$ (3,001,608)	\$ 497,171	\$ (2,504,437)
General revenues:							
Property tax					\$ 839,390	\$ -	\$ 839,390
Franchise tax					882,197	-	882,197
Local option sales tax					522,193	-	522,193
Malt beverage tax					117,109	-	117,109
Motor vehicle tax					99,484	-	99,484
Occupational tax					63,395	-	63,395
Premium tax					247,826	-	247,826
Other taxes					32,175	-	32,175
Other revenue					-	300,000	300,000
Interest revenue					97,537	96,487	194,024
Decrease in fair value of investments					(27,613)	(26,604)	(54,217)
Total general revenue					<u>2,873,693</u>	<u>369,883</u>	<u>3,243,576</u>
Transfers					-	-	-
Total general revenues and transfers					<u>2,873,693</u>	<u>369,883</u>	<u>3,243,576</u>
Change in net position					(127,915)	867,054	739,139
Net position - beginning of year, restated					<u>8,035,362</u>	<u>24,765,168</u>	<u>32,800,530</u>
Net position - end of year					<u>\$ 7,907,447</u>	<u>\$ 25,632,222</u>	<u>\$ 33,539,669</u>

CITY OF CHATSWORTH, GEORGIA
Governmental Funds
Balance Sheet
December 31, 2015

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash	\$ 926,493	\$ 429,852	\$ 30,492	\$ 1,386,837
Investment	2,565,958	-	-	2,565,958
Property tax receivable - net	103,093	-	-	103,093
Interfund receivables	31,683	-	-	31,683
Other receivables	691,383	-	-	691,383
Due from other governments	90,404	88,319	-	178,723
Prepaid expenses	54,212	-	-	54,212
Total assets	\$ 4,463,226	\$ 518,171	\$ 30,492	\$ 5,011,889
LIABILITIES				
Accounts payable	\$ 34,675	\$ -	-	\$ 34,675
Accrued wages	37,307	-	-	37,307
Payroll tax payable	36,622	-	-	36,622
Internal balances	(21,097)	21,097	-	-
Total liabilities	87,507	21,097	-	108,604
DEFERRED INFLOWS OF RESOURCES				
Net Pension Liability	-	-	-	-
Deferred revenue - property taxes	29,159	-	-	29,159
FUND BALANCES				
Nonspendable -				
Prepaid items	54,212	-	-	54,212
Restricted for -				
Debt service				
SPLOST Projects	-	497,074	-	497,074
Public Safety	-	-	30,492	30,492
Unassigned	4,292,349	-	-	4,292,349
Total fund balances	4,346,561	497,074	30,492	4,874,127
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 4,463,226	\$ 518,171	\$ 30,492	\$ 5,011,889

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

CITY OF CHATSWORTH, GEORGIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Positions
December 31, 2015

Total Governmental Fund Balances		\$ 4,874,127
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets do not represent financial resources and therefore are not reported in the funds but are reported for governmental activities:		
Cost	9,625,402	
Less accumulated depreciation	<u>(6,150,504)</u>	3,474,898
Liabilities, including notes, bonds, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position:		
Capital lease payable	(92,000)	
Compensated absences	<u>(73,261)</u>	(165,261)
Interfund receivables and payables between governmental funds are reported on the governmental fund's balance sheet but are eliminated on the government-wide statement of net position.		
Interfund receivables	(31,683)	
Interfund payables	<u>31,683</u>	
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current periods expenditures and, therefore, are deferred in the funds.		
		29,159
Amounts related to the pension plan are not expected to be liquidated with expendable financial resources and, therefore, are not reported in the funds.		
Deferred outflows of resources-pension related	66,646	
Net pension liability	(299,670)	
Deferred inflows of resources-pension related	<u>(72,452)</u>	<u>(305,476)</u>
Net Position of Governmental Activities		\$ <u>7,907,447</u>

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

CITY OF CHATSWORTH, GEORGIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2015

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 2,699,921	\$ -	\$ -	\$ 2,699,921
License and permits	32,283	-	-	32,283
Intergovernmental	165,873	405,714	-	571,587
Fines and forfeitures	216,099	-	28,977	245,076
Investment earnings	69,924	-	-	69,924
Other revenue	92,760	-	-	92,760
Total revenues	<u>3,276,860</u>	<u>405,714</u>	<u>28,977</u>	<u>3,711,551</u>
EXPENDITURES				
Current expenditures				
General government	386,188	-	-	386,188
Public safety	2,033,249	-	60	2,033,309
Street department	861,894	-	-	861,894
Public welfare and recreation	152,091	-	-	152,091
Building inspector	128,092	-	-	128,092
Capital outlay	-	94,859	47,357	142,216
Debt service - principal	-	92,000	-	92,000
Total expenditures	<u>3,561,514</u>	<u>186,859</u>	<u>47,417</u>	<u>3,795,790</u>
Excess (deficiency) of revenues over expenditures	<u>(284,654)</u>	<u>218,855</u>	<u>(18,440)</u>	<u>(84,239)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(284,654)</u>	<u>218,855</u>	<u>(18,440)</u>	<u>(84,239)</u>
Fund balances - beginning of year	<u>4,631,215</u>	<u>278,219</u>	<u>48,932</u>	<u>4,958,366</u>
Fund balances - end of year	<u>\$ 4,346,561</u>	<u>\$ 497,074</u>	<u>\$ 30,492</u>	<u>\$ 4,874,127</u>

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

CITY OF CHATSWORTH, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended December 31, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$ (84,239)
 Amounts reported for Governmental Activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Depreciation expense in excess of capital outlay	(160,238)
 Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
	92,000
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred inflows:	
Net change in deferred inflows	(15,223)
 Certain items reported in the statement of activities don't require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net change in accrued liability for compensated absences	-
Pension expense	48,557
Net change in deferred outflows - pension related	(8,772)
 Change in Net Position of Governmental Activities	 <u>\$ (127,915)</u>

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

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CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes				
City property tax	\$ 1,028,298	\$ 1,028,298	\$ 854,613	\$ (173,685)
Premium tax	240,000	240,000	247,825	7,825
Franchise tax	809,000	809,000	763,127	(45,873)
Local options sales tax	600,000	600,000	522,193	(77,807)
Malt beverage tax	127,850	127,850	117,109	(10,741)
Motor vehicle tax	50,000	50,000	99,484	49,484
Occupational tax	60,000	60,000	63,395	3,395
Banking tax	33,000	33,000	32,175	(825)
Total taxes	<u>2,948,148</u>	<u>2,948,148</u>	<u>2,699,921</u>	<u>(248,227)</u>
License and permits				
Building permits	-	-	-	-
Malt and beverage license	33,100	33,100	32,283	(817)
Total license and permits	<u>33,100</u>	<u>33,100</u>	<u>32,283</u>	<u>(817)</u>
Intergovernmental				
State grants for street const.	45,242	45,242	46,803	1,561
Franchise tax from Water Works	115,000	115,000	119,070	4,070
Total intergovernmental	<u>160,242</u>	<u>160,242</u>	<u>165,873</u>	<u>5,631</u>
Fines and forfeitures				
Police and courts	201,000	201,000	216,099	15,099
Total fines and forfeitures	<u>201,000</u>	<u>201,000</u>	<u>216,099</u>	<u>15,099</u>
Investment earnings				
Investment earnings	2,000	2,000	69,924	67,924
Total investment earnings	<u>2,000</u>	<u>2,000</u>	<u>69,924</u>	<u>67,924</u>
Other revenue				
Miscellaneous	83,300	83,300	92,760	9,460
Total other revenue	<u>83,300</u>	<u>83,300</u>	<u>92,760</u>	<u>9,460</u>
TOTAL REVENUES	<u>3,427,790</u>	<u>3,427,790</u>	<u>3,276,860</u>	<u>(150,930)</u>

(Continued)

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

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		(Over) Under
EXPENDITURES				
Current expenditures				
General government				
Administration				
Administrative salaries	\$ 147,085	\$ 147,602	\$ 146,488	\$ 1,114
Health Insurance	17,789	22,982	22,982	-
Payroll taxes	13,362	13,362	12,725	637
Retirement contribution	8,589	8,589	7,613	976
Advertising	2,000	2,068	2,068	-
Telephone	7,000	7,000	6,363	637
Office supplies	16,000	16,000	13,498	2,502
Repairs and maintenance	16,000	16,000	3,753	12,247
Dues and subscriptions	15,000	14,932	12,039	2,893
Professional services	27,000	25,000	25,000	-
Utilities	10,000	10,000	7,423	2,577
Miscellaneous expenditures	32,000	32,000	26,048	5,952
Tree City USA	4,000	4,000	-	4,000
Library aid	30,000	30,000	30,000	-
Contributions	4,200	4,200	3,130	1,070
Capital purchases	124,724	124,724	-	124,724
Total administration	474,750	478,460	319,130	159,330
Building and plant				
Insurance	10,807	10,807	9,863	944
Janitorial	4,000	4,000	3,586	414
Total building and plant	14,807	14,807	13,449	1,358
Council				
Mayor and Council	27,600	27,600	27,600	-
Total council	27,600	27,600	27,600	-
Elections				
Election	5,000	4,483	765	3,718
Total elections	5,000	4,483	765	3,718
Law				
Professional services	12,000	12,000	24,659	(12,659)
Education and training	3,000	3,000	585	2,415
Total law	15,000	15,000	25,244	(10,244)
Total general government	\$ 537,157	\$ 540,350	\$ 386,188	\$ 154,162

(Continued)

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

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		(Over) Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety				
Police department				
Salaries	\$ 757,195	\$ 757,195	\$ 699,208	\$ 57,987
Payroll taxes	57,176	57,176	52,425	4,751
Group health insurance	100,608	100,608	98,007	2,601
Retirement expenditures	51,989	46,338	41,902	4,436
Workers compensation insurance	27,981	27,981	41,891	(13,910)
Office supplies	5,000	6,103	6,103	-
Janitorial	2,500	2,500	1,658	842
Utilities	7,500	7,911	7,911	-
Telephone	11,500	11,500	9,899	1,601
Insurance	15,000	15,000	13,962	1,038
Uniforms	19,625	20,060	19,209	851
Fuel	42,000	42,000	34,050	7,950
Supplies and materials	6,500	10,821	10,821	-
Repairs and maintenance	15,000	12,800	12,402	398
Personnel training	9,001	9,227	9,226	1
State Fines	16,500	16,827	14,843	1,984
Jail board and fund	35,000	25,946	23,306	2,640
Vehicle expenditures	9,000	10,355	10,355	-
Miscellaneous	11,700	20,427	16,822	3,605
Peace officer training fund	15,000	15,000	12,950	2,050
Budgeted and non-budgeted contributions	24,000	24,000	18,911	5,089
Capital Purchases	74,800	74,800	40,528	34,272
Total police department	1,314,575	1,314,575	1,196,389	118,186
Fire department				
Salaries	575,056	575,056	548,997	26,059
Payroll taxes	43,992	43,992	41,622	2,370
Group health insurance	68,514	70,148	70,148	-
Retirement expenditures	33,442	31,807	31,549	258
Workers compensation insurance	21,365	21,365	31,392	(10,027)
Insurance	9,000	9,000	8,789	211
Telephone	6,000	6,518	6,518	-
Personnel training	3,500	4,880	4,881	(1)
Office supplies	1,000	850	801	49
Maintenance	9,000	7,583	7,583	-
Utilities	19,800	19,282	18,043	1,239
Fuel	16,500	16,500	13,187	3,313
Uniforms	13,000	12,260	3,207	9,053
Protective clothing	14,000	16,338	16,338	-
Equipment repairs	11,000	8,850	8,618	232
Truck expenditures	6,000	6,000	5,795	205
Miscellaneous	2,050	2,790	2,253	537
Capital purchases	117,100	117,100	17,139	99,961
Total fire department	970,319	970,319	836,860	133,459
Total public safety	\$2,284,894	\$2,284,894	\$2,033,249	\$ 251,645

(Continued)

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

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Continued)
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		(Over) Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works				
Street department				
Salaries	\$ 387,854	\$ 387,854	\$ 347,118	\$ 40,736
Payroll taxes	29,671	29,671	25,994	3,677
Group health Ins	60,127	60,127	47,645	12,482
Retirement insurance	18,181	18,181	15,832	2,349
Workers compensation Ins	15,000	15,000	21,469	(6,469)
Insurance	15,000	15,000	14,263	737
Auto	12,000	12,000	8,606	3,394
Uniforms	8,500	8,500	6,492	2,008
Fuel	50,500	50,500	31,399	19,101
Supplies & materials	40,568	40,000	22,090	17,910
Repairs and maintenance	20,000	20,000	18,799	1,201
Utilities	176,000	176,568	175,569	999
Street improvements	256,800	256,800	123,335	133,465
Office supplies	1,000	1,000	20	980
Telephone	2,000	2,000	1,723	277
Equipment rental	1,000	1,000	-	1,000
Miscellaneous	2,000	2,000	1,540	460
Capital Purchases	34,800	34,800	-	34,800
Total street department	<u>1,131,001</u>	<u>1,131,001</u>	<u>861,894</u>	<u>269,107</u>
Total public works	<u>1,131,001</u>	<u>1,131,001</u>	<u>861,894</u>	<u>269,107</u>
Public welfare and recreation				
Health and Sanitation				
Salaries	45,615	45,615	44,887	728
Payroll taxes	5,490	5,490	3,345	2,145
Group health insurance	5,709	5,819	5,819	-
Retirement expenditures	2,965	2,965	2,962	3
Workers compensation insurance	2,000	2,000	3,139	(1,139)
Insurance	2,506	2,396	1,776	620
Supplies & materials	1,500	1,500	408	1,092
Repairs & maintenance	20,000	20,000	17,757	2,243
Uniforms	1,200	1,200	550	650
Miscellaneous	1,000	1,000	-	1,000
Fuel	12,000	12,000	9,059	2,941
Tipping fees	30,000	30,000	23,184	6,816
Health department aid	5,000	5,000	5,000	-
Budgeted contributions	25,000	25,000	25,000	-
Total health and sanitation	<u>159,985</u>	<u>159,985</u>	<u>142,886</u>	<u>17,099</u>
Parks and recreation				
Recreation expenditures	<u>12,000</u>	<u>12,000</u>	<u>9,205</u>	<u>2,795</u>
Total parks and recreation	<u>12,000</u>	<u>12,000</u>	<u>9,205</u>	<u>2,795</u>
Total welfare and recreation	<u>\$ 171,985</u>	<u>\$ 171,985</u>	<u>\$ 152,091</u>	<u>\$ 19,894</u>

(Continued)

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

CITY OF CHATSWORTH, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		(Over) Under
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Building inspection				
Salaries	\$ 83,468	\$ 83,468	\$ 77,632	\$ 5,836
Payroll taxes	6,390	6,309	5,988	321
Group health	7,290	8,947	8,947	-
Retirement	5,931	5,931	5,924	7
Workman's compensation	2,000	2,093	2,093	-
Janitorial	1,200	1,200	1,080	120
Insurance	1,500	1,257	1,257	-
Auto	500	111	111	-
Utilities	2,800	2,475	2,475	-
Fuel	3,500	2,552	1,616	936
Uniform	700	271	271	-
Personnel training	1,000	1,183	1,183	-
Office supplies	1,000	1,672	1,672	-
Maintenance and supplies	500	140	135	5
Equipment repairs	500	389	389	-
Telephone	1,500	1,420	1,420	-
Dues	1,000	1,360	1,360	-
Miscellaneous	6,000	6,000	13,119	(7,119)
Capital Purchases	30,000	30,000	1,420	28,580
Total Building Inspection	<u>156,779</u>	<u>156,778</u>	<u>128,092</u>	<u>28,686</u>
Total Expenditures	<u>4,281,816</u>	<u>4,285,008</u>	<u>3,561,514</u>	<u>723,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(854,026)</u>	<u>(857,218)</u>	<u>(284,654)</u>	<u>(572,564)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(854,026)</u>	<u>(857,218)</u>	<u>(284,654)</u>	<u>(572,564)</u>
Fund balance - beginning of year	<u>5,416,563</u>	<u>5,416,563</u>	<u>5,416,563</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,562,537</u>	<u>\$ 4,559,345</u>	<u>\$ 5,131,909</u>	<u>\$ (572,564)</u>

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

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CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Net Position
December 31, 2015

ASSETS	<u>Water and Sewerage Fund</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,892,497
Investments	2,976,685
Receivables, net of allowance for uncollectibles:	
Accounts	696,912
Other	9,898
Inventory	132,045
Prepaid expenses	43,956
Restricted assets:	
Cash and cash equivalents	168,798
Total current assets	<u>6,920,791</u>
NON-CURRENT ASSETS	
Capital assets:	
Land	676,291
Buildings	7,895,240
Infrastructure	41,481,362
Machinery and equipment	4,040,134
Vehicles	674,725
Construction in progress	263,364
	<u>55,031,116</u>
Less accumulated depreciation	<u>25,756,320</u>
Total non-current assets	<u>29,274,796</u>
Total assets	<u>36,195,587</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	<u>102,956</u>

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

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Net Position (Continued)
December 31, 2015

LIABILITIES

CURRENT LIABILITIES

Payable from current assets:	
Accounts payable	\$ 323,513
Accrued expenses and other liabilities	32,096
Customer deposits payable	813,713
Unearned revenue	73,488
Notes payable - current	86,149
Payable from restricted assets:	
Revenue bonds payable - current	390,000
Accrued interest payable	40,456
Total current liabilities	1,759,415

LONG-TERM LIABILITIES

Revenue bonds payable	6,552,295
Notes payable	1,808,451
Compensated absences payable	75,216
Net pension liability	425,853
Total long-term liabilities	8,861,815
Total liabilities	10,621,230

DEFERRED INFLOWS OF RESOURCES

Pension related items	45,091
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NET POSITION

Net investment in capital assets	20,437,901
Restricted for debt service	102,575
Restricted for capital projects	25,767
Unrestricted	5,065,979
Total net position	\$ 25,632,222

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

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2015

	<u>Water and Sewerage Fund</u>
Operating revenues	
Charges for services:	
Water sales	\$ 4,783,813
Sewer sales	1,306,624
Connection fees	99,898
Other fees and charges	467,131
Total operating revenues	<u>6,657,466</u>
 Operating expenses	
Administrative	1,333,046
Distribution and maintenance	1,261,819
Sewer plant	564,614
Water plant	1,298,700
Depreciation	1,529,463
Total operating expenses	<u>5,987,642</u>
 Operating income	 <u>669,824</u>
 Non-operating revenues (expenses)	
Interest income	96,487
Intergovernmental revenues	300,000
Interest expense and fiscal charges	(156,448)
Decrease in fair value of investments	(26,604)
Other	(16,205)
Total non-operating revenues (expenses), net	<u>197,230</u>
 Change in net position	 867,054
 Net position, beginning of year	 <u>24,765,168</u>
 Net position, end of year	 <u>\$ 25,632,222</u>

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

CITY OF CHATSWORTH, GEORGIA
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2015

	Water and Sewerage Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 6,731,874
Payments to suppliers	(2,439,835)
Payments to employees	(1,983,431)
Net cash provided by operating activities	2,308,608
Cash Flows from Noncapital Financing Activities	
Other non-operating expenses	(19,383)
Net cash used in noncapital financing activities	(19,383)
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(3,521,787)
Proceeds from the sale of capital assets	3,178
Proceeds from issuance of note payable	1,901,740
Proceeds from capital grant	300,000
Principal payments on long-term borrowings	(395,090)
Interest paid on long-term borrowings	(169,641)
Net cash used in capital and related financing activities	(1,881,600)
Cash Flows from Investing Activities	
Purchases of investments	(1,514,363)
Proceeds from maturities of investments	1,038,999
Interest received	96,487
Net cash used in investing activities	(378,877)
Net decrease in cash	28,748
Cash and cash equivalents:	
Beginning of year	3,032,547
End of year	\$ 3,061,295
Classified as:	
Cash and cash equivalents	\$ 2,892,497
Restricted cash and cash equivalents	168,798
	\$ 3,061,295
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 669,824
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,529,463
Change in assets and liabilities:	
Decrease in accounts receivable	49,395
Increase in inventory	(12,145)
Increase in prepaid expenses	(16,375)
Increase in deferred outflows - pension items	(21,021)
Increase in accounts payable and accrued expenses	98,739
Decrease in unearned revenue	(9,631)
Increase in customer deposits payable	34,644
Decrease in net pension liability	(59,376)
Increase in deferred inflows - pension items	45,091
Net cash provided by operating activities	\$ 2,308,608
Non-Cash Investing Activities	
Decrease in fair value of investments	\$ (26,604)

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

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City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

B. Basic Financial Statements – GASB Statement No. 34

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

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

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

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental fund:

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

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

The City reports the following major enterprise fund:

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

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

C. Measurement Focus – Basis of Accounting

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

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus – Basis of Accounting (Continued)

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

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

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

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

Fund balance – Generally fund balance represents the difference between assets and liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable– Fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The Council also may modify or rescind the commitment.

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus – Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

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

D. Encumbrance Accounting

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Data

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

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

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

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

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

F. Cash and Cash Equivalents

For cash flow reporting purposes in proprietary funds, cash includes petty cash, amounts in demand deposits and cash equivalents. The City considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents on December 31, 2015.

G. Investments

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

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

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

<u>Asset Class</u>	<u>Years</u>
Building and improvements	40
Fire department	7-12
Furniture and equipment	7
Police department	5-12
Public works	7-12
Infrastructure	20

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

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

I. Inventories

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

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

J. Restricted Net Position

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions

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

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

L. Compensated Absences

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

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

M. Long-term Obligations

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

N. Prepayment of Expenditures

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

O. Prepayment of Expenditures

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Property Taxes

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

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

Lien date	October 20, 2015
Levy date	October 20, 2015
Tax bills mailed	October 20, 2015
Payment due date	October 20, 2015 through February 28, 2016
Delinquency date	March 1, 2016

Q. Capital Contributions:

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

R. Estimates

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

S. Bond Premium, Discount and Issuance Costs

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

T. Net Position Flow Assumption

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

U. Pensions:

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 2. DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's deposit balances as of December 31, 2015:

As reported in the Governmental Funds Statement of Net Position

Cash and cash equivalents	\$	926,493
Investments		2,565,994
Restricted:		
Cash and cash equivalents		460,344
	\$	3,952,831
Cash deposited with financial institutions	\$	1,386,837
Municipal debt obligations		2,565,994
	\$	3,952,831

Custodial Credit Risk for Deposits –Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2015, the City did not have any deposits which were uninsured or under collateralized, as defined by State statutes.

On December 31, 2015, the City had the following investments:

Type of Investment	Maturity Date or Weighted Avg. Maturity	Market Value
US Government Agency Bonds	9.06 years	\$ 162,990
Municipal Bonds	8.31 years	2,402,954
Total Investments		\$ 2,565,944

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

Aside from adherence to State statutes, the City does not have a formal policy that restricts its investments to a certain quality rating. As of December 31, 2015, the City's investments in obligations of U.S. government agencies were rated Aaa and its municipal debt obligations ranged from Aaa to Baa1 as rated by Moody's Investor Services.

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in obligations of the States of Texas, Arizona, Washington, and Georgia. These investments have a market value of \$1,494,751 and represent 58.25% of the City's total investments at year-end. The table below provides a detail of the market value and percentage of the City's total investments at year-end invested in each of these issuers:

State	Market Value	Percentage
Texas	\$ 177,757	7.47%
Arizona	154,064	6.47%
Washington	147,718	6.21%
Georgia	1,015,212	42.65%
	\$ 1,494,751	62.80%

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

Water Works Commission

Following is a reconciliation of the Commission's deposit balances as of December 31, 2015:

As reported in the Proprietary Funds Statement of Net Position

Cash and cash equivalents	\$	2,892,497
Investments		2,976,685
Restricted:		
Cash and cash equivalents		168,798
	\$	6,037,980
Cash deposited with financial institutions	\$	3,061,295
Municipal debt obligations		2,570,063
Corporate bond obligations		406,622
	\$	6,037,980

Custodial Credit Risk: Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and the Commission's policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2015, the Commission did not have any deposits which were uninsured or under collateralized, as defined by State statutes.

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

On December 31, 2015, the Commission had the following investments:

<u>Type of Investment</u>	<u>Maturity Date or Weighted Avg. Maturity</u>	<u>Market Value</u>
US Government Agency Bonds	6.61 years	\$ 406,622
Municipal Bonds	9.91 years	2,570,063
Total Investments		\$ 2,976,685

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

Aside from adherence to State statutes, the Commission does not have a formal policy that restricts its investments to a certain quality rating. As of December 31, 2015, the Commission’s investments in obligations of U.S. government agencies were rated Aaa and its municipal debt obligations ranged from Aaa to Baa1 as rated by Moody’s Investor Services.

The Commission places no limit on the amount it may invest in any one issuer. More than 5 percent of the Commission’s investments are in obligations of the States of Illinois, Minnesota, Mississippi, Georgia, and Pennsylvania. These investments have a market value of \$1,284,944 and represent 43.2% of the Commission’s total investments at year-end. The table below provides a detail of the market value and percentage of the Commission’s total investments at year-end invested in each of these issuers:

<u>State</u>	<u>Market Value</u>	<u>Percentage</u>
Illinois	\$ 402,477	13.5%
Minnesota	303,529	10.2%
Mississippi	160,001	5.4%
Georgia	224,773	7.6%
Pennsylvania	194,164	6.5%
	<u>\$ 1,284,944</u>	<u>43.2%</u>

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

NOTE 3. NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 4. PROPERTY TAXES

A summary of property taxes receivable on December 31, 2015 is as follows:

	<u>Current Levy</u>	<u>Prior Levies</u>	<u>Total</u>
General Fund			
Property Taxes Receivable	\$ 95,708	\$ 7,968	\$ 103,676
Allowance for Uncollectible Taxes	<u>(538)</u>	<u>(45)</u>	<u>(583)</u>
Net	<u>\$ 95,170</u>	<u>\$ 7,923</u>	<u>\$ 103,093</u>

NOTE 5. RECEIVABLES

General Fund

The following amounts are due from other governments on December 31, 2015:

Murray County Georgia – SPLOST	\$ 88,319
State of Georgia – Sales Tax	<u>90,404</u>
Total	<u>\$ 178,723</u>

Proprietary Funds

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

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following on December 31, 2015:

Receivables:	
Accounts receivable	\$ 706,621
Less allowance for uncollectible	<u>9,709</u>
Net accounts receivable	<u>\$ 696,912</u>
Other receivables	<u>\$ 9,898</u>

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 6. DEFERRED INFLOWS OF RESOURCES

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

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

	Unavailable	Total
Property Taxes	\$29,159	\$29,159

NOTE 7. CAPITALIZATION OF INTEREST COSTS

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

NOTE 8. LONG-TERM DEBT

City

Long-term debt activity for the year ended December 31, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	184,000	-	92,000	92,000	92,000
Compensated absences	73,261	-		73,261	
Total long-term liabilities	257,261	-	92,000	165,261	92,000

Bond Payable

In January 2013, the City entered a lease agreement with Community First National Bank to finance the purchase of a Ferrara Igniter MVP Pumper Truck for the Fire Department. The bond bears interest rate of 1.897% and will mature in 2016.

Debt service requirements to maturity for the City's bond are as follows:

	TOTAL
Fiscal year ending December 31, 2016	92,000
Total	\$ 92,000

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 8. LONG-TERM DEBT (CONTINUED)

Water Work Commission

Long-term debt activity for the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 7,070,000	\$ -	\$ (230,000)	6,840,000	\$ 390,000
Premium	113,943	-	(11,648)	102,295	
Revenue bonds payable, net	7,183,943	-	(241,648)	6,942,295	390,000
Notes payable	157,950	1,901,740	(165,090)	1,894,600	86,149
Net pension liability	485,229	259,671	(319,047)	425,853	
Compensated absences	70,510	91,383	(86,677)	75,216	-
Total long-term liabilities	<u>\$ 7,897,632</u>	<u>\$ 2,252,794</u>	<u>\$ (812,462)</u>	<u>\$ 9,337,964</u>	<u>\$ 476,149</u>

Revenue Bonds

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

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

Fiscal year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	390,000	161,825	551,825
2017	400,000	154,025	554,025
2018	410,000	146,025	556,025
2019	415,000	137,825	552,825
2020	425,000	129,525	554,525
2021-2025	2,255,000	509,500	2,764,500
2026-2030	2,545,000	222,837	2,767,837
Total	<u>\$ 6,840,000</u>	<u>\$ 1,461,562</u>	<u>\$ 8,301,562</u>

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 8. LONG-TERM DEBT (CONTINUED)

Notes Payable

In July 2015, the Commission incurred debt to the Georgia Environmental Finance Authority (GEFA) for the construction of a solar photovoltaic system at its wastewater treatment plant. The original amount of the note was \$2,201,740 and included a loan forgiveness component of \$300,000 which is reported as intergovernmental revenue in the current year. The remaining balance of the note bears interest at a fixed rate of 1.03% payable at the beginning of each month beginning December 2015 until 2035 with yearly payments totaling \$105,258. The debt service to maturity is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31,			
2016	\$ 86,149	\$ 19,109	\$ 105,258
2017	87,041	18,217	105,258
2018	87,942	17,316	105,258
2019	88,852	16,406	105,258
2020	89,771	15,487	105,258
2021-2025	462,984	63,304	526,288
2026-2030	487,442	38,846	526,288
2031-2035	504,419	13,095	517,514
Total	\$ <u>1,894,600</u>	\$ <u>201,780</u>	\$ <u>2,096,380</u>

NOTE 9. SEGMENT INFORMATION

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

NOTE 10. RESTRICTED ASSETS

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 11. CAPITAL ASSETS

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

General government	\$	113,429
Public safety		171,324
Public works		61,256
Public welfare		14,715
Building inspection		4,378
Total	\$	365,102

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 595,407	\$ -	\$ -	\$ 595,407
Total	595,407	-	-	595,407
Capital assets being depreciated:				
Buildings and Improvements	2,047,757	-	-	2,047,757
Infrastructure	3,001,230	-	-	3,001,230
Equipment	1,274,586	160,547	(12,387)	1,422,746
Furniture and fixtures	69,768			69,768
Vehicles	2,443,291	45,203		2,488,494
Total	8,836,632	205,750	(12,387)	9,029,995
Less accumulated depreciation for:				
Buildings and Improvements	(1,147,975)	(49,426)		(1,197,401)
Infrastructure	(2,155,801)	(97,581)		(2,253,382)
Equipment	(744,439)	(90,033)	11,501	(822,971)
Furniture and fixtures	(56,272)	(3,573)		(59,845)
Vehicles	(1,692,416)	(124,489)		(1,816,905)
Total	(5,796,903)	(365,102)	11,501	(6,150,504)
Total capital assets, being depreciated - net	3,039,729	(159,352)	(886)	2,879,491
Governmental activities, capital assets - net	\$ 3,635,136	\$ (159,352)	\$ (886)	\$ 3,474,898

Additions to capital assets consist of general fund additions of \$63,534 and SPLOST fund additions of \$94,859 and confiscated fund additions of \$47,357.

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 11. CAPITAL ASSETS (CONTINUED)

Water Works Commission

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

Business-Type activities	Beginning Balance	Increases	Retirements & Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 649,734	\$ 26,557	\$ -	\$ 676,291
Construction in progress	186,770	240,868	(164,274)	263,364
Total	836,504	267,425	(164,274)	939,655
Capital assets being depreciated:				
Buildings	5,512,332	2,276,384	106,524	7,895,240
Infrastructure	40,802,562	621,050	57,750	41,481,362
Machinery and equipment	3,554,261	274,154	-	3,828,415
Furniture and fixtures	184,548	28,766	(1,595)	211,719
Vehicles	660,214	54,008	(39,497)	674,725
Total	50,713,917	3,254,362	123,182	54,091,461
Less accumulated depreciation for:				
Buildings	(3,345,821)	(167,264)	-	(3,513,085)
Infrastructure	(19,143,779)	(1,106,470)		(20,250,249)
Machinery and equipment	(1,340,880)	(163,459)	-	(1,504,339)
Furniture and fixtures	(111,266)	(16,032)	1,595	(125,703)
Vehicles	(326,203)	(76,238)	39,497	(362,944)
	(24,267,949)	(1,529,463)	41,092	(25,756,320)
Total capital assets, being depreciated - net	26,445,968	1,724,899	164,274	28,335,141
Business-type activities, capital assets - net	\$ 27,282,472	\$ 1,992,324	\$ -	\$ 29,274,796

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN

Plan Description

The retirement plans, City of Chatsworth and Water Works Commission Retirement Plan (“the Plan”), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City and Commission are commingled with contributions made by other members of GMEBS for investment purposes. The City and Commission do not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by calling (404) 688-0472 or by writing to:

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

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

At July 1, 2015, the date of the most recent actuarial valuation, there were 103 participants in the Plan consisting of the following:

	City	Water Works
Retirees and beneficiaries currently receiving benefits	22	16
Terminated vested participants	14	10
Active employees	27	14
Total	63	40

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the Board of Commissioners, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City and Commission are required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the Board of Commissioners. For the year ended December 31, 2015, the City and Commission's recommended contribution rates were 6.46% and 11.71% respectively of annual payroll.

City and Commission contributions to the Plan were \$88,862 and \$93,591 respectively for the year ended December 31, 2015. Employees of the City and Commission do not contribute to the Plan.

Net Pension Liability of the City and Commission

Effective January 1, 2015, the Commission implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* which significantly changed the Commission's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The Commission's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 with updated procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2015.

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.25%
Salary increases	3.75% - 8.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates of the July 1, 2014 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City and Commission (Continued)

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	-%	
Total	<u>100%</u>	

* Rates shown are net of the 3.25% assumed rate of inflation

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/14	\$ 2,801,132	\$ 2,380,452	\$ 420,680
Changes for the year:			
Service cost	29,710	-	29,710
Interest	212,158	-	212,158
Differences between expected and actual experience	(15,984)	-	(15,984)
Assumption changes	-	-	-
Contributions-employer	-	97,634	(97,634)
Net investment income	-	229,253	(229,253)
Benefit payments, including refunds of employee contributions	(127,212)	(127,212)	-
Administrative expense	-	(8,339)	8,339
Other	(28,346)		(28,346)
Net changes	70,326	191,336	(121,010)
Balances at 12/31/15	\$ 2,871,458	\$ 2,571,788	\$ 299,670

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 692,589	\$ 299,670	\$ (24,701)

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

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

For the fiscal year ended December 31, 2015, the City recognized pension expense of \$49,076. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (12,788)
Changes in assumptions	-	(22,676)
Net difference between projected and actual earnings on pension plan investments	-	(36,988)
City contributions subsequent to the measurement date	66,646	-
Total	\$ 66,646	\$ (72,452)

City contributions subsequent to the measurement date of \$66,646 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2016	\$ (18,113)
2017	(18,113)
2018	(18,113)
2019	(18,113)
Total	\$ (72,452)

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

Changes in the Net Pension Liability of the Commission. The changes in the components of the net pension liability of the Commission for the fiscal year ended December 31, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/14	\$ 2,535,406	\$ 2,050,177	\$ 485,229
Changes for the year:			
Service cost	21,314	-	21,314
Interest	189,952	-	189,952
Differences between expected and actual experience	43,682	-	43,682
Assumption changes	(17,731)	-	(17,731)
Contributions-employer	-	105,333	(105,333)
Net investment income	-	195,983	(195,983)
Benefit payments, including refunds of employee contributions	(168,834)	(168,834)	-
Administrative expense	-	(4,723)	4,723
Net changes	68,383	127,759	(59,376)
Balances at 12/31/15	\$ 2,603,789	\$ 2,177,936	\$ 425,853

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commission, calculated using the discount rate of 7.75 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's net pension liability	\$ 713,931	\$ 425,853	\$ 180,400

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 12. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Commission (Continued)

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

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

For the fiscal year ended December 31, 2015, the Commission recognized pension expense of \$58,285. At December 31, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,763	\$ -
Changes in assumptions	-	13,299
Net difference between projected and actual earnings on pension plan investments	-	31,792
Commission contributions subsequent to the measurement date	70,193	-
Total	\$ 102,956	\$ 45,091

Commission contributions subsequent to the measurement date of \$70,193 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2016	\$ (1,460)
2017	(1,460)
2018	(1,460)
2019	(7,948)
Total	\$ (12,328)

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 13 DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

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

For the year ending December 31, 2015, number of plan members and the employer contributions are as follow:

	Number of Plan Members	Employer Contributions
City of Chatsworth	10	\$ 16,353
Water Works Commission	26	69,089

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

For The year ending December 31, 2015, employee contributions are as follow:

	Nationwide	MetLife
City of Chatsworth	\$ 10,768	\$ 9,951
Water Works Commission	2,600	66,431

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 14. RISK MANAGEMENT

City

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

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

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

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

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

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

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 14. RISK MANAGEMENT (CONTINUED)

Water Works Commission

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

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

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

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

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

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 15. JOINT VENTURES

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

During its year ended December 31, 2015, the City paid \$4,290 in such dues. Membership in NWGRC is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the NWGRC in Georgia. The NWGRC Board membership includes the chief elected official of each municipality of the area. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of NWGRC. There were no related party transactions during the year. Separate financial statements may be obtained from:

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

The Commission is a member of the North Georgia Water Resources Partnership which is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is regional organization of water related interests in North Georgia for monitoring and contribution to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities of federal, state, and local entities. The Commission pays annual dues for its membership and during the year ended December 31, 2015 such dues amounted to \$1,500. Additional information may be obtained from:

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

NOTE 16. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015 the City did not engage in any related party transactions with immediate family members of the Commissioners.

NOTE 17. CONTINGENT LIABILITIES

Litigation

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

City of Chatsworth, Georgia
Notes to Financial Statements
December 31, 2015

NOTE 17. CONTINGENT LIABILITIES (CONTINUED)

Grant Contingencies

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

NOTE 18. EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 19. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 6, the City and Commission implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* effective January 1, 2015. This new standard significantly changed the accounting for pension amounts.

As a result of this change in accounting principle, the City and Commission were required to restate beginning net position to record the beginning balances of the net pension liability and the deferred outflows of resources for contributions made subsequent to the previous measurement date.

City

Net position, as previously reported	\$ 8,380,624
City's net pension liability, beginning balance	(420,680)
Deferred outflows of resources, pension related items, beginning balance	75,418
Beginning net position, restated	\$ 8,035,362

Commission

Net position, as previously reported	\$ 25,168,462
Commission's net pension liability, beginning balance	(485,229)
Deferred outflows of resources, pension related items, beginning balance	81,935
Beginning net position, restated	\$ 24,765,168

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>City</u>	<u>Waterworks Commission</u>
Total pension liability		
Service cost	\$ 29,710	\$ 21,314
Interest on pension liability	212,158	189,952
Differences between expected and actual experience	(15,984)	43,682
Changes of assumptions	(28,346)	(17,731)
Benefit payments, including refunds on employee contributions	<u>(127,212)</u>	<u>(168,834)</u>
Net change in total pension liability	70,326	68,383
Total pension liability - beginning	2,801,132	2,535,406
Total pension liability - ending (a)	<u>\$ 2,871,458</u>	<u>\$ 2,603,789</u>
Plan fiduciary net position		
Contributions - employer	\$ 97,634	\$ 105,333
Net investment income	229,253	195,983
Benefit payments, including refunds of member contributions	(127,212)	(168,834)
Administrative expenses	<u>(8,339)</u>	<u>(4,723)</u>
Net change in plan fiduciary net position	191,336	127,759
Plan fiduciary net position - beginning	2,380,452	2,050,177
Plan fiduciary net position - ending (b)	<u>\$ 2,571,788</u>	<u>\$ 2,177,936</u>
City's net pension liability - ending (a) - (b)	<u>\$ 299,670</u>	<u>\$ 425,853</u>
Plan fiduciary net position as a percentage of the total pension liability	89.56%	83.64%
Covered-employee payroll	\$ 1,223,950	\$ 751,718
City's net pension liability as a percentage of covered-employee payroll	24.48%	56.65%

Notes to the schedule:

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

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

City:

	2015	2014
Actuarially determined contribution	\$ 88,862	\$ 100,558
Contributions in relation to the actuarially determined contribution	88,862	100,558
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,351,588	\$ 1,391,841
Contributions as a percentage of covered-employee payroll	6.46%	7.10%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date
Cost Method
Actuarial Asset Valuation Method

July 1, 2015

Projected Unit Credit

Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Assumed Rate of Return on Investments
Projected Salary Increases
Cost-of-living Adjustment
Amortization Method
Remaining Amortization Period

7.75%
3.75% - 8.75% (including 3.25% for inflation)
0.00%
Closed level dollar for unfunded liability
Varies for the bases, with a net effective amortization period of ten (10) years.

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

Water Works:

	2015	2014
Actuarially determined contribution	\$ 93,591	\$ 109,247
Contributions in relation to the actuarially determined contribution	93,591	109,247
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 799,040	\$ 876,012
Contributions as a percentage of covered-employee payroll	11.71%	12.47%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date
Cost Method
Actuarial Asset Valuation Method

July 1, 2015

Projected Unit Credit

Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Assumed Rate of Return on Investments
Projected Salary Increases
Cost-of-living Adjustment
Amortization Method
Remaining Amortization Period

7.75%
3.75% - 8.75% (including 3.25% for inflation)
0.00%
Closed level dollar for unfunded liability
Varies for the bases, with a net effective amortization period of ten (10) years.

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

OTHER SUPPLEMENTARY INFORMATION

City of Chatsworth, Georgia
Schedule of Property Taxes Receivable
General Fund
December 31, 2015

<u>Year of Levy</u>	
2015	\$ 95,708
2014	2,617
2013	2,715
2012	1,520
2011	267
2010	267
2009	271
2008	311
	<hr/>
Total property taxes receivable	103,676
Less: allowance for uncollectible	<hr/> (583)
Net property taxes receivable	<u><u>\$ 103,093</u></u>

City of Chatsworth, Georgia
Schedule of Changes in Property Taxes Receivable
General Fund
December 31, 2015

	<u>Taxes Receivable December 31, 2014</u>	<u>Taxes Levied</u>	<u>Pickups and (Releases)</u>	<u>Collections</u>	<u>Taxes Receivable December 31, 2015</u>
2015		\$ 852,850	\$ (789)	\$ (756,353)	\$ 95,708
2014	84,747		(3,674)	(78,456)	\$ 2,617
2013	6,015	-	-	(3,300)	\$ 2,715
2012	2,801	-	-	(1,281)	\$ 1,520
2011	267	-	-	-	\$ 267
2010	267	-	-	-	\$ 267
2009	271	-	-	-	\$ 271
2008	311	-	-	-	\$ 311
2007	261	-	(261)	-	\$ -
Total	<u><u>\$ 94,940</u></u>	<u><u>\$ 852,850</u></u>	<u><u>\$ (4,724)</u></u>	<u><u>\$ (839,390)</u></u>	<u><u>\$ 103,676</u></u>

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STATISTICAL INFORMATION

**City of Chatsworth, Georgia
Statistical Information
December 31, 2015**

I. SCHEDULE OF TAX RATES AND ASSESSMENTS

<u>Tax Year</u>	<u>City Tax Rate</u>	<u>Assessment</u>	<u>Lewy</u>
2015	0.2262%	\$ 377,033,225	\$ 852,850
2014	0.2274%	370,537,692	842,602
2013	0.2274%	362,191,823	823,624
2012	0.2265%	363,845,033	824,109
2011	0.2342%	314,529,098	736,627
2010	0.2342%	343,099,471	803,593
2009	0.2342%	403,028,618	943,893

II. BILLING RATES

The water and sewer rates for the City of Chatsworth for the year ended December 31, 2015 were:

Water Rates

<u>Meter Size</u>	<u>Minimum Usage (Gallons)</u>	<u>Minimum Monthly Bill</u>
5/8"	0 - 1000	\$10.00 minimum
5/8"	>1000	\$2.90 Minimum per 1000 gal.
1"	0 - 2500	\$22.00 minimum
Above 1" up to 2"	0 - 3500	\$35.00 minimum
2"	0 - 4500	\$42.00 minimum
3"	0 - 7500	\$62.00 minimum
4"	0 - 8500	\$84.00 minimum
6"	0 - 18500	\$124 minimum
8"	0 - 23500	\$160.00 minimum

Sewer Rates

<u>Meter Size</u>	<u>Minimum Usage (Gallons)</u>	<u>Minimum Monthly Bill</u>
Gallons	0 - 1000	\$10.00 minimum
Gallons	All Over 1000	\$3.35 per 1000 gal.

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

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

As of December 31, 2015, the City had 11,350 water customers and 2,314 sewer customers.

INTERNAL CONTROL AND COMPLIANCE SECTION



B. RODNEY CROWE, CPA, P.C.

Certified Public Accountant

187 LAFAYETTE STREET
P.O. BOX 1056
RINGGOLD, GA 30736-1056
PHONE 706 / 965-2738
706 / 965-6100
FAX 706 / 965-4503
brcrowe@catt.com

B. RODNEY CROWE, CPA, CFP

*Members:
American Institute of
Certified Public Accountants
Georgia and Tennessee Societies
of Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities business-type and each major fund and the remaining fund information of the City of Chatsworth, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Chatsworth, Georgia's basic financial statements and have issued our report thereon dated May 30, 2016. Our report includes a reference to the change in accounting principle resulted from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

B. Rodney Crowe, CPA, PC

B. Rodney Crowe, CPA, P.C.
May 30, 2016



B. RODNEY CROWE, CPA, P.C.
Certified Public Accountant

B. RODNEY CROWE, CPA, CFP

187 LAFAYETTE STREET
P.O. BOX 1056
RINGGOLD, GA 30736-1056
PHONE 706 / 965-2738
706 / 965-6100
FAX 706 / 965-4503
brcrowe@catt.com

*Members:
American Institute of
Certified Public Accountants
Georgia and Tennessee Societies
of Certified Public Accountants*

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Commissioners
City of Chatsworth
Chatsworth, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the City of Chatsworth’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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’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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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'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 and 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

B. Rodney Crowe, CPA, PC

B. Rodney Crowe, CPA, P.C.
Ringgold, Georgia
May 30, 2106

**CITY OF CHATSWORTH, GEORGIA
 NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Chatsworth and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

<u>Federal Grantor/Pass-Through Grantor/Program-Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Project Number</u>	<u>Total Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Georgia Environmental Finance Authority Clean Water State Revolving Fund Loan	66.458	CWSRF 14-012	<u>\$ 1,834,710</u>
Total Environmental Protection Agency			<u>1,834,710</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,834,710</u></u>

See accompanying note to schedule of expenditures of federal awards.

**CITY OF CHATSWORTH, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ x no	
Significant deficiencies identified?	_____ yes	_____ x none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ x no	

Federal Awards

Internal control over major federal programs			
Material weaknesses identified?	_____ yes	_____ x no	
Significant deficiencies identified?	_____ yes	_____ x none reported	
Type of auditor's report issued on compliance for major federal programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	_____ x no	

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund Loan

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	_____ yes	_____ x no
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**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**CITY OF CHATSWORTH, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The prior year's report did not include any findings relative to federal awards.

THE UNIVERSITY OF CHICAGO
DIVISION OF THE PHYSICAL SCIENCES
DEPARTMENT OF CHEMISTRY

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SPECIAL LOCAL OPTION SALES TAX



B. RODNEY CROWE, CPA, P.C.

Certified Public Accountant

187 LAFAYETTE STREET
P.O. BOX 1056
RINGGOLD, GA 30736-1056
PHONE 706 / 965-2738
706 / 965-6100
FAX 706 / 965-4503
brcrowe@catt.com

B. RODNEY CROWE, CPA, CFP

*Members
American Institute of
Certified Public Accountants
Georgia and Tennessee Societies
of Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX**

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

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Chatsworth, Georgia for the year ended December 31, 2015. This schedule is the responsibility of the City of Chatsworth, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

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

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

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above present fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Chatsworth, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

B. Rodney Crowe, CPA, PC

B. Rodney Crowe, CPA, P.C.

May 30, 2016

CITY OF CHATSWORTH, GEORGIA
Schedule of Projects Constructed with Special Purpose
Local Option Sales Tax – 2013 Cycle
Year Ended December 31, 2015

Project #	Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Percent of Completion
				Prior Years	Current Year	Total	
1	Fire Department Equipment	\$ 750,000	\$ 750,000	\$ 503,734	\$ 92,000	\$ 595,734	79%
2	Police Department Equipment	\$ 285,000	\$ 285,000		\$ 35,292	\$ 35,292	12%
3	Street Department Equipment	\$ 320,000	\$ 320,000		\$ 59,567	\$ 59,567	19%
4	Sanitation Department Equipment	\$ 180,000	\$ 180,000		\$ -	\$ -	0%
5	Streets, Parks, Drainage	\$ 820,000	\$ 820,000			\$ -	0%
6	Economic Development	\$ 400,000	\$ 400,000	\$ 21,097		\$ 21,097	5%
7	Technology Upgrades	\$ 80,000	\$ 80,000		\$ -	\$ -	0%
Total		\$ 2,835,000	\$ 2,835,000	\$ 524,831	\$ 186,859	\$ 711,690	25%