CITY OF CHAMBLEE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2009

Prepared By:
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Finance Director

CITY OF CHAMBLEE, GEORGIA

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
Of City Council
City of Chamblee, Georgia
Chamblee, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Chamblee, Georgia** as of and for the year ended December 31, 2009, which collectively comprise the City of Chamblee, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chamblee, Georgia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate remaining fund information of the City of Chamblee, Georgia as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of the City of Chamblee, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedules of Funding Progress on pages 3 through 15 and 49, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chamblee, Georgia's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 27, 2010

This section of the City of Chamblee, Georgia (the "City") annual report provides readers with a narrative overview and analysis of the financial activities of the City for the year ended 2009.

Financial Highlights

- The City's total assets exceed liabilities by $15,426,347 at the end of the year. This amount includes $12,437,842 invested in capital assets net of accumulated depreciation and related debt, restricted net assets of $15,420 and unrestricted net assets of $2,973,085.

- As a whole, the City's financial position improved during the year 2009. The City's total net assets increased by $759,245 (5%) to $15,426,347. The net assets for governmental activities increased by $557,758 (4%) and business-type net assets increased by $201,487 (13%).

- As of the close of the current year, the City's governmental funds reported combined ending fund balances of $1,858,299 an increase of $574,162. Approximately 89% of this amount, $1,637,579, is available for spending at the government's discretion (unreserved fund balance).

- At the end of the current year, unreserved fund balance for the General Fund was $1,629,521.

- The General Fund reported a net increase in fund balance of $614,622 after other financing sources and uses.

- The City's total debt decreased by $121,602 (18%) during the current year. The key factor in this decrease was the reduction of compensated absences due to the retirement of long term employees and the reduction of capital leases.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the City are divided into two (2) categories:

- **Governmental activities** – These include the basic services provided by the City including police, culture and recreation, public works and general administration.

- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include sanitation (solid waste collection) and stormwater fees.

Governmental activities and business-type activities are consolidated and add to the total for the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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.

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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other three (3) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts annual appropriated budgets for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18 and 21 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sanitation and Stormwater. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among governmental entities' various functions. The City does not use an internal service fund.

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 Sanitation and Stormwater. Sanitation and Stormwater are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 22-24 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 25-48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on page 49 this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the retirement plan and the other post employment benefits plan. Combining and individual fund statements and schedules can be found on pages 50-55 of this report.

Government-wide Financial Analysis

The following table reflects the condensed Statement of Net Assets for the current year. The City's net assets' increased by $759,245 (5%) in year 2009. The net assets of the governmental activities include $11,599,248 investment in capital assets net of related debt. Capital assets of $12,029,881 include land, buildings, park improvements, machinery and equipment net of accumulated depreciation for the City's governmental activities. Related debt includes capital leases of $430,633.

The net assets of the business-type activities include $838,594 investment in capital assets net of related debt. Capital assets of $838,594 include land, building, other improvements, equipment, and vehicles, net of accumulated depreciation. The business-type activities do not have related debt or capital leases.

For more detailed information, see the Statement of Net Assets on page 16 of the financial statements and the notes to the financial statements.

Table 1
Statement of Net Assets
As of December 31
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total % Change
		Restated		Restated			
	2009	2008	2009	2008	2009	2008	2008-09
ASSETS							
Current and other assets	$ 2,819	$ 2,479	$ 967	$ 965	$ 3,786	$ 3,444	9.9%
Capital assets	12,030	12,294	838	940	12,868	13,234	-2.8%
Total assets	14,849	14,773	1,805	1,905	16,654	16,678	-0.1%
LIABILITIES							
Current and other liabilities	908	1,138	3	304	911	1,442	-36.8%
Long-term debt outstanding	318	569	-	-	318	569	-44.1%
Total Liabilities	1,226	1,707	3	304	1,229	2,011	-38.9%
NET ASSETS							
Invested in capital assets, net of related debt	11,599	12,294	838	940	12,437	13,234	-6.0%
Restricted	15	17	-	-	15	17	-11.8%
Unrestricted	2,009	755	964	661	2,973	1,416	110.0%
Total Net Assets	$ 13,623	$ 13,066	$ 1,802	$ 1,601	$ 15,425	$ 14,667	5.2%

Changes in Net Assets

The City's total revenues before transfers were $9,390,202 in current year 2009. Expenses before transfers were $8,630,957 during that same period. Governmental and business-type activities combined provided a $759,245 increase in net assets.

Governmental activities revenues, before transfers, were 8,541,752 and included $2,877,340 charges for services, $67,869 grant and contribution revenues, $3,382,942 in property taxes, $2,177,396 in other taxes, and $36,205 in miscellaneous revenue. The largest governmental activities expenses were for public safety of $4,278,893 (police), general governmental of $1,128,643, public works of $1,124,299 and recreation of $717,953. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activities revenues, before general revenues and transfers, were $848,326 which was for charges for services. The business-type activities expenses were $925,681. The largest business-type activities expenses were for salaries and benefits of $455,869 and landfill disposal fees of $104,885.

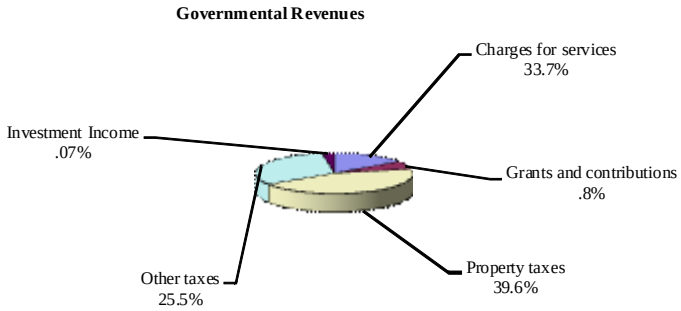
Table 2
Changes in Net Assets
December 31
(in thousands)

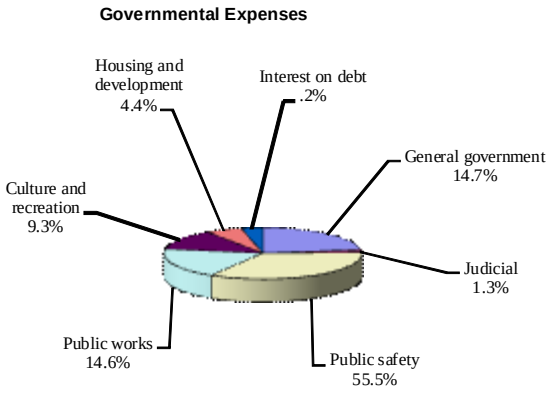
	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	Restated 2008	2009	Restated 2008	2009	Restated 2008	2008-09
Revenues							
Program Revenues							
Charges for services	$ 2,877	$ 2,968	$ 848	$ 527	$ 3,725	$ 3,495	7%
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	68	493	-	-	68	493	-86%
General revenues							
Property taxes	3,383	2,563	-	-	3,383	2,563	32%
Other taxes	2,177	2,440	-	-	2,177	2,440	-11%
Investment income	6	67	-	-	6	67	-91%
Miscelleneous	30	67	-	-	30	67	-55%
Total Revenues	8,541	8,598	848	527	9,389	$ 9,125	3%
Expenses							
General Government	1,129	956	-	-	1,129	956	18%
Judicial	97	181	-	-	97	181	-46%
Public Safety	4,279	4,393	-	-	4,279	4,393	-3%
Public Works	1,124	1,250	-	-	1,124	1,250	-10%
Culture and Recreation	718	607	-	-	718	607	18%
Housing and Development	341	480	-	-	341	480	-29%
Interest on long-term debt	17	16	-	-	17	16	6%
Sanitation	-	-	586	-	586	-	-
Storm water	-	-	340	623	340	623	-45%
Total Expenses	7,705	7,883	926	623	8,631	8,506	1%
Excess (Deficiency) before Transfers	836	715	(78)	(96)	758	619	-22%
Transfers	(279)	-	279	-	-	-	0%
Increase (Decrease) in Net Assets	557	715	201	(96)	758	619	-22%
Beginning Net Assets, Restated	13,066	12,351	1,601	1,697	14,667	14,048	4%
Ending Net Assets	$ 13,623	$ 13,066	$ 1,802	$ 1,601	$ 15,425	$ 14,667	5%

Governmental Activities

See page 18 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

Table 3 – Governmental Activities





Revenue Impacts:

- Property taxes of $3,382,942 provided 39.6% of governmental revenues for general operations. The M&O millage rate increased from 5 mills to 6.31 mills. Despite the economic conditions and due to the increase in the millage rate, the City collected more revenue than in the past.

- The transfers to proprietary funds were $278,718 for the Sanitation Fund.

- Charges for services include amounts charged for providing municipal court fines, $1,360,799, criminal background fees of $601,571, Emergency 911 service of $277,926, and recreation fees of $83,540.

- Franchise fees revenue increased 6% from $1,028,122 to $1,085,872. Franchise fees were the City's third largest source of revenue.

Expense Impacts

- Governmental activities expenses decreased by approximately $178,000 (2.3%) from roughly $7.9 million to $7.7 million prior to transfers for the following reasons: removal of sanitation expenses of approximately $585,000, a reduction in spending due to decreased cash flow which included a hiring freeze for five (5) vacant personnel positions and a significant reduction in spending for capital projects.

- The General Government expenses increased by approximately $173,000 (18%) from approximately $956,000 to $1,129,000.

- Public Safety expenses decreased (3.7%) due to a reduction in personnel costs and related fringe benefits due to three (3) vacant positions.

- Public Works expenses decreased (10%) due to two (2) vacant personnel positions were not filled for more than six (6) months and postponed capital project spending. In addition, approximately $585,000 in Sanitation expenses were removed from the department in the General Fund and placed in a Sanitation Proprietary Fund.

- The Housing and Development expenses decreased (19%) due to the decline in economic development which led to the decreased demand for services and a reduction in related development review expenses by (31%) and building inspection expenses by (61%).

- Culture and Recreation expenses increased (18%).

Table 4
Business-type Activities
December 31
(in thousands)

	Program Revenues		Program Expense		Program Income (Loss)	
FUND	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Sanitation	$ 318	$ -	$ 585	$ -	$ (267)	$ -
Storm water	530	527	340	623	190	(96)
Total	-	-	-	-	-	-
	$ 848	$ 527	$ 925	$ 623	$ (77)	$ (96)

Program revenues for business-type activities for the year 2009 were $848,326, an approximately $321,000 increase compared to the prior year. The increase was due primarily to the establishment of the Sanitation Fund as a Proprietary Fund. In the prior years, the Sanitation Fund was included in the General Fund. Total program expenses for business-type activities were $925,681 in 2009, approximately $302,000 more than the prior year. The increase is due to the inclusion of the Sanitation Fund as a business-type activity. Although the business-type activities expenses increased overall, the Stormwater's expenses decreased by approximately $283,000 (45%) due to the elimination of advance payments to DeKalb County, Georgia to pay for future storm water projects.

Table 5
Financial Analysis of the City's Major Governmental Fund
(in thousands)

FUND	**Fund Balances 12/31/2008**	**Revenues/ Sources**	**Expenditures/ Uses**	**Revenues/Sources Over (Under) Expenditures/Uses**	**Fund Balances 12/31/2009**
General Fund	$ 1,220	$ 8,148	$ 7,533	$ 615	$ 1,835

At the end of the current year, the City's governmental funds reported a combined fund balance of $1,858,299, which is a net increase of $574,162 from the previous year. The unreserved portion of fund balance was $1,637,579. The unreserved fund balance may serve as a useful indicator of the City's ability to operate by reducing spending without laying off or furloughing personnel despite the down turn in economic conditions and reduced cash flow. The reserved portion represents prepaid items amounts of $156,496 and technology fees amounts of $48,804 reserved to pay for

future technology equipment in the Police Department, and $15,420 is reserved for public safety activity in the Police Department as well.

General Fund

The General Fund had a $614,622 (50%) increase in fund balance, to end the fiscal year at $1,834,821. The fund balance at the beginning of the year was $1,769,702; the balance was re-stated to $1,220,199 to correct prior period errors. Tax revenues which included a 1.31 millage rate increase remained relatively stable despite the downturn in the economy, and expenditures were level, resulting in a net increase in fund balance for the year.

General Fund Budgetary Highlights

A statement comparing the original and final budgets and the variance from the final budget to actual results is included on page 22 of the financial statements.

In January 2009, the City Council appropriated $8,039,376, for General Fund expenditures in the 2009 fiscal year budget. The City's legal level of budgeting control is at the department level. The City made several budget amendments during the current year which were approved by the City Council. The final appropriated budget was $7,454,660. The more significant budget amendments are addressed below:

- The budget was increased to pay for a prior year capital projects under the Parks and Recreation Department.
- A separate budget was established for the Hotel/Motel Tax Fund.
- Transfers out to other funds were increased because transfers out were made to establish a separate Sanitation Fund which resulted in a reduction of the General Fund ending fund balance.

Primary reasons for the differences between the final budget and actual results in the General Fund include:

Revenues:

- Total taxes were under budget (2%) due to the following coming in under budget: property taxes, ad valorem taxes on motor vehicles, alcohol taxes, insurance premium tax, intangible taxes, and real estate transfer taxes.
- License and permits were under budget (5%) due to the alcohol beverage licenses and heating & A/C permits coming in under budget.
- Municipal court fines were more than anticipated.
- Charges for services were over budget 7% due to excess collection of criminal background fees and the creation and collection of technology fees. However, the recreation fees were down as a result of the economy which caused lower participation in the recreational programs.
- Intergovernmental revenue which includes grants came in for the Police Department.

Expenditures:

- Public Works and the Police Departments' salaries and benefits came in under budget, 10% and 2%, respectively, due to vacant positions not being filled in light of the downturn in the economy which resulted in the City implementing a hiring freeze on all vacant positions.
- Parks and Recreation came in 7% under budget due to reduced participation in the recreation programs which lowered the goods and services costs required to support those programs. The recreation budget included the City's pedestrian underpass trail project. The pedestrian underpass project trail project was completed and paid in the current year, instead of in the prior year as anticipated.
- Economic Development came in 19% under budget due to reduced demand for permit and services, and postponing various project plan designs which reduced the City's need for outsourced contracted professional services.

Other Financing Sources (Uses):

- The transfers out budget originally included transfers to the Rental Motor Vehicle Excise Tax Fund and Emergency 911 Fund. The transfers out budget was amended from $297,105 to $575,822 to include a transfer to the Sanitation Fund. Despite the amendments that increased the transfers out budget, the transfers out came in under budget 37% due to the decrease in the Emergency 911 Fund's expenditures which reduced the amount needed to be the transferred in from the General Fund.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of the year ended 2009 amounted to $12,868,475 (net of accumulated depreciation of ($3,980,822). Investment in capital assets includes land, buildings, infrastructure, vehicles and machinery and equipment. The total decrease in the City's investment in capital assets for the current year was 2.8%. For more detailed information concerning capital assets, see note 6 to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	2009	Restated 2008	2009	Restated 2008	2009	Restated 2008
Land	$ 1,525	$ 1,525	$ -	$ -	$ 1,525	$ 1,525
Construction in progress	90	712	-	-	90	712
Buildings and improvements	4,079	4,213	107	111	4,186	4,324
Park Improvement	2,708	1,835	-	-	2,708	1,835
Infrastructure	2,668	2,773	230	236	2,898	3,009
Furniture, machinery and equipment	698	853	54	66	752	919
Vehicles	262	383	448	527	710	910
Total	$ 12,030	$ 12,294	$ 839	$ 940	$ 12,869	$ 13,234

This year's major capital asset additions included:

Governmental Activities:

- Police Department: Panasonic tough book laptops and software - $65,184
- Parks and Recreation Department: City pedestrian underpass trail project - $338,385

Business-type Activities:

- Public Works Stormwater Department: Two F-150 Ford Trucks - $30,766

Short-Term Debt

The City borrowed a $1,000,000 Tax Anticipation Note for the first time due to a cash flow shortage. This amount was repaid prior to December 31, 2009.

Long-Term Debt

At the end of 2009 fiscal year, the City had $549,874 in outstanding long-term debt. This is a net decrease of $121,602 compared to the prior year. More detailed information about the City's long-term liabilities is included in note 8 to the financial statements.

Table 7
Outstanding Debt at December 31
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital leases payable	$ 430	$ 539	$ -	$ -	$ 430	$ 539
Net OPEB obligation	11	-	-	-	11	-
Compensated absences	108	132	-	-	108	132
Total	$ 549	$ 671	$ -	$ -	$ 549	$ 671

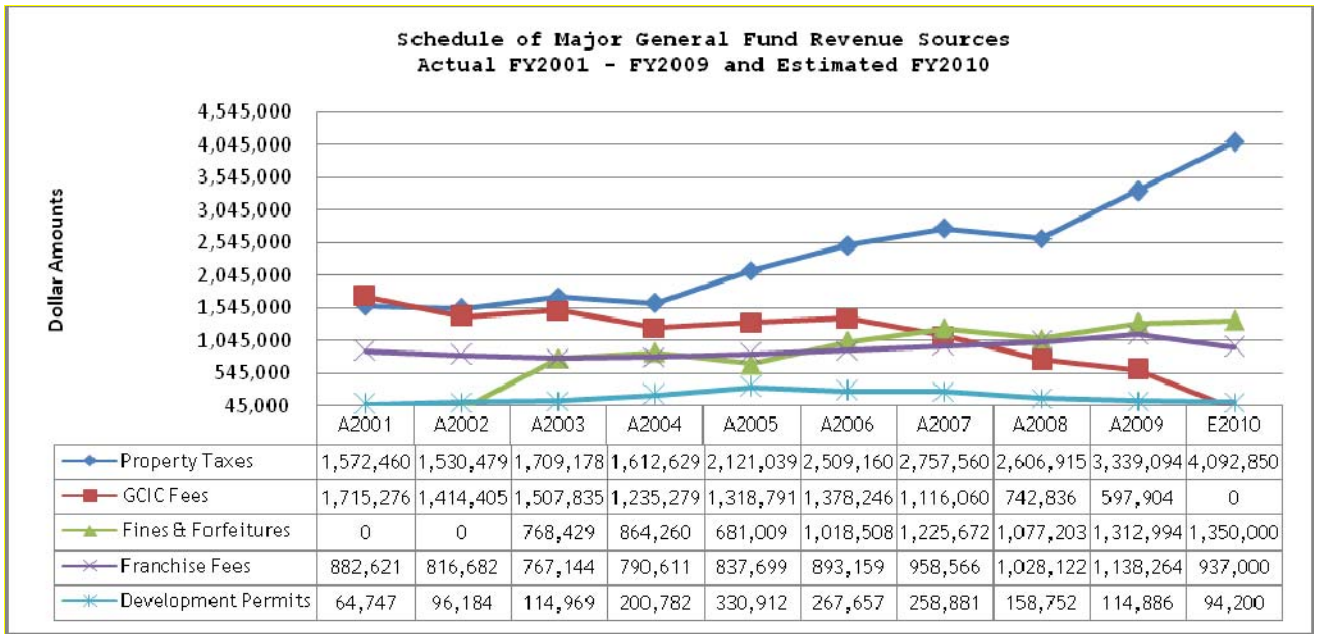
Economic and Next Year's Budget and Rates

Funding for the City's governmental activities is derived from property tax, other taxes, and fees. During the calendar year 2010 budget process, the City considered projections on the state and local economy to estimate tax revenues for the proposed budget. The downturn in the economy has prompted an increase in property tax appeals and new development continues to decline. Property tax appeals are expected to double in calendar year 2010 and the County in which the City is located, DeKalb, is anticipating a decrease in the overall County tax digest for 2010. The City is anticipating this same reduction in the City tax digest. The City is preparing for this property tax decrease by continuing to cut their budget and by increasing the millage rate from 6.31 mills to 7.95 mills. The State of Georgia passed legislation that would allow the City to annex in additional property during FY10. The taxpayers in the proposed annexation area will vote in November of 2010 to approve or decline the annexation. If approved, the City could incur additional costs by the end of the calendar year 2010. As a result of these projections, the City's General Fund operating budget for calendar year 2010 increased by $430,976 more than the current year 2009.

Property taxes, GCIC fees, fines and forfeitures, and franchise fees are the City's main sources of revenue that support the general governmental operations. Although development permits revenues are not major sources of revenue, their revenues directly reflect the growth rate of the City in addition to the economic conditions of citizens and businesses within the community. Prior to year 2009, the City relied on the GCIC fees (criminal background fees) to support the City's core operations; the background checks service request has declined in conjunction with the increase levels of unemployment and employers' reduced needs for the service. In calendar year 2010, the City plans to establish the GCIC fees as either a special revenue fund or a separate enterprise fund and reserve the residual net income to purchase capital assets in the future. Occupational tax revenue remained consistent with prior year but the City is anticipating a decrease in this revenue for FY10 due to the volume of businesses closing and business owner's sales decreasing. This will have a direct impact on the occupational tax revenue since occupational taxes are based on businesses' gross receipts.

The table below shows the nine year revenue trends for the City's major revenue sources and the calendar year 2010 estimated revenue budget amount:

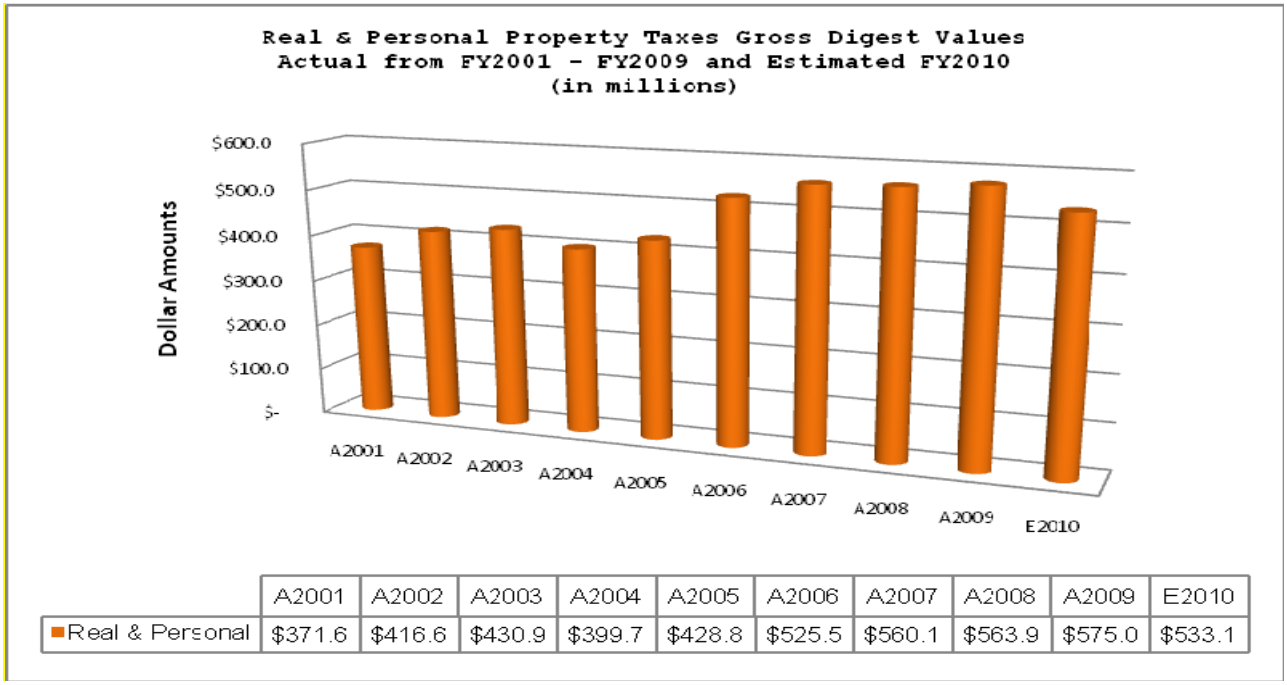
Table 7



	A2001	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Property Taxes	1,572,460	1,530,479	1,709,178	1,612,629	2,121,039	2,509,160	2,757,560	2,606,915	3,339,094	4,092,850
GCIC Fees	1,715,276	1,414,405	1,507,835	1,235,279	1,318,791	1,378,246	1,116,060	742,836	597,904	0
Fines & Forfeitures	0	0	768,429	864,260	681,009	1,018,508	1,225,672	1,077,203	1,312,994	1,350,000
Franchise Fees	882,621	816,682	767,144	790,611	837,699	893,159	958,566	1,028,122	1,138,264	937,000
Development Permits	64,747	96,184	114,969	200,782	330,912	267,657	258,881	158,752	114,886	94,200

Real and Personal Property Tax gross digest values appear to show a pattern of several years of increase in values followed a one year decline in values which represents steady growth for the City, although for calendar year 2010 a significant decline in the property values is expected due to an increased in homeowners appealing their home values. As a result, the City increased its millage rate to offset the expected reduction in property tax values. Development was down in calendar year 2009 which resulted in building permits and plan review fees decreasing by approximately $41,160 (26.5%). The City is anticipating that this trend will continue into calendar 2010.

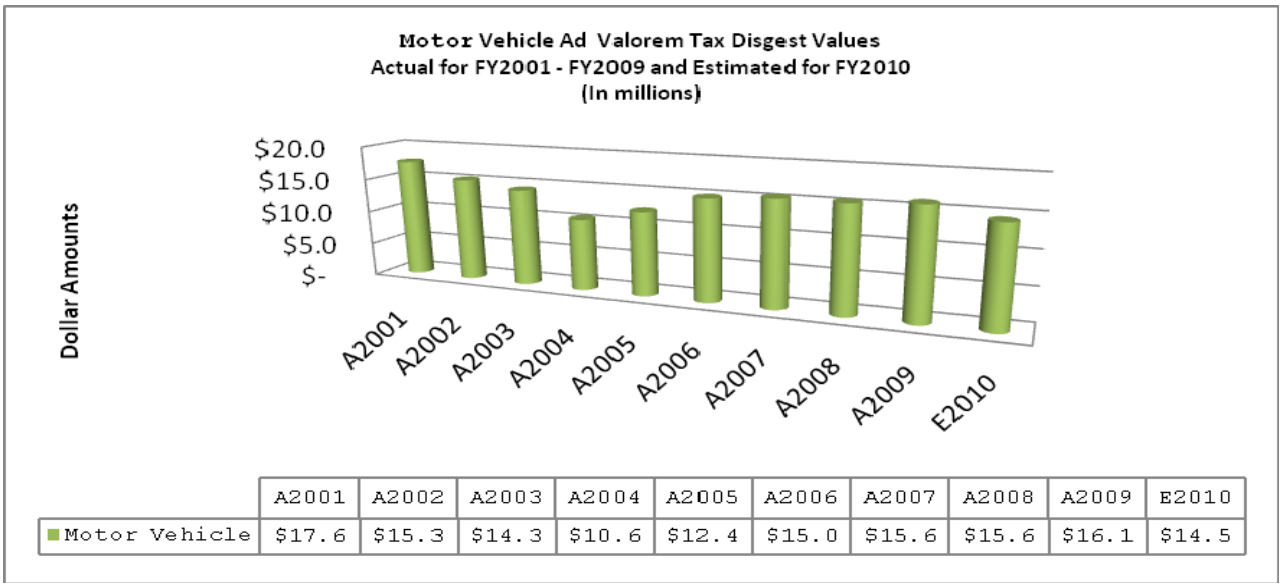
Table 8



	A2001	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Real & Personal	$371.6	$416.6	$430.9	$399.7	$428.8	$525.5	$560.1	$563.9	$575.0	$533.1

The table below shows a nine year trend for the ad valorem motor vehicle tax values and the calendar year 2010 estimated values; the values for the tax are within their normal range. Calendar year 2004 is the lowest the values have been over the nine year period. The City expects the tax to decline in calendar year 2010 but remain stable with its normal range of $14M to $15M.

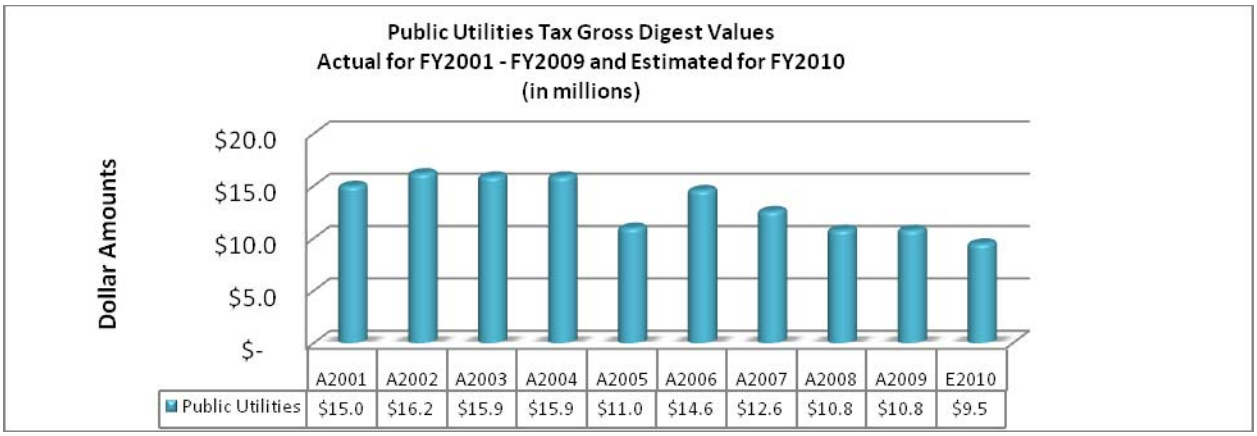
Table 9



	A2001	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Motor Vehicle	$17.6	$15.3	$14.3	$10.6	$12.4	$15.0	$15.6	$15.6	$16.1	$14.5

Public Utilities Gross Digest Values have shown a steady decline in values since calendar year 2005, the City expects the decline to continue for calendar year 2010 and anticpates the values have declining to their lowest levels in comparision to the previous over a nine year period as shown in the table below.

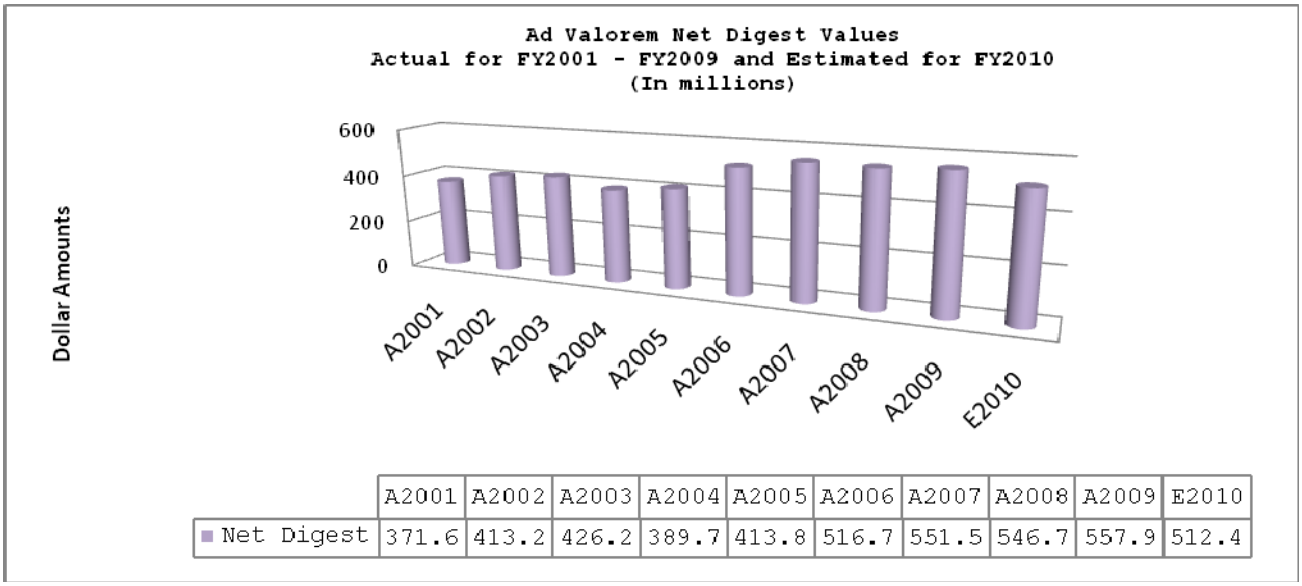
Table 10



	A2001	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Public Utilities	$15.0	$16.2	$15.9	$15.9	$11.0	$14.6	$12.6	$10.8	$10.8	$9.5

The table below shows the nine year property tax net digest values and the calendar year 2010 estimated values which anticipates (8%) decline in value that is expected to be less than calendar year 2006's values:

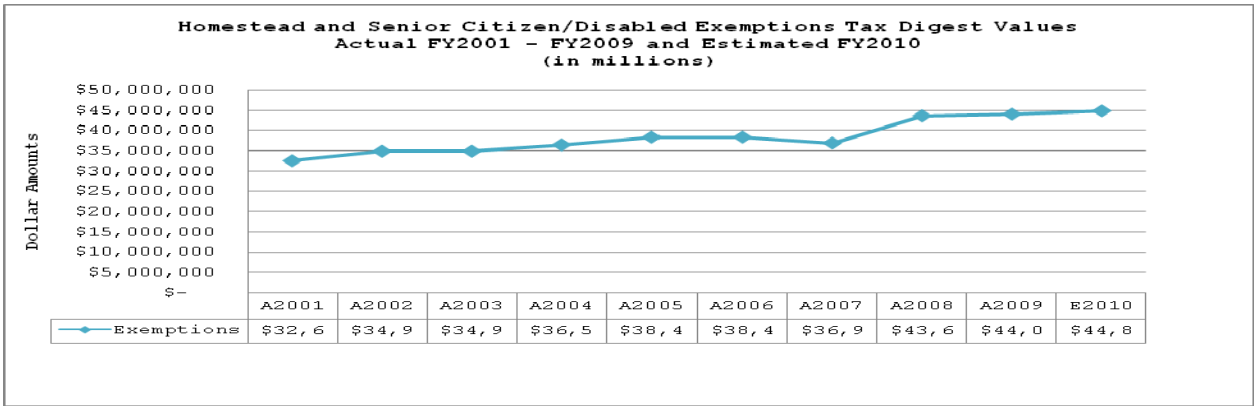
Table 11



	A2001	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Net Digest	371.6	413.2	426.2	389.7	413.8	516.7	551.5	546.7	557.9	512.4

The City allows a 100% homestead and senior tax exemption for citizens age 65 and older and for indivduals who are disabled. The homestead and senior citizen/disabled exemptions gross digest values have steadly increased over the past nine years as the population ages and more citizens become eligiable for the tax exemption. For calendar year 2010, the City estimates that the exemption values will increase by 2%. The tax exemptions reduces the available taxable revenue for the City to use pay for the cost of operating the government. In addtion, the tax exemption puts the burden of generating revenue to support public safety, public works and general administration on citizens under the age of 65. The table below shows the tax exemptions' values nine year trend and calendar year 2010 estimated values.

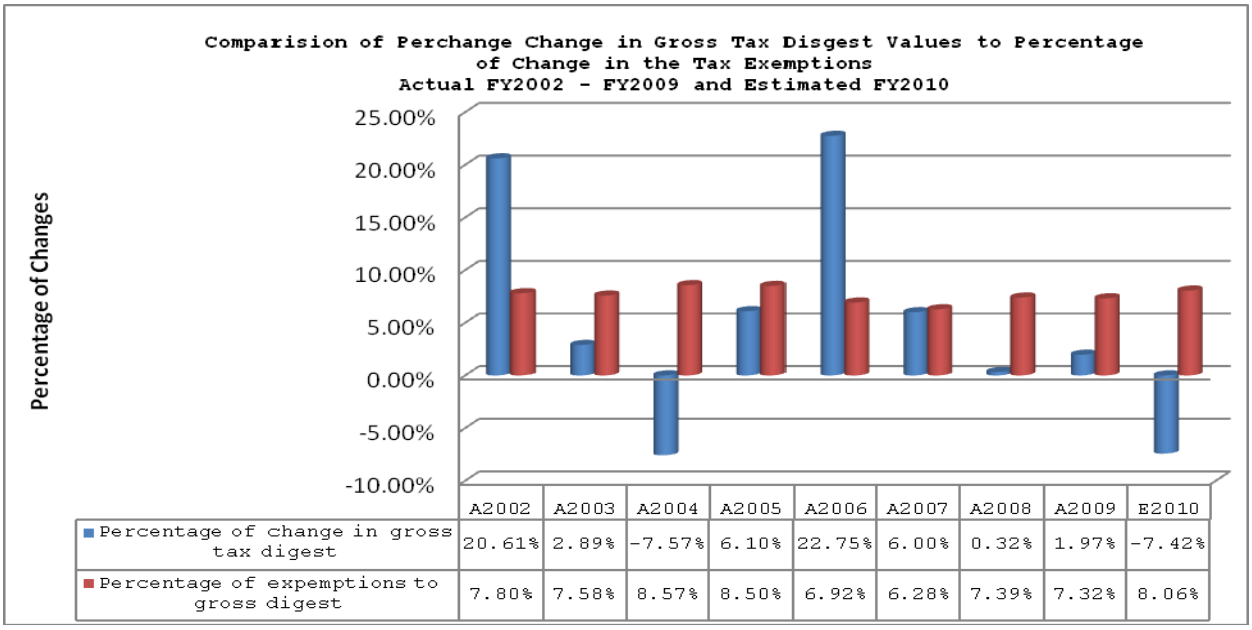
Table 12A



	A2001	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Exemptions	$32,6	$34,9	$34,9	$36,5	$38,4	$38,4	$36,9	$43,6	$44,0	$44,8

Table 12B compares the percentage of change in the gross tax digest to the percentage change in the tax exemptions for eight years and the estimated percentages changes for the calendar year 2010. Since calendar year 2003, the percentage rate of homestead and senionr citizens\disability tax exemptions have exceed the percentage growth rate of the gross tax digest. As citizens age, the tax exemptions will increase and continue to reduce the available revenue for the City to operate which may cause a reduction in the future level of services provided to all citizens in the long-term. As the City's maximum millage rate is 8 mills and the City tentatively adopted a millage rate of 7.95 for calendar year 2010; the City can only increase the millage rate by .05 mills to cover any significant declines in revenues in the forseable future. Given the decline in new development that would raise property values and the increased in property tax valuation appeals whice result in the reduction of property tax values, the City plans to use the results of the 2010 Census to monitor and project future rates of change in the property tax revenues.

Table 12B



	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	E2010
Percentage of change in gross tax digest	20.61%	2.89%	-7.57%	6.10%	22.75%	6.00%	0.32%	1.97%	-7.42%
Percentage of expemptions to gross digest	7.80%	7.58%	8.57%	8.50%	6.92%	6.28%	7.39%	7.32%	8.06%

Revenues for the business-type activities and certain governmental activities (recreational programs and permitting) come from user fees. The City's stormwater fees generated significant revenue for the City to support its' operations. The sanitation fees are not adequate enough to operate independently without the support from the General Fund. The General Fund transferred $278,718 to the Sanitation Fund to keep the Sanitation Fund from reporting a deficit in that amount. The City budgeted $364,101 in the calendar year 2010 to support the sanitation services operation.

Financial Contact

This financial report is designed to provide a general overview of the City's finances, comply with finance related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Director at 5468 Peachtree Road, Chamblee, GA.

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 1,953,348	$ 581,659	$ 2,535,007
Taxes receivable, net of allowance	363,068	-	363,068
Accounts receivable, net of allowance	63,580	49,250	112,830
Due from other governments	67,869	413,395	481,264
Internal balances	77,439	(77,439)	-
Prepaid items	156,496	-	156,496
Net pension asset	137,629	-	137,629
Capital assets:			
Non-depreciable	1,615,694	-	1,615,694
Depreciable, net of accumulated depreciation	10,414,187	838,594	11,252,781
Total assets	14,849,310	1,805,459	16,654,769
LIABILITIES			
Accounts payable	229,374	665	230,039
Accrued liabilities	224,667	-	224,667
Due to others	71,523	-	71,523
Accrued interest payable	3,813	-	3,813
Unearned revenue	146,108	-	146,108
Net OPEB obligation, due in more than one year	11,348	-	11,348
Compensated absences, due within one year	107,893	2,398	110,291
Capital leases, due within one year	112,923	-	112,923
Capital leases, due in more than one year	317,710	-	317,710
Total liabilities	1,225,359	3,063	1,228,422
NET ASSETS			
Invested in capital assets, net of related debt	11,599,248	838,594	12,437,842
Restricted for public safety	15,420	-	15,420
Unrestricted	2,009,283	963,802	2,973,085
Total net assets	$ 13,623,951	$ 1,802,396	$ 15,426,347

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets: Total
Taxes receivable, net of allowance						
Accounts receivable, net of allowance						
General government	$ 1,128,643	$ 380,919	$ -	$ (747,724)	$ -	$ (747,724)
Judicial	97,000	1,360,799	-	1,263,799	-	1,263,799
Public safety	4,278,893	937,677	67,869	(3,273,347)	-	(3,273,347)
Public works	1,124,299	-	-	(1,124,299)	-	(1,124,299)
Parks and recreation	717,953	83,540	-	(634,413)	-	(634,413)
Housing and development	341,582	114,405	-	(227,177)	-	(227,177)
Interest on long-term debt	16,906	-	-	(16,906)	-	(16,906)
Total governmental activities	7,705,276	2,877,340	67,869	(4,760,067)	-	(4,760,067)
Business-type activities:						
Stormwater	340,026	529,799	-	-	189,773	189,773
Sanitation	585,655	318,527	-	-	(267,128)	(267,128)
Total business-type activities	925,681	848,326	-	-	(77,355)	(77,355)
Total primary government	$ 8,630,957	$ 3,725,666	$ 67,869	(4,760,067)	(77,355)	(4,837,422)
General revenues:						
Property taxes				3,382,942	-	3,382,942
Franchise taxes				1,085,876	-	1,085,876
Excise taxes				89,097	-	89,097
Insurance premium taxes				529,593	-	529,593
Business taxes				51,895	-	51,895
Other taxes				67,401	-	67,401
Hotel / motel taxes				47,994	-	47,994
Alcohol taxes				305,540	-	305,540
Unrestricted investment earnings				6,235	124	6,359
Miscellaneous				29,970	-	29,970
Transfers				(278,718)	278,718	-
Total general revenues and transfers				5,317,825	278,842	5,596,667
Change in net assets				557,758	201,487	759,245
Net assets, beginning of year, restated				13,066,193	1,600,909	14,667,102
Net assets, end of year				$ 13,623,951	$ 1,802,396	$ 15,426,347

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

CITY OF CHAMBLEE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,873,424	$ 79,924	$ 1,953,348
Taxes receivable, net of related allowance	350,819	12,249	363,068
Accounts receivable, net of related allowance	33,683	29,897	63,580
Due from other governments	67,869	-	67,869
Due from other funds	191,723	-	191,723
Prepaid items	156,496	-	156,496
Total assets	$ 2,674,014	$ 122,070	$ 2,796,084
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 225,667	$ 3,707	$ 229,374
Accrued liabilities	224,667	-	224,667
Deferred revenues	297,937	-	297,937
Due to others	7,019	64,504	71,523
Due to other funds	83,903	30,381	114,284
Total liabilities	839,193	98,592	937,785
FUND BALANCES			
Fund balances:			
Reserved for:			
Prepaid items	156,496	-	156,496
Technology fees	48,804	-	48,804
Reserve public safety	-	15,420	15,420
Unreserved, reported in:			
General fund	1,629,521	-	1,629,521
Special revenue funds	-	8,058	8,058
Total fund balances	1,834,821	23,478	1,858,299
Total liabilities and fund balances	$ 2,674,014	$ 122,070	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,029,881
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	151,829
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(542,339)
Net other post-employment benefits obligation that is not due and payable in the current period and, therefore is not reported in the funds	(11,348)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds	137,629
Net assets of governmental activities	$ 13,623,951

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes receivable, net of allowance			
Accounts receivable, net of allowance	$ 5,424,697	$ 137,091	$ 5,561,788
Licenses and permits	474,396	-	474,396
Intergovernmental	67,869	-	67,869
Fines and forfeitures	1,345,888	-	1,345,888
Charges for services	779,130	277,926	1,057,056
Interest income	6,235	-	6,235
Other revenues	29,970	-	29,970
Total revenues	8,128,185	415,017	8,543,202
Expenditures			
Current:			
General government	1,102,861	-	1,102,861
Judicial	179,730	-	179,730
Public safety	3,606,115	439,658	4,045,773
Public works	962,525	-	962,525
Parks and recreation	899,668	29,874	929,542
Housing and development	343,970	-	343,970
Debt service:			
Principal retirements	17,027	91,979	109,006
Interest and fiscal charges	2,864	14,051	16,915
Total expenditures	7,114,760	575,562	7,690,322
Excess (deficiency) of revenues over (under) expenditures	1,013,425	(160,545)	852,880
Other financing sources (uses):			
Transfers in	20,223	140,308	160,531
Transfers out	(419,026)	(20,223)	(439,249)
Total other financing sources (uses)	(398,803)	120,085	(278,718)
Net change in fund balance	614,622	(40,460)	574,162
Fund balances, beginning of year, restated	1,220,199	63,938	1,284,137
Fund balances, end of year	$ 1,834,821	$ 23,478	$ 1,858,299

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

CITY OF CHAMBLEE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	574,162
Taxes receivable, net of allowance		
Accounts receivable, net of allowance		(264,144)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,450)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		109,006
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		140,184
Change in net assets - governmental activities	$	557,758

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

CITY OF CHAMBLEE, GEORGIA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 5,526,438	$ 5,526,438	$ 5,424,697	$ (101,741)
Taxes receivable, net of allowance	497,000	497,000	474,396	(22,604)
Accounts receivable, net of allowance	1,308,000	1,308,000	1,345,888	37,888
Charges for services	727,070	727,070	779,130	52,060
Intergovernmental	-	-	67,869	67,869
Interest	60,000	60,000	6,235	(53,765)
Other revenues	345,554	39,554	29,970	(9,584)
Total revenues	8,464,062	8,158,062	8,128,185	(29,877)
Expenditures				
Current:				
General government	1,123,270	1,123,270	1,102,861	20,409
Judicial	181,486	181,486	179,730	1,756
Public safety	3,693,845	3,686,825	3,606,115	80,710
Public works	1,626,238	1,072,765	962,525	110,240
Parks and recreation	987,860	963,637	899,668	63,969
Housing and development	408,147	408,147	343,970	64,177
Total current expenditures	8,020,846	7,436,130	7,094,869	341,261
Debt service				
Principal retirements	18,530	18,530	17,027	1,503
Interest and fiscal charges	-	-	2,864	(2,864)
Total debt service	18,530	18,530	19,891	(1,361)
Total expenditures	8,039,376	7,454,660	7,114,760	339,900
Excess of revenues over expenditures	424,686	703,402	1,013,425	310,023
Other financing sources (uses)				
Transfers in	-	-	20,223	20,223
Transfers out	(297,105)	(575,822)	(419,026)	156,796
Total other financing sources (uses)	(297,105)	(575,822)	(398,803)	177,019
Net change in fund balances	127,581	127,580	614,622	487,042
Fund balances, beginning of year, restated	1,220,199	1,220,199	1,220,199	-
Fund balances, end of year	$ 1,347,780	$ 1,347,779	$ 1,834,821	$ 487,042

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

ASSETS	Business-type Activities - Enterprise Funds		
	Stormwater Fund	Sanitation Fund	Totals
Cash	$ 580,730	$ 929	$ 581,659
Accounts receivable, net of allowances	42,438	6,812	49,250
Due from other governments	413,395	-	413,395
Due from other funds	-	83,903	83,903
Total current assets	1,036,563	91,644	1,128,207
CAPITAL ASSETS			
Depreciable assets	619,104	983,610	1,602,714
Accumulated depreciation	(172,108)	(592,012)	(764,120)
Capital assets, net	446,996	391,598	838,594
Total assets	1,483,559	483,242	1,966,801
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	665	-	665
Compensated absences	-	2,398	2,398
Due to other funds	161,342	-	161,342
Total liabilities	162,007	2,398	164,405
NET ASSETS			
Invested in capital assets	446,996	391,598	838,594
Unrestricted	874,556	89,246	963,802
Total net assets	$ 1,321,552	$ 480,844	$ 1,802,396

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds		
	Stormwater Fund	Sanitation Fund	Totals
OPERATING REVENUES			
Charges for sales and services	$ 529,799	$ 318,527	$ 848,326
Total operating revenues	529,799	318,527	848,326
OPERATING EXPENSES			
Cost of sales and services	285,033	507,999	793,032
Depreciation	54,993	77,389	132,382
Total operating expenses	340,026	585,388	925,414
Operating income (loss)	189,773	(266,861)	(77,088)
NON-OPERATING INCOME (EXPENSES)			
Interest income	124	-	124
Loss on sale of capital assets	-	(267)	(267)
Total non-operating income (expenses)	124	(267)	(143)
Income (loss) before transfers	189,897	(267,128)	(77,231)
Transfers in	-	278,718	278,718
	-	278,718	278,718
Change in net assets	189,897	11,590	201,487
Total net assets, beginning of year, restated	1,131,655	469,254	1,600,909
Total net assets, end of year	$ 1,321,552	$ 480,844	$ 1,802,396

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds		
	Stormwater Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 734,408	$ 311,715	$ 1,046,123
Payments to suppliers	(29,677)	(319,716)	(349,393)
Payments to employees	(93,349)	(269,788)	(363,137)
Net cash provided by (used in) operating activities	611,382	(277,789)	333,593
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	-	278,718	278,718
Net cash provided by non-capital financing activities	-	278,718	278,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(30,776)	-	(30,776)
Net cash used in capital and related financing activities	(30,776)	-	(30,776)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	124	-	124
Net cash provided by investing activities	124	-	124
Net increase in cash	580,730	929	581,659
Cash, beginning of year	-	-	-
Cash, end of year	$ 580,730	$ 929	$ 581,659
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 189,773	$ (266,861)	$ (77,088)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	54,993	77,389	132,382
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	278,843	(6,812)	272,031
Increase in due from other governments	(413,395)	-	(413,395)
Decrease (increase) in due from other funds	339,161	(83,903)	255,258
Increase in accounts payable	665	-	665
Increase in compensated absences payable	-	2,398	2,398
Increase in due to other funds	161,342	-	161,342
Net cash provided by (used in) operating activities	$ 611,382	$ (277,789)	$ 333,593
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Loss on disposal of capital assets	$ -	$ 267	$ 267

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Chamblee, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 for its government-wide financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City's financial statements do not apply subsequent private-sector guidance. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City, which was incorporated on August 17, 1908 under the laws of the State of Georgia, is governed by a six member Mayor/Council –City Manager form of government. The Mayor is elected to a four-year term and council members are elected to staggered four-year terms. The government provides such services to its citizens as public safety, public works, development and permits, parks and recreation, and general and administrative services.

The City, for financial reporting purposes, includes all of the funds relevant to the operations of the City. The Governmental Accounting Standards Board has set forth criteria to determine if legally separate organizations are considered to be component units in which the City is considered to be financially accountable or other organizations whose nature and significant relationship with the City is such that exclusion would cause the City's financial statements to be incomplete or misleading. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon these criteria, the City has no component units.

In previous years, the City was accounting for its sanitation activity in the General Fund. During the current year, management of the City decided to create a new Sanitation enterprise fund to account for this activity. Therefore, the sanitation activity is no longer reported within the General Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net assets will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 grantor have been met.

Governmental 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of grant revenues which are considered to be available when all eligibility requirements have been met and if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** 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.

The City reports the following major proprietary funds:

The **Stormwater Fund** accounts for the receipt of ad valorem stormwater assessments to support capital improvement and administration costs of the City's stormwater system.

The **Sanitation Fund** accounts for the City's solid waste management operations.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Encumbrances

The City employed encumbrance accounting during the year. Encumbrances, if existing at the end of the fiscal year, are recorded and appropriations lapse at year end. Open encumbrances would then be a reservation of fund balance since the commitments would be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities. There were no encumbrances outstanding at December 31, 2009, and none were recorded.

E. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for all governmental funds. During the fiscal year ended December 31, 2009, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules. All unencumbered budget appropriations lapse at the end of each fiscal year.

F. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. 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 City has reported infrastructure consistent with the retroactive infrastructure reporting requirements of GASB Statement 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	30-50
Buildings and improvements	10-40
Park improvements	10-40
Machinery and equipment	3-20
Vehicles	3-10

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is only a liability for non-vesting accumulated rights to receive sick pay benefits when an employee has accrued in excess of 160 hours as the City does not have a policy to pay any amounts when employees separate from service with the City unless the above condition is met. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as deferred charges and amortized over the term of the loan using the effective interest method.

In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $542,339 difference are as follows:

Capital leases payable	$	(430,633)
Accrued interest payable		(3,813)
Compensated absences		(107,893)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(542,339)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $264,144 difference are as follows:

Capital outlay	$	403,569
Depreciation expense		(667,713)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(264,144)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $140,184 difference are as follows:

Accrued interest payable	$	(9)
Compensated absences		(23,944)
Net OPEB Obligation		11,348
Net pension asset		(127,579)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(140,184)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Chamblee, Georgia employs the following procedures in establishing its annual budget:

1. The initial budget is prepared based on revenues and expenditures of the prior year.
2. Work sessions are held to amend the amounts based on expected revenues.
3. The proposed budget is presented to the City Council in a regular Council meeting.
4. The Council sets a date for a public hearing on the proposed budget.
5. After the hearing, the Council adopts the budget.
6. Over or under expended appropriations are not carried forward to the next year.
7. Budget revisions that alter the total expenditures of any department or line item within a department must be approved by Council. Budget amounts are as originally adopted or as amended by the Council.

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended December 31, 2009:

General Fund - Debt Service - Interest	$	2,864
Hotel/Motel Tax Fund - Culture and recreation		3,974

These over expenditures were funded by greater than anticipated revenues and by available fund balance. The City will monitor the budget more closely in the future and amend the budget as necessary.

NOTE 4. DEPOSITS AND INVESTMENTS

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 City 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, 2009, the City's bank balances were properly collateralized as defined by general accepted accounting principles and State statutes

Credit Risk – Investments: The City investments are made in the State of Georgia's Local Government Investment Pool (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool that follows Standard and Poor's criteria for AAAm rated money market funds. Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. However, Georgia Fund 1 is regulated by the oversight of the Georgia Office of Treasury and Fiscal Services. The pool's primary objectives are safety of capital investment income, liquidity and diversification while maintaining principal share value of $1.00 per share. The City has classified the Georgia Fund 1 funds as cash and cash equivalents; therefore, cash includes $226,611 in Georgia Fund 1. As of December 31, 2009, the Georgia Fund 1 had a weighted average maturity of 56 days and a credit rating of AAAm.

Interest Rate Risk: The City does not have a formal policy that addresses interest rate risk. At December 31, 2009, the above investments were subject to interest rate risk. Interest rate risk is the risk that a government may face should changes in interest rates affect the fair value of its investments.

Credit Risk Policy: 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 bankers' acceptances; the State of Georgia's Local Government Investment Pool (Georgia Fund 1) established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2009, the City's only investments were in the local government pool established by state law.

NOTE 5. RECEIVABLES

DeKalb County bills and collects real and personal property taxes for the City. Property taxes attach as an enforceable lien on property as of January 1, and are based on property values assessed as of January 1. Tax bills are levied in July 2009. The billings are considered due upon receipt by the taxpayer; however, they are considered late after November 15. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

In the governmental funds, the City's property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue in the City's governmental funds and are recognized as revenue in the government-wide financial statements for governmental activities.

In the enterprise funds, storm water fees (for residential customers) are billed annually in July 2009 along with the property taxes and are due and payable in two installments. The first installment was due on August 15, 2009 and the second installment is due on November 15, 2009. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2009, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Stormwater	Sanitation	Nonmajor Governmental Funds
Receivables:				
Taxes	$ 380,819	$ -	$ -	$ 42,146
Accounts	71,720	183,570	6,812	-
Due from other governments	67,869	413,395	-	-
Less allowance for uncollectible	(68,037)	(141,132)	-	-
Net total receivable	$ 452,371	$ 455,833	$ 6,812	$ 42,146

NOTE 6. CAPITAL ASSETS

Primary Government

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

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,525,278	$ -	$ -	$ -	$ 1,525,278
Construction in progress	712,702	338,385	-	(960,671)	90,416
Total	2,237,980	338,385	-	(960,671)	1,615,694
Capital assets, being depreciated:					
Buildings and improvements	5,368,061	-	(2,956)	-	5,365,105
Infrastructure	2,964,156	-	-	-	2,964,156
Furniture and equipment	1,361,395	65,184	-	-	1,426,579
Park improvements	2,470,102	-	-	960,671	3,430,773
Vehicles	1,131,984	-	-	-	1,131,984
Total	13,295,698	65,184	(2,956)	960,671	14,318,597
Less accumulated depreciation for:					
Buildings and improvements	(1,155,403)	(134,128)	2,956	-	(1,286,575)
Infrastructure	(191,507)	(105,138)	-	-	(296,645)
Furniture and equipment	(508,204)	(220,709)	-	-	(728,913)
Park improvements	(634,932)	(87,668)	-	-	(722,600)
Vehicles	(749,607)	(120,070)	-	-	(869,677)
Total	(3,239,653)	(667,713)	2,956	-	(3,904,410)
Total capital assets, being depreciated, net	10,056,045	(602,529)	-	960,671	10,414,187
Governmental activities capital assets, net	$ 12,294,025	$ (264,144)	$ -	$ -	$ 12,029,881

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Infrastructure	$ 241,808	$ -	$ -	$ 241,808
Buildings and improvements	125,305	-	-	125,305
Machinery and equipment	122,769	-	-	122,769
Vehicles	1,082,056	30,776	-	1,112,832
Total	1,571,938	30,776	-	1,602,714
Less accumulated depreciation for:				
Infrastructure	(6,045)	(6,045)	-	(12,090)
Buildings and improvements	(14,240)	(4,177)	-	(18,417)
Machinery and equipment	(56,607)	(12,277)	-	(68,884)
Vehicles	(554,846)	(109,883)	-	(664,729)
Total	(631,738)	(132,382)	-	(764,120)
Business-type activities capital assets, net	$ 940,200	$ (101,606)	$ -	$ 838,594

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:		
General government	$	45,415
Judicial		-
Public safety		294,638
Public works		186,686
Culture and recreation		136,751
Housing and development		4,223
Total depreciation expense - governmental activities	$	667,713
Business-type activities:		
Stormwater	$	54,993
Sanitation		77,389
Total depreciation expense - business-type activities	$	132,382

NOTE 7. SHORT-TERM BORROWINGS

The City entered into and paid off a tax anticipation note for operating purposes of $1,000,000 at a local financial institution. The borrowing, with an interest rate of 1.51%, matured on December 31, 2009. As of December 31, 2009, the principal and interest due were paid in full.

Total short-term borrowings interest incurred and expensed for the year ended December 31, 2009, was $6,879.

The following is a summary of the tax anticipation note payable for the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ -	$ 1,000,000	$ (1,000,000)	$ -

NOTE 8. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 539,639	$ -	$ (109,006)	$ 430,633	$ 112,923
Net OPEB obligation	-	11,348	-	11,348	-
Compensated absences	131,837	184,030	(207,974)	107,893	107,893
Governmental activities Long-term liabilities	$ 671,476	$ 195,378	$ (316,980)	$ 549,874	$ 220,816

For governmental activities, compensated absences and the net OPEB obligation are liquidated by the General Fund.

Capital Leases - Equipment. The City has entered into lease agreements as lessee for financing the acquisition of equipment (cameras), and a public safety facility used in general governmental activities. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. As of December 31, 2009, the City had $1,695,602 for governmental activities of assets under capital leases.

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

	Governmental Activities
Fiscal Year Ending December 31,	
2010	$ 125,920
2011	125,920
2012	125,920
2013	81,638
Total minimum lease payments	459,398
Less amount representing interest	28,765
Present value of future minimum lease payments	$ 430,633

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2009, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	$ 30,381
General fund	Stormwater fund	161,342
Sanitation fund	General fund	83,903
		$ 275,626

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out	Amount
Nonmajor governmental funds	General fund	$ 140,308
General fund	Nonmajor governmental funds	$ 20,223
Sanitation fund	General fund	$ 278,718

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounts for in other funds in accordance with budgetary authorizations.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (the City of Chamblee Retirement Plan) covering all full-time employees. The City's Pension Plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees who work at least thirty (30) hours a week are eligible to participate after one (1) year. Elected officials have no waiting period for eligibility. Benefits vest after ten years of service. A City employee who retires at age 65 with five (5) years of service is entitled to benefits of 2.0% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he or she has a minimum of ten (10) years total credited service to receive full benefits. Elected officials are entitled to $30 for each year of service after reaching normal retirement age not to exceed twenty (20) years.

At July 1, 2009, the date of the most recent actuarial valuation, there were 149 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	46
Terminated vested participants not yet receiving benefits	20
Active participants - vested	42
Active participants - nonvested	41
Total	149

Funding Policy

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 is to contribute an amount equal to or greater than the recommended contribution described below. For 2009, the actuarially determined contribution rate was 26.16% of covered payroll.

For 2009, the City's annual required contribution was $577,106. Actual contributions totaled $703,882. The annual required contribution was determined as part of the July 1, 2009 and July 1, 2008 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include an 8.0% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, is computed as a percentage of the average value of the Plan. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended December 31, 2009, were computed as follows:

Annual required contribution	$ 577,106
Interest	(803)
Annual pension cost	576,303
Actual contributions made	(703,882)
Increase (decrease) in net pension obligation (asset)	127,579
Net pension obligation (asset), December 31, 2008 as restated	(10,050)
Net pension obligation (asset), December 31, 2009	$ (137,629)

Employer Contributions

The funding policy for the Plan is to contribute an amount equal to the annual required contribution as determined by the Plan's actuary. The annual required contribution was determined as part of the July 1, 2009 and July 1, 2008 actuarial valuations. The chart below shows the annual pension cost and the actual employer contributions for the current year and prior two years along with the percentage actually contributed by the City.

Fiscal Year Ended December 31	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Assets)
2009	$ 576,303	$ 703,882	122.1 %	$ (137,629)
2008	451,618	452,365	100.2	(10,050)
2007	372,889	376,316	100.9	(9,303)

As of the most recent valuation date, July 1, 2009, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	$ 9,048,962	$ 13,027,180	69.46%	$ (3,978,218)	$ 3,511,740	113.28%

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer Contributions (Continued)

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

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 July 1, 2009.

NOTE 11. DEFERRED COMPENSATION PLAN

Plan Description

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation plan is not available to employees until termination, retirement, death, or unforeseeable emergencies.

In accordance with Section 457 of the Internal Revenue Code, Plan assets are held in trust for the exclusive benefit of participants and beneficiaries. Accordingly, the assets and liabilities of the deferred compensation plan are not included in the accompanying basic financial statements.

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Chamblee's Post-Retirement Health Plan (the "OPEB Plan") is a single-employer defined benefit post-retirement group term life insurance plan or other post employment benefit (OPEB) plan. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds.

Benefits

Retirees receive life insurance coverage for 150% of salary (fixed at retirement). The benefit is fully insured through Greater Georgia Life Insurance. The City of Chamblee is responsible for 100% of the premium. There is no dependent coverage available for life insurance. Retirees and dependents receive medical/dental coverage through GMEBS and sponsored by the Georgia Municipal Association. Retirees pay 100% of the premium to GMEBS. The City does not pay for these coverages and no retirees remain on plans sponsored by the City of Chamblee.

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Eligibility

For employees hired on or before November 30, 2000 (and not rehired), retired employees become eligible for coverage as of the first day of the month in which non-disability monthly retirement benefits are received under the GMEBS Retirement Plan. GMEBS Retirement Plan eligibility is the earlier of:

- Age 65 and 5 years of services;
- Age 55 and 10 years of service; and
- 30 years of service.

For employees hired or retired on or after December 1, 2000 (Class 1 Employees), retired employees become eligible for coverage as of the first day of the month in which non-disability monthly retirement benefits are received under the GMEBS Retirement Plan. GMEBS Retirement Plan eligibility is the earlier of:

- Age 65 and 5 years of services; and
- Age 55 and 10 years of service.

For elected officials, retired employees become eligible for coverage as of the first day of the month in which non-disability monthly retirement benefits are received under the GMEBS Retirement Plan. GMEBS Retirement Plan eligibility is the earlier of:

- Age 65; and
- Age 55 and 10 years of service.

City Contribution

The City contribution is determined by the actuary as necessary to keep the Plan in compliance with the funding requirements of the State of Georgia.

The annual required contribution for the current year was determined as part of the January 1, 2009, actuarial valuation. The actuarial assumptions included:

Actuarial Cost Method	Projected Unit Credit
Data Collection Date	July 2010
Actuarial Asset Valuation Method	Not applicable
Assumed Rate of Return on Investments	3.0%
Rate of Compensation Increase	Salary Scale Provided by the City
Amortization Method	Level dollar, closed
Remaining Amortization Period	30 years

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

City Contribution (Continued)

The following is a schedule of funding progress using the projected unit credit cost method. As of the most recent valuation date, January 1, 2009, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2009	$ -	$ 123,736	$ 123,736	0.0%	N/A	N/A

N/A – Not available

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 January 1, 2009.

Annual OPEB Cost

The City's actuarially determined contribution, OPEB cost and increase in net OPEB obligation for the year ended December 31, 2009, is as follows:

Annual required contribution	$ 16,016
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost	16,016
Contributions made (payments)	(4,668)
Change in net OPEB obligation	11,348
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ 11,348

The required contribution was determined as part of the January 1, 2009 actuarial valuation. The chart below shows the annual OPEB cost for the current year, along with the percentage actually contributed by the City.

Schedule of Employer Costs and Contributions

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of ARC Contributed	Net OPEB Obligation
December 31, 2009	$ 16,016	$ 4,668	29%	$ 11,348

NOTE 13. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by DeKalb County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is partially self-insured for medical claims. The self-insurance plan is described below. The City has purchased insurance for all other risks of loss, including workers compensation. The City uses Georgia Interlocal Risk Management Agency (GIRMA) and Worker's Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments, as their property/liability insurance and workers compensation insurance providers.

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 pools' 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 have not exceeded the coverages in the last three fiscal years.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

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 16. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 5%. Revenues were $47,994 for the year ended December 31, 2009. Of this amount 62%, or $29,874, was expended to promote tourism, conventions, and cultural events as required by O.C.G.A. 48-13-51.

NOTE 17. PRIOR PERIOD ADJUSTMENTS

General Fund: The City has determined that a restatement of beginning fund balance of the General Fund is necessary to write-off interfund receivables from the Rental Motor Vehicle Excise Tax fund which management noted were not collectible. In addition, the City has determined that a restatement of beginning fund balance of the General Fund is necessary to properly record franchise fee revenue earned in the proper period.

Fund balance December 31, 2008, as previously reported	$ 1,769,702
Adjustment for correction of interfund balances	(601,891)
Adjustment for correction of prior period revenues	52,388
Fund balance December 31, 2008, as restated	$ 1,220,199

NOTE 17. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Individual Nonmajor Governmental Fund (Rental Motor Vehicle Excise Tax Fund): The City has determined that a restatement of beginning fund balance of the Rental Motor Vehicle Excise Tax Fund, a nonmajor governmental fund, is necessary to write-off interfund payables to the General Fund which management noted were not collectible. In addition, the City has determined that a restatement of beginning fund balance is necessary to properly report interest payable on long-term financing which was reported at the fund level in the prior year and should not have been reported as a governmental fund liability.

Fund balance December 31, 2008, as previously reported	$	(597,147)
Adjustment for correction of interfund balances		601,891
Adjustment for correction of accrued interest payable		3,822
Fund balance December 31, 2008, as restated	$	8,566

Individual Nonmajor Governmental Fund (E911 Fund): The City has determined that a restatement of beginning fund balance of the E911 Fund, a nonmajor governmental fund, is necessary to properly record revenues from collection of E911 taxes that were omitted from the prior year.

Fund balance December 31, 2008, as previously reported	$	-
Adjustment for correction of prior period revenues		36,020
Fund balance December 31, 2008, as restated	$	36,020

Individual Nonmajor Governmental Fund (Hotel/Motel Tax Fund): The City has determined that a restatement of beginning fund balance of the Hotel/Motel Tax Fund, a nonmajor governmental fund, is necessary to properly record revenues from collection of taxes that were omitted from the prior year.

Fund balance December 31, 2008, as previously reported	$	-
Adjustment for correction of prior period revenues		2,103
Fund balance December 31, 2008, as restated	$	2,103

Nonmajor Governmental Funds: As a result of the adjustments to each of the above nonmajor governmental funds, the beginning fund balance of the nonmajor governmental funds has also been restated from the prior year as noted below (note that the Rental Motor Vehicle Excise Tax Fund was determined to be a major fund in the prior year but was determined to be a nonmajor governmental fund in the current year).

Fund balance December 31, 2008, as previously reported *	$	(579,898)
Net adjustment to Rental Motor Vehicle Excise Tax Fund		605,713
Adjustment to E911 Fund		36,020
Adjustment to Hotel/Motel Tax Fund		2,103
Fund balance December 31, 2008, as restated	$	63,938

* includes the Rental Motor Vehical Excise Tax Fund

NOTE 17. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Governmental Activities: As a result of the adjustments to the fund level balances, the beginning net assets of the governmental activities have also been restated from the prior year. Along with the adjustments to the General Fund, Rental Motor Vehicle Excise Tax Fund, E911 Fund, and Hotel/Motel Tax Fund, additional adjustments to governmental activities capital assets were required to properly report the change in reporting entity for the Sanitation Fund as well as to reflect proper reporting of governmental capital assets as a result of omissions in prior periods. Furthermore, an adjustment is required to record a net pension asset as a result of omission in prior periods. The details of the adjustment to governmental activities beginning net assets are as follows:

Net assets December 31, 2008, as previously reported	$ 13,387,577
Adjustment to correct prior period revenues in the General Fund	52,388
Adjustment to E911 Fund	36,020
Adjustment to Hotel/Motel Tax Fund	2,103
Adjustment to properly report capital assets for change in reporting entity	(469,254)
Adjustment to properly report capital assets net of related depreciation	47,309
Adjustment to properly report the beginning net pension asset	10,050
Net assets December 31, 2008, as restated	$ 13,066,193

Stormwater Fund: The City has determined that a restatement of beginning net assets of the Stormwater Fund, a major enterprise fund due to the City not properly reporting the accounting effects of an intergovernmental agreement with another local government. Under the agreement, the City makes payments to the other local government for repairs to the storm water system inside of the City limits. As the other local government is merely using the City's money to pay for repairs / maintenance, the amount should have been reported as a receivable and reduced by subsequent expenditures by the other local government on the City's behalf. This restatement properly records the prior period results of the transactions and increases net assets in the Stormwater Fund as noted below:

Net assets December 31, 2008, as previously reported	$ 539,099
Adjustment for correction of prior year transactions	592,556
Net assets December 31, 2008, as restated	$ 1,131,655

Sanitation Fund: The City has determined that a restatement of beginning net assets of the Sanitation Fund, a major enterprise fund, is necessary to properly record the beginning net assets, which are comprised of only capital assets, from governmental activities.

Net assets December 31, 2008, as previously reported	$ -
Adjustment for change in reporting entity to properly show capital assets in the Sanitation Fund	469,254
Net assets December 31, 2008, as restated	$ 469,254

NOTE 17. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Business-type Activities: As a result of the adjustments to the proprietary fund level balances, the beginning net assets of the business-type activities have also been restated from the prior year.

Net assets December 31, 2008, as previously reported	$	539,099
Adjustment in the Stormwater Fund for the correction of prior year transactions		592,556
Adjustment for change in reporting entity to properly show capital assets in the Sanitation Fund		469,254
Net assets December 31, 2008, as restated	$	1,600,909

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHAMBLEE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PENSION PLAN AND OPEB PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2009

Schedule of Funding Progress - Pension

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2009	$ 9,048,962	$ 13,027,180	$ 3,978,218	69.46%	$ 3,511,740	113.28%
7/1/2008	11,833,740	12,471,756	638,016	94.88%	3,339,770	19.10%
7/1/2007	11,140,165	11,485,956	345,791	96.99%	3,237,732	10.68%
7/1/2006	10,463,640	10,377,263	(86,377)	100.83%	2,800,618	0.00%
7/1/2005	9,839,181	10,347,767	508,586	95.09%	2,522,649	20.16%
7/1/2004	9,390,014	9,297,972	(92,042)	100.99%	2,652,606	0.00%

Note: See assumptions used for the Schedule of Funding Progress in Note 10 to the financial statements.

Schedule of Funding Progress - Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 2010	$ -	$ 123,736	$ 123,736	0.00%	N/A	N/A

Note: See assumptions used for the Schedule of Funding Progress in Note 12 to the financial statements.

CITY OF CHAMBLEE, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Rental Motor Vehicle Excise Tax Fund – This fund is used to account for the collection and expenditures of an excise tax levied on motor vehicles for rent or lease.

Confiscated Assets Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

E911 Fund – To account for the E911 fees collected that are required to be spent on the costs of operating a 911 emergency call center as restricted by State law.

Hotel/Motel Fund – To account for the 5% lodging tax levied in the City.

CITY OF CHAMBLEE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Special Revenue Funds				
ASSETS	**Rental Motor Vehicle Excise Tax Fund**	**Confiscated Assets Fund**	**E911 Fund**	**Hotel/Motel Tax Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ -	$ 79,924	$ -	$ -	$ 79,924
Taxes receivable	8,058	-	-	4,191	12,249
Accounts receivable	-	-	29,897	-	29,897
Total assets	$ 8,058	$ 79,924	$ 29,897	$ 4,191	$ 122,070
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ -	$ 3,707	$ -	$ 3,707
Due to others	-	64,504	-	-	64,504
Due to other funds	-	-	26,190	4,191	30,381
Total liabilities	-	64,504	29,897	4,191	98,592
FUND BALANCES					
Reserved for public safety	-	15,420	-	-	15,420
Unreserved	8,058	-	-	-	8,058
Total fund balances	8,058	15,420	-	-	23,478
Total liabilities and fund balances	$ 8,058	$ 79,924	$ 29,897	$ 4,191	$ 122,070

CITY OF CHAMBLEE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds				
	Rental Motor Vehicle Excise Tax Fund	Confiscated Assets Fund	E911 Fund	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
REVENUES					
Taxes	$ 89,097	$ -	$ -	$ 47,994	$ 137,091
Charges for services	-	-	277,926	-	277,926
Total revenues	89,097	-	277,926	47,994	415,017
EXPENDITURES					
Current:					
Public safety	-	1,829	437,829	-	439,658
Parks and recreation	-	-	-	29,874	29,874
Debt service:					
Prinicipal retirements	91,979	-	-	-	91,979
Interest and fiscal charges	14,051	-	-	-	14,051
Total expenditures	106,030	1,829	437,829	29,874	575,562
Excess (deficiency) of revenues over (under) expenditures	(16,933)	(1,829)	(159,903)	18,120	(160,545)
Other financing sources (uses)					
Transfers in	16,425	-	123,883	-	140,308
Transfers out	-	-	-	(20,223)	(20,223)
Total other financing sources (uses)	16,425	-	123,883	(20,223)	120,085
Net change in fund balances	(508)	(1,829)	(36,020)	(2,103)	(40,460)
FUND BALANCES, beginning of year, restated	8,566	17,249	36,020	2,103	63,938
FUND BALANCES, end of year	$ 8,058	$ 15,420	$ -	$ -	$ 23,478

CITY OF CHAMBLEE, GEORGIA

RENTAL MOTOR VEHICLE EXCISE TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 87,500	$ 87,600	$ 89,097	$ 1,497
Total revenues	87,500	87,600	89,097	1,497
EXPENDITURES				
Debt service:				
Principal retirements	91,979	91,979	91,979	-
Interest and fiscal charges	14,051	14,051	14,051	-
Total expenditures	106,030	106,030	106,030	-
Excess (deficiency) of revenues over (under) expenditures	(18,530)	(18,430)	(16,933)	1,497
OTHER FINANCING SOURCES				
Transfers in	18,530	18,530	16,425	(2,105)
Net change in fund balances	-	100	(508)	(608)
FUND BALANCES, beginning of year, restated	8,566	8,566	8,566	-
FUND BALANCES, end of year	$ 8,566	$ 8,666	$ 8,058	$ (608)

CITY OF CHAMBLEE, GEORGIA
CONFISCATED ASSETS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
EXPENDITURES				
Public safety	$ -	$ 1,900	$ 1,829	$ 71
Net change in fund balances	-	(1,900)	(1,829)	71
FUND BALANCES, beginning of year	17,249	17,249	17,249	-
FUND BALANCES, end of year	$ 17,249	$ 15,349	$ 15,420	$ 71

CITY OF CHAMBLEE, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 255,000	$ 255,000	$ 277,926	$ 22,926
Total revenues	255,000	255,000	277,926	22,926
EXPENDITURES				
Public safety	552,105	552,105	437,829	114,276
Excess (deficiency) of revenues over (under) expenditures	(297,105)	(297,105)	(159,903)	137,202
OTHER FINANCING SOURCES				
Transfers in	297,105	297,105	123,883	(173,222)
Net change in fund balances	-	-	(36,020)	(36,020)
FUND BALANCES, beginning of year, restated	36,020	36,020	36,020	-
FUND BALANCES, end of year	$ 36,020	$ 36,020	$ -	$ (36,020)

CITY OF CHAMBLEE, GEORGIA
HOTEL/MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ -	$ 50,300	$ 47,994	$ (2,306)
Total revenues	-	50,300	47,994	(2,306)
EXPENDITURES				
Culture and recreation	-	25,900	29,874	(3,974)
Total expenditures	-	25,900	29,874	(3,974)
Excess (deficiency) of revenues over (under) expenditures	-	24,400	18,120	(6,280)
OTHER FINANCING USES				
Transfers out	-	20,300	20,223	77
Net change in fund balances	-	4,100	(2,103)	(6,203)
FUND BALANCES, beginning of year, restated	2,103	2,103	2,103	-
FUND BALANCES, end of year	$ 2,103	$ 6,203	$ -	$ (6,203)

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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*

The Honorable Mayor and Members
of the City Council of
Chamblee, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chamblee, Georgia (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2009-1 through 2009-4 in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2009-5.

We noted certain matters that we reported to management of the City in a separate letter dated September 27, 2010.

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

This report is intended solely for the information and use of the Mayor and City Council Members, management, others within the organization, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
September 27, 2010

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes ___ no
Significant deficiencies identified?	_____ yes __X__ no
Noncompliance material to financial statements noted?	__X__ yes ___ no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2009 due to the City not expending federal awards over $500,000 during the fiscal year ended December 31, 2009.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2009-1: Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the City.

Condition: Internal controls were not sufficient to detect material misstatements in the City's financial statements for the year ended December 31, 2008 which were the beginning balances for the 2009 financial statements.

Context/Cause: During our audit for the year ended December 31, 2009, several material misstatements were identified that caused the need to restate financial statements balances reported as of and for the year ended December 31, 2008. The nature and magnitude of these corrections for prior period errors are as follows:

- In the General Fund, the City did not record certain franchise fee revenue in the proper period.
- The General Fund and Rental Motor Vehicle Excise Tax Fund included inter-fund balances that should have been previously recorded as transfers in/out instead of due to/from other funds.
- The City was improperly reporting interest payable on long-term debt at the governmental fund level for the Rental Motor Vehicle Excise Tax Fund.
- The City did not record revenues in the proper period for the E911 Fund and the Hotel / Motel Tax Fund.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2009-1: Restatement of Prior Year Balances (Continued)

- For the governmental activities, a net pension asset was not recorded in the previous year, and certain capital assets were previously omitted in error.
- In relation to the Stormwater Fund, the City was not properly reporting the accounting effects of an intergovernmental agreement with another government in previous years.

Effects: The above errors created additional audit procedures to be required for several balances of the City as stated in its December 31, 2008 financial statements.

- The General Fund required an adjustment of approximately $52,000 to properly record revenues in the proper period and restate beginning fund balance.
- The General Fund and Rental Motor Vehicle Excise Tax Fund required adjustments of approximately $600,000 to write-off inter-fund balances that were deemed to be uncollectible at December 31, 2008.
- The Rental Motor Vehicle Excise Tax Fund also required an adjustment of approximately $3,800 to properly record liabilities and expenditures in the correct period.
- In the E911 Fund and Hotel / Motel Tax Fund, approximately $36,000 and $2,000, respectively, were required to properly record revenues in the proper period and to restate beginning fund balances.
- Prior period adjustments to governmental activities net assets were required in the amount of approximately $10,000 was required to properly record beginning net pension asset and an adjustment of approximately $47,000 was required to record certain capital assets previously omitted.
- In relation to the Stormwater Fund, adjustments were required to increase beginning net assets by approximately $593,000, to increase due from other governments by $413,000, and to decrease accounts payable due to other governments by approximately $180,000.

Recommendation: We recommend the City carefully review the financial statements and their applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that the financial statements are properly reported.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2009-2: Proper Accounting for Confiscated Assets

Criteria: Generally accepted accounting principles require all assets owned by the City to be accurately reported.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the City's confiscated assets cash transactions within its general ledgers.

Context/Cause: During our testing of cash and discussions with the City's management, it was noted that a large amount of cash was being held in the police department's evidence room and was not being reported to the finance department for recording in the City's general ledger.

Effects: An audit adjustment in the amount of $64,500 was required to increase cash and the related liability for the police evidence money which is reported within the Confiscated Assets Special Revenue Fund as of December 31, 2009.

Recommendation: We recommend the City carefully review all cash transactions and improve communications between the various departments to ensure all necessary amounts are reported.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all cash transactions are properly and timely recorded.

2009-3: Segregation of duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the City's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Substantial duties relative to the receipt and disbursement process, payroll, and general ledger functions are handled by one individual. The most significant issues noted are as follows:

- Mail is opened by personnel who are not independent of the cashier and accounts receivable bookkeeping.
- Check signing (including control of mechanical check signers and signature plates) is not independent of the initiator of purchases, approver of purchases, preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- IT programmers have access to modify software source code without clear oversight.
- Responsibilities for payroll accounting are not separated from the general ledgers.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2009-3: Segregation of duties (Continued)

Context/Cause: We addresses this matter with City officials who understand that the size of the City's accounting and administrative staff precluded certain internal controls, that would be preferred if the office staff were large enough, to provide optimum segregation of duties.

Effects: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We understand the staffing limitations which result in these overlapping duties; however, we recommend the City's management implement additional controls that would reduce the risk of fraudulent activity and the risk that such activities go unnoticed by management and the Mayor and City Council. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that proper controls are implemented to mitigate the risks described above.

2009-4: General Information Technology Controls

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The City utilizes accounting software in which security access and user administrative privileges are not clearly defined or communicated with City staff.

Context/Cause: During our discussions with management and walkthrough procedures, the following significant issues were noted:

- Employee payroll registers can be edited by employees outside of the payroll function.
- Employees can reverse accounting entries made at any point of time during the systems life through use of "Undo" actions within the system.
- Identical check numbers can be used multiple times as the system does not limit the use of check numbers to a unique instance.
- Beginning balances of accounts can be edited and changed through the use of an edit menu within the system, including balance sheet accounts which are carried forward from period to period.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Effects: Without security access controls, users may circumvent the system and make changes where necessary to conceal errors or fraudulent activities.

Recommendation: We understand the staffing limitations which result in these overlapping duties; however, we recommend the City's management implement additional controls that would reduce the risk of fraudulent activity and the risk that such activities go unnoticed by management and the Mayor and City Council.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that proper controls are implemented to mitigate the risks described above.

2009-5: Uniform Chart of Accounts

Criteria: In 1997, the Georgia General Assembly passed the Local Government Uniform Chart of Accounts and Reporting Act (HB 941). This Act called for the Georgia Department of Community Affairs to develop a uniform chart of accounts to be used by local governments in the state. All of Georgia's county and municipal governments, and organizations controlled by them, are required to comply with the provisions set forth in the uniform chart of accounts in accordance with the Official Code of Georgia (OCGA) Section 36-81-1.

Condition: At December 31, 2009, the City had not yet adopted the State of Georgia Uniform Chart of Accounts in accordance with the OCGA Section 36-81-1.

Context/Cause: During the audit, it was noted that the City was not following the Uniform Chart of Accounts.

Effects: By not following the Uniform Chart of Accounts, the City was not compliant with the laws of the State of Georgia set forth in the OCGA Section 36-81-1.

Recommendation: The City should adopt the Uniform Chart of Accounts immediately to properly record activities within the City's operations in accordance with the State law, OCGA Section 36-81-1.

Auditee's Response: We concur with the finding. We have adopted the Uniform Chart of Accounts for fiscal year 2010.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There was not an audit of major federal award programs as of December 31, 2009 due to the City not expending federal awards over $500,000 during the fiscal year ended December 31, 2009.

SECTION IV
PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There was not an audit of major federal award programs as of the prior year (December 31, 2008) due to the total amount expended being less than $500,000; therefore, none related to Federal awards.