# CITY OF CHAMBLEE, GEORGIA

## ANNUAL FINANCIAL REPORT

## FOR THE YEAR ENDED
## DECEMBER 31, 2010

Prepared By:
City of Chamblee
Finance Department

# CITY OF CHAMBLEE, GEORGIA

## ANNUAL FINANCIAL REPORT
## FOR THE YEAR ENDED
## DECEMBER 31, 2010

---

**TABLE OF CONTENTS**


**Page**

**FINANCIAL SECTION**

**Independent Auditor's Report** ..... **1 and 2**
**Management's Discussion and Analysis** ..... **3-13**
**Basic Financial Statements:**
**Government-wide Financial Statements:**
**Statement of Net Assets** ..... **14**
**Statement of Activities** ..... **15**
**Fund Financial Statements:**
**Balance Sheet – Governmental Funds** ..... **16**
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds** ..... **17**
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities** ..... **18**
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund** ..... **19**
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Confiscated Assets Fund** ..... **20**
**Statement of Net Assets – Proprietary Funds** ..... **21**
**Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds** ..... **22**
**Statement of Cash Flows – Proprietary Funds** ..... **23**
**Notes to Financial Statements** ..... **24-43**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress – Retirement Pension Plan** ..... **44**
**Combining and Individual Fund Statements and Schedules:**
**Combining Balance Sheet – Nonmajor Governmental Funds** ..... **45**
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds** ..... **46**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Rental Motor Vehicle Excise Tax Fund** ..... **47**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – E911 Fund** ..... **48**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Hotel / Motel Tax Fund** ..... **49**

# CITY OF CHAMBLEE, GEORGIA

## ANNUAL FINANCIAL REPORT
## FOR THE YEAR ENDED
## DECEMBER 31, 2010

---

**TABLE OF CONTENTS**


**Page**

**COMPLIANCE SECTION**

**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* ..... 50 and 51**

**Schedule of Findings and Responses ..... 52-57**

# 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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Confiscated Asset 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 June 17, 2011, 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 Schedule of Funding Progress (on pages 3 through 13 and 44, 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
June 17, 2011

As management of the City of Chamblee, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2010.

## FINANCIAL HIGHLIGHTS

- The City's total assets exceed liabilities by $17,238,939 at the end of the year. Of this amount, unrestricted net assets of $5,137,708 may be used to meet the City's ongoing obligations to citizens and creditors.

- As a whole, the City's financial position improved during the year 2010. The City's total net assets increased by $1,812,592 or (11.8%). Of this amount, an increase of $1,008,876 was associated with governmental activities and an increase of $803,716 was associated with business-type activities.

- As of the close of the current year, the City's governmental funds reported combined ending fund balances of $3,264,384, an increase of $1,406,085 in comparison with the prior year. Of this amount, $2,891,930 is unreserved and available for spending.

- At the end of the current year, unreserved fund balance for the General Fund was $2,891,930, or 41% of total General Fund expenditures.

- The General Fund reported an increase in fund balance of $1,324,253 compared to an increase of $614,622 in the prior year.

- The City's total debt obligations (including accrued compensated absences) increased by $347,479 (63%) during the current year. The key factors in this increase were a clarification of the City's leave policy which increased compensated absences and an increase in capital leases for the initial acquisitions of automobiles and other police equipment due to the annexation.

## 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.

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 that are principally supported by taxes and intergovernmental revenues. These include 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 recover all or a significant portion of the cost of providing the services. These include sanitation (solid waste collection), stormwater fees and criminal history background checks.

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 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 the two.

The City maintains five (5) 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 and Confiscated Assets Fund, which are considered to be major funds. 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 16 through 20 of this report.

**Proprietary funds.** The City maintains three (3) 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, stormwater and criminal history background functions. Sanitation, Stormwater, and Criminal History Funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 21 through 23 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 24 through 43 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the City progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 44 this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $17,238,939 at the close of the most recent year.

By far the largest portion of the City's net assets (68.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens;

consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets ($251,228) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($5,137,708) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**City of Chamblee, Georgia's Net Assets**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Assets:** | | | | | | |
| Current and other assets | $ 4,926,078 | $ 2,819,429 | $ 1,761,704 | $ 966,865 | $ 6,687,782 | $ 3,786,294 |
| Capital assets | 11,579,257 | 12,029,881 | 882,258 | 838,594 | 12,461,515 | 12,868,475 |
| Total Assets | 16,505,335 | 14,849,310 | 2,643,962 | 1,805,459 | 19,149,297 | 16,654,769 |
| **Liabilities:** | | | | | | |
| Current and other assets | 978,527 | 675,485 | 32,080 | 665 | 1,010,607 | 676,150 |
| Long term debt outstanding | 893,981 | 549,874 | 5,770 | 2,398 | 899,751 | 552,272 |
| Total Liabilities | 1,872,508 | 1,225,359 | 37,850 | 3,063 | 1,910,358 | 1,228,422 |
| **Net assets:** | | | | | | |
| Invested in capital assets, net of related debt | 10,967,745 | 11,599,248 | 882,258 | 838,594 | 11,850,003 | 12,437,842 |
| Restricted | 251,228 | 15,420 | - | - | 251,228 | 15,420 |
| Unrestricted | 3,413,854 | 2,009,283 | 1,723,854 | 963,802 | 5,137,708 | 2,973,085 |
| Total Net Assets | $ 14,632,827 | $ 13,623,951 | $ 2,606,112 | $ 1,802,396 | $ 17,238,939 | $ 15,426,347 |

**Governmental Activities.** Governmental activities increased the City of Chamblee's net assets by $1,008,876, thereby accounting for 55.7% of the total increase in the net assets of the City. Key elements of this increase are as follows:

## City of Chamblee, Georgia's Change in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | $ 2,042,447 | $ 2,877,340 | $ 1,519,716 | $ 848,326 | $ 3,562,163 | $ 3,725,666 |
| Operating grants and contributions | - | - | - | - | - | - |
| Capital grants and contributions | 19,515 | 67,869 | - | - | 19,515 | 67,869 |
| General revenues: | | | | | | |
| Property taxes | 4,115,844 | 3,382,942 | - | - | 4,115,844 | 3,382,942 |
| Other taxes | 2,855,378 | 2,177,396 | - | - | 2,855,378 | 2,177,396 |
| Investment income | 7,898 | 6,235 | 2,398 | 124 | 10,296 | 6,359 |
| Miscellaneous | 16,073 | 29,970 | - | - | 16,073 | 29,970 |
| Total Revenues | 9,057,155 | 8,541,752 | 1,522,114 | 848,450 | 10,579,269 | 9,390,202 |
| Expenses: | | | | | | |
| General government | 1,291,718 | 1,128,643 | - | - | 1,291,718 | 1,128,643 |
| Judicial | 190,617 | 97,000 | - | - | 190,617 | 97,000 |
| Public safety | 4,250,043 | 4,278,893 | - | - | 4,250,043 | 4,278,893 |
| Public works | 871,680 | 1,124,299 | - | - | 871,680 | 1,124,299 |
| Parks and recreation | 713,080 | 717,953 | - | - | 713,080 | 717,953 |
| Housing and development | 411,499 | 341,582 | - | - | 411,499 | 341,582 |
| Interest on long-term debt | 39,765 | 16,906 | - | - | 39,765 | 16,906 |
| Sanitation | - | - | 574,562 | 585,655 | 574,562 | 585,655 |
| Storm water | - | - | 299,816 | 340,026 | 299,816 | 340,026 |
| Criminal history | - | - | 123,897 | - | 123,897 | - |
| Total Expenses | 7,768,402 | 7,705,276 | 998,275 | 925,681 | 8,766,677 | 8,630,957 |
| Excess (deficiency) before Transfers | 1,288,753 | 836,476 | 523,839 | (77,231) | 1,812,592 | 759,245 |
| Transfers | (279,877) | (278,718) | 279,877 | 278,718 | - | - |
| Increase (Decrease) in Net Assets | 1,008,876 | 557,758 | 803,716 | 201,487 | 1,812,592 | 759,245 |
| Beginning Net Assets | 13,623,951 | 13,066,193 | 1,802,396 | 1,600,909 | 15,426,347 | 14,667,102 |
| Ending Net Assets | $ 14,632,827 | $ 13,623,951 | $ 2,606,112 | $ 1,802,396 | $ 17,238,939 | $ 15,426,347 |

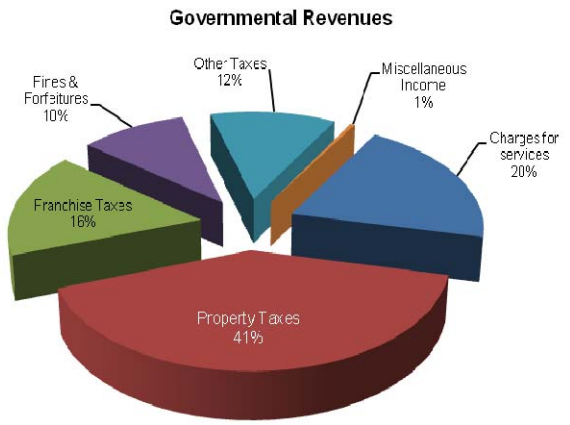
- Property taxes increased by $732,902 or 21.7% due to an increase in the millage rate from 6.31 mills to 7.95 mills.

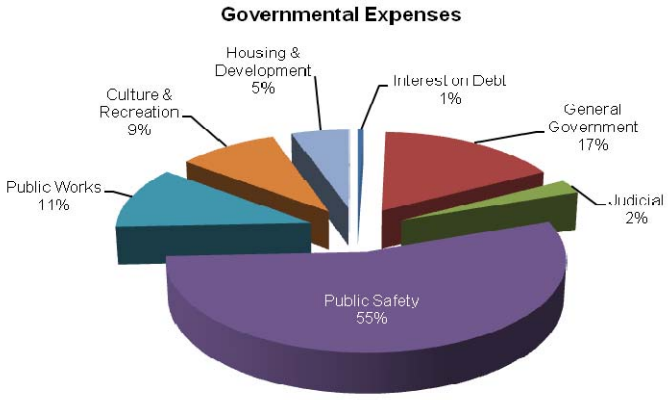
- Other taxes revenue increased by 31% from $2,177,396 to $2,855,378 mainly due to an increase in franchise fees recognized as revenue in the current year.

- Public works expenses decreased by $252,619 or (22.5%) due to a reduction in personnel costs and related fringe benefits resulting from vacant positions.

See page 15 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.

## Governmental Activities




**Business-type Activities.** Business-type activities increased the City's net assets by $803,716 thereby accounting for 44.3% of the total increase in the net assets of the City. The primary reason for this increase was the creation of a new Criminal History Fund as a proprietary fund for 2010 which moved that revenue to business-type activities. It is the intention of the City Council that profits from this fund will be transferred to the General Fund to be used for capital purchases only with its approval.

**Business-type Activities**

| | Program Revenues | | Program Expense | | Program Income (Loss) | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Fund: | | | | | | |
| Sanitation | $ 324,948 | $ 318,527 | $ 574,562 | $ 585,655 | $ (249,614) | $ (267,128) |
| Stormwater | 535,171 | 529,799 | 299,816 | 340,026 | 235,355 | 189,773 |
| Criminal history | 659,597 | - | 123,897 | - | 535,700 | - |
| Total | $ 1,519,716 | $ 848,326 | $ 998,275 | $ 925,681 | $ 521,441 | $ (77,355) |

The revenues for the Criminal History Fund increased $61,693 from the previous year when it was included in the General Fund. The revenues and expenses for sanitation remained essentially the same as the previous year. Expenses exceeded the revenues which required a transfer of $246,194 from the General Fund.

## FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

**Governmental Funds.** The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's new resources available for spending at the end of the year.

As of December 31, 2010, the City's governmental funds reported combined ending balances of $3,264,384, an increase of $1,406,085 in comparison to the prior year. Of this amount, $2,894,430 is unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it is reserved to indicate that it is not available for new spending.

Among other items, the reserved funds include $145,918 which is reserved for police and municipal court technology expenditures and $57,490 which is reserved for tree fund expenditures which must be approved by the Mayor and City Council.

*General Fund.* The General Fund is the City's primary operating fund. At the end of the current year, unreserved fund balance of the General Fund was $2,894,430 while total fund balance was $3,159,074. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 41% of the total General Fund expenditures for 2010, while total fund balance represents 44.9% of that same amount.

During the current year, the fund balance of the City's General Fund increased by $1,324,253. The revenues increased by $396,626 or 4.9%, and the expenditures decreased by $78,463 or 1% resulting in an excess of revenues over expenditures of $1,488,514. In addition, the General Fund transferred a net of $489,318 to other funds.

*Confiscated Assets Fund.* The Confiscated Assets Fund was established to account for funds held as evidence as well as those which were confiscated and subsequently awarded to the police department by a court pursuant to State or Federal law. The fund balance at year end of $76,808 is restricted by law to specific law enforcement purposes.

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

The combined unrestricted net assets of the three proprietary funds were $1,723,854 at the end of the year. Of this amount, $1,010,059 was from the Stormwater Fund and $143,615 was from the Sanitation Fund. The remaining $570,180 belongs to the Criminal History Fund. Profits from this fund will be transferred to the General Fund to pay for capital purchases as approved by the Mayor and City Council.

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year 2010 the City's General Fund had a favorable budget variance of $811,442 due primarily to a change in when the power company franchise payment was recognized was recognized as revenue. Original budgeted expenditures of $6,729,195 were amended to $6,922,283 to provide for an increase in expenditures in preparation for an annexation which took effect on January 1, 2011.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of December 31, 2010, amounted to $11,579,257 (net of accumulated depreciation). These assets primarily reflect land, buildings, infrastructure, vehicles, furniture & equipment, and park improvements. The City's investment in net capital assets for its business-type activities as of December 31, 2010, amounted to $882,258.

The total decrease in the City's investment in capital assets for the current year was $406,960 or 3.2%. For more detailed information concerning capital assets, see note 6 to the financial statements.

The only major capital asset additions in year 2010 were the purchase of four additional police vehicles along with the radios, computers and other emergency equipment. These were additions to the police fleet due to the upcoming annexation.

**Capital Assets**
**(net of depreciation)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | $ 1,525,278 | $ 1,525,278 | $ - | $ - | $ 1,525,278 | $ 1,525,278 |
| Construction in progress | 90,416 | 90,416 | 99,111 | - | 189,527 | 90,416 |
| Buildings and improvements | 3,944,402 | 4,078,530 | 102,711 | 106,888 | 4,047,113 | 4,185,418 |
| Park Improvement | 2,621,009 | 2,708,173 | - | - | 2,621,009 | 2,708,173 |
| Infrastructure | 2,562,373 | 2,667,511 | 361,356 | 229,718 | 2,923,729 | 2,897,229 |
| Furniture, machinery and equipment | 540,101 | 697,666 | 42,703 | 53,885 | 582,804 | 751,551 |
| Vehicles | 295,678 | 262,307 | 276,377 | 448,103 | 572,055 | 710,410 |
| Total | $ 11,579,257 | $ 12,029,881 | $ 882,258 | $ 838,594 | $ 12,461,515 | $ 12,868,475 |

## SHORT-TERM DEBT

The City borrowed a $1,800,000 Tax Anticipation Note to assist with cash flow. This amount was repaid prior to December 31, 2010.

## LONG-TERM DEBT

At the end of 2010 year, the City had $899,751 in outstanding long-term debt. This is a net increase of $347,479 compared to the prior year. More detailed information about the City's long-term liabilities is included in note 8 to the financial statements.

**Outstanding Debt at December 31**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Capital leases payable | $ 611,512 | $ 430,633 | $ - | $ - | $ 611,512 | $ 430,633 |
| Net OPEB obligation | - | 11,348 | - | - | - | 11,348 |
| Compensated absences | 282,469 | 107,893 | 5,770 | 2,398 | 288,239 | 110,291 |
| Total | $ 893,981 | $ 549,874 | $ 5,770 | $ 2,398 | $ 899,751 | $ 552,272 |

## ECONOMIC AND NEXT YEAR'S BUDGET AND RATES

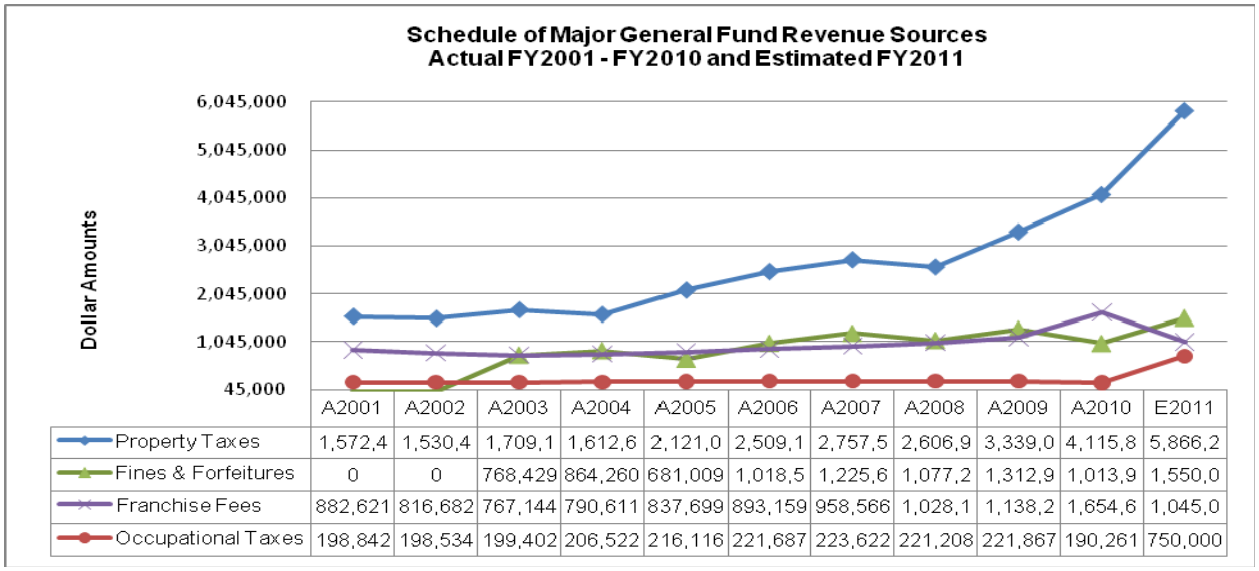
Funding for the City's governmental activities is derived from property tax, other taxes, and fees. During the calendar year 2011 budget process, the City considered projections on the State and local economy to estimate tax revenues for the proposed budget. The downturn in the economy has prompted significant decreases in housing prices and subsequently an increase in property tax appeals. Property tax appeals are expected to increase even further in calendar year 2011 and the County in which the City is located, DeKalb, is anticipating another significant decrease in the overall County tax digest for 2011.

The City of Chamblee also increased in size on January 1, 2011, due to the annexation of approximately one and a half square miles and 6,000 additional residents. The City committed to having the police department prepared for the increased patrol area by January 1st. That required the addition of twelve police officers and five more 911 dispatchers. As many as possible were needed to be hired in late 2010 in order to be ready on January 1st.

The City signed an intergovernmental agreement with DeKalb County whereby they would continue to provide sanitation services in the newly annexed area for up to two years while the City built up its own sanitation department for the task. DeKalb County charges $265 per residence for sanitation service and Chamblee was charging $200. The City raised its sanitation rates effective January 1, 2011, to $265 to match DeKalb County. It is estimated that this will result in an additional $70,000 of revenue for sanitation which will lessen the amount that the General Fund subsidizes the Sanitation Fund.

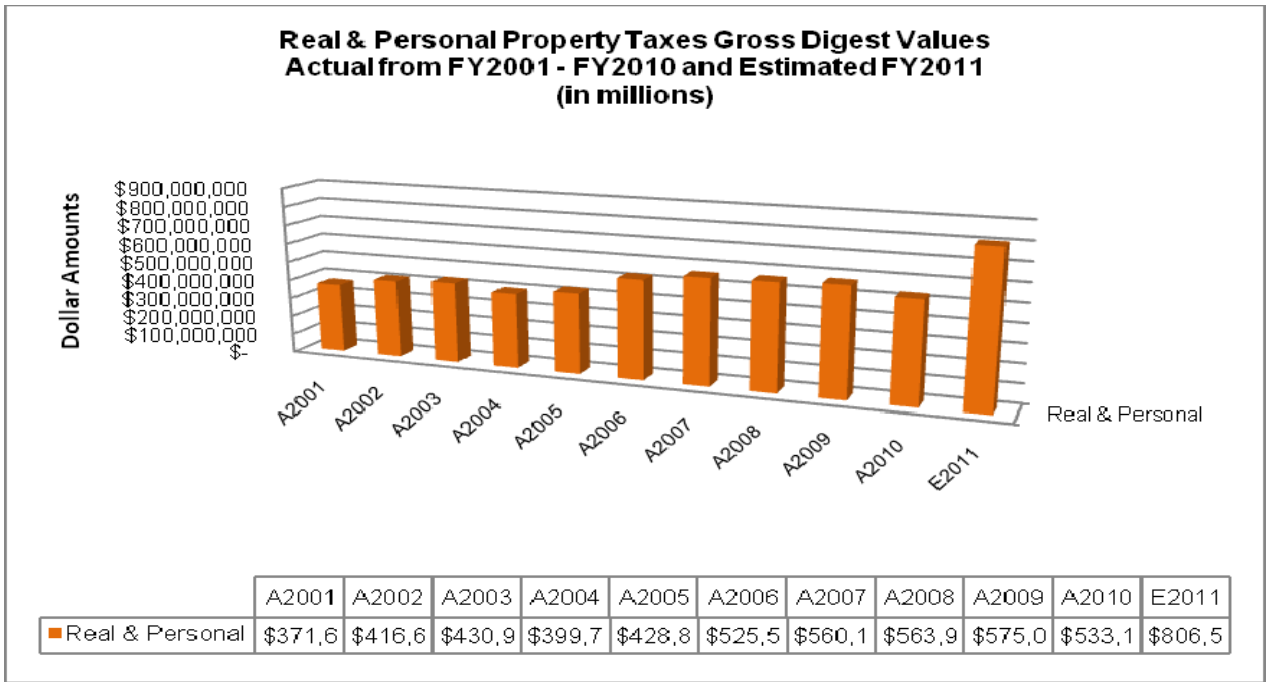
Property taxes, fines and forfeitures, and franchise fees along with revenue from the criminal history background checks function have been the City's main sources of revenue that support the general governmental operations. Occupational tax revenue for 2010 dropped approximately $35,000 from 2009 to $190,261. While preparing for the annexation, the City realized that it had not adjusted the occupational tax rates since 1996 and they were found to be far below the rates of neighboring jurisdictions. With its 2011 budget, the City adopted a new occupational tax rate which is estimated to increase the occupational tax revenue in 2011 by approximately $550,000 to a total of $750,000. Beginning in 2011, occupational tax revenue is expected to become a significant revenue source for general government operations.

The table below shows the ten year revenue trends for the City's major revenue sources and the calendar year 2011 estimated revenue budget amount:

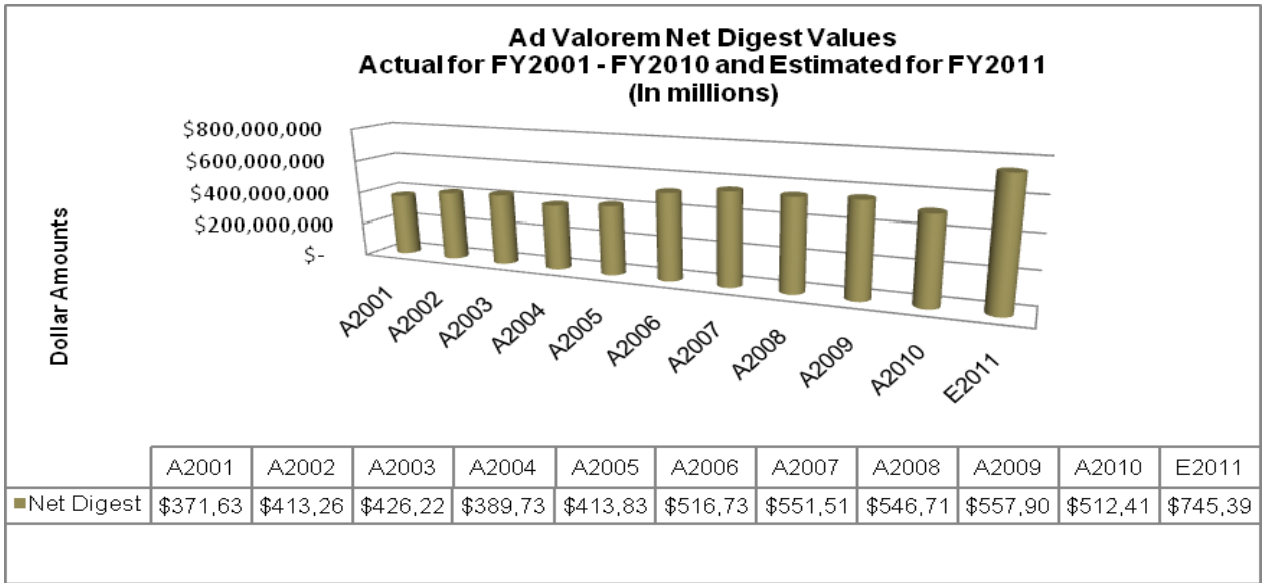



| | A2001 | A2002 | A2003 | A2004 | A2005 | A2006 | A2007 | A2008 | A2009 | A2010 | E2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Property Taxes | 1,572,4 | 1,530,4 | 1,709,1 | 1,612,6 | 2,121,0 | 2,509,1 | 2,757,5 | 2,606,9 | 3,339,0 | 4,115,8 | 5,866,2 |
| Fines & Forfeitures | 0 | 0 | 768,429 | 864,260 | 681,009 | 1,018,5 | 1,225,6 | 1,077,2 | 1,312,9 | 1,013,9 | 1,550,0 |
| Franchise Fees | 882,621 | 816,682 | 767,144 | 790,611 | 837,699 | 893,159 | 958,566 | 1,028,1 | 1,138,2 | 1,654,6 | 1,045,0 |
| Occupational Taxes | 198,842 | 198,534 | 199,402 | 206,522 | 216,116 | 221,687 | 223,622 | 221,208 | 221,867 | 190,261 | 750,000 |

The following two tables show the ten year trends for the real and personal property tax gross digest values and the net tax digest values. Both include estimates for 2011 which include the newly annexed area.




| | A2001 | A2002 | A2003 | A2004 | A2005 | A2006 | A2007 | A2008 | A2009 | A2010 | E2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Real & Personal | $371,6 | $416,6 | $430,9 | $399,7 | $428,8 | $525,5 | $560,1 | $563,9 | $575,0 | $533,1 | $806,5 |




| | A2001 | A2002 | A2003 | A2004 | A2005 | A2006 | A2007 | A2008 | A2009 | A2010 | E2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Digest | $371,63 | $413,26 | $426,22 | $389,73 | $413,83 | $516,73 | $551,51 | $546,71 | $557,90 | $512,41 | $745,39 |

## 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 Department at 5468 Peachtree Road, Chamblee, Georgia 30341.

# CITY OF CHAMBLEE, GEORGIA

## STATEMENT OF NET ASSETS
## DECEMBER 31, 2010

| ASSETS | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 2,449,905 | $ 1,365,087 | $ 3,814,992 |
| Taxes receivable, net of allowance | 1,154,319 | - | 1,154,319 |
| Accounts receivable, net of allowance | 41,700 | 100,493 | 142,193 |
| Due from other governments | - | 296,319 | 296,319 |
| Internal balances | 195 | (195) | - |
| Prepaid items | 61,236 | - | 61,236 |
| Inventory | 2,500 | - | 2,500 |
| Net pension asset | 535,971 | - | 535,971 |
| Restricted cash and cash equivalents | 680,252 | - | 680,252 |
| Capital assets: | | | |
| Non-depreciable | 1,615,694 | 99,111 | 1,714,805 |
| Depreciable, net of accumulated depreciation | 9,963,563 | 783,147 | 10,746,710 |
| Total assets | 16,505,335 | 2,643,962 | 19,149,297 |
| **LIABILITIES** | | | |
| Accounts payable | 679,996 | 32,080 | 712,076 |
| Accrued liabilities | 191,307 | - | 191,307 |
| Due to others | 2,500 | - | 2,500 |
| Accrued interest payable | 4,324 | - | 4,324 |
| Unearned revenue | 100,400 | - | 100,400 |
| Compensated absences, due within one year | 282,469 | 5,770 | 288,239 |
| Capital leases, due within one year | 171,686 | - | 171,686 |
| Capital leases, due in more than one year | 439,826 | - | 439,826 |
| Total liabilities | 1,872,508 | 37,850 | 1,910,358 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 10,967,745 | 882,258 | 11,850,003 |
| Restricted for public safety | 231,863 | - | 231,863 |
| Restricted for tourism | 19,365 | - | 19,365 |
| Unrestricted | 3,413,854 | 1,723,854 | 5,137,708 |
| Total net assets | $ 14,632,827 | $ 2,606,112 | $ 17,238,939 |

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

# CITY OF CHAMBLEE, GEORGIA

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2010

| 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 |
|---|---|---|---|---|---|---|
| General government | $ 1,291,718 | $ 192,210 | $ - | $ (1,099,508) | $ - | $ (1,099,508) |
| Judicial | 190,617 | 1,013,925 | - | 823,308 | - | 823,308 |
| Public safety | 4,250,043 | 537,520 | 19,515 | (3,693,008) | - | (3,693,008) |
| Public works | 871,680 | - | - | (871,680) | - | (871,680) |
| Parks and recreation | 713,080 | 136,936 | - | (576,144) | - | (576,144) |
| Housing and development | 411,499 | 161,856 | - | (249,643) | - | (249,643) |
| Interest on long-term debt | 39,765 | - | - | (39,765) | - | (39,765) |
| Total governmental activities | 7,768,402 | 2,042,447 | 19,515 | (5,706,440) | - | (5,706,440) |
| Business-type activities: | | | | | | |
| Stormwater | 299,816 | 535,171 | - | - | 235,355 | 235,355 |
| Sanitation | 574,562 | 324,948 | - | - | (249,614) | (249,614) |
| Criminal history | 123,897 | 659,597 | - | - | 535,700 | 535,700 |
| Total business-type activities | 998,275 | 1,519,716 | - | - | 521,441 | 521,441 |
| Total primary government | $ 8,766,677 | $ 3,562,163 | $ 19,515 | (5,706,440) | 521,441 | (5,184,999) |
| General revenues: | | | | | | |
| Property taxes | | | | 4,115,844 | - | 4,115,844 |
| Franchise taxes | | | | 1,654,657 | - | 1,654,657 |
| Excise taxes | | | | 95,036 | - | 95,036 |
| Insurance premium taxes | | | | 514,201 | - | 514,201 |
| Business taxes | | | | 190,261 | - | 190,261 |
| Other taxes | | | | 51,484 | - | 51,484 |
| Hotel / motel taxes | | | | 55,757 | - | 55,757 |
| Alcohol taxes | | | | 293,982 | - | 293,982 |
| Unrestricted investment earnings | | | | 7,898 | 2,398 | 10,296 |
| Miscellaneous | | | | 16,073 | - | 16,073 |
| Transfers | | | | (279,877) | 279,877 | - |
| Total general revenues and transfers | | | | 6,715,316 | 282,275 | 6,997,591 |
| Change in net assets | | | | 1,008,876 | 803,716 | 1,812,592 |
| Net assets, beginning of year | | | | 13,623,951 | 1,802,396 | 15,426,347 |
| Net assets, end of year | | | | $ 14,632,827 | $ 2,606,112 | $ 17,238,939 |

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

# CITY OF CHAMBLEE, GEORGIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2010

| ASSETS | General Fund | Confiscated Assets Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Cash and cash equivalents | $ 2,435,095 | $ - | $ 14,810 | $ 2,449,905 |
| Taxes receivable | 1,140,627 | - | 13,692 | 1,154,319 |
| Accounts receivable, net of related allowance | 13,567 | - | 28,133 | 41,700 |
| Inventory | 2,500 | - | - | 2,500 |
| Due from other funds | 40,848 | - | - | 40,848 |
| Prepaid items | 61,236 | - | - | 61,236 |
| Restricted cash and cash equivalents | 438,103 | 242,149 | - | 680,252 |
| Total assets | $ 4,131,976 | $ 242,149 | $ 56,635 | $ 4,430,760 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ 527,175 | $ 147,672 | $ 5,149 | $ 679,996 |
| Accrued liabilities | 191,307 | - | - | 191,307 |
| Deferred revenues | 251,920 | - | - | 251,920 |
| Deposits payable | 2,500 | - | - | 2,500 |
| Due to other funds | - | 17,669 | 22,984 | 40,653 |
| Total liabilities | 972,902 | 165,341 | 28,133 | 1,166,376 |
| **FUND BALANCES** | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Prepaid items | 61,236 | - | - | 61,236 |
| Inventory | 2,500 | - | - | 2,500 |
| Police technology fees | 145,918 | - | - | 145,918 |
| Tree fund expenditures | 57,490 | | | 57,490 |
| Tourism | - | - | 19,365 | 19,365 |
| Public safety | - | 76,808 | 9,137 | 85,945 |
| Unreserved, reported in: | | | | |
| General fund | 2,891,930 | - | - | 2,891,930 |
| Total fund balances | 3,159,074 | 76,808 | 28,502 | 3,264,384 |
| Total liabilities and fund balances | $ 4,131,976 | $ 242,149 | $ 56,635 | |

| | |
|---|---|
| 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. | 11,579,257 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 151,520 |
| Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. | (898,305) |
| Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds | 535,971 |
| Net assets of governmental activities | $ 14,632,827 |

**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, 2010

| | General Fund | Confiscated Assets Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 6,820,738 | $ - | $ 150,793 | $ 6,971,531 |
| Licenses and permits | 310,301 | - | - | 310,301 |
| Intergovernmental | 19,515 | - | - | 19,515 |
| Fines and forfeitures | 1,013,925 | 91,401 | - | 1,105,326 |
| Charges for services | 336,547 | - | 290,273 | 626,820 |
| Interest income | 7,712 | 186 | - | 7,898 |
| Other revenues | 16,073 | - | - | 16,073 |
| Total revenues | 8,524,811 | 91,587 | 441,066 | 9,057,464 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 1,137,216 | - | - | 1,137,216 |
| Judicial | 193,770 | - | - | 193,770 |
| Public safety | 3,807,112 | 30,199 | 487,640 | 4,324,951 |
| Public works | 831,768 | - | - | 831,768 |
| Parks and recreation | 601,228 | - | 4,917 | 606,145 |
| Housing and development | 419,277 | - | - | 419,277 |
| Debt service: | | | | |
| Principal retirements | 17,702 | - | 95,001 | 112,703 |
| Interest and fiscal charges | 28,224 | - | 11,030 | 39,254 |
| Total expenditures | 7,036,297 | 30,199 | 598,588 | 7,665,084 |
| Excess (deficiency) of revenues over (under) expenditures | 1,488,514 | 61,388 | (157,522) | 1,392,380 |
| **Other financing sources (uses):** | | | | |
| Capital leases | 293,582 | - | - | 293,582 |
| Transfers in | 31,475 | - | 209,441 | 240,916 |
| Transfers out | (489,318) | - | (31,475) | (520,793) |
| Total other financing sources (uses) | (164,261) | - | 177,966 | 13,705 |
| Net change in fund balance | 1,324,253 | 61,388 | 20,444 | 1,406,085 |
| **Fund balances, beginning of year** | 1,834,821 | 15,420 | 8,058 | 1,858,299 |
| **Fund balances, end of year** | $ 3,159,074 | $ 76,808 | $ 28,502 | $ 3,264,384 |

**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, 2010

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 1,406,085 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | | (450,624) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (309) |
| 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: | | |
| Initiation of capital leases | | (293,582) |
| Principal payments | | 112,703 |
| 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. | | 234,603 |
| Change in net assets - governmental activities | $ | 1,008,876 |

**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, 2010

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 5,910,996 | $ 6,106,968 | $ 6,820,738 | $ 713,770 |
| Licenses and permits | 273,050 | 273,050 | 310,301 | 37,251 |
| Fines and forfeitures | 1,350,000 | 1,350,000 | 1,013,925 | (336,075) |
| Charges for services | 281,600 | 304,600 | 336,547 | 31,947 |
| Intergovernmental | - | 19,516 | 19,515 | (1) |
| Interest income | 3,000 | 3,000 | 7,712 | 4,712 |
| Other revenues | 1,850 | 1,850 | 16,073 | 14,223 |
| Total revenues | 7,820,496 | 8,058,984 | 8,524,811 | 465,827 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 1,100,901 | 1,173,069 | 1,137,216 | 35,853 |
| Judicial | 177,985 | 177,985 | 193,770 | (15,785) |
| Public safety | 3,609,273 | 3,685,677 | 3,807,112 | (121,435) |
| Public works | 775,866 | 795,382 | 831,768 | (36,386) |
| Parks and recreation | 650,912 | 652,912 | 601,228 | 51,684 |
| Housing and development | 414,258 | 437,258 | 419,277 | 17,981 |
| Total current expenditures | 6,729,195 | 6,922,283 | 6,990,371 | (68,088) |
| Debt service | | | | |
| Principal retirements | - | 19,889 | 17,702 | 2,187 |
| Interest and fiscal charges | - | - | 28,224 | (28,224) |
| Total debt service | - | 19,889 | 45,926 | (26,037) |
| Total expenditures | 6,729,195 | 6,942,172 | 7,036,297 | (94,125) |
| Excess of revenues over expenditures | 1,091,301 | 1,116,812 | 1,488,514 | 371,702 |
| **Other financing sources (uses)** | | | | |
| Proceeds from sale of capital assets | 1,500 | 1,500 | - | (1,500) |
| Capital leases | - | - | 293,582 | 293,582 |
| Transfers in | 34,000 | 34,000 | 31,475 | (2,525) |
| Transfers out | (667,372) | (639,501) | (489,318) | 150,183 |
| Total other financing sources (uses) | (631,872) | (604,001) | (164,261) | 439,740 |
| Net change in fund balances | 459,429 | 512,811 | 1,324,253 | 811,442 |
| **Fund balances, beginning of year** | 1,834,821 | 1,834,821 | 1,834,821 | - |
| **Fund balances, end of year** | $ 2,294,250 | $ 2,347,632 | $ 3,159,074 | $ 811,442 |

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

# CITY OF CHAMBLEE, GEORGIA

## CONFISCATED ASSETS FUND
## STATEMENT OF REVENUES, EXPENDITURES,
## AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| Fines and forfeitures | $ - | $ 27,746 | $ 91,401 | $ 63,655 |
| Interest income | - | - | 186 | 186 |
| Total revenues | - | 27,746 | 91,587 | 63,841 |
| **EXPENDITURES** | | | | |
| Public safety | 5,000 | 32,746 | 30,199 | 2,547 |
| Total expenditures | 5,000 | 32,746 | 30,199 | 2,547 |
| Net change in fund balances | (5,000) | (5,000) | 61,388 | 66,388 |
| **FUND BALANCES, beginning of year** | 15,420 | 15,420 | 15,420 | - |
| **FUND BALANCES, end of year** | $ 10,420 | $ 10,420 | $ 76,808 | $ 66,388 |

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

## CITY OF CHAMBLEE, GEORGIA

### STATEMENT OF NET ASSETS
### PROPRIETARY FUNDS
### DECEMBER 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| **ASSETS** | **Stormwater Fund** | **Sanitation Fund** | **Criminal History Fund** | **Totals** |
| **CURRENT ASSETS** | | | | |
| Cash | $ 678,550 | $ 173,451 | $ 513,086 | $ 1,365,087 |
| Accounts receivable, net of allowances | 35,457 | 7,747 | 57,289 | 100,493 |
| Due from other governments | 296,319 | - | - | 296,319 |
| Total current assets | 1,010,326 | 181,198 | 570,375 | 1,761,899 |
| **CAPITAL ASSETS** | | | | |
| Non-depreciable assets | 99,111 | - | - | 99,111 |
| Depreciable assets | 678,098 | 983,610 | - | 1,661,708 |
| Accumulated depreciation | (228,912) | (649,649) | - | (878,561) |
| Capital assets, net | 548,297 | 333,961 | - | 882,258 |
| Total assets | 1,558,623 | 515,159 | 570,375 | 2,644,157 |
| **LIABILITIES** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Accounts payable | 161 | 31,919 | - | 32,080 |
| Compensated absences | 106 | 5,664 | - | 5,770 |
| Due to other funds | - | - | 195 | 195 |
| Total liabilities | 267 | 37,583 | 195 | 38,045 |
| **NET ASSETS** | | | | |
| Invested in capital assets | 548,297 | 333,961 | - | 882,258 |
| Unrestricted | 1,010,059 | 143,615 | 570,180 | 1,723,854 |
| Total net assets | $ 1,558,356 | $ 477,576 | $ 570,180 | $ 2,606,112 |

**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, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Stormwater Fund | Sanitation Fund | Criminal History Fund | Totals |
| **OPERATING REVENUES** | | | | |
| Charges for sales and services | $ 535,171 | $ 324,948 | $ 659,597 | $ 1,519,716 |
| Total operating revenues | 535,171 | 324,948 | 659,597 | 1,519,716 |
| **OPERATING EXPENSES** | | | | |
| Cost of sales and services | 102,311 | 165,951 | 6,390 | 274,652 |
| Personnel costs | 131,575 | 341,077 | 116,174 | 588,826 |
| Administration costs | 9,125 | 9,898 | 1,333 | 20,356 |
| Depreciation | 56,805 | 57,636 | - | 114,441 |
| Total operating expenses | 299,816 | 574,562 | 123,897 | 998,275 |
| Operating income (loss) | 235,355 | (249,614) | 535,700 | 521,441 |
| **NON-OPERATING INCOME (EXPENSES)** | | | | |
| Interest income | 1,449 | 152 | 797 | 2,398 |
| Total non-operating income | 1,449 | 152 | 797 | 2,398 |
| Income (loss) before transfers | 236,804 | (249,462) | 536,497 | 523,839 |
| Transfers in | - | 246,194 | 33,683 | 279,877 |
| | - | 246,194 | 33,683 | 279,877 |
| Change in net assets | 236,804 | (3,268) | 570,180 | 803,716 |
| **Total net assets, beginning of year** | 1,321,552 | 480,844 | - | 1,802,396 |
| **Total net assets, end of year** | $ 1,558,356 | $ 477,576 | $ 570,180 | $ 2,606,112 |

**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, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Stormwater Fund | Sanitation Fund | Criminal History Fund | Totals |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Receipts from customers and users | $ 659,228 | $ 324,013 | $ 602,308 | $ 1,585,549 |
| Payments to suppliers | (273,283) | (60,027) | (7,528) | (340,838) |
| Payments to employees | (131,469) | (337,810) | (116,174) | (585,453) |
| Net cash provided by (used in) operating activities | 254,476 | (73,824) | 478,606 | 659,258 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | | | |
| Transfers in from other funds | - | 246,194 | 33,683 | 279,877 |
| Net cash provided by non-capital financing activities | - | 246,194 | 33,683 | 279,877 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | |
| Purchase of capital assets | (158,105) | - | - | (158,105) |
| Net cash used in capital and related financing activities | (158,105) | - | - | (158,105) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest received | 1,449 | 152 | 797 | 2,398 |
| Net cash provided by investing activities | 1,449 | 152 | 797 | 2,398 |
| Net increase in cash | 97,820 | 172,522 | 513,086 | 783,428 |
| Cash, beginning of year | 580,730 | 929 | - | 581,659 |
| Cash, end of year | $ 678,550 | $ 173,451 | $ 513,086 | $ 1,365,087 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Operating income (loss) | $ 235,355 | $ (249,614) | $ 535,700 | $ 521,441 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 56,805 | 57,636 | - | 114,441 |
| Change in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable | 6,981 | (935) | (57,289) | (51,243) |
| Decrease in due from other governments | 117,076 | - | - | 117,076 |
| Decrease (increase) in due from other funds | - | 83,903 | - | 83,903 |
| Increase (decrease) in accounts payable | (505) | 31,920 | - | 31,415 |
| Increase in compensated absences payable | 106 | 3,266 | - | 3,372 |
| Increase (decrease) in due to other funds | (161,342) | - | 195 | (161,147) |
| Net cash provided by (used in) operating activities | $ 254,476 | $ (73,824) | $ 478,606 | $ 659,258 |

**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 City 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.

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

The City reports the following major enterprise 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.

The **Criminal History Fund** accounts for the City's receipt of fees by providing criminal history information/background checks to employers.

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

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

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.

### D. Encumbrances

The City employed encumbrance accounting during the year. Encumbrances, if existing at the end of the 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, 2010, 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 year through passage of an annual budget ordinance and amended as required for all governmental funds. During the year ended December 31, 2010, 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 year.

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

### 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 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."

### H. Prepaid Items and Inventory

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid items in both government-wide and fund financial statements. Inventories are valued at lower of cost or market using the first-in, first out method. The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased.

### 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.

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

### I. Capital Assets (Continued)

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 |
| Furniture, 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.

### 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.

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

### 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 $898,305 difference are as follows:

| | | |
|---|---|---|
| Capital leases payable | $ | (611,512) |
| Accrued interest payable | | (4,324) |
| Compensated absences | | (282,469) |
| Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities* | $ | (898,305) |

## 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

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 estimated useful lives and reported as depreciation expense." The details of this $450,624 difference are as follows:

| | | |
|---|---|---|
| Capital outlay | $ | 216,936 |
| Depreciation expense | | (667,560) |
| Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $ | (450,624) |

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 $234,603 difference are as follows:

| | | |
|---|---|---|
| Accrued interest payable | $ | (511) |
| Compensated absences | | (174,576) |
| Net OPEB Obligation | | 11,348 |
| Net pension asset | | 398,342 |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $ | 234,603 |

## 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 Mayor and 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.

## NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

6. Over or under expended appropriations are not carried forward to the next year.
7. The legal level of budgetary control for the City of Chamblee, Georgia is at the departmental level. Budget revisions that alter the total expenditures of any department must be approved by the Mayor and City Council. Budget amounts are as originally adopted or as amended by the Mayor and City Council.

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the year ended December 31, 2010:

| | | |
|---|---|---|
| General Fund | | |
| Judicial | $ | 15,785 |
| Public safety | | 121,435 |
| Public works | | 36,386 |
| Interest and fiscal charges | | 28,224 |
| Hotel/Motel Tax Fund - Culture and recreation | | 4,917 |

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, 2010, 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 $541,224 in Georgia Fund 1. As of December 31, 2010, the Georgia Fund 1 had a weighted average maturity of 41 days and a credit rating of AAAm.

## NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**Interest Rate Risk:** The City does not have a formal policy that addresses interest rate risk. At December 31, 2010, 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, 2010, 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 2010. 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 2010 along with the property taxes and are due and payable in two installments. The first installment was due on August 15, 2010 and the second installment is due on November 15, 2010. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2010, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

## NOTE 5. RECEIVABLES (CONTINUED)

| | General | Stormwater | Sanitation | Criminal History | Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| Receivables: | | | | | |
| Taxes | $ 1,240,627 | $ - | $ - | $ - | $ 13,692 |
| Accounts | 13,567 | 212,276 | 7,747 | 88,810 | 28,133 |
| Due from other governments | - | 296,319 | - | - | - |
| Less allowance for uncollectible | (100,000) | (176,819) | - | (31,521) | - |
| Net total receivable | $ 1,154,194 | $ 331,776 | $ 7,747 | $ 57,289 | $ 41,825 |

## NOTE 6. CAPITAL ASSETS

**Primary Government**

Capital asset activity for the year ended December 31, 2010, is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,525,278 | $ - | $ - | $ 1,525,278 |
| Construction in progress | 90,416 | - | - | 90,416 |
| Total | 1,615,694 | - | - | 1,615,694 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 5,365,105 | - | - | 5,365,105 |
| Infrastructure | 2,964,156 | - | - | 2,964,156 |
| Furniture and equipment | 1,426,579 | 64,550 | - | 1,491,129 |
| Park improvements | 3,430,773 | - | - | 3,430,773 |
| Vehicles | 1,131,984 | 152,386 | - | 1,284,370 |
| Total | 14,318,597 | 216,936 | - | 14,535,533 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,286,575) | (134,128) | - | (1,420,703) |
| Infrastructure | (296,645) | (105,138) | - | (401,783) |
| Furniture and equipment | (728,913) | (222,115) | - | (951,028) |
| Park improvements | (722,600) | (87,164) | - | (809,764) |
| Vehicles | (869,677) | (119,015) | - | (988,692) |
| Total | (3,904,410) | (667,560) | - | (4,571,970) |
| Total capital assets, being depreciated, net | 10,414,187 | (450,624) | - | 9,963,563 |
| Governmental activities capital assets, net | $ 12,029,881 | $ (450,624) | $ - | $ 11,579,257 |

## NOTE 6. CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Construction in process | $ - | $ 99,111 | $ - | $ - | $ 99,111 |
| Total | - | 99,111 | - | - | 99,111 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 241,808 | 58,994 | - | 148,315 | 449,117 |
| Buildings | 125,305 | - | - | - | 125,305 |
| Machinery and equipment | 122,769 | - | - | - | 122,769 |
| Vehicles | 1,112,832 | - | - | (148,315) | 964,517 |
| Total | 1,602,714 | 58,994 | - | - | 1,661,708 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (12,090) | (6,457) | - | (69,214) | (87,761) |
| Buildings | (18,417) | (4,177) | - | - | (22,594) |
| Machinery and equipment | (68,884) | (11,182) | - | - | (80,066) |
| Vehicles | (664,729) | (92,625) | - | 69,214 | (688,140) |
| Total | (764,120) | (114,441) | - | - | (878,561) |
| Total capital assets, being depreciated, net | 838,594 | (55,447) | - | - | 783,147 |
| Business-type activities capital assets, net | $ 838,594 | $ 43,664 | $ - | $ - | $ 882,258 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 160,726 |
| Public safety | 247,340 |
| Public works | 122,983 |
| Culture and recreation | 132,288 |
| Housing and development | 4,223 |
| Total depreciation expense - governmental activities | $ 667,560 |
| Business-type activities: | |
| Stormwater | $ 56,805 |
| Sanitation | 57,636 |
| Total depreciation expense - business-type activities | $ 114,441 |

## NOTE 7. SHORT-TERM BORROWINGS

The City entered into and paid off a tax anticipation note for operating purposes of $1,800,000 at a local financial institution. The borrowing, with an interest rate of 2.63%, matured on December 31, 2010. As of December 31, 2010, the principal and interest due were paid in full.

Total short-term borrowings interest incurred and expended for the year ended December 31, 2010, was $26,037.

The following is a summary of the tax anticipation note payable for the year ended December 31, 2010:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Tax anticipation note | $ - | $ 1,800,000 | $ (1,800,000) | $ - |

## NOTE 8. LONG-TERM DEBT

**Primary Government**

Long-term liability activity for the year ended December 31, 2010, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital leases | $ 430,633 | $ 293,582 | $ (112,703) | $ 611,512 | $ 171,686 |
| Net OPEB obligation | 11,348 | - | (11,348) | - | - |
| Compensated absences | 107,893 | 413,145 | (238,569) | 282,469 | 282,469 |
| Governmental activities Long-term liabilities | $ 549,874 | $ 706,727 | $ (362,620) | $ 893,981 | $ 454,155 |

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

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Compensated absences | $ 2,398 | $ 22,610 | $ (19,238) | $ 5,770 | $ 5,770 |
| Business-type activities Long-term liabilities | $ 2,398 | $ 22,610 | $ (19,238) | $ 5,770 | $ 5,770 |

**Other Post-Employment Benefits**. The City of Chamblee's former Post-Retirement Health Plan (the "OPEB Plan") single-employer defined benefit post-retirement group term life insurance plan or other post employment benefit (OPEB) plan was eliminated through an action of the Mayor and City Council during the current year.

**Capital Leases – Public Safety Building and Equipment.** The City has entered into lease agreements as lessee for financing the acquisition of equipment (cameras) and a public safety facility and vehicles 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, 2010, the City had $1,818,189 for governmental activities of assets under capital leases.

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

| | Activities |
|---|---|
| Year Ending December 31, | |
| 2011 | $ 188,112 |
| 2012 | 188,813 |
| 2013 | 142,416 |
| 2014 | 62,893 |
| 2015 | 65,929 |
| Total minimum lease payments | 648,163 |
| Less amount representing interest | 36,651 |
| Present value of future minimum lease payments | $ 611,512 |

## NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2010, is as follows:

Due to / from other funds:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Nonmajor governmental funds | $ 22,984 |
| General Fund | Confiscated Assets Fund | 17,669 |
| General Fund | Criminal History Fund | 195 |
| | | $ 40,848 |

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 | $ 209,441 |
| Criminal History Fund | General Fund | 33,683 |
| Sanitation Fund | General Fund | 246,194 |
| General Fund | Nonmajor governmental funds | 31,475 |

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 Mayor and 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 the Mayor and 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, 2010, the date of the most recent actuarial valuation, there were 150 participants consisting of the following:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 50 |
| Terminated vested participants not yet receiving benefits | 21 |
| Active participants - vested | 40 |
| Active participants - nonvested | 39 |
| Total | 150 |

**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 year 2010, the actuarially determined contribution rate was 26.16% of covered payroll.

For the current year 2010, the City's annual required contribution was $918,744. Actual contributions totaled $918,744. The annual required contribution for the current year 2010 was determined as part of the July 1, 2009 actuarial valuation 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, 2010, were computed as follows:

| | |
|---|---|
| Annual required contribution | $ 918,744 |
| Interest | (39,701) |
| Adjustment for change in ARC | (358,641) |
| Annual pension cost | 520,402 |
| Actual contributions made | (918,744) |
| Increase (decrease) in net pension obligation (asset) | 398,342 |
| Net pension obligation (asset), December 31, 2009 | (137,629) |
| Net pension obligation (asset), December 31, 2010 | $ (535,971) |

**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 actuarial valuation. 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.

| Year Ended December 31 | Annual Pension Cost (APC) | Actual Pension Contribution | Percentage of APC Contributed | Net Pension Obligation (Assets) |
|---|---|---|---|---|
| 2010 | $ 520,402 | $ 918,744 | 176.5 % | $ (535,971) |
| 2009 | 576,303 | 703,882 | 122.1 | (137,629) |
| 2008 | 451,618 | 452,365 | 100.2 | (10,050) |

As of the most recent valuation date, July 1, 2010, 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 |
|---|---|---|---|---|---|---|
| 7/1/2010 | $ 12,191,345 | $ 12,921,521 | 94.35% | $ (730,176) | $ 3,186,008 | 22.92% |

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.

## NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Employer Contributions (Continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2010.

## NOTE 11. DEFERRED COMPENSATION PLANS

**457 - 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 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 and administered by a third party. Accordingly, the assets and liabilities of the deferred compensation plan are not included in the accompanying basic financial statements.

**401 (a) - Plan Description**

The City offers full-time employees who are employed by the City on or after January 1, 2010; and two (2) employees initially employed prior to this date a Deferred Compensation Plan ("the Plan") created in accordance with Internal Revenue Code Section 401 (a). The Deferred Compensation Plan for the City is available to all employees and is a defined contribution plan and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Federal regulations, these Plan assets are held in a trust for the exclusive benefit of participants and their beneficiaries. The Plan is administered by a third party administrator, Georgia Municipal Association, who also serves as the trustee of the Plan. The City has no fiduciary relationship with the trust. Accordingly, the Plan assets are not reported in the City's financial statements.

**401 (a) - Plan Contributions**

Under the Plan authorized by the Mayor and City Council, the City has elected to make contributions to the Plan and the contributions and related investment earnings allocated to an employee's account are fully vested after the employee's probation period has ended, in accordance with the City's current personnel policy. The Plan is entirely employer funded as Participants are not allowed to contribute to the Plan. City contributions and interest forfeited by employees who leave employment before becoming vested are held in the Plan and are distributed to remaining participants. The City contributed $22,956 during the year ended December 31, 2010. At the end of the year, there were 22 participants in the Plan. Total value of the deferred compensation plan as of year-end was $22,956 which results in an average participant balance of $1,043.

## NOTE 12. 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 13. 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 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 years.

## NOTE 14. 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 15. HOTEL/MOTEL LODGING AND CAR RENTAL TAXES

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 5% in which 40% of the revenue is restricted and the remaining 60% is not restricted under State law. Revenues were $55,757 for the year ended December 31, 2010. Of this amount, 8.8%, or $4,917, was expended to promote tourism, conventions, and cultural events as required by O.C.G.A. 48-13-51 while, 34.7%, or $19,365, was left in the Hotel/Motel Tax Fund to be spent to promote tourism, conventions, and cultural events in year 2011. The City transferred from the Hotel/Motel Tax Fund, $31,475, or 56.5%, to the City's General Fund to be used at the City's discretion.

A 3% excise tax on all rental motor vehicles within the City of Chamblee, Georgia was adopted through City ordinance on June 18, 1996. This car rental tax is intended to be used for public safety facility building capital lease. Revenues were $95,036 for the year ended December 31, 2010. During the year, the City transferred $12,074 from the General Fund to the Rental Motor Vehicle Excise Tax Fund. As of December 31, 2010, the City expended $106,031 to pay principal and interest on the capital lease of the public safety building.

## NOTE 16. CHANGE IN REPORTING ENTITY

During the year 2010, the City decided to no longer report the activity of the criminal history/background check function in the General Fund in order to separately report this activity in a new proprietary fund. The initial funds of this new created fund, Criminal History Fund, were transferred to the General Fund. The revenues of the Criminal History Fund are sufficient to cover the operating cost of this fund and any excess operating revenues over operating expenses will be transferred to the General Fund to be used for capital purchases as approved by the Mayor and City Council.

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF CHAMBLEE, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION
## RETIREMENT PENSION PLAN
## SCHEDULE OF FUNDING PROGRESS
## FOR THE YEAR ENDED DECEMBER 31, 2010

**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) |
|---|---|---|---|---|---|---|
| 7/1/2010 | $ 12,191,345 | $ 12,921,521 | $ 730,176 | 94.35% | $ 3,186,008 | 22.92% |
| 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% |

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

**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, 2010

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| **ASSETS** | **Rental Motor Vehicle Excise Tax Fund** | **E911 Fund** | **Hotel/Motel Tax Fund** | **Total Nonmajor Governmental Funds** |
| Cash and cash equivalents | $ - | $ - | $ 14,810 | $ 14,810 |
| Taxes receivable | 9,137 | - | 4,555 | 13,692 |
| Accounts receivable | - | 28,133 | - | 28,133 |
| Total assets | $ 9,137 | $ 28,133 | $ 19,365 | $ 56,635 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ - | $ 5,149 | $ - | $ 5,149 |
| Due to other funds | - | 22,984 | - | 22,984 |
| Total liabilities | - | 28,133 | - | 28,133 |
| **FUND BALANCES** | | | | |
| Reserved for tourism | - | - | 19,365 | 19,365 |
| Reserved for public safety | 9,137 | - | - | 9,137 |
| Total fund balances | 9,137 | - | 19,365 | 28,502 |
| Total liabilities and fund balances | $ 9,137 | $ 28,133 | $ 19,365 | $ 56,635 |

# CITY OF CHAMBLEE, GEORGIA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2010

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Rental Motor Vehicle Excise Tax Fund | E911 Fund | Hotel/Motel Tax Fund | Total Nonmajor Governmental Funds |
| **REVENUES** | | | | |
| Taxes | $ 95,036 | $ - | $ 55,757 | $ 150,793 |
| Charges for services | - | 290,273 | - | 290,273 |
| Total revenues | 95,036 | 290,273 | 55,757 | 441,066 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public safety | - | 487,640 | - | 487,640 |
| Parks and recreation | - | - | 4,917 | 4,917 |
| Debt service: | | | | |
| Principal retirements | 95,001 | - | - | 95,001 |
| Interest and fiscal charges | 11,030 | - | - | 11,030 |
| Total expenditures | 106,031 | 487,640 | 4,917 | 598,588 |
| Excess (deficiency) of revenues over (under) expenditures | (10,995) | (197,367) | 50,840 | (157,522) |
| Other financing sources (uses) | | | | |
| Transfers in | 12,074 | 197,367 | - | 209,441 |
| Transfers out | - | - | (31,475) | (31,475) |
| Total other financing sources (uses) | 12,074 | 197,367 | (31,475) | 177,966 |
| Net change in fund balances | 1,079 | - | 19,365 | 20,444 |
| **FUND BALANCES, beginning of year** | 8,058 | - | - | 8,058 |
| **FUND BALANCES, end of year** | $ 9,137 | $ - | $ 19,365 | $ 28,502 |

# 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, 2010

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| Taxes | $ 80,000 | $ 80,000 | $ 95,036 | $ 15,036 |
| Total revenues | 80,000 | 80,000 | 95,036 | 15,036 |
| **EXPENDITURES** | | | | |
| Debt service: | | | | |
| Principal retirements | 95,050 | 95,050 | 95,001 | 49 |
| Interest and fiscal charges | 11,050 | 11,050 | 11,030 | 20 |
| Total expenditures | 106,100 | 106,100 | 106,031 | 69 |
| Deficiency of revenues under expenditures | (26,100) | (26,100) | (10,995) | 14,967 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | 26,100 | 26,100 | 12,074 | (14,026) |
| Net change in fund balances | - | - | 1,079 | 1,079 |
| **FUND BALANCES, beginning of year** | 8,058 | 8,058 | 8,058 | - |
| **FUND BALANCES, end of year** | $ 8,058 | $ 8,058 | $ 9,137 | $ 1,079 |

# CITY OF CHAMBLEE, GEORGIA
## E911 FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| Charges for services | $ 270,000 | $ 270,000 | $ 290,273 | $ 20,273 |
| Total revenues | 270,000 | 270,000 | 290,273 | 20,273 |
| **EXPENDITURES** | | | | |
| Public safety | 547,171 | 519,300 | 487,640 | 31,660 |
| Deficiency of revenues under expenditures | (277,171) | (249,300) | (197,367) | 51,933 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | 277,171 | 249,300 | 197,367 | (51,933) |
| Net change in fund balances | - | - | - | - |
| **FUND BALANCES, beginning of year** | - | - | - | - |
| **FUND BALANCES, end of year** | $ - | $ - | $ - | $ - |

# 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, 2010

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| Taxes | $ 34,000 | $ 34,000 | $ 55,757 | $ 21,757 |
| Total revenues | 34,000 | 34,000 | 55,757 | 21,757 |
| **EXPENDITURES** | | | | |
| Culture and recreation | - | - | 4,917 | (4,917) |
| Total expenditures | - | - | 4,917 | (4,917) |
| Excess of revenues over expenditures | 34,000 | 34,000 | 50,840 | 16,840 |
| **OTHER FINANCING USES** | | | | |
| Transfers out | (34,000) | (34,000) | (31,475) | 2,525 |
| Net change in fund balances | - | - | 19,365 | 19,365 |
| **FUND BALANCES, beginning of year** | - | - | - | - |
| **FUND BALANCES, end of year** | $ - | $ - | $ 19,365 | $ 19,365 |

# COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# 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**
**City of Chamblee, Georgia**
**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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2011. 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 and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2010-1 through 2010-5, to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2010-6 to be a significant deficiency.

## 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 17, 2011**.**

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 and management and is not intended to be and should not be used by anyone other than these specified parties.



Atlanta, Georgia
June 17, 2011

# CITY OF CHAMBLEE, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2010

### 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? | X yes ___ no |
| Noncompliance material to financial statements noted? | _____ yes X no |

***Federal Awards***

There was not an audit of major federal award programs as of December 31, 2010 due to the City not expending federal awards over $500,000 during the year ended December 31, 2010.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES

**2010-1: Payroll Internal Controls**

***Criteria:*** Internal controls should be in place to prevent, detect, and correct material misstatements, irregularities, and errors within the payroll function.

***Condition***: Internal controls were not sufficient to detect or prevent unauthorized changes in pay rates for certain employees and in some instances no documentation of approved pay rates could be provided. Additionally, internal controls were not sufficient to detect or prevent management override of controls within the payroll function.

***Context/Cause:*** During our testing of payroll, we encountered eight (8) instances where employee pay rates were not supported with sufficient documentation of approval. In one (1) instance, we noted where no documented approval was available for a salary increase of $6,264. During our discussion with management, it was noted that changes to employee pay rates can be made by personnel outside of the human resources function and without the knowledge of City personnel who are responsible for the human resource function. We also determined that an override of controls with respect to payroll disbursements could not be detected or prevented in a timely manner due to the lack of segregation of duties within the payroll and cash disbursement function and lack of review of payroll register reports and bank transmittals by an appropriate City official.

***Effects/Possible Effects:*** No audit adjustment was necessary but the risk of asset misappropriation and/or material misstatements of payroll expenses is high due to insufficient controls.

# CITY OF CHAMBLEE, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2010

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2010-1: Payroll Internal Controls (Continued)**

***Recommendation:*** We recommend the City implement controls to prevent, detect, and correct material misstatements, irregularities, and errors within the payroll function. The City should ensure that proper segregation of duties are in place that would prevent the same person with custody of assets to process payroll and management should ensure that all pertinent payroll reports are signed by a member of management who has no payroll duties.

***Auditee's Response:*** We concur with the finding. We will take necessary steps in the future to ensure that the above controls are put in place. We have been proactive during year 2011 thus far and implemented certain controls to alleviate some of these problems.

**2010-2: Journal Entry Internal Controls**

***Criteria:*** Internal controls should be in place to prevent material misstatements and detect errors and misappropriation of assets that could be performed or concealed through manual journal entries.

***Condition***: Internal controls are not in place to prevent erroneous journal entries from occurring as manual journal entries are not required to have an approval or supporting documentation, and in some cases are entered into the system by those with custody of assets.

***Context/Cause:*** During our testing of twenty-five (25) journal entries made throughout the year, none of the entries contained any explicit documentation of approval from someone other than the preparer and only nineteen (19) had supporting documentation for the journal entry that was made. We also noted journal entries can be made by the City's software consultant, off-site and after hours, without the knowledge of City personnel.

***Effects/Possible Effects:*** No audit adjustment was necessary but the risk of asset misappropriation and/or material misstatements through manual journal entries is high due to insufficient controls.

***Recommendation:*** We recommend the City implement controls to prevent any potential effects of journal entries made in error or to conceal misappropriation of fraud. The City should ensure proper segregation of duties are in place that would prevent the same person with custody of assets to manually post journal entries and controls should also be in place to ensure that all journal entries are made with sufficient supporting documentation and approval by an appropriate City official.

***Auditee's Response:*** We concur with the finding. We will take necessary steps in the future to ensure the above controls are put in place. We have been proactive during the year 2011 thus far and implemented certain controls to alleviate some of these problems.

# CITY OF CHAMBLEE, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2010

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2010-3: Segregation of Duties (Repeat Finding)**

***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. A significant number of 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:

- Individuals who post cash receipts to the accounting records can perform other functions which should typically be segregated such as the write-off of delinquent accounts, edit the master receivable file, and review the receivables aging trial balance.
- Mail is opened by personnel who are not independent of the cashier and accounts receivable bookkeeping.
- Those responsible for review, authorization, or signing of checks are also responsible for the reconciliation of bank accounts.
- Those responsible for approval of rates and fees can prepare bills, collect accounts receivable, post cash receipts, investigate receivable discrepancies and are also responsible for reviewing the receivable trial balance.
- 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.
- Individuals who have access to edit the vendor master file can initiate purchase orders, prepare or issue debit memos, investigate account discrepancies, and maintain custody of assets.
- IT personnel have the responsibility for transaction and accounting duties, IT personnel administering security have responsibilities for programming, database management, and computer operations. IT programmers also have access to modify the software code.
- Responsibilities for payroll accounting and payroll deposits are not separated from the general ledgers.

***Context/Cause:*** We addressed 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/Possible 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.

### SECTION II
### FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

**2010-3: Segregation of Duties (Repeat Finding) (Continued)**

***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.

**2010-4: Recording of Franchise Tax Receivable and Revenue – General Fund**

***Criteria:*** Generally accepted accounting principles require derived tax revenues be recognized when the underlying exchange transaction occurred and the resources are available unless transactions are not measurable or collection is not probable.

***Condition:*** The City did not properly record a receivable or recognize additional revenue for certain franchise taxes collected subsequent to year end which were for the 2010 year.

***Context/cause:*** During our test work, we determined that General Fund receivables and revenues were understated at year-end.

***Effects/Possible Effects:*** An audit adjustment to increase General Fund other taxes receivable and franchise tax revenue by $746,249 was required to be recorded as of December 31, 2010.

***Recommendation:*** We recommend the City record recognize revenue from franchise taxes and other derived tax revenue when the underlying exchange transaction occurred and the resources are available unless transactions are not measurable or collection is not probable in accordance with accounting principles generally accepted in the United States of America, to ensure that revenues are recognized in the correct period.

***Views of Responsible Officials and Planned Correction Action:*** We concur with the finding. We will take necessary steps in the future to ensure that these amounts are properly stated and in accordance with generally accepted accounting principles.

# CITY OF CHAMBLEE, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2010

**SECTION II**
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010-5: Proper Recording of Liabilities – E911 Fund (Nonmajor Governmental Fund)**

***Criteria:*** Generally accepted accounting principles require financial statements are prepared either under the full accrual basis of accounting (for proprietary funds) or under the modified accrual basis of accounting (for governmental funds).

***Condition***: Internal controls were not sufficient surrounding the recording of liabilities and expenditures in the E911 Fund as an amount was improperly accrued at year end.

***Context/Cause:*** During our audit, we determined the liabilities and expenditures in the E911 Fund were overstated at year end.

***Effects/Possible Effects:*** An adjustment of $10,988 to decrease liabilities and expenditures was required to in the E911 Fund to properly correct the overstatement of liabilities and expenditures.

***Recommendation:*** We recommend the City strengthen internal controls surrounding the reporting of accrued liabilities and expenditures.

***Auditee's Response:*** We concur with the finding. We will take necessary steps in the future to ensure liabilities and expenditures are properly recorded in accordance with generally accepted accounting principles.

**2010-6: Retention of Documentation and Approval of Expenditures/Expenses**

***Criteria:*** Internal controls should be in place to ensure all expenditures/expenses are properly approved by management and supporting documentation for those expenditures/expenses are maintained.

***Condition***: Internal controls were not sufficient surrounding the expenditures/expenses as instances were noted where invoices were not approved by management and supporting documentation was not retained.

***Context/Cause:*** During our testing of twenty-five (25) expenditures/expenses, or disbursements, made during the year, we encountered five (5) instances where invoice approval was not documented and thirteen (13) instances where invoices were not retained for support of the disbursement item.

***Effects/Possible Effects:*** No audit adjustment was necessary but the risk of asset misappropriation and/or material misstatements through cash disbursements is elevated due to insufficient controls.

***Recommendation:*** We recommend the City ensure controls are actually implemented with respect to disbursements. Additionally, we recommend the City implement controls to ensure documents are retained for a specific and appropriate amount of time.

***Auditee's Response:*** We concur with the finding. We will take necessary steps in the future to ensure the above controls are put in place.

# CITY OF CHAMBLEE, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES
## FOR THE YEAR ENDED DECEMBER 31, 2010

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

There was not an audit of major federal award programs as of December 31, 2010 due to the City not expending federal awards over $500,000 during the year ended December 31, 2010.

### 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, 2009) due to the total amount expended being less than $500,000; therefore, no prior year findings related to Federal awards.