CITY OF CHAMBLEE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

Prepared By:
City of Chamblee
Finance Department

CITY OF CHAMBLEE, GEORGIA

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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 **24-46**

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Retirement Pension Plan **47**

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds **48**
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds **49**
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Rental Motor Vehicle Excise Tax Fund **50**
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – E911 Fund **51**
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Hotel / Motel Tax Fund **52**
Balances – Budget and Actual – Multiple Grants Fund **53**
Balances – Budget and Actual – Police Technology Fund **54**

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2011

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* ..... **55 and 56**

Schedule of Findings and Responses **57-59**

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, 2011, 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, 2011, and the respective changes in financial position , and, where applicable, cash flows 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.

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* as of January 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 3 through 13 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 21, 2012

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 of Chamblee for the year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The City's total assets exceed liabilities by $20,086,821 at the end of the year. Of this amount, unrestricted net assets of $7,636,796 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 2011. The City's total net assets increased by $2,847,882 or (16.5%). Of this amount, an increase of $2,173,829 was associated with governmental activities and an increase of $674,053 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 $5,544,152, an increase of $2,279,768 in comparison with the prior year. Of this amount, $4,805,343 is unassigned and available for spending.

- At the end of the current year, unassigned fund balance for the General Fund was $4,805,343, or 60% of total General Fund expenditures.

- The General Fund reported a net increase in fund balance of $2,108,095 compared with an increase of $1,324,253 in the prior year.

- The City's total debt obligations (including accrued compensated absences) increased by $25,483 (2.8%) during the current year. This compares to a 63% increase in the prior year when the City clarified its leave policy.

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 added 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 seven (7) 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 five (5) 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, stormwater, sanitation, and criminal history background functions. Stormwater, Sanitation, 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 46 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 47 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 $20,086,821 at the close of the most recent year.

By far the largest portion of the City's net assets (59%) 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 ($520,846) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($7,636,796) 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's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	$ 7,179,420	$ 4,926,078	$ 2,248,409	$ 1,761,704	$ 9,427,829	$ 6,687,782
Capital Assets	11,288,730	11,579,257	1,209,697	882,258	12,498,427	12,461,515
Total Assets	18,468,150	16,505,335	3,458,106	2,643,962	21,926,256	19,149,297
Liabilities:						
Current and other assets	878,362	978,527	35,839	32,080	914,201	1,010,607
Long term debt outstanding	783,132	893,891	142,102	5,770	925,234	899,661
Total Liabilities	1,661,494	1,872,418	177,941	37,850	1,839,435	1,910,268
Net assets:						
Invested in capital assets, net of related debt	10,849,537	10,967,745	1,079,642	882,258	11,929,179	11,850,003
Restricted	520,846	251,228	-	-	520,846	251,228
Unrestricted	5,436,273	3,413,854	2,200,523	1,723,854	7,636,796	5,137,708
Total Net Assets	$16,806,656	$14,632,827	$ 3,280,165	$ 2,606,112	$20,086,821	$17,238,939

Governmental Activities. Governmental activities increased the City of Chamblee's net assets by $2,173,829, thereby accounting for 76.3% of the total increase in the net assets of the City. Key elements of this increase are as follows:

- Because of an annexation, property tax collections increased by $1,070,684 or 26.0% despite lowering the millage rate from 7.95 mills to 7.40 mills.

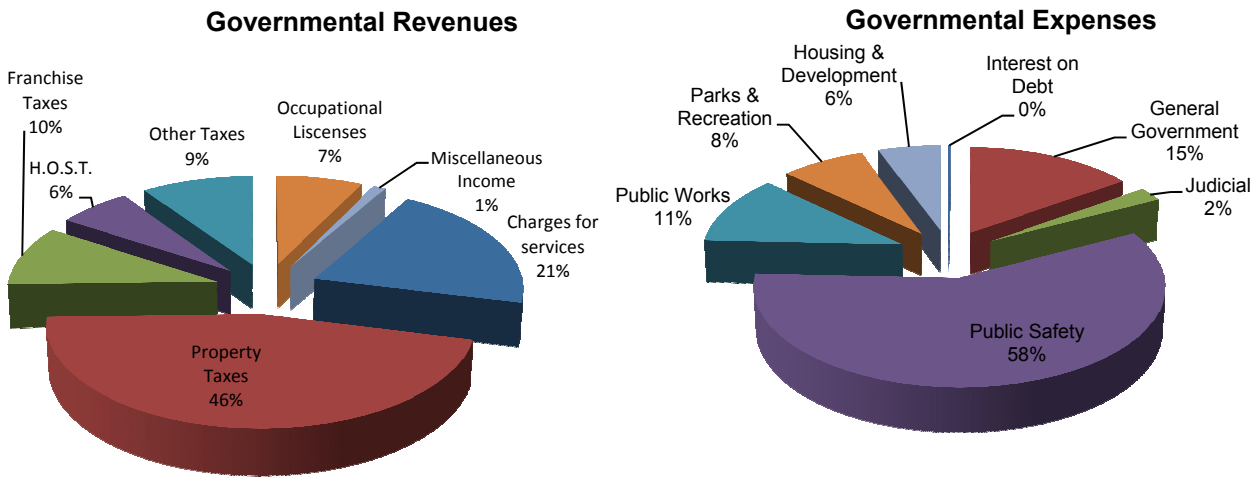
- Other taxes revenue increased by 29.8% from $2,855,378 to $3,706,870. This is due mainly to the City's receipt of Homestead Option Sales Tax (HOST) funds.

City of Chamblee's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	$ 2,327,563	$ 2,042,447	$ 1,729,437	$ 1,519,716	$ 4,057,000	$ 3,562,163
Capital grants and contributions	64,365	19,515	-	-	64,365	19,515
General revenues:						
Property taxes	5,186,528	4,115,844	-	-	5,186,528	4,115,844
Other taxes	3,706,870	2,855,378	-	-	3,706,870	2,855,378
Investment income	6,843	7,898	-	2,398	6,843	10,296
Miscellaneous	47,630	16,073	-	-	47,630	16,073
Total Revenues	11,339,799	9,057,155	1,729,437	1,522,114	13,069,236	10,579,269
Expenses:						
General government	1,357,621	1,291,718	-	-	1,357,621	1,291,718
Judicial	205,951	190,617	-	-	205,951	190,617
Public safety	5,307,569	4,250,043	-	-	5,307,569	4,250,043
Public works	1,034,529	871,680	-	-	1,034,529	871,680
Parks and recreation	676,861	713,080	-	-	676,861	713,080
Housing and development	500,936	411,499	-	-	500,936	411,499
Interest on long-term debt	14,899	39,765	-	-	14,899	39,765
Stormwater	-	-	386,321	299,816	-	299,816
Sanitation	-	-	564,986	574,562	564,986	574,562
Criminal history	-	-	171,681	123,897	171,681	123,897
Total Expenses	9,098,366	7,768,402	1,122,988	998,275	10,221,354	8,766,677
Excess (Deficiency) before Transfers	2,241,433	1,288,753	606,449	523,839	2,847,882	1,812,592
Transfers	(67,604)	(279,877)	67,604	279,877	-	-
Increase (Decrease) in Net Assets	2,173,829	1,008,876	674,053	803,716	2,847,882	1,812,592
Beginning Net Assets	14,632,827	13,623,951	2,606,112	1,802,396	17,238,939	15,426,347
Ending Net Assets	$16,806,656	$14,632,827	$ 3,280,165	$ 2,606,112	$20,086,821	$17,238,939

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 $674,053 thereby accounting for 23.7% of the total increase in the net assets of the City. The primary reason for this increase was the Criminal History Fund. It is the intention of the City Council that profits from the Criminal History Fund, formerly known as the GCIC 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)	
	2011	2010	2011	2010	2011	2010
Fund:						
Stormwater	$ 744,019	$ 535,171	$ 386,321	$ 299,816	$ 357,698	$ 235,355
Sanitation	394,470	324,948	564,986	574,562	(170,516)	(249,614)
Criminal History	590,948	659,597	171,681	123,897	419,267	535,700
Total	$ 1,729,437	$ 1,519,716	$ 1,122,988	$ 998,275	$ 606,449	$ 521,441

Although Criminal History revenue declined by $68,649, it was sufficient enough to fund $107,413 in capital purchases. The revenues for the Stormwater Fund increased $208,848 from the previous year due to the newly annexed area. Although the City took over stormwater services for the newly annexed area in 2011, it will not take over sanitation services for that area until 2012. Therefore, the revenues and expenses for sanitation remained in line with the previous year. Expenses exceeded the revenues which required a transfer of $150,336 from the General Fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Chamblee 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, unassigned 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, 2011, the City's governmental funds reported combined ending balances of $5,544,152, an increase of $2,279,768 in comparison to the prior year. Of this amount, $4,805,343 is unassigned 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 either restricted or committed for other purposes.

Among other items, the restricted funds include $271,781 to be used to pay court bond refunds. The committed funds consists solely of $172,803 which is to be spent for police and municipal court technology expenditures with the approval of the Mayor and City Council.

General Fund. The General Fund is the City's chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was $4,805,343 while total fund balance was $5,122,284. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 60% of the total General Fund expenditures for 2011, while total fund balance represents 64% of that same amount.

During the current year, the fund balance of the City's General Fund increased by $2,108,095. The revenues increased by $1,992,811 or 23.4%, and the expenditures increased by $967,075 or 13.7% resulting in an excess of revenues over expenditures of $2,514,250. In addition, the General Fund transferred $619,685 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 $79,159 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 $2,200,523 at the end of the year. Of this amount, $1,144,248 was from the Stormwater Fund and $174,241, was from the Sanitation Fund. The remaining $882,034 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 year 2011 the City's General Fund had a favorable budget variance of $1,560,501 due in part to a change in calculating the fees for business & occupational licenses. This change along with additional annexed businesses provided an additional $229,290 over what was budgeted. Actual total expenditures of $8,003,372 were $570,877 less than the original budget amount of $8,574,249.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of December 31, 2011, amounts to $11,288,730 (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, 2011, amounts to $1,209,697.

The total increase in the City's investment in capital assets for the current year was $36,912 or 0.3%. For more detailed information concerning capital assets, see note 6 to the financial statements.

Some of the major capital asset additions in fiscal year 2011 included additions to the City's stormwater infrastructure and the replacement of four aging police cars. A new garbage truck as well as two additional police cars were also purchased to facilitate serving the annexed area.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 1,525,278	$ 1,525,278	$ -	$ -	$ 1,525,278	$ 1,525,278
Construction in progress	111,516	90,416	-	99,111	111,516	189,527
Buildings and improvements	3,810,275	3,944,402	98,534	102,711	3,908,809	4,047,113
Infrastructure	2,473,480	2,562,373	694,576	361,356	3,168,056	2,923,729
Furniture, machinery and equipment	440,030	540,101	57,160	42,703	497,190	582,804
Park Improvements	2,533,435	2,621,009	-	-	2,533,435	2,621,009
Vehicles	394,716	295,678	359,427	276,377	754,143	572,055
Total	$ 11,288,730	$ 11,579,257	$ 1,209,697	$ 882,258	$ 12,498,427	$ 12,461,515

LONG-TERM DEBT

At the end of 2011 year, the City had $925,234 in outstanding long-term debt. This is a net increase of $25,483 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

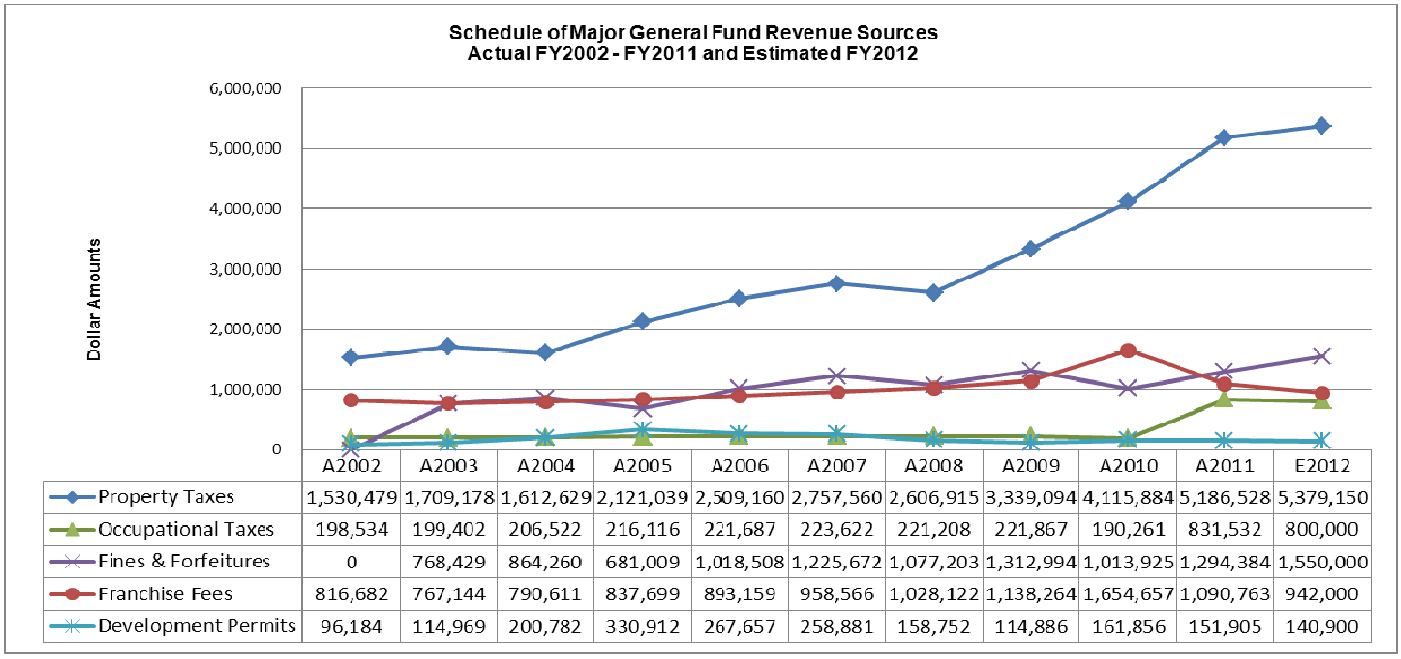
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital leases payable	$ 439,193	$ 611,512	$ 130,055	$ -	$ 569,248	$ 611,512
Compensated absences	343,939	282,469	12,047	5,770	355,986	288,239
Total	$ 783,132	$ 893,981	$ 142,102	$ 5,770	$ 925,234	$ 899,751

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 continue to increase in calendar year 2012 and the County in which the City is located, DeKalb, is anticipating another significant decrease in the overall County tax digest for 2012. The City's budget for 2012 was prepared using the 2011 millage rate of 7.4 mills.

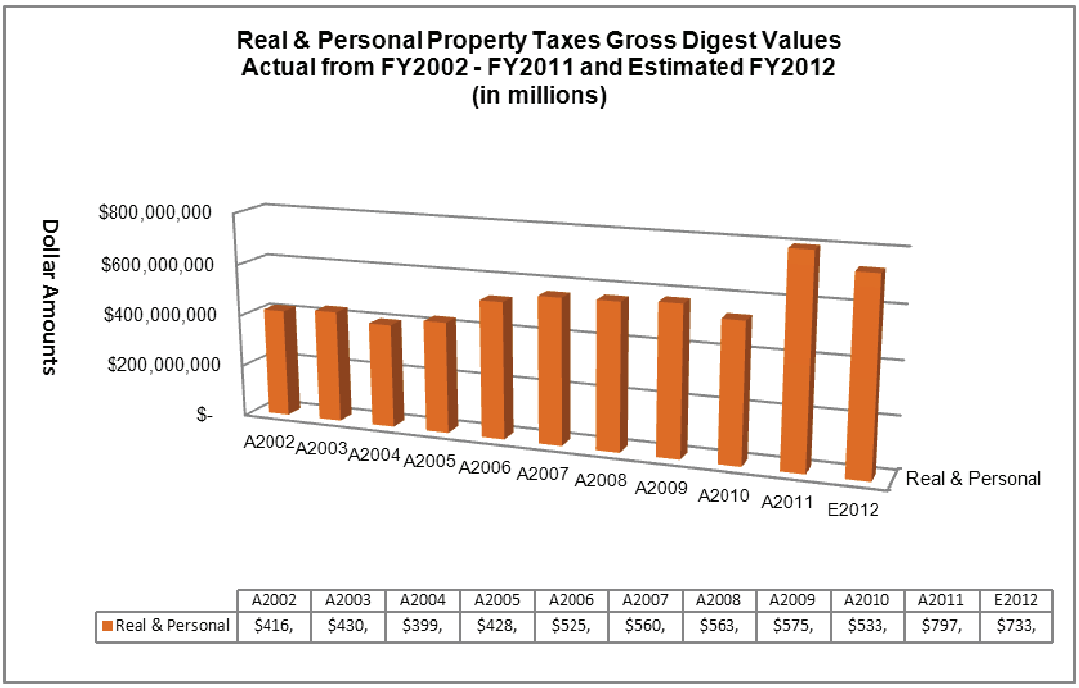
Due in most part to the annexation and the receipt of H.O.S.T. funds, the City's overall revenues increased by $2,489,967 or 23.5% in 2011. Revenues are expected to flatten out in 2012.

The table below shows the ten year revenue trends for the City's major revenue sources and the calendar year 2012 estimated revenue budget amount:

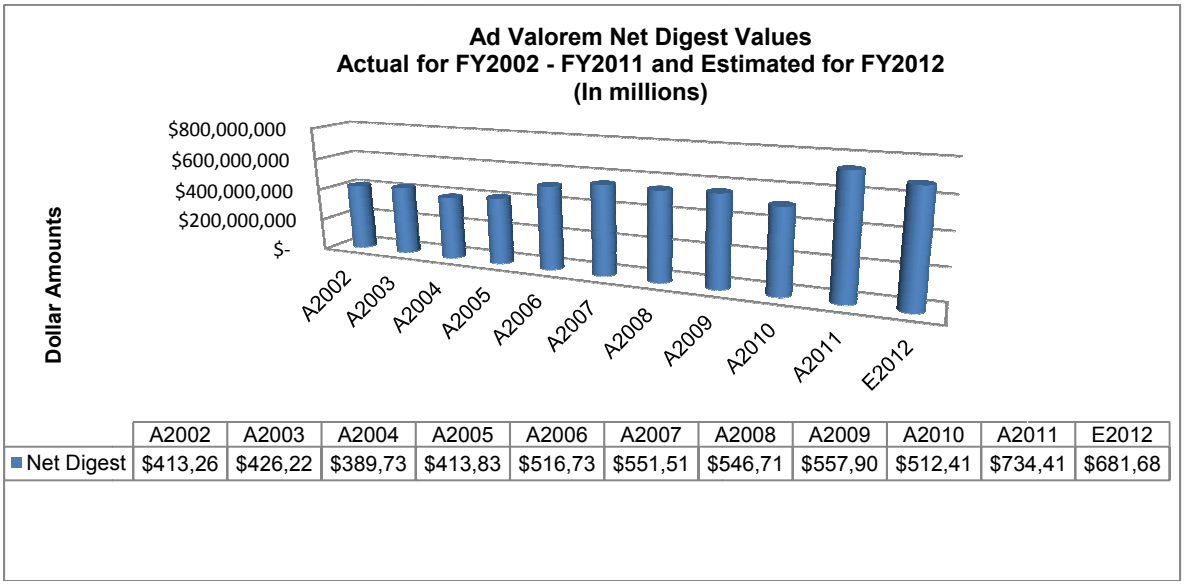


	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	A2010	A2011	E2012
Property Taxes	1,530,479	1,709,178	1,612,629	2,121,039	2,509,160	2,757,560	2,606,915	3,339,094	4,115,884	5,186,528	5,379,150
Occupational Taxes	198,534	199,402	206,522	216,116	221,687	223,622	221,208	221,867	190,261	831,532	800,000
Fines & Forfeitures	0	768,429	864,260	681,009	1,018,508	1,225,672	1,077,203	1,312,994	1,013,925	1,294,384	1,550,000
Franchise Fees	816,682	767,144	790,611	837,699	893,159	958,566	1,028,122	1,138,264	1,654,657	1,090,763	942,000
Development Permits	96,184	114,969	200,782	330,912	267,657	258,881	158,752	114,886	161,856	151,905	140,900

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.



	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	A2010	A2011	E2012
Real & Personal	$416,	$430,	$399,	$428,	$525,	$560,	$563,	$575,	$533,	$797,	$733,



	A2002	A2003	A2004	A2005	A2006	A2007	A2008	A2009	A2010	A2011	E2012
Net Digest	$413,26	$426,22	$389,73	$413,83	$516,73	$551,51	$546,71	$557,90	$512,41	$734,41	$681,68

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, 2011

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 4,540,838	$ 2,121,707	$ 6,662,545
Taxes receivable, net of allowance	1,423,167	-	1,423,167
Accounts receivable, net of allowance	49,089	89,734	138,823
Due from other governments	-	37,163	37,163
Internal balances	195	(195)	-
Prepaid items	45,160	-	45,160
Net pension asset	578,849	-	578,849
Restricted cash and cash equivalents	542,122	-	542,122
Capital assets:			
Non-depreciable	1,636,794	-	1,636,794
Depreciable, net of accumulated depreciation	9,651,936	1,209,697	10,861,633
Total assets	18,468,150	3,458,106	21,926,256
LIABILITIES			
Accounts payable	450,330	14,008	464,338
Accrued liabilities	182,914	21,831	204,745
Due to other governments	103,289	-	103,289
Deposits payable	2,500	-	2,500
Accrued interest payable	2,779	-	2,779
Unearned revenue	136,550	-	136,550
Compensated absences, due within one year	343,939	12,047	355,986
Capital leases, due within one year	177,752	28,997	206,749
Capital leases, due in more than one year	261,441	101,058	362,499
Total liabilities	1,661,494	177,941	1,839,435
NET ASSETS			
Invested in capital assets, net of related debt	10,849,537	1,079,642	11,929,179
Restricted for:			
Judicial	271,781	-	271,781
Public safety	106,198	-	106,198
Culture and recreation	88,523	-	88,523
Debt service	54,344	-	54,344
Unrestricted	5,436,273	2,200,523	7,636,796
Total net assets	$ 16,806,656	$ 3,280,165	$ 20,086,821

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

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	$ 1,357,621	$ 260,433	$ -	$ (1,097,188)	$ -	$ (1,097,188)
Judicial	205,951	1,320,659	-	1,114,708	-	1,114,708
Public safety	5,307,569	449,510	-	(4,858,059)	-	(4,858,059)
Public works	1,034,529	-	-	(1,034,529)	-	(1,034,529)
Parks and recreation	676,861	145,056	-	(531,805)	-	(531,805)
Housing and development	500,936	151,905	64,365	(284,666)	-	(284,666)
Interest on long-term debt	14,899	-	-	(14,899)	-	(14,899)
Total governmental activities	9,098,366	2,327,563	64,365	(6,706,438)	-	(6,706,438)
Business-type activities:						
Stormwater	386,321	744,019	-	-	357,698	357,698
Sanitation	564,986	394,470	-	-	(170,516)	(170,516)
Criminal history	171,681	590,948	-	-	419,267	419,267
Total business-type activities	1,122,988	1,729,437	-	-	606,449	606,449
Total primary government	$ 10,221,354	$ 4,057,000	$ 64,365	(6,706,438)	606,449	(6,099,989)
General revenues:						
Property taxes				5,186,528	-	5,186,528
Franchise taxes				1,090,763	-	1,090,763
Excise taxes				143,188	-	143,188
Insurance premium taxes				463,976	-	463,976
Business taxes				831,532	-	831,532
Other taxes				156,177	-	156,177
Hotel / motel taxes				143,759	-	143,759
Alcohol taxes				165,245	-	165,245
Sales taxes				712,230	-	712,230
Unrestricted investment earnings				6,843	-	6,843
Gain on sale of capital assets				22,242	-	22,242
Miscellaneous				25,388	-	25,388
Transfers				(67,604)	67,604	-
Total general revenues and transfers				8,880,267	67,604	8,947,871
Change in net assets				2,173,829	674,053	2,847,882
Net assets, beginning of year				14,632,827	2,606,112	17,238,939
Net assets, end of year				$ 16,806,656	$ 3,280,165	$ 20,086,821

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

CITY OF CHAMBLEE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

ASSETS	General Fund	Confiscated Assets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 4,202,599	$ -	$ 338,239	$ 4,540,838
Taxes receivable, net of related allowance	1,396,261	-	26,906	1,423,167
Accounts receivable, net of related allowance	19,269	-	29,820	49,089
Due from other funds	23,179	-	-	23,179
Prepaid items	45,160	-	-	45,160
Restricted cash and cash equivalents	271,781	270,341	-	542,122
Total assets	$ 5,958,249	$ 270,341	$ 394,965	$ 6,623,555
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 247,708	$ 191,182	$ 11,440	$ 450,330
Accrued liabilities	165,082	-	17,832	182,914
Deferred revenues	317,386	-	-	317,386
Deposits payable	2,500	-	-	2,500
Due to other governments	103,289	-	-	103,289
Due to other funds	-	-	22,984	22,984
Total liabilities	835,965	191,182	52,256	1,079,403
FUND BALANCES				
Fund Balances:				
Nonspendable:				
Prepaids	45,160	-	-	45,160
Restricted:				
Judicial	271,781	-	-	271,781
Public safety		79,159	27,039	106,198
Culture and recreation	-	-	88,523	88,523
Debt service	-	-	54,344	54,344
Committed:				
Police technology resources	-	-	172,803	172,803
Unassigned	4,805,343	-	-	4,805,343
Total fund balances	5,122,284	79,159	342,709	5,544,152
Total liabilities and fund balances	$ 5,958,249	$ 270,341	$ 394,965	

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.	11,288,730
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	180,836
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(785,911)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds	578,849
Net assets of governmental activities	$ 16,806,656

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, 2011

	General Fund	Confiscated Assets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 8,577,135	$ -	$ 286,947	$ 8,864,082
Licenses and permits	383,522	-	-	383,522
Intergovernmental	-	-	64,365	64,365
Fines and forfeitures	1,294,384	26,275	-	1,320,659
Charges for services	230,483	-	392,899	623,382
Interest income	6,710	133	-	6,843
Other revenues	25,388	-	-	25,388
Total revenues	10,517,622	26,408	744,211	11,288,241
Expenditures				
Current:				
General government	1,204,491	-	-	1,204,491
Judicial	205,194	-	-	205,194
Public safety	4,467,897	24,057	751,873	5,243,827
Public works	975,700	-	-	975,700
Parks and recreation	632,273	-	-	632,273
Housing and development	435,085	-	85,465	520,550
Debt service:				
Principal retirements	74,275	-	98,044	172,319
Interest and fiscal charges	8,457	-	7,987	16,444
Total expenditures	8,003,372	24,057	943,369	8,970,798
Excess (deficiency) of revenues over (under) expenditures	2,514,250	2,351	(199,158)	2,317,443
Other financing sources (uses):				
Proceeds from sale of capital assets	29,929	-	-	29,929
Transfers in	183,601	-	552,190	735,791
Transfers out	(619,685)	-	(183,710)	(803,395)
Total other financing sources (uses)	(406,155)	-	368,480	(37,675)
Net change in fund balance	2,108,095	2,351	169,322	2,279,768
Fund balances, beginning of year, restated	3,014,189	76,808	173,387	3,264,384
Fund balances, end of year	$ 5,122,284	$ 79,159	$ 342,709	$ 5,544,152

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, 2011

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

Net change in fund balances - total governmental funds	$	2,279,768
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.		(282,840)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.		(7,687)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		29,316
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:		
Principal payments		172,319
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.		(17,047)
Change in net assets - governmental activities	$	2,173,829

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 7,757,103	$ 7,626,638	$ 8,577,135	$ 950,497
Licenses and permits	341,200	341,200	383,522	42,322
Fines and forfeitures	1,550,000	1,550,000	1,294,384	(255,616)
Charges for services	220,350	220,350	230,483	10,133
Interest income	3,000	3,000	6,710	3,710
Other revenues	3,050	3,050	25,388	22,338
Total revenues	9,874,703	9,744,238	10,517,622	773,384
Expenditures				
Current:				
General government	1,378,972	1,348,825	1,204,491	144,334
Judicial	221,979	225,979	205,194	20,785
Public safety	4,513,985	4,748,188	4,467,897	280,291
Public works	1,260,221	1,259,221	975,700	283,521
Parks and recreation	667,232	686,879	632,273	54,606
Housing and development	420,835	445,835	435,085	10,750
Total current expenditures	8,463,224	8,714,927	7,920,640	794,287
Debt service				
Principal retirements	99,200	99,200	74,275	24,925
Interest and fiscal charges	11,825	11,825	8,457	3,368
Total debt service	111,025	111,025	82,732	28,293
Total expenditures	8,574,249	8,825,952	8,003,372	822,580
Excess of revenues over expenditures	1,300,454	918,286	2,514,250	1,595,964
Other financing sources (uses)				
Capital leases	-	92,866	-	(92,866)
Proceeds from sale of capital assets	1,500	27,254	29,929	2,675
Transfers in	298,916	346,159	183,601	(162,558)
Transfers out	(756,971)	(836,971)	(619,685)	217,286
Total other financing sources (uses)	(456,555)	(370,692)	(406,155)	(35,463)
Net change in fund balances	843,899	547,594	2,108,095	1,560,501
Fund balances, beginning of year, restated	3,014,189	3,014,189	3,014,189	-
Fund balances, end of year	$ 3,858,088	$ 3,561,783	$ 5,122,284	$ 1,560,501

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 20,000	$ 20,000	$ 26,275	$ 6,275
Interest income	-	-	133	133
Total revenues	20,000	20,000	26,408	6,408
EXPENDITURES				
Public safety	50,000	50,000	24,057	25,943
Total expenditures	50,000	50,000	24,057	25,943
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(30,000)	2,351	32,351
Net change in fund balances	(30,000)	(30,000)	2,351	32,351
FUND BALANCES, beginning of year	76,808	76,808	76,808	-
FUND BALANCES, end of year	$ 46,808	$ 46,808	$ 79,159	$ 32,351

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

ASSETS	Business-type Activities - Enterprise Funds			
	Stormwater Fund	Sanitation Fund	Criminal History Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	$ 1,084,148	$ 187,523	$ 850,036	$ 2,121,707
Accounts receivable, net of allowances	35,896	16,159	37,679	89,734
Due from other governments	37,163	-	-	37,163
Total current assets	1,157,207	203,682	887,715	2,248,604
CAPITAL ASSETS				
Depreciable assets	1,062,364	1,135,610	-	2,197,974
Accumulated depreciation	(290,558)	(697,719)	-	(988,277)
Capital assets, net	771,806	437,891	-	1,209,697
Total assets	1,929,013	641,573	887,715	3,458,301
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	2,550	11,458	-	14,008
Accrued liabilities	5,778	10,567	5,486	21,831
Compensated absences payable	4,631	7,416	-	12,047
Due to other funds	-	-	195	195
Capital lease, due within one year	-	28,997	-	28,997
Total current liabilities	12,959	58,438	5,681	77,078
LONG TERM LIABILITIES				
Capital lease, due in more than one year	-	101,058	-	101,058
Total noncurrent liabilities	-	101,058	-	101,058
Total liabilities	12,959	159,496	5,681	178,136
NET ASSETS				
Invested in capital assets, net of related debt	771,806	307,836	-	1,079,642
Unrestricted	1,144,248	174,241	882,034	2,200,523
Total net assets	$ 1,916,054	$ 482,077	$ 882,034	$ 3,280,165

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, 2011

	Business-type Activities - Enterprise Funds			
	Stormwater Fund	Sanitation Fund	Criminal History Fund	Totals
OPERATING REVENUES				
Charges for sales and services	$ 744,019	$ 394,470	$ 590,948	$ 1,729,437
Total operating revenues	744,019	394,470	590,948	1,729,437
OPERATING EXPENSES				
Cost of sales and services	111,418	167,256	5,758	284,432
Personnel costs	205,781	331,184	165,840	702,805
Administration costs	7,477	15,739	83	23,299
Depreciation	61,645	48,071	-	109,716
Total operating expenses	386,321	562,250	171,681	1,120,252
Operating income (loss)	357,698	(167,780)	419,267	609,185
NON-OPERATING INCOME (EXPENSES)				
Interest expense	-	(2,736)	-	(2,736)
Total non-operating expenses	-	(2,736)	-	(2,736)
Income (loss) before transfers	357,698	(170,516)	419,267	606,449
Transfers in	-	175,017	-	175,017
Transfers out	-	-	(107,413)	(107,413)
	-	175,017	(107,413)	67,604
Change in net assets	357,698	4,501	311,854	674,053
Total net assets, beginning of year	1,558,356	477,576	570,180	2,606,112
Total net assets, end of year	$ 1,916,054	$ 482,077	$ 882,034	$ 3,280,165

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, 2011

	Business-type Activities - Enterprise Funds			
	Stormwater Fund	Sanitation Fund	Criminal History Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 1,002,736	$ 386,058	$ 610,558	$ 1,999,352
Payments to suppliers	(116,505)	(203,456)	(5,841)	(325,802)
Payments to employees	(195,478)	(318,865)	(160,354)	(674,697)
Net cash provided by (used in) operating activities	690,753	(136,263)	444,363	998,853
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	-	175,017	-	175,017
Transfers out to other funds	-	-	(107,413)	(107,413)
Net cash provided by (used in) non-capital financing activities	-	175,017	(107,413)	67,604
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(285,155)	(152,000)	-	(437,155)
Issuance of capital lease	-	152,000	-	152,000
Principal payments on capital lease	-	(21,945)	-	(21,945)
Interest paid	-	(2,737)	-	(2,737)
Net cash used in capital and related financing activities	(285,155)	(24,682)	-	(309,837)
Net increase in cash	405,598	14,072	336,950	756,620
Cash, beginning of year	678,550	173,451	513,086	1,365,087
Cash, end of year	$ 1,084,148	$ 187,523	$ 850,036	$ 2,121,707
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 357,698	$ (167,780)	$ 419,267	$ 609,185
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	61,645	48,071	-	109,716
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(439)	(8,412)	19,610	10,759
Decrease in due from other governments	259,156	-	-	259,156
Increase (decrease) in accounts payable	2,390	(20,461)	-	(18,071)
Increase in accrued liabilities	5,778	10,567	5,486	21,831
Increase in compensated absences payable	4,525	1,752	-	6,277
Net cash provided by (used in) operating activities	$ 690,753	$ (136,263)	$ 444,363	$ 998,853
NON CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Initiation of capital leases	$ -	$ 152,000	$ -	$ 152,000

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

Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbering amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No 54.

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, 2011, 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, 2011 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

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote of the Mayor and City Council. Only the Mayor and the City Council may modify or rescind the commitment through a majority vote.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has expressly delegated to the City Manager the authority to assign funds for particular purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balance may be reported in other governmental funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

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 $785,911 difference are as follows:

Capital leases payable	$	(439,193)
Accrued interest payable		(2,779)
Compensated absences		(343,939)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(785,911)

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 $282,840 difference are as follows:

Capital outlay	$	441,100
Depreciation expense		(723,940)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(282,840)

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 $17,047 difference are as follows:

Accrued interest payable	$	1,545
Compensated absences		(61,470)
Net pension asset		42,878
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(17,047)

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.
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 fund and department had an excess of actual expenditures over appropriations for the year ended December 31, 2011:

Rental Motor Vehicle Excise Tax Fund		
Principal retirements	$	2,994

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, 2011, the City's bank balances were properly collateralized as defined by general accepted accounting principles and State statutes.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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 State Treasurer. 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 $505,769 in Georgia Fund 1. As of December 31, 2011, the Georgia Fund 1 had a weighted average maturity of 60 days and a credit rating of AAAm.

Interest Rate Risk: The City does not have a formal policy that addresses interest rate risk. At December 31, 2011, 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, 2011, 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 2011. 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 2011 along with the property taxes and are due and payable in two installments. The first installment was due on August 15, 2011 and the second installment is due on November 15, 2011. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2011, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Stormwater	Sanitation	Criminal History	Nonmajor Governmental Funds
Receivables:					
Taxes	$ 1,536,261	$ -	$ -	$ -	$ 26,906
Accounts	19,269	243,463	18,867	75,465	29,820
Due from other governments	-	37,163	-	-	-
Less allowance for uncollectible	(140,000)	(207,567)	(2,708)	(37,786)	-
Net total receivable	$ 1,415,530	$ 73,059	$ 16,159	$ 37,679	$ 56,726

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2011, 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	21,100	-	111,516
Total	1,615,694	21,100	-	1,636,794
Capital assets, being depreciated:				
Buildings and improvements	5,365,105	-	-	5,365,105
Infrastructure	2,964,156	16,805	-	2,980,961
Furniture and equipment	1,491,129	120,123	-	1,611,252
Park improvements	3,430,773	-	-	3,430,773
Vehicles	1,284,370	283,072	(117,835)	1,449,607
Total	14,535,533	420,000	(117,835)	14,837,698
Less accumulated depreciation for:				
Buildings and improvements	(1,420,703)	(134,127)	-	(1,554,830)
Infrastructure	(401,783)	(105,698)	-	(507,481)
Furniture and equipment	(951,028)	(220,194)	-	(1,171,222)
Park improvements	(809,764)	(87,574)	-	(897,338)
Vehicles	(988,692)	(176,347)	117,835	(1,047,204)
Total	(4,571,970)	(723,940)	117,835	(5,178,075)
Total capital assets, being depreciated, net	9,963,563	(303,940)	-	9,659,623
Governmental activities capital assets, net	$ 11,579,257	$ (282,840)	$ -	$ 11,296,417

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	449,117	259,155	-	99,111	807,383
Buildings	125,305	-	-	-	125,305
Machinery and equipment	122,769	26,000	-	-	148,769
Vehicles	964,517	152,000	-	-	1,116,517
Total	1,661,708	437,155	-	99,111	2,197,974
Less accumulated depreciation for:					
Infrastructure	(87,761)	(25,046)	-	-	(112,807)
Buildings	(22,594)	(4,177)	-	-	(26,771)
Machinery and equipment	(80,066)	(11,543)	-	-	(91,609)
Vehicles	(688,140)	(68,950)	-	-	(757,090)
Total	(878,561)	(109,716)	-	-	(988,277)
Total capital assets, being depreciated, net	783,147	327,439	-	99,111	1,209,697
Business-type activities capital assets, net	$ 882,258	$ 327,439	$ -	$ -	$ 1,209,697

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

Governmental activities:	
General government	$ 153,183
Public safety	355,787
Public works	76,966
Culture and recreation	133,781
Housing and development	4,223
Total depreciation expense - governmental activities	$ 723,940
Business-type activities:	
Stormwater	$ 61,645
Sanitation	48,071
Total depreciation expense - business-type activities	$ 109,716

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 611,512	$ -	$ (172,319)	$ 439,193	$ 177,752
Compensated absences	282,469	312,282	(250,812)	343,939	343,939
Governmental activities Long-term liabilities	$ 893,981	$ 312,282	$ (423,131)	$ 783,132	$ 521,691

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital leases	$ -	$ 152,000	$ (21,945)	$ 130,055	$ 28,997
Compensated absences	5,770	21,194	(14,917)	12,047	12,047
Business-type activities Long-term liabilities	$ 5,770	$ 173,194	$ (36,862)	$ 142,102	$ 41,044

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, 2011, the City had $1,818,189 for governmental activities of assets under capital leases.

Capital Leases – Sanitation Vehicle. The City has entered into lease agreements as lessee for financing the acquisition of a sanitation vehicle used in business 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, 2011, the City had $152,000 for business activities of assets under capital leases.

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

	Governmental Activities
Year Ending December 31,	
2012	$ 188,813
2013	142,416
2014	62,893
2015	65,929
Total minimum lease payments	460,051
Less amount representing interest	20,858
Present value of future minimum lease payments	$ 439,193

	Business Activities
Year Ending December 31,	
2012	$ 32,909
2013	32,909
2014	32,909
2015	32,909
2016	8,227
Total minimum lease payments	139,863
Less amount representing interest	9,808
Present value of future minimum lease payments	$ 130,055

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2011, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	$ 22,984
General Fund	Criminal History Fund	195
		$ 23,179

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.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out	Amount
Nonmajor governmental funds	General Fund	$ 469,349
Nonmajor governmental funds	Nonmajor governmental funds	82,841
Sanitation Fund	General Fund	150,336
Sanitation Fund	Criminal History Fund	24,681
General Fund	Nonmajor governmental funds	100,869
General Fund	Criminal History Fund	82,732

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 9. 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 9. 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, 2011, the date of the most recent actuarial valuation, there were 143 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	50
Terminated vested participants not yet receiving benefits	22
Active participants - vested	39
Active participants - nonvested	32
Total	143

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 2011, the actuarially determined contribution rate was 14.64% of covered payroll.

For the current year 2011, the City's annual required contribution was $474,524. Actual contributions totaled $474,524. The annual required contribution for the current year 2011 was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include an 7.75% rate of return on investments, and projected salary increases of 3.5% plus age and service based merit increases, and 3.5% cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1983 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. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base.

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

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.

Annual Pension Cost

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended December 31, 2011, were computed as follows:

Annual required contribution	$ 474,524
Interest	(42,878)
Annual pension cost	431,646
Actual contributions made	(474,524)
Increase (decrease) in net pension obligation (asset)	42,878
Net pension obligation (asset), December 31, 2010	(535,971)
Net pension obligation (asset), December 31, 2011	$ (578,849)

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, 2010 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)
2011	$ 431,646	$ 474,524	109.9 %	$ (578,849)
2010	520,402	918,744	176.5	(535,971)
2009	576,303	703,882	122.1	(137,629)

As of the most recent valuation date, July 1, 2011, 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
7/1/2011	$ 13,064,240	$ 13,189,654	99.05%	$ (125,414)	$ 2,888,551	4.34%

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 9. 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, 2011.

NOTE 10. 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 $136,557 during the year ended December 31, 2011. At the end of the year, there were 40 participants in the Plan. Total value of the deferred compensation plan as of year-end was $137,945 which results in an average participant balance of $3,449.

NOTE 11. 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 12. 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 13. 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 14. 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 $143,759 for the year ended December 31, 2011. Of this amount, 52%, or $74,601, was transferred to the City's General Fund to be expended to promote tourism, conventions, and cultural events as required by O.C.G.A. 48-13-51 while, 48%, or $69,158, was left in the Hotel/Motel Tax Fund to be spent to promote tourism, conventions, and cultural events in year 2012

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 $143,188 for the year ended December 31, 2011. During the year, the City transferred $8,050 from the General Fund to the Rental Motor Vehicle Excise Tax Fund. As of December 31, 2011, the City expended $106,031 to pay principal and interest on the capital lease of the public safety building.

NOTE 15. CHANGE IN REPORTING ENTITY

During the year 2011, the City decided to no longer report the activity of the police technology function and grant activity function in the General Fund in order to separately report these activities in two new special revenue funds in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The initial funds of the newly created funds, Police Technology Fund and Multiple Grants Fund, were transferred from the General Fund. There is no effect on beginning fund balance for the General Fund or Nonmajor Governmental Funds as it relates to the creation of the Multiple Grants Fund. As a result of the change in reporting entity, the following restatements to beginning fund balance were noted for the General Fund and Nonmajor Governmental Funds:

Fund balance, General Fund, as previously reported	$ 3,159,074
Restatement for transfer of activitiy to the Police Technology Fund	(144,885)
Beginning fund balance, General Fund, restated	$ 3,014,189

Fund balance, Nonmajor Governmental Funds, as previously reported	$ 28,502
Restatement for transfer of activitiy to the Police Technology Fund	144,885
Beginning fund balance, Nonmajor Governmental Funds, restated	$ 173,387

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHAMBLEE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PENSION PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011

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)
7/1/2011	$ 13,064,240	$ 13,189,654	$ 125,414	99.05%	$ 2,888,551	4.34%
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

Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services and capital projects.

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 in the City. The proceeds of this tax are restricted by State law for public safety facility building capital 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. Forty percent of the proceeds of this tax are restricted by State law to promote tourism, conventions, and cultural events within the City.

Multiple Grants Fund – To account for governmental grants received and the related expenditures. These grant funds are restricted by Federal and State grantor agencies.

Police Technology Fund – To account for the technology fees on fines and forfeitures that are committed to be spent on police technology enhancement costs.

CITY OF CHAMBLEE, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds					
ASSETS	**Rental Motor Vehicle Excise Tax Fund**	**E911 Fund**	**Hotel/Motel Tax Fund**	**Multiple Grants Fund**	**Police Technology Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ 41,811	$ 49,475	$ 74,150	$ -	$ 172,803	$ 338,239
Taxes receivable, net of related allowance	12,533	-	14,373	-	-	26,906
Accounts receivable, net of related allowance	-	29,820	-	-	-	29,820
Total assets	$ 54,344	$ 79,295	$ 88,523	$ -	$ 172,803	$ 394,965
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ -	$ 11,440	$ -	$ -	$ -	$ 11,440
Accrued liabilities	-	17,832	-	-	-	17,832
Due to other funds	-	22,984	-	-	-	22,984
Total liabilities	-	52,256	-	-	-	52,256
FUND BALANCES						
Fund Balances:						
Restricted:						
Public safety	-	27,039	-	-	-	27,039
Culture and recreation	-	-	88,523	-	-	88,523
Debt service	54,344	-	-	-	-	54,344
Committed for:						
Police technology resources	-	-	-	-	172,803	172,803
Total fund balances	54,344	27,039	88,523	-	172,803	342,709
Total liabilities and fund balances	$ 54,344	$ 79,295	$ 88,523	$ -	$ 172,803	$ 394,965

CITY OF CHAMBLEE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds					
	Rental Motor Vehicle Excise Tax Fund	E911 Fund	Hotel/Motel Tax Fund	Multiple Grants Fund	Police Technology Fund	Total Nonmajor Governmental Funds
REVENUES						
Taxes	$ 143,188	$ -	$ 143,759	$ -	$ -	$ 286,947
Intergovernmental	-	-	-	64,365	-	64,365
Charges for services	-	255,872	-	-	137,027	392,899
Total revenues	143,188	255,872	143,759	64,365	137,027	744,211
EXPENDITURES						
Current:						
Public safety	-	751,873	-	-	-	751,873
Housing and development	-	-	-	85,465	-	85,465
Debt service:						
Principal retirements	98,044	-	-	-	-	98,044
Interest and fiscal charges	7,987	-	-	-	-	7,987
Total expenditures	106,031	751,873	-	85,465	-	943,369
Excess (deficiency) of revenues over (under) expenditures	37,157	(496,001)	143,759	(21,100)	137,027	(199,158)
Other financing sources (uses)						
Transfers in	8,050	523,040	-	21,100		552,190
Transfers out	-	-	(74,601)	-	(109,109)	(183,710)
Total other financing sources (uses)	8,050	523,040	(74,601)	21,100	(109,109)	368,480
Net change in fund balances	45,207	27,039	69,158	-	27,918	169,322
FUND BALANCES, beginning of year, restated	9,137	-	19,365	-	144,885	173,387
FUND BALANCES, end of year	$ 54,344	$ 27,039	$ 88,523	$ -	$ 172,803	$ 342,709

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 90,000	$ 90,000	$ 143,188	$ 53,188
Total revenues	90,000	90,000	143,188	53,188
EXPENDITURES				
Debt service:				
Principal retirements	95,050	95,050	98,044	(2,994)
Interest and fiscal charges	11,050	11,050	7,987	3,063
Total expenditures	106,100	106,100	106,031	69
Excess (deficiency) of revenues over (under) expenditures	(16,100)	(16,100)	37,157	53,257
OTHER FINANCING SOURCES				
Transfers in	16,100	16,100	8,050	(8,050)
Net change in fund balances	-	-	45,207	45,207
FUND BALANCES, beginning of year	9,137	9,137	9,137	-
FUND BALANCES, end of year	$ 9,137	$ 9,137	$ 54,344	$ 45,207

CITY OF CHAMBLEE, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 350,000	$ 350,000	$ 255,872	$ (94,128)
Total revenues	350,000	350,000	255,872	(94,128)
EXPENDITURES				
Public safety	845,200	845,200	751,873	93,327
Deficiency of revenues over expenditures	(495,200)	(495,200)	(496,001)	(801)
OTHER FINANCING SOURCES				
Transfers in	495,200	495,200	523,040	27,840
Net change in fund balances	-	-	27,039	27,039
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	$ -	$ -	$ 27,039	$ 27,039

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 50,000	$ 75,000	$ 143,759	$ 68,759
Total revenues	50,000	75,000	143,759	68,759
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	50,000	75,000	143,759	68,759
OTHER FINANCING USES				
Transfers out	(50,000)	(75,000)	(74,601)	399
Net change in fund balances	-	-	69,158	69,158
FUND BALANCES, beginning of year	19,365	19,365	19,365	-
FUND BALANCES, end of year	$ 19,365	$ 19,365	$ 88,523	$ 69,158

CITY OF CHAMBLEE, GEORGIA
MULTIPLE GRANTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 155,000	$ 241,243	$ 64,365	$ (176,878)
Total revenues	155,000	241,243	64,365	(176,878)
EXPENDITURES				
Housing and development	155,000	235,000	85,465	149,535
Total expenditures	155,000	235,000	85,465	149,535
Excess (deficiency) of revenues over (under) expenditures	-	6,243	(21,100)	(27,343)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	80,000	21,100	(58,900)
Transfers out	-	(6,243)	-	6,243
Total other financing sources	-	73,757	21,100	(52,657)
Net change in fund balances	-	80,000	-	(80,000)
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	$ -	$ 80,000	$ -	$ (80,000)

CITY OF CHAMBLEE, GEORGIA
POLICE TECHNOLOGY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 100,000	$ 100,000	$ 137,027	$ 37,027
Total revenues	100,000	100,000	137,027	37,027
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	100,000	100,000	137,027	37,027
OTHER FINANCING USES				
Transfers out	(130,000)	(130,000)	(109,109)	20,891
Net change in fund balances	(30,000)	(30,000)	27,918	57,918
FUND BALANCES, beginning of year	144,885	144,885	144,885	-
FUND BALANCES, end of year	$ 114,885	$ 114,885	$ 172,803	$ 57,918

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 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 (the "City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated June 21, 2012. Our report references that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* effective January 1, 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

Management of the City is responsible for establishing and maintaining effective 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses, as item 2011-1, to be a material weakness.

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 21, 2012**.**

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 others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 21, 2012

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

There was not an audit of major federal award programs as of December 31, 2011 due to the City not expending federal awards of $500,000 or more during the year ended December 31, 2011.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1: 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.
- 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.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1: Segregation of Duties (Repeat Finding) (Continued)

- 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.
- Manual journal entries do not require documented approval by a responsible person, independent of the person preparing and posting the entries.

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.

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.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There was not an audit of major federal award programs as of December 31, 2011 due to the City not expending federal awards of $500,000 or more during the year ended December 31, 2011.

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, 2010) due to the total amount expended being less than $500,000; therefore, no prior year findings related to Federal awards.