CITY OF CHAMBLEE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

Prepared By:
City of Chamblee
Finance Department

CITY OF CHAMBLEE, GEORGIA

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Chamblee, Georgia**, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Chamblee, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chamblee, Georgia as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of January 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and Schedule of Funding Progress on page 49, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chamblee, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, 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* in considering the City of Chamblee's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 14, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The City's total assets exceed liabilities by $22,868,946 at the end of the year. Of this amount, unrestricted net position of $8,423,072 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 2012. The City's net position increased by $2,782,125 or (13.9%). Of this amount, an increase of $2,244,450 was associated with governmental activities and an increase of $537,675 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 $7,588,483, an increase of $2,044,331 in comparison with the prior year. Of this amount, $5,417,043 is unassigned and available for spending.

- At the end of the current year, unassigned fund balance for the General Fund was $5,417,043, or 62.9% of total general fund expenditures.

- The General Fund reported a net increase in fund balance of $1,985,008 compared with an increase of $2,108,095 in the prior year.

- The City's total debt obligations (including accrued compensated absences) decreased by $114,243 (12.4%) during the current year. This compares to a 2.8% increase in the prior year.

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 position (formally 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 position.

Over time, increases or decreases in net position 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 position changed during the most recent year. All changes in net position 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, Multiple Grants, and Confiscated Assets Fund, which are considered to be major funds. Data from the other four (4) 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 17 through 22 of this report.

Proprietary funds. The City maintains three (3) proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitation, stormwater, and criminal history background functions. Sanitation, Stormwater, and Criminal History Funds are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23 through 25 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 26 through 48 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 49 this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $22,868,946 at the close of the most recent year.

By far the largest portion of the City's net position (54%) 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 position ($2,012,227) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($8,423,072) 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 position, both for the City as a whole, as well as for its separate governmental and business-type activities.

City of Chamblee, Georgia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	$ 9,742,607	$ 7,179,420	$ 2,712,126	$ 2,248,409	$ 12,454,733	$ 9,427,829
Capital Assets	11,444,023	11,288,730	1,352,346	1,209,697	12,796,369	12,498,427
Total Assets	21,186,630	18,468,150	4,064,472	3,458,106	25,251,102	21,926,256
Liabilities:						
Current and other liabilities *	1,437,012	878,362	134,153	35,839	1,571,165	914,201
Long term debt outstanding	698,512	783,132	112,479	142,102	810,991	925,234
Total Liabilities	2,135,524	1,661,494	246,632	177,941	2,382,156	1,839,435
Net position:						
Net investment in capital assets	11,182,359	10,849,537	1,251,288	1,079,642	12,433,647	11,929,179
Restricted	2,012,227	520,846	-	-	2,012,227	520,846
Unrestricted	5,856,520	5,436,273	2,566,552	2,200,523	8,423,072	7,636,796
Total Net Position	$ 19,051,106	$ 16,806,656	$ 3,817,840	$ 3,280,165	$ 22,868,946	$ 20,086,821

*Current and other liabilities include deferred inflows of resources.

Governmental Activities. Governmental activities increased the City of Chamblee's net position by $2,244,450, thereby accounting for 80.7% of the total increase in the net position of the City. Key elements of this increase are as follows:

City of Chamblee, Georgia's Change in Net Position

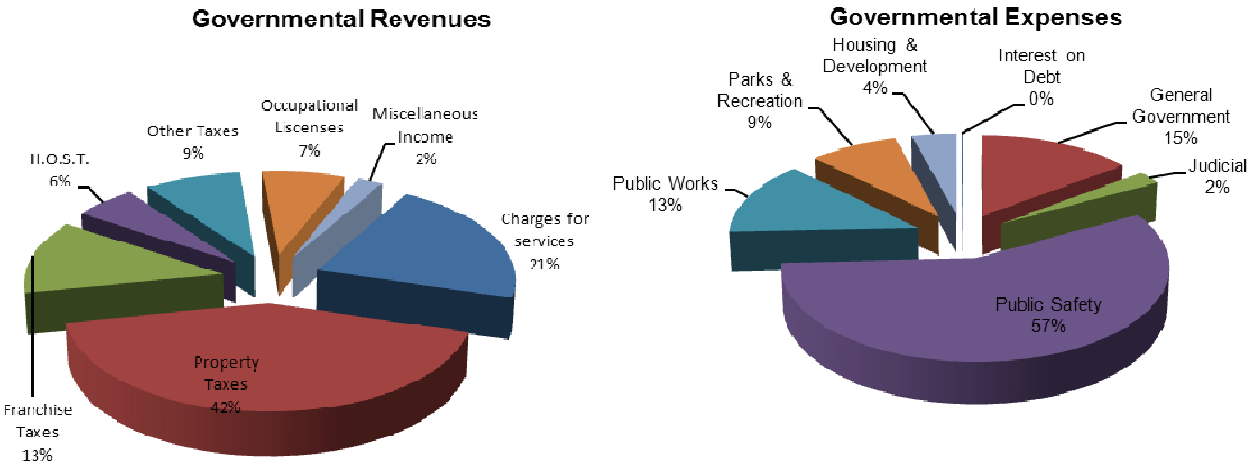
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for services	$ 2,490,942	$ 2,327,563	$ 1,790,316	$ 1,729,437	$ 4,281,258	$ 4,057,000
Capital grants and contributions	254,166	64,365	-	-	254,166	64,365
General revenues:						
Property taxes	4,934,955	5,186,528	-	-	4,934,955	5,186,528
Other taxes	3,987,090	3,706,870	-	-	3,987,090	3,706,870
Investment income	1,161	6,843	-	-	1,161	6,843
Miscelleneous	16,001	47,630	-	-	16,001	47,630
Total Revenues	11,684,315	11,339,799	1,790,316	1,729,437	13,474,631	13,069,236
Expenses:						
General government	1,390,498	1,357,621	-	-	1,390,498	1,357,621
Judicial	226,005	205,951	-	-	226,005	205,951
Public safety	5,469,687	5,307,569	-	-	5,469,687	5,307,569
Public works	1,258,183	1,034,529	-	-	1,258,183	1,034,529
Parks and recreation	805,707	676,861	-	-	805,707	676,861
Housing and development	399,986	500,936	-	-	399,986	500,936
Interest on long-term debt	9,881	14,899	-	-	9,881	14,899
Storm water	-	-	376,708	386,321	-	386,321
Sanitation	-	-	575,099	564,986	575,099	564,986
Criminal history	-	-	180,752	171,681	180,752	171,681
Total Expenses	9,559,947	9,098,366	1,132,559	1,122,988	10,692,506	10,221,354
Excess (Deficiency) before Transfers	2,124,368	2,241,433	657,757	606,449	2,782,125	2,847,882
Transfers	120,082	(67,604)	(120,082)	67,604	-	-
Increase (Decrease) in Net position	2,244,450	2,173,829	537,675	674,053	2,782,125	2,847,882
Net position, beginning of year	16,806,656	14,632,827	3,280,165	2,606,112	20,086,821	17,238,939
Net position, end of year	$ 19,051,106	$ 16,806,656	$ 3,817,840	$ 3,280,165	$ 22,868,946	$ 20,086,821

- Due to a decline in the tax digest, property tax collections declined by $251,573 or 4.9% despite maintaining a millage rate of 7.40 mills.

- Other taxes revenue increased by 7.6% from $3,706,870 to $3,987,090. This is due mainly to an increase in franchise fees.

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 position by $537,675 thereby accounting for 19.3% of the total increase in the net position of the City. The primary reason for this increase was the Stormwater fund. The Stormwater Fund is used to repair and maintain the City's stormwater drains and pipes. Repairs can include sinkholes that are caused by damaged stormwater pipes.

Business-type Activities

	Program Revenues		Program Expense		Program Income (Loss)	
	2012	2011	2012	2011	2012	2011
Fund:						
Stormw ater	$ 767,799	$ 744,019	$ 376,708	$ 386,321	$ 391,091	$ 357,698
Sanitation	400,488	394,470	575,099	564,986	(174,611)	(170,516)
Criminal History	622,029	590,948	180,752	171,681	441,277	419,267
Total	$ 1,790,316	$ 1,729,437	$ 1,132,559	$ 1,122,988	$ 657,757	$ 606,449

Although Criminal History revenue only rose by $31,081, there was sufficient enough fund balance to support $587,310 in capital purchases. The revenues for the Stormwater Fund increased $23,780 from the previous year. 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 2014. Therefore, the revenues and expenses for sanitation remained in line with the previous year. Expenses exceeded the revenues which required a transfer of $190,373 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, 2012, the City's governmental funds reported combined ending balances of $7,588,483, an increase of $2,044,331 in comparison to the prior year. Of this amount, $5,417,043 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.

The restricted funds include $1,245,669 in Homestead Option Sales Tax (HOST) funds that can be used only for capital projects and $409,383 to be used to pay court bond refunds. The committed funds consist solely of $124,016 which is to be spent for police and municipal court technology expenditures with the approval of the Mayor 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 $5,417,043 while total fund balance was $7,107,292. 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 63% of the total General Fund expenditures for 2012, while total fund balance represents 83% of that same amount.

During the current year, the fund balance of the City's General Fund increased by $1,985,008. The revenues increased by $236,325 or 2.3%, and the expenditures increased by $616,206 or 7.7% resulting in an excess of revenues over expenditures of $2,134,369. In addition, the General Fund transferred a net of $152,786 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 $83,406 is restricted by law to specific law enforcement purposes.

Multiple Grants Fund. The Multiple Grants Fund was established to account for governmental grants received and the related expenditures. The fund balance at year-end was zero.

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 positions of the three proprietary funds were $2,566,552 at the end of the year. Of this amount, $1,572,260 was from the Stormwater Fund and $258,291, was from the Sanitation Fund. The remaining $736,001 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 2012, the City's General Fund had a favorable budget variance of $1,407,154 due in part to an increase in electric franchise taxes collected for the annexed area. Although the annexation occurred in 2011, some of the properties were not properly coded to the City until 2012. Revenue for 2011 and 2012 was received for those properties during 2012. This helped to bring in an additional $662,159 over what was budgeted. Actual expenditures of $8,619,578 were $435,890 less than the original budget amount of $9,055,468.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of December 31, 2012, amounts to $11,444,023 (net of accumulated depreciation). These assets primarily reflect land, buildings, infrastructure, vehicles, furniture and equipment and park improvements. The City's investment in net capital assets for its business-type activities as of December 31, 2012, amounts to $1,352,346.

The total increase in the City's investment in capital assets for the current year was $297,942 or 2.4%. For more detailed information concerning capital assets, see note 6 to the financial statements.

Some of the major capital asset additions in year 2012 included an additional leaf blower for the annexed area and the replacement of eight (8) aging police cars. Also, a new garbage truck and a new dump truck were purchased for sanitation.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 1,525,278	$ 1,525,278	$ -	$ -	$ 1,525,278	$ 1,525,278
Construction in progress	525,007	111,516	-	-	525,007	111,516
Buildings and improvements	3,676,147	3,810,275	94,357	98,534	3,770,504	3,908,809
Infrastructure	2,389,354	2,473,480	696,483	694,576	3,085,837	3,168,056
Furniture, machinery, and equipment	498,658	440,030	72,067	57,160	570,725	497,190
Park Improvements	2,352,621	2,533,435	-	-	2,352,621	2,533,435
Vehicles	476,958	394,716	489,439	359,427	966,397	754,143
Total	$ 11,444,023	$ 11,288,730	$ 1,352,346	$ 1,209,697	$ 12,796,369	$ 12,498,427

LONG-TERM DEBT

At the end of 2012 year, the City had $810,991 in outstanding long-term debt. This is a net decrease of $114,243 compared to the prior year. More detailed information about the City's long-term liabilities is included in note 7 to the financial statements.

Outstanding Debt at December 31

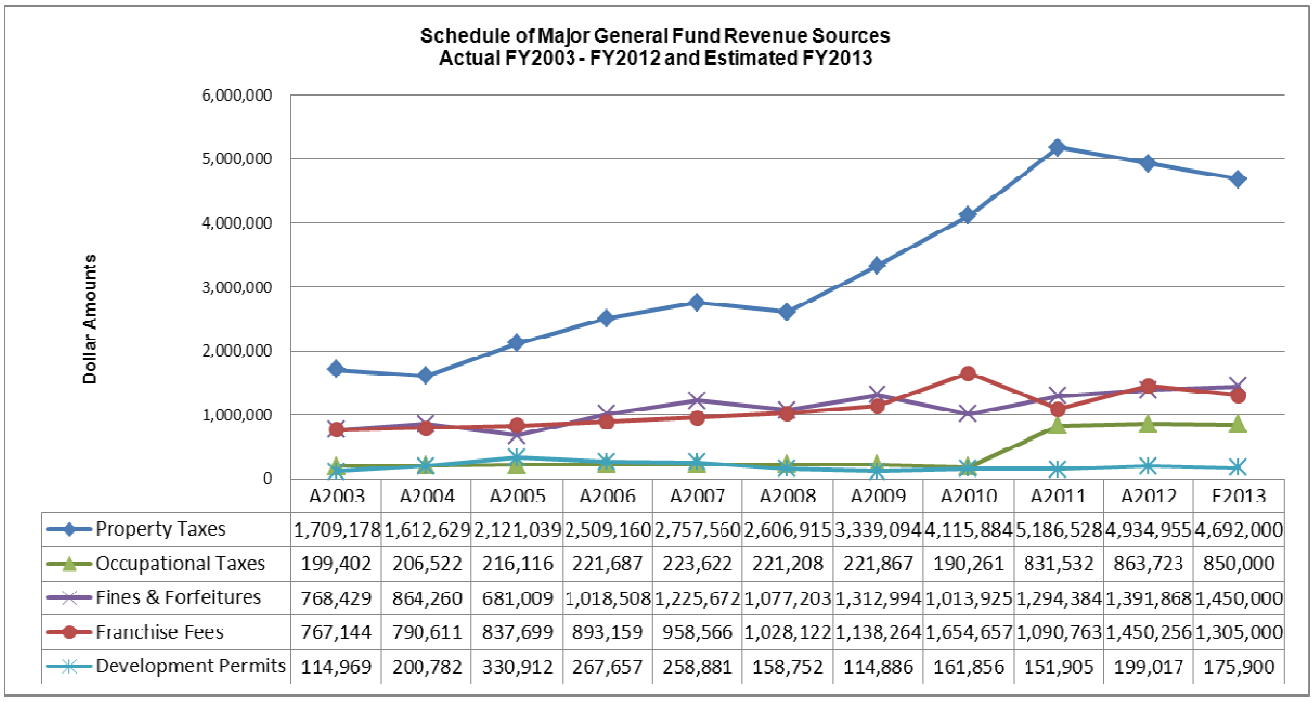
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital leases payable	$ 261,664	$ 439,193	$ 101,058	$ 130,055	$ 362,722	$ 569,248
Compensated absences	436,848	343,939	11,421	12,047	448,269	355,986
Total	$ 698,512	$ 783,132	$ 112,479	$ 142,102	$ 810,991	$ 925,234

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 2012 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 2013 and the County in which the City is located, DeKalb, is anticipating another significant decrease in the overall County tax digest for 2013. The City's budget for 2013 was prepared using the 2012 millage rate of 7.4 mills.

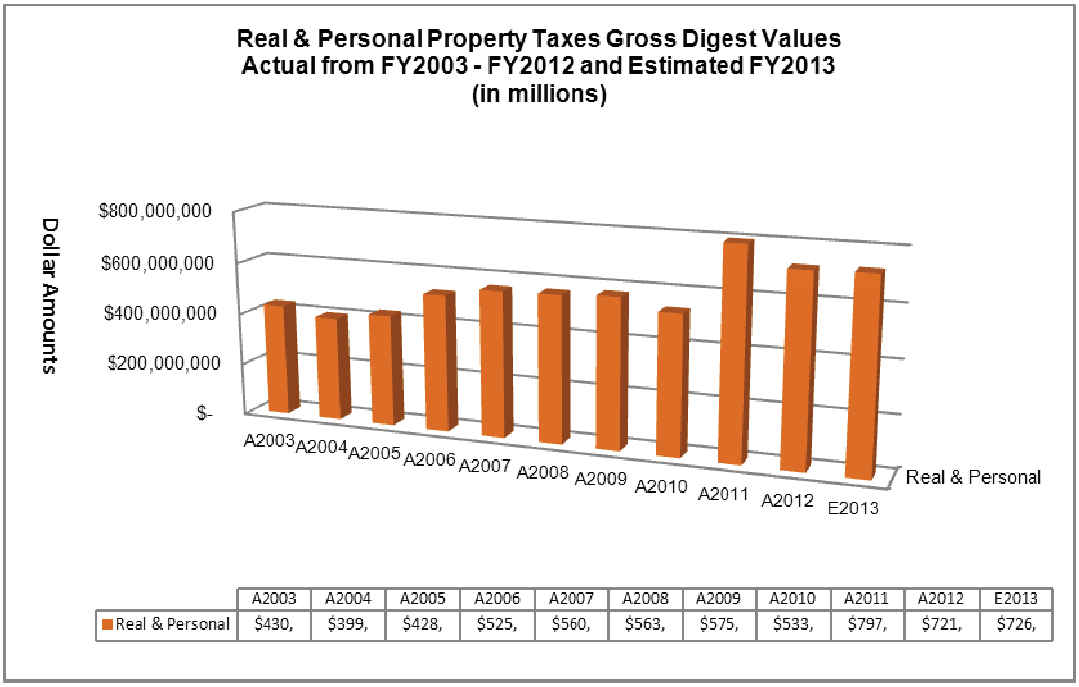
As expected, the City's overall revenues were relatively flat in 2012. Revenues increased by $236,325 or 2.3% in 2012 for the General Fund. There is pending legislation for an annexation at the end of 2013. Revenues are otherwise expected to remain flat in 2013.

The table below shows the ten year revenue trends for the City's major revenue sources and the calendar year 2013 estimated revenue budget amount:

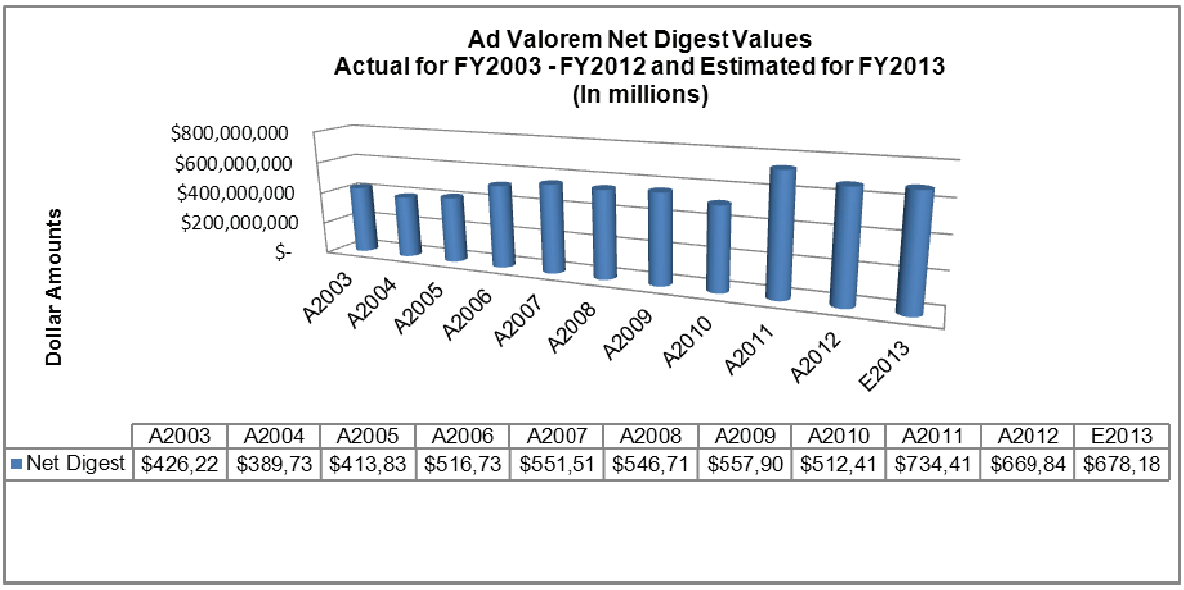


	A2003	A2004	A2005	A2006	A2007	A2008	A2009	A2010	A2011	A2012	F2013
Property Taxes	1,709,178	1,612,629	2,121,039	2,509,160	2,757,560	2,606,915	3,339,094	4,115,884	5,186,528	4,934,955	4,692,000
Occupational Taxes	199,402	206,522	216,116	221,687	223,622	221,208	221,867	190,261	831,532	863,723	850,000
Fines & Forfeitures	768,429	864,260	681,009	1,018,508	1,225,672	1,077,203	1,312,994	1,013,925	1,294,384	1,391,868	1,450,000
Franchise Fees	767,144	790,611	837,699	893,159	958,566	1,028,122	1,138,264	1,654,657	1,090,763	1,450,256	1,305,000
Development Permits	114,969	200,782	330,912	267,657	258,881	158,752	114,886	161,856	151,905	199,017	175,900

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.



	A2003	A2004	A2005	A2006	A2007	A2008	A2009	A2010	A2011	A2012	E2013
Real & Personal	$430,	$399,	$428,	$525,	$560,	$563,	$575,	$533,	$797,	$721,	$726,



	A2003	A2004	A2005	A2006	A2007	A2008	A2009	A2010	A2011	A2012	E2013
Net Digest	$426,22	$389,73	$413,83	$516,73	$551,51	$546,71	$557,90	$512,41	$734,41	$669,84	$678,18

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 POSITION
DECEMBER 31, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 6,369,475	$ 2,607,386	$ 8,976,861
Taxes receivable, net of allowance	1,699,427	-	1,699,427
Accounts receivable, net of allowance	59,516	91,394	150,910
Due from other governments	254,166	3,574	257,740
Prepaid items	35,197	9,772	44,969
Net pension asset	625,157	-	625,157
Restricted cash and cash equivalents	699,669	-	699,669
Capital assets:			
Non-depreciable	2,050,285	-	2,050,285
Depreciable, net of accumulated depreciation	9,393,738	1,352,346	10,746,084
Total assets	21,186,630	4,064,472	25,251,102
LIABILITIES			
Accounts payable	841,081	94,534	935,615
Accrued liabilities	244,688	25,445	270,133
Due to other governments	155,035	-	155,035
Deposits payable	2,500	14,174	16,674
Accrued interest payable	1,428	-	1,428
Compensated absences, due within one year	436,848	11,421	448,269
Capital leases, due within one year	139,706	29,960	169,666
Capital leases, due in more than one year	121,958	71,098	193,056
Total liabilities	1,943,244	246,632	2,189,876
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues - licenses and permits	192,280	-	192,280
Total deferred inflows of resources	192,280	-	192,280
NET POSITION			
Net investment in capital assets	11,182,359	1,251,288	12,433,647
Restricted for:			
Judicial	409,383	-	409,383
Public safety	132,367	-	132,367
Culture and recreation	127,492	-	127,492
Capital projects	1,245,669	-	1,245,669
Debt service	97,316	-	97,316
Unrestricted	5,856,520	2,566,552	8,423,072
Total net position	$ 19,051,106	$ 3,817,840	$ 22,868,946

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position: Total
General government	$ 1,390,498	$ 275,233	$ -	$ (1,115,265)	$ -	$ (1,115,265)
Judicial	226,005	1,391,868	-	1,165,863	-	1,165,863
Public safety	5,469,687	490,241	-	(4,979,446)	-	(4,979,446)
Public works	1,258,183	74	-	(1,258,109)	-	(1,258,109)
Parks and recreation	805,707	134,509	-	(671,198)	-	(671,198)
Housing and development	399,986	199,017	254,166	53,197	-	53,197
Interest on long-term debt	9,881	-	-	(9,881)	-	(9,881)
Total governmental activities	9,559,947	2,490,942	254,166	(6,814,839)	-	(6,814,839)
Business-type activities:						
Stormwater	376,708	767,799	-	-	391,091	391,091
Sanitation	575,099	400,488	-	-	(174,611)	(174,611)
Criminal history	180,752	622,029	-	-	441,277	441,277
Total business-type activities	1,132,559	1,790,316	-	-	657,757	657,757
Total primary government	$ 10,692,506	$ 4,281,258	$ 254,166	(6,814,839)	657,757	(6,157,082)
General revenues:						
Property taxes				4,934,955	-	4,934,955
Franchise taxes				1,450,256	-	1,450,256
Excise taxes				149,002	-	149,002
Insurance premium taxes				492,821	-	492,821
Business taxes				863,723	-	863,723
Other taxes				25,572	-	25,572
Hotel / motel taxes				185,041	-	185,041
Alcohol taxes				159,073	-	159,073
Sales taxes				661,602	-	661,602
Unrestricted investment earnings				1,161	-	1,161
Gain on sale of capital assets				3,425	-	3,425
Miscellaneous				12,576	-	12,576
Transfers				120,082	(120,082)	-
Total general revenues and transfers				9,059,289	(120,082)	8,939,207
Change in net position				2,244,450	537,675	2,782,125
Net position, beginning of year				16,806,656	3,280,165	20,086,821
Net position, end of year				$ 19,051,106	$ 3,817,840	$ 22,868,946

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

CITY OF CHAMBLEE, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

ASSETS	General Fund	Confiscated Assets Fund	Multiple Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 6,023,373	$ -	$ -	$ 346,102	$ 6,369,475
Taxes receivable, net of related allowance	1,662,852	-	-	36,575	1,699,427
Accounts receivable, net of related allowance	26,562	-	-	32,954	59,516
Due from other governments	-	-	254,166	-	254,166
Due from other funds	229,245	-	-	13,092	242,337
Prepaid items	35,197	-	-	-	35,197
Restricted cash and cash equivalents	409,383	290,286		-	699,669
Total assets	$ 8,386,612	$ 290,286	$ 254,166	$ 428,723	$ 9,359,787
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 604,177	$ 206,880	$ 24,921	$ 5,103	$ 841,081
Accrued liabilities	218,853	-	-	25,835	244,688
Deposits payable	2,500	-	-	-	2,500
Due to other governments	155,035	-	-	-	155,035
Due to other funds	13,092	-	229,245	-	242,337
Total liabilities	993,657	206,880	254,166	30,938	1,485,641
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - licenses and permits	192,280	-	-	-	192,280
Unavailable revenue - occupational taxes	1,850	-	-	-	1,850
Unavailable revenue - property taxes	91,533	-	-	-	91,533
Total deferred inflows of resources	285,663	-	-	-	285,663
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Prepaid items	35,197	-	-	-	35,197
Restricted:					
Judicial	409,383	-	-	-	409,383
Public safety		83,406	-	48,961	132,367
Culture and recreation	-	-	-	127,492	127,492
Capital projects	1,245,669	-	-	-	1,245,669
Debt service	-	-	-	97,316	97,316
Committed:					
Police technology resources	-	-	-	124,016	124,016
Unassigned	5,417,043	-	-	-	5,417,043
Total fund balances	7,107,292	83,406	-	397,785	7,588,483
Total liabilities, deferred inflows of resources, and fund balances	$ 8,386,612	$ 290,286	$ 254,166	$ 428,723	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,444,023
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable or unearned in the funds.	93,383
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(699,940)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds	625,157
Net position of governmental activities	$ 19,051,106

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, 2012

	General Fund	Confiscated Assets Fund	Multiple Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 8,675,455	$ -	$ -	$ 334,043	$ 9,009,498
Licenses and permits	436,793	-	-	-	436,793
Intergovernmental	-	-	254,166	-	254,166
Fines and forfeitures	1,391,868	33,471	-	-	1,425,339
Charges for services	236,094	-	-	392,716	628,810
Interest income	1,161	-	-	-	1,161
Other revenues	12,576	-	-	-	12,576
Total revenues	10,753,947	33,471	254,166	726,759	11,768,343
Expenditures					
Current:					
General government	1,265,867	-	-	-	1,265,867
Judicial	224,126	-	-	-	224,126
Public safety	4,721,231	29,224	-	806,436	5,556,891
Public works	1,329,472	-	-	-	1,329,472
Parks and recreation	606,265	-	-	26,423	632,688
Housing and development	389,886	-	259,828	-	649,714
Debt service:					
Principal retirements	76,217	-	-	101,312	177,529
Interest and fiscal charges	6,514	-	-	4,718	11,232
Total expenditures	8,619,578	29,224	259,828	938,889	9,847,519
Excess (deficiency) of revenues over (under) expenditures	2,134,369	4,247	(5,662)	(212,130)	1,920,824
Other financing sources (uses):					
Proceeds from sale of capital assets	3,425	-	-	-	3,425
Transfers in	524,207	-	5,662	575,383	1,105,252
Transfers out	(676,993)	-	-	(308,177)	(985,170)
Total other financing sources (uses)	(149,361)	-	5,662	267,206	123,507
Net change in fund balance	1,985,008	4,247	-	55,076	2,044,331
Fund balances, beginning of year	5,122,284	79,159	-	342,709	5,544,152
Fund balances, end of year	$ 7,107,292	$ 83,406	$ -	$ 397,785	$ 7,588,483

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, 2012

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

Net change in fund balances - total governmental funds	$	2,044,331
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 capital outlay exceeded depreciation in the current period.		155,293
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(87,453)
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payments		177,529
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.		(45,250)
Change in net position - governmental activities	$	2,244,450

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 8,000,438	$ 8,000,438	$ 8,675,455	$ 675,017
Licenses and permits	318,850	318,850	436,793	117,943
Fines and forfeitures	1,550,000	1,550,000	1,391,868	(158,132)
Charges for services	219,450	219,450	236,094	16,644
Interest income	-	-	1,161	1,161
Other revenues	3,050	3,050	12,576	9,526
Total revenues	10,091,788	10,091,788	10,753,947	662,159
Expenditures				
Current:				
General government	1,411,438	1,413,088	1,265,867	147,221
Judicial	241,554	241,554	224,126	17,428
Public safety	4,800,780	4,948,792	4,721,231	227,561
Public works	1,428,612	1,429,112	1,329,472	99,640
Parks and recreation	678,454	678,454	606,265	72,189
Housing and development	411,572	411,572	389,886	21,686
Total current expenditures	8,972,410	9,122,572	8,536,847	585,725
Debt service				
Principal retirements	76,427	76,427	76,217	210
Interest and fiscal charges	6,631	6,631	6,514	117
Total debt service	83,058	83,058	82,731	327
Total expenditures	9,055,468	9,205,630	8,619,578	586,052
Excess of revenues over expenditures	1,036,320	886,158	2,134,369	1,248,211
Other financing sources (uses)				
Proceeds from sale of capital assets	1,500	1,500	3,425	1,925
Transfers in	398,058	564,858	524,207	(40,651)
Transfers out	(769,662)	(874,662)	(676,993)	197,669
Total other financing sources (uses)	(370,104)	(308,304)	(149,361)	158,943
Net change in fund balances	666,216	577,854	1,985,008	1,407,154
Fund balances, beginning of year	5,122,284	5,122,284	5,122,284	-
Fund balances, end of year	$ 5,788,500	$ 5,700,138	$ 7,107,292	$ 1,407,154

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 20,000	$ 20,000	$ 33,471	$ 13,471
Total revenues	20,000	20,000	33,471	13,471
EXPENDITURES				
Public safety	52,500	52,500	29,224	23,276
Total expenditures	52,500	52,500	29,224	23,276
Excess (deficiency) of revenues over (under) expenditures	(32,500)	(32,500)	4,247	36,747
Net change in fund balances	(32,500)	(32,500)	4,247	36,747
FUND BALANCES, beginning of year	79,159	79,159	79,159	-
FUND BALANCES, end of year	$ 46,659	$ 46,659	$ 83,406	$ 36,747

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

CITY OF CHAMBLEE, GEORGIA

MULTIPLE GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 675,000	$ 675,000	$ 254,166	$ (420,834)
Total revenues	675,000	675,000	254,166	(420,834)
EXPENDITURES				
Housing and development	800,000	800,000	259,828	540,172
Total expenditures	800,000	800,000	259,828	540,172
Deficiency of revenues under expenditures	(125,000)	(125,000)	(5,662)	119,338
OTHER FINANCING SOURCES				
Transfers in	125,000	125,000	5,662	(119,338)
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	$ -	$ -	$ -	$ -

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
ASSETS	**Stormwater Fund**	**Sanitation Fund**	**Criminal History Fund**	**Totals**
CURRENT ASSETS				
Cash and cash equivalents	$ 1,593,688	$ 276,861	$ 736,837	$ 2,607,386
Accounts receivable, net of allowances	61,834	10,620	18,940	91,394
Due from other governments	3,574	-	-	3,574
Prepaid items	2,271	7,501		9,772
Total current assets	1,661,367	294,982	755,777	2,712,126
CAPITAL ASSETS				
Depreciable assets	1,124,454	1,351,057	-	2,475,511
Accumulated depreciation	(361,069)	(762,096)	-	(1,123,165)
Capital assets, net	763,385	588,961	-	1,352,346
Total assets	2,424,752	883,943	755,777	4,064,472
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	77,639	16,895	-	94,534
Accrued liabilities	6,487	13,356	5,602	25,445
Deposits payable	-	-	14,174	14,174
Compensated absences payable	4,981	6,440	-	11,421
Capital lease, due within one year	-	29,960	-	29,960
Total current liabilities	89,107	66,651	19,776	175,534
LONG TERM LIABILITIES				
Capital lease, due in more than one year	-	71,098	-	71,098
Total noncurrent liabilities	-	71,098	-	71,098
Total liabilities	89,107	137,749	19,776	246,632
NET POSITION				
Net investment in capital assets	763,385	487,903	-	1,251,288
Unrestricted	1,572,260	258,291	736,001	2,566,552
Total net position	$ 2,335,645	$ 746,194	$ 736,001	$ 3,817,840

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

CITY OF CHAMBLEE, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Stormwater Fund	Sanitation Fund	Criminal History Fund	Totals
OPERATING REVENUES				
Charges for sales and services	$ 767,799	$ 400,488	$ 622,029	$ 1,790,316
Total operating revenues	767,799	400,488	622,029	1,790,316
OPERATING EXPENSES				
Cost of sales and services	89,268	178,757	6,617	274,642
Personnel costs	210,592	313,051	174,135	697,778
Administration costs	6,337	15,002	-	21,339
Depreciation	70,511	64,377	-	134,888
Total operating expenses	376,708	571,187	180,752	1,128,647
Operating income (loss)	391,091	(170,699)	441,277	661,669
NON-OPERATING EXPENSES				
Interest expense	-	(3,912)	-	(3,912)
Total non-operating expenses	-	(3,912)	-	(3,912)
Income (loss) before transfers	391,091	(174,611)	441,277	657,757
Transfers in	28,500	438,728	-	467,228
Transfers out	-	-	(587,310)	(587,310)
	28,500	438,728	(587,310)	(120,082)
Change in net position	419,591	264,117	(146,033)	537,675
Total net position, beginning of year	1,916,054	482,077	882,034	3,280,165
Total net position, end of year	$ 2,335,645	$ 746,194	$ 736,001	$ 3,817,840

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, 2012

	Business-type Activities - Enterprise Funds			
	Stormwater Fund	Sanitation Fund	Criminal History Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 775,450	$ 406,027	$ 654,942	$ 1,836,419
Payments to suppliers	(22,787)	(195,823)	(6,812)	(225,422)
Payments to employees	(209,533)	(311,238)	(174,019)	(694,790)
Net cash provided by (used in) operating activities	543,130	(101,034)	474,111	916,207
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	28,500	438,728	-	467,228
Transfers out to other funds	-	-	(587,310)	(587,310)
Net cash provided by (used in) non-capital financing activities	28,500	438,728	(587,310)	(120,082)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(62,090)	(215,447)	-	(277,537)
Principal payments on capital lease	-	(28,997)	-	(28,997)
Interest paid	-	(3,912)	-	(3,912)
Net cash used in capital and related financing activities	(62,090)	(248,356)	-	(310,446)
Net increase (decrease) in cash	509,540	89,338	(113,199)	485,679
Cash, beginning of year	1,084,148	187,523	850,036	2,121,707
Cash, end of year	$ 1,593,688	$ 276,861	$ 736,837	$ 2,607,386
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 391,091	$ (170,699)	$ 441,277	$ 661,669
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	70,511	64,377	-	134,888
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(25,938)	5,539	18,739	(1,660)
Decrease in due from other governments	33,589	-	-	33,589
Increase in prepaid items	(2,271)	(7,501)	-	(9,772)
Increase in accounts payable	75,089	5,437	-	80,526
Increase in deposits payable	-	-	14,174	14,174
Increase in accrued liabilities	709	2,789	116	3,614
Increase (decrease) in compensated absences payable	350	(976)	-	(626)
Decrease in due to other funds	-	-	(195)	(195)
Net cash provided by (used in) operating activities	$ 543,130	$ (101,034)	$ 474,111	$ 916,207

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Chamblee, Georgia (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 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. The more significant accounting policies of the City are described below.

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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 position 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 **Multiple Grants Fund** is used to account for governmental grants received and the related expenditures. These grant funds are restricted by Federal and State grantor agencies.

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.

In accounting and reporting for its proprietary operations, the City applies all Governmental Accounting Standards Board (GASB) pronouncements. For the year ended December 31, 2012, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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, 2012, 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, 2012 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. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities,* as of January 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and occupational taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. 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 position. Bond premiums and discounts 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. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. 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 position."

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

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 (passage of a resolution). 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)

M. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets 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 position is reported as restricted using the same definition as used for restricted fund balance as described in the previous section. All other net position is reported as unrestricted.

N. 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 Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 $699,940 difference are as follows:

Capital leases payable	$	(261,664)
Accrued interest payable		(1,428)
Compensated absences		(436,848)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(699,940)

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 position 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 $155,293 difference are as follows:

Capital outlay	$	807,320
Depreciation expense		(652,027)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	155,293

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 $45,250 difference are as follows:

Accrued interest payable	$	1,351
Compensated absences		(92,909)
Net pension asset		46,308
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(45,250)

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.

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, 2012, the City's bank balances were properly collateralized as defined by State Statutes.

Credit Risk – Investments: The City investments are made in the State of Georgia's Local Government Investment Pool (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool that follows Standard and Poor's criteria for AAAf 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 $999,550 in Georgia Fund 1. As of December 31, 2012, the Georgia Fund 1 had a weighted average maturity of 40 days and a credit rating of AAAf.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk: The City does not have a formal policy that addresses interest rate risk. At December 31, 2012, 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, 2012, the City's only investments were in the local government pool established by State law.

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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 were levied in July 2012. The billings are considered due upon receipt by the taxpayer; however, they are considered late after November 15. After this date, 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 inflows of resources - unavailable property taxes 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 along with the property taxes and are due and payable in two installments. The first installment was due on August 15, 2012 and the second installment is due on November 15, 2012. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2012, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Multiple Grants	Stormwater
Receivables:			
Taxes	$ 1,868,852	$ -	$ -
Accounts	26,562	-	279,771
Due from other governments	-	254,166	3,574
Less allowance for uncollectible	(206,000)	-	(217,937)
Net total receivable	$ 1,689,414	$ 254,166	$ 65,408

	Sanitation	Criminal History	Nonmajor Governmental Funds
Receivables:			
Taxes	$ -	$ -	$ 36,575
Accounts	13,700	48,961	32,954
Due from other governments	-	-	-
Less allowance for uncollectible	(3,080)	(30,021)	-
Net total receivable	$ 10,620	$ 18,940	$ 69,529

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2012, 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	111,516	413,491	-	525,007
Total	1,636,794	413,491	-	2,050,285
Capital assets, being depreciated:				
Buildings and improvements	5,365,105	-	-	5,365,105
Infrastructure	2,980,961	-	-	2,980,961
Furniture and equipment	1,611,252	164,326	-	1,775,578
Park improvements	3,430,773	-	-	3,430,773
Vehicles	1,449,607	229,503	(118,408)	1,560,702
Total	14,837,698	393,829	(118,408)	15,113,119
Less accumulated depreciation for:				
Buildings and improvements	(1,554,830)	(134,128)	-	(1,688,958)
Infrastructure	(507,481)	(84,126)	-	(591,607)
Furniture and equipment	(1,171,222)	(105,698)	-	(1,276,920)
Park improvements	(897,338)	(180,814)	-	(1,078,152)
Vehicles	(1,054,891)	(147,261)	118,408	(1,083,744)
Total	(5,185,762)	(652,027)	118,408	(5,719,381)
Total capital assets, being depreciated, net	9,651,936	(258,198)	-	9,393,738
Governmental activities capital assets, net	$ 11,288,730	$ 155,293	$ -	$ 11,444,023

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Infrastructure	$ 807,383	$ 33,590	$ -	$ 840,973
Buildings	125,305	-	-	125,305
Machinery and equipment	148,769	28,500	-	177,269
Vehicles	1,116,517	215,447	-	1,331,964
Total	2,197,974	277,537	-	2,475,511
Less accumulated depreciation for:				
Infrastructure	(112,807)	(31,683)	-	(144,490)
Buildings	(26,771)	(4,177)	-	(30,948)
Machinery and equipment	(91,609)	(13,593)	-	(105,202)
Vehicles	(757,090)	(85,435)	-	(842,525)
Total	(988,277)	(134,888)	-	(1,123,165)
Total capital assets, being depreciated, net	1,209,697	142,649	-	1,352,346
Business-type activities capital assets, net	$ 1,209,697	$ 142,649	$ -	$ 1,352,346

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

Governmental activities:	
General government	$ 152,022
Public safety	311,233
Public works	61,004
Culture and recreation	126,621
Housing and development	1,147
Total depreciation expense - governmental activities	$ 652,027
Business-type activities:	
Stormwater	$ 70,511
Sanitation	64,377
Total depreciation expense - business-type activities	$ 134,888

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 439,193	$ -	$ (177,529)	$ 261,664	$ 139,706
Compensated absences	343,939	380,529	(287,620)	436,848	436,848
Governmental activities Long-term liabilities	$ 783,132	$ 380,529	$ (465,149)	$ 698,512	$ 576,554

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	$ 130,055	$ -	$ (28,997)	$ 101,058	$ 29,960
Compensated absences	12,047	19,060	(19,686)	11,421	11,421
Business-type activities Long-term liabilities	$ 142,102	$ 19,060	$ (48,683)	$ 112,479	$ 41,381

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, 2012, the City had a net book value of $1,647,478 ($2,545,918 acquisition cost and accumulated depreciation of $898,440) 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, 2012, the City had a net book value of $131,100 ($152,000 acquisition cost and accumulated depreciation of $20,900) for business-type 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,	
2013	$ 145,188
2014	62,893
2015	62,748
Total minimum lease payments	270,829
Less amount representing interest	9,165
Present value of future minimum lease payments	$ 261,664

	Business-type Activities
Year Ending December 31,	
2013	$ 32,909
2014	32,909
2015	32,909
2016	8,227
Total minimum lease payments	106,954
Less amount representing interest	5,896
Present value of future minimum lease payments	$ 101,058

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Multiple Grants Fund	$ 229,245
Nonmajor governmental funds	General Fund	13,092
		$ 242,337

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	$ 480,958
Nonmajor governmental funds	Nonmajor governmental funds	94,425
Sanitation Fund	General Fund	190,373
Sanitation Fund	Criminal History Fund	248,355
General Fund	Nonmajor governmental funds	213,752
General Fund	Criminal History Fund	310,455
Stormwater Fund	Criminal History Fund	28,500
Multiple Grants Fund	General Fund	5,662

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, 2012, the date of the most recent actuarial valuation, there were 141 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	50
Terminated vested participants not yet receiving benefits	25
Active participants - vested	41
Active participants - nonvested	25
Total	141

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 2012, the actuarially determined contribution rate was 11.65% of covered payroll.

For the current year 2012, the City's annual required contribution was $342,242. Actual contributions totaled $342,242. The annual required contribution for the current year 2012 was determined as part of the July 1, 2011 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, 2012, were computed as follows:

Annual required contribution	$ 342,242
Interest	(46,308)
Annual pension cost	295,934
Actual contributions made	(342,242)
Increase (decrease) in net pension obligation (asset)	46,308
Net pension obligation (asset), December 31, 2011	(578,849)
Net pension obligation (asset), December 31, 2012	$ (625,157)

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, 2011 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)
2012	$ 295,934	$ 342,242	115.6 %	$ (625,157)
2011	431,646	474,524	109.9	(578,849)
2010	520,402	918,744	176.5	(535,971)

As of the most recent valuation date, July 1, 2012, 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
7/1/2012	$ 13,719,834	$ 13,953,252	98.33%	$ (233,418)	$ 2,751,553	8.48%

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, 2012.

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 $169,759 during the year ended December 31, 2012. At the end of the year, there were 46 participants in the Plan. Total value of the deferred compensation plan as of year-end was $329,414 which results in an average participant balance of $7,161.

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 $185,041 for the year ended December 31, 2012. Of this amount, 79%, or $146,702, was expended to promote tourism, conventions, and cultural events as required by O.C.G.A. 48-13-51 while, 21%, or $38,969, was left in the Hotel/Motel Tax Fund to be spent to promote tourism, conventions, and cultural events in year 2013.

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 $149,002 for the year ended December 31, 2012. During the year, the City expended $106,030 to pay principal and interest on the capital lease of the public safety building.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHAMBLEE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PENSION PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2012

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)
7/1/2012	$ 13,719,834	$ 13,953,252	$ 233,418	98.33%	$ 2,751,553	8.48%
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 9 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.

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, 2012

	Special Revenue Funds				
ASSETS	**Rental Motor Vehicle Excise Tax Fund**	**E911 Fund**	**Hotel/Motel Tax Fund**	**Police Technology Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ 84,806	$ 46,945	$ 103,427	$ 110,924	$ 346,102
Taxes receivable, net of related allowance	12,510	-	24,065	-	36,575
Accounts receivable, net of related allowance	-	32,954	-	-	32,954
Due from other funds	-	-	-	13,092	13,092
Total assets	$ 97,316	$ 79,899	$ 127,492	$ 124,016	$ 428,723
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ 5,103	$ -	$ -	$ 5,103
Accrued liabilities	-	25,835	-	-	25,835
Total liabilities	-	30,938	-	-	30,938
FUND BALANCES					
Fund Balances:					
Restricted:					
Public safety	-	48,961	-	-	48,961
Culture and recreation	-	-	127,492	-	127,492
Debt service	97,316	-	-	-	97,316
Committed for:					
Police technology resources	-	-	-	124,016	124,016
Total fund balances	97,316	48,961	127,492	124,016	397,785
Total liabilities and fund balances	$ 97,316	$ 79,899	$ 127,492	$ 124,016	$ 428,723

CITY OF CHAMBLEE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds				
	Rental Motor Vehicle Excise Tax Fund	E911 Fund	Hotel/Motel Tax Fund	Police Technology Fund	Total Nonmajor Governmental Funds
REVENUES					
Taxes	$ 149,002	$ -	$ 185,041	$ -	$ 334,043
Charges for services	-	252,975	-	139,741	392,716
Total revenues	149,002	252,975	185,041	139,741	726,759
EXPENDITURES					
Current:					
Public safety	-	806,436	-	-	806,436
Parks and recreation	-	-	26,423	-	26,423
Debt service:					
Principal retirements	101,312	-	-	-	101,312
Interest and fiscal charges	4,718	-	-	-	4,718
Total expenditures	106,030	806,436	26,423	-	938,889
Excess (deficiency) of revenues over (under) expenditures	42,972	(553,461)	158,618	139,741	(212,130)
Other financing sources (uses)					
Transfers in	-	575,383	-		575,383
Transfers out	-	-	(119,649)	(188,528)	(308,177)
Total other financing sources (uses)	-	575,383	(119,649)	(188,528)	267,206
Net change in fund balances	42,972	21,922	38,969	(48,787)	55,076
FUND BALANCES, beginning of year	54,344	27,039	88,523	172,803	342,709
FUND BALANCES, end of year	$ 97,316	$ 48,961	$ 127,492	$ 124,016	$ 397,785

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 115,000	$ 115,000	$ 149,002	$ 34,002
Total revenues	115,000	115,000	149,002	34,002
EXPENDITURES				
Debt service:				
Principal retirements	95,050	101,312	101,312	-
Interest and fiscal charges	11,050	4,788	4,718	70
Total expenditures	106,100	106,100	106,030	70
Net change in fund balances	8,900	8,900	42,972	34,072
FUND BALANCES, beginning of year	54,344	54,344	54,344	-
FUND BALANCES, end of year	$ 63,244	$ 63,244	$ 97,316	$ 34,072

CITY OF CHAMBLEE, GEORGIA
E911 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 330,000	$ 330,000	$ 252,975	$ (77,025)
Total revenues	330,000	330,000	252,975	(77,025)
EXPENDITURES				
Public safety	868,615	909,114	806,436	102,678
Deficiency of revenues under expenditures	(538,615)	(579,114)	(553,461)	25,653
OTHER FINANCING SOURCES				
Transfers in	538,615	579,114	575,383	(3,731)
Net change in fund balances	-	-	21,922	21,922
FUND BALANCES, beginning of year	27,039	27,039	27,039	-
FUND BALANCES, end of year	$ 27,039	$ 27,039	$ 48,961	$ 21,922

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 124,000	$ 124,000	$ 185,041	$ 61,041
Total revenues	124,000	124,000	185,041	61,041
EXPENDITURES				
Culture and recreation	-	26,423	26,423	-
Total expenditures	-	26,423	26,423	-
Excess of revenues over expenditures	124,000	97,577	158,618	61,041
OTHER FINANCING USES				
Transfers out	(74,400)	(124,400)	(119,649)	4,751
Net change in fund balances	49,600	(26,823)	38,969	65,792
FUND BALANCES, beginning of year	88,523	88,523	88,523	-
FUND BALANCES, end of year	$ 138,123	$ 61,700	$ 127,492	$ 65,792

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 130,000	$ 130,000	$ 139,741	$ 9,741
Total revenues	130,000	130,000	139,741	9,741
EXPENDITURES				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	130,000	130,000	139,741	9,741
OTHER FINANCING USES				
Transfers out	(235,400)	(275,899)	(188,528)	87,371
Net change in fund balances	(105,400)	(145,899)	(48,787)	97,112
FUND BALANCES, beginning of year	172,803	172,803	172,803	-
FUND BALANCES, end of year	$ 67,403	$ 26,904	$ 124,016	$ 97,112

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-1 through 2012-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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.*

City of Chamblee, Georgia's Responses to Findings

The City of Chamblee, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Chamblee, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 14, 2013

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
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, 2012 due to the City not expending federal awards of $500,000 or more during the year ended December 31, 2012.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1: 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, editing the master receivable file, and reviewing 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, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1: 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 ledger function.

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, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012-2: Expenditures/Expenses and Related Liabilities

Criteria: Internal controls should be in place to ensure expenditure/expenses and related liabilities are recognized as incurred in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's expenditures/expenses and related liabilities.

Context/Cause: During our audit, certain audit adjustments were required to correct current year expenditures/expenses and related liabilities. The nature of these adjustments is as follows:

- In the General Fund, capital outlay expenditures and related liabilities were understated due to improper recording of a construction in progress expenditure. An audit adjustment totaling approximately $128,000 was required to properly report expenditures and related liabilities. Additionally, an adjustment to governmental activities was required to properly report the transactions as capital assets.
- In the E911 Fund, expenditures and related liabilities were overstated due to improper recording of an expenditure that pertained to the year ending December 31, 2013. An audit adjustment totaling approximately $47,000 was required to properly report expenditures and related liabilities.
- In the Criminal History Fund, expenditures and related liabilities were overstated due to improper recording of an expense that pertained to the year ending December 31, 2013. An audit adjustment totaling approximately $57,000 was required to properly report expenses and related liabilities.

Effects/Possible Effects: Audit adjustments totaling approximately $233,000 were needed to correctly report expenditures/expenses and related liabilities for the various funds as mentioned above.

Recommendation: We recommend the City carefully review all expenditures/expenses and related balance sheet accounts to ensure all transactions are properly recorded in accordance with GAAP.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure expenditures/expenses and the related liabilities are recorded in accordance with GAAP.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

2012-3: Revenues and Related Balance Sheet Accounts

Criteria: Internal controls should be in place to ensure amounts reported as revenues and related balance sheet accounts are appropriate and properly valued in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's revenues and related balance sheet accounts.

Context/Cause: During our testing, certain audit adjustments were required to correct current year revenues and related balance sheet accounts. The nature of these adjustments is as follows:

- In the Grants Fund, intergovernmental revenues and receivables that were earned and available as of December 31, 2012 were omitted. An audit adjustment totaling approximately $13,000 was required to properly report intergovernmental revenues and receivables.
- In the Criminal History Fund, charges for services revenue were overstated due to improper recognition of customer overpayments as revenues instead of unearned revenue liabilities. An audit adjustment totaling approximately $14,000 was required to properly report revenues and unearned revenue liabilities.

Effects/Possible Effects: Audit adjustments totaling approximately $27,000 were needed to correctly report revenues and related balance sheet accounts for the two (2) funds as mentioned above.

Recommendation: We recommend the City carefully review all revenues and related balance sheet accounts to ensure all transactions are properly reported in accordance with GAAP.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure revenues and the related balance sheet accounts are reported in accordance with GAAP.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There was not an audit of major federal award programs as of December 31, 2012 due to the City not expending federal awards of $500,000 or more during the year ended December 31, 2012.

CITY OF CHAMBLEE, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2011) due to the total amount expended being less than $500,000; therefore, no prior year findings related to Federal awards.