

CITY OF STOCKBRIDGE, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2011**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Stockbridge, Georgia** (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City of Stockbridge, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stockbridge, Georgia as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012, on our consideration of the City of Stockbridge, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 12) and the Schedule of Funding Progress (on page 51) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stockbridge, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
October 8, 2012

CITY OF STOCKBRIDGE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011

As management of the City of Stockbridge, we offer readers of the City of Stockbridge's financial statements this narrative overview and analysis of the financial activities of the City of Stockbridge for the fiscal year ended December 31, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Stockbridge exceeded its liabilities at the close of the fiscal year by \$55,485,561. Of this amount, unrestricted net assets of \$16,865,651 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,236,857. Of this amount, an increase of \$3,705,768 was associated with governmental activities and an increase of \$531,089 was associated with business-type activities.
- As of the close of the current fiscal year, the City of Stockbridge's governmental funds reported combined ending fund balances of \$15,028,165, an increase of \$2,832,215 in comparison with the prior year. Approximately 55.3 percent of this total amount, or \$8,306,801, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,306,801, or 135.7 percent of total General Fund expenditures for the fiscal year.
- The City of Stockbridge's total debt obligations (including accrued compensated absences) decreased by \$113,306. The City increased its loan debt by \$371,712 with the Georgia Environment Facilities Authority (GEFA) to improve the City's water distribution system but reduced its bond debt by \$485,018 with principal payments on the Urban Redevelopment Agency's bond obligations, for an overall decrease of 0.63 percent in total debt obligations.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Stockbridge's basic financial statements. The City's basic financial statements consist of three components;

- 1) Government-wide financial statements;
- 2) Fund financial statements; and
- 3) Notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Stockbridge.

Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements:

- 1) The governmental funds statements;
- 2) The budgetary comparison statements; and
- 3) The proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the (type of unit-city, county, etc.) individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories:

- 1) Governmental activities;
- 2) Business-type activities, and;
- 3) Component units.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

The governmental activities include most of the City's basic services such as public safety and courts, highways and streets, parks and recreation, tourism and promotion, code enforcement, and general administration.

The business-type activities are those that the City charges customers to provide. These include the water and sewer, solid waste management, conference center, community center, and stormwater management services offered by the City of Stockbridge.

The final category is the component unit. Although legally separate from the City of Stockbridge, the Urban Redevelopment Agency is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant activities. 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 of Stockbridge, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Stockbridge can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Stockbridge adopts an annual budget for its General Fund, as required by state law. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Mayor and Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns:

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011

- 1) The original budget as adopted by the board;
- 2) The final budget as amended by the board;
- 3) The actual resources, charges to appropriations, and ending balances in the General Fund; and
- 4) The difference or variance between the final budget and the actual resources and charges.

To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

The City maintains seven major governmental funds: the General Fund, Hotel/Motel Tax Fund, SPLOST II and SPLOST III Capital Project Funds, State and Federal Grants Funds, Urban Redevelopment Fund, and the Perpetual Care Permanent Fund. 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 all major funds.

Proprietary Funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has five enterprise funds: Water and Sewer Fund, Solid Waste Management Fund, Conference Center Fund, Community Center, and its Stormwater Management Fund. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Stockbridge's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Stockbridge exceeded liabilities by \$55,485,561 as of December 31, 2011. The City's net assets increased by \$4,236,857 for the fiscal year ended December 31, 2011. However, the largest portion (67.4%) reflects the City's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Stockbridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Stockbridge's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Stockbridge's net assets (9.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,859,693 is unrestricted. The following is a comparison statement of the City's net assets as of December 31, 2011:

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

The City of Stockbridge's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 15,952,011	\$ 13,522,003	\$ 4,288,609	\$ 3,506,823	\$ 20,240,620	\$ 17,028,826
Capital assets	36,323,400	35,854,619	18,706,829	18,827,653	55,030,229	54,682,272
Total assets	52,275,411	49,376,622	22,995,438	22,334,476	75,270,849	71,711,098
Long-term liabilities outstanding	15,755,000	16,296,930	1,894,386	1,595,501	17,649,386	17,892,431
Other liabilities	839,723	1,104,772	1,296,179	1,465,191	2,135,902	2,569,963
Total liabilities	16,594,723	17,401,702	3,190,565	3,060,692	19,785,288	20,462,394
Net assets:						
Invested in capital assets, net of related debt	20,568,400	19,619,619	16,812,443	17,320,303	37,380,843	36,939,922
Restricted	5,215,699	3,375,196	-	412,499	5,215,699	3,787,695
Unrestricted	9,896,589	8,980,105	2,992,430	1,540,982	12,889,019	10,521,087
Total net assets	\$ 35,680,688	\$ 31,974,920	\$ 19,804,873	\$ 19,273,784	\$ 55,485,561	\$ 51,248,704

A portion of the net assets (9.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,889,019) may be used to meet the government's ongoing obligations to citizens and creditors.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Increased insurance premium taxes of approximately \$652,000 due to growth of the City as reported by Census 2010 population counts; and
- Lawsuit settlement with a financial award of approximately \$650,000 awarded to the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

The City of Stockbridge Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,764,893	\$ 1,126,757	\$ 4,810,189	\$ 4,599,066	\$ 6,575,082	\$ 5,725,823
Operating grants & contributions	690,000	-	-	-	690,000	-
Capital grants & contributions	2,557,612	1,985,246	-	1,178,613	2,557,612	3,163,859
General revenues:						
Sales taxes	3,198,744	3,130,180	-	-	3,198,744	3,130,180
Other taxes	3,840,411	3,071,268	-	-	3,840,411	3,071,268
Interest	132,640	155,468	5,143	7,378	137,783	162,846
Other	-	15,399	-	-	-	15,399
	<u>12,184,300</u>	<u>9,484,318</u>	<u>4,815,332</u>	<u>5,785,057</u>	<u>16,999,632</u>	<u>15,269,375</u>
Expenses:						
General government	3,685,693	2,515,610	-	-	3,685,693	2,515,610
Judicial	1,432,260	1,080,261	-	-	1,432,260	1,080,261
Public works	2,196,017	2,200,403	-	-	2,196,017	2,200,403
Housing and development	130,855	-	-	-	130,855	-
Urban redevelopment	-	58,662	-	-	-	58,662
Code enforcement	-	74,782	-	-	-	74,782
Interest on long-term debt	734,837	749,810	-	-	734,837	749,810
Water and sewer	-	-	2,637,874	2,664,977	2,637,874	2,664,977
Stormwater management	-	-	402,250	471,972	402,250	471,972
Solid waste	-	-	927,975	966,489	927,975	966,489
Conference center	-	-	494,312	518,217	494,312	518,217
Community center	-	-	120,702	70,853	120,702	70,853
	<u>8,179,662</u>	<u>6,679,528</u>	<u>4,583,113</u>	<u>4,692,508</u>	<u>12,762,775</u>	<u>11,372,036</u>
Increase in net assets before transfers	4,004,638	2,804,790	232,219	1,092,549	4,236,857	3,897,339
Transfers, net	(298,870)	(1,061,552)	298,870	1,061,552	-	-
Increase in net assets	3,705,768	1,743,238	531,089	2,154,101	4,236,857	3,897,339
Net assets, beginning of year	31,974,920	30,231,682	19,273,784	17,119,683	51,248,704	47,351,365
Net assets, end of year	<u>\$ 35,680,688</u>	<u>\$ 31,974,920</u>	<u>\$ 19,804,873</u>	<u>\$ 19,273,784</u>	<u>\$ 55,485,561</u>	<u>\$ 51,248,704</u>

Governmental activities. Governmental activities increased the City's net assets by \$3,705,768, thereby accounting for 87.4% of the total growth in the net assets of the City of Stockbridge. Key elements of this increase are as follows:

- Completion of renovation to the police services and municipal court buildings; and
- Phase I completion of Reeves Creek construction project.

Business-type activities: Business-type activities increased the City of Stockbridge's net assets by \$531,089, accounting for 12.6% of the total growth in the government's net assets. The key element of this increase was the completion of \$1.9 million in additional water pipeline infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Stockbridge's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Stockbridge's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Stockbridge. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,306,801, while total fund balance reached \$9,812,466. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 135.9 percent of total General Fund expenditures, while total fund balance represents 160.5 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,406,347. Key factors in the increase are due to:

- Proceeds from a lawsuit settlement in the amount of \$650,000; and
- Proceeds from insurance premiums in the amount of \$700,000 due to state formula based on 2010 Census population counts

The City of Stockbridge received \$1,970,455 in Special Purpose Local Option Sales Taxes (SPLOST) in 2011 compared to \$1,560,824 in 2010. This is an increase of 26.2 percent and is primarily due to the method the SPLOST proceeds are used by Henry County to pay debt service on bonds issued to finance approved SPLOST projects. The list of projects was based on a conservative estimate of SPLOST III revenues totaling \$300 million, of which 75% goes to unincorporated Henry County and 25% is split between the City of Stockbridge and three other cities in the county. The projects are broken down as follows: 70% for roads, bridges and sidewalks and 30% for Capital, which also includes some land acquisition for public use.

At December 31, 2011, the governmental funds of the City of Stockbridge reported a combined fund balance of \$15,028,165, a 23.2 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds. Of this amount, \$8,306,801 (55.3%) is unassigned fund balance, which is available for spending at the government's discretion.

The Capital Projects Fund includes grants from state and federal agencies. As of December 31, 2011, the Livable Centers Initiative (LCI) totaled \$270,560 while the state's Transportation Enhancement (TE) grants totaled \$604,658. LCI is a program that awards planning grants on a competitive basis to local governments and nonprofit organizations to prepare plans for the enhancement of existing centers and corridors consistent with regional development policies. And TE grant program was established as a means to enrich the traveling experience of motorists, bicyclists, and pedestrians through enhancements to our transportation system.

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011

At December 31, 2011, the Urban Redevelopment Agency of the City of Stockbridge had long-term liabilities from Revenue Bonds in the amount of \$15,755,000. The majority of these funds were used to acquire property and to construct and furnish a City Hall building, which was completed in 2009. The cost of the building was approximately \$11,964,000. Debt service of \$480,000 in principal and \$737,016 in interest occurred in 2011. It is the City's goal to retire the debt in the year 2031.

The City created the Hotel/Motel Tax Fund during fiscal year 2006 in order to meet the reporting requirements of state law. The Fund is used to account for proceeds from the City's Hotel/Motel tax and the required 40% payment to the Henry County Chamber of Commerce to market the City. The City collected \$82,579 in fiscal year 2011, which is a 13.1 percent decrease from the prior year. The unreserved fund balance at December 31, 2011 was \$3,112.

The City has a Perpetual Fund that is for the maintenance and upkeep of Burks Cemetery. A donation of \$5,000 was willed to the city in 1994 by Ms. Mildred B. Lee with the stipulation that only the investment earnings be used for cemetery maintenance and upkeep. The current fair value as of December 31, 2011 was \$11,312.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- 1) Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
- 2) Amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and
- 3) Increases in appropriations that become necessary to maintain services.

The General Fund had an original adopted budget of \$7,358,740 of revenues and \$6,585,219 of expenditures. The variance between actual revenues and the final adopted budget was \$1,716,945 in revenues though the City had \$690,594 less in expenditures than anticipated. The variance is primarily due to:

- 1) An increase of \$652,436 in the insurance premium tax as a result of the City's 2010 population counts;
- 2) An increase of \$263,741 in fines and forfeitures from the Municipal Court in part due to a revision of fine amounts;
- 3) Proceeds of \$650,000 from the settlement of a lawsuit;
- 4) Acquisition of real estate in the amount of \$423,000;
- 5) Increase in scope of work within the Water Department, specifically, \$155,741 for water pipeline infrastructure; and
- 6) Increase in projects within the Sanitation Department, specifically, \$60,018 for three vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011

Capital Asset and Debt Administration

Capital assets. The City of Stockbridge's investment in capital assets for its governmental and business-type activities as of December 31, 2011, totals \$55,030,229 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. This figure represents a 1.3 percent increase in governmental-type activities and a 0.6 percent decrease in business-type activities, for a combined net increase of 0.6 percent for the year.

Major capital asset transactions during the year include the following additions:

- Completion of renovations to the Municipal Court Building, Police Services Building, and water pipeline infrastructure.
- No major demolitions were recorded this year.

Additional information on the City's capital assets can be found in Note 6 of the Basic Financial Statements.

Long-term Debt. As of December 31, 2011, the City of Stockbridge had total bonded debt outstanding of \$17,779,125.

City of Stockbridge's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds	15,811,912	16,296,930	1,967,213	1,595,501	17,779,125	17,892,431
Total	\$ 15,811,912	\$ 16,296,930	\$ 1,967,213	\$ 1,595,501	\$ 17,779,125	\$ 17,892,431

The City of Stockbridge's total debt decreased by \$113,306 (0.6%) during the past fiscal year. Additional information on the City's long-term debt can be found in Note 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011

Georgia general statutes limit the amount of general obligation debt that a unit of government can issue to 10 percent of the total assessed value of taxable property located within that government's boundaries. The City had no general obligation debt as of December 31, 2011. Below is an analysis of the City's net taxable value of the 2011 Henry County Digest:

Real and personal property	\$ 730,742,299
Motor vehicles	22,664,440
Mobile homes	2,482,237
Heavy duty equipment	<u>22,000</u>
Gross digest	755,910,976
Less Maintenance & Operations (M&O) exemptions	<u>(27,074,707)</u>
Net M&O digest	<u>\$ 728,836,269</u>

Economic Factors and Next Year's Budgets and Rates

The following are key economic indicators for the City.

- High unemployment. The City's unemployment rate was 11.2 percent as of December 2011 and had spiked to 13 percent during the fiscal year, according to the U.S. Bureau of Labor Statistics. This figure was above the state average of 9.4 percent for the same time period. As of May 2012, the City's unemployment rate was 10.9 versus 8.9 for the state.
- The City's population was 26,071 as of July 2011, according to Census estimates. This is an increase of 1.7 percent since the April 2010 Census.
- Because of its close proximity to Atlanta and the Atlanta Hartsfield-Jackson International Airport, the City is ripe for development and expects to hire a full-time employee in 2012 to focus on economic development initiatives.
- The City has zero property tax as a result of proceeds from the Local Options Sales Tax (LOST). The City will negotiate a new LOST agreement with the County in 2012, which is mandatory after each decennial Census.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Treasurer, City of Stockbridge, 4640 North Henry Blvd., Stockbridge, GA 30281.

BASIC FINANCIAL STATEMENTS

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF NET ASSETS DECEMBER 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,521,124	\$ 1,227,410	\$ 10,748,534
Investments	5,981,310	58,000	6,039,310
Taxes receivable	1,553,922	-	1,553,922
Accounts receivable, net of allowances	237,439	626,447	863,886
Due from other governments	488,328	10,740	499,068
Internal balances	(2,080,565)	2,080,565	-
Inventories	-	130,189	130,189
Prepaid expenses	97,446	508	97,954
Restricted assets, cash and cash equivalents	18,901	94,042	112,943
Deferred charges, unamortized balance	134,106	60,708	194,814
Capital assets, nondepreciable	8,189,637	1,314,595	9,504,232
Capital assets, depreciable, net of accumulated depreciation	28,133,763	17,392,234	45,525,997
Total assets	52,275,411	22,995,438	75,270,849
LIABILITIES			
Accounts payable	261,005	69,169	330,174
Retainage payable	8,262	-	8,262
Accrued interest expense	302,487	4,736	307,223
Other accrued expenses	135,976	21,040	157,016
Unearned revenue	75,081	1,006,560	1,081,641
Customer deposits	-	121,847	121,847
Compensated absences due within one year	56,912	72,827	129,739
Bonds payable due within one year	500,000	-	500,000
Bonds payable due in more than one year	15,255,000	-	15,255,000
Notes payable due within one year	-	71,385	71,385
Notes payable due in more than one year	-	1,823,001	1,823,001
Total liabilities	16,594,723	3,190,565	19,785,288
NET ASSETS			
Invested in capital assets, net of related debt	20,568,400	16,812,443	37,380,843
Restricted	5,215,699	-	5,215,699
Unrestricted	9,896,589	2,992,430	12,889,019
Total net assets	\$ 35,680,688	\$ 19,804,873	\$ 55,485,561

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

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 3,685,693	\$ 291,440	\$ 650,000	\$ 9,588
Judicial	793,371	-	-	-
Public safety	638,889	1,473,453	40,000	-
Public works	2,196,017	-	-	2,548,024
Housing and development	130,855	-	-	-
Interest on long-term debt	734,837	-	-	-
Total governmental activities	<u>8,179,662</u>	<u>1,764,893</u>	<u>690,000</u>	<u>2,557,612</u>
Business-type activities:				
Water and sewer	2,637,874	2,764,241	-	-
Stormwater	402,250	703,228	-	-
Solid waste	927,975	1,151,748	-	-
Conference center	494,312	156,008	-	-
Community center	120,702	34,964	-	-
Total business-type activities	<u>4,583,113</u>	<u>4,810,189</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,762,775</u>	<u>\$ 6,575,082</u>	<u>\$ 690,000</u>	<u>\$ 2,557,612</u>
General revenues:				
Sales taxes				
Franchise taxes				
Alcoholic beverage excise taxes				
Business and occupation taxes				
Insurance premium taxes				
Hotel/motel taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (2,734,665)	\$ -	\$ (2,734,665)
(793,371)	-	(793,371)
874,564	-	874,564
352,007	-	352,007
(130,855)	-	(130,855)
(734,837)	-	(734,837)
<u>(3,167,157)</u>	<u>-</u>	<u>(3,167,157)</u>
-	126,367	126,367
-	300,978	300,978
-	223,773	223,773
-	(338,304)	(338,304)
<u>-</u>	<u>(85,738)</u>	<u>(85,738)</u>
-	227,076	227,076
<u>(3,167,157)</u>	<u>227,076</u>	<u>(2,940,081)</u>
3,198,744	-	3,198,744
1,403,671	-	1,403,671
587,497	-	587,497
512,690	-	512,690
1,202,436	-	1,202,436
96,100	-	96,100
38,017	-	38,017
132,640	5,143	137,783
<u>(298,870)</u>	<u>298,870</u>	<u>-</u>
<u>6,872,925</u>	<u>304,013</u>	<u>7,176,938</u>
3,705,768	531,089	4,236,857
31,974,920	19,273,784	51,248,704
<u>\$ 35,680,688</u>	<u>\$ 19,804,873</u>	<u>\$ 55,485,561</u>

CITY OF STOCKBRIDGE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2011

	General Fund	SPLOST III Fund	Urban Redevelopment Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,916,938	\$ 4,022,769	\$ -	\$ 581,417	\$ 9,521,124
Investments	5,645,499	324,499	-	11,312	5,981,310
Taxes receivable	1,535,215	-	-	18,707	1,553,922
Accounts receivable	237,405	-	-	34	237,439
Due from other governments	-	352,501	-	135,827	488,328
Due from other funds	264,886	-	-	-	264,886
Prepaid expenditures	97,446	-	-	-	97,446
Restricted assets, cash	-	-	18,901	-	18,901
Total assets	<u>\$ 12,697,389</u>	<u>\$ 4,699,769</u>	<u>\$ 18,901</u>	<u>\$ 747,297</u>	<u>\$ 18,163,356</u>
LIABILITIES					
Accounts payable	\$ 210,215	\$ 38,861	\$ -	\$ 11,929	\$ 261,005
Construction payable	-	8,262	-	-	8,262
Accrued liabilities	135,976	-	-	-	135,976
Deferred revenue	235,149	-	-	149,348	384,497
Due to other funds	2,303,583	19,620	186	22,062	2,345,451
Total liabilities	<u>2,884,923</u>	<u>66,743</u>	<u>186</u>	<u>183,339</u>	<u>3,135,191</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepays	97,446	-	-	-	97,446
Permanent fund corpus	-	-	-	5,000	5,000
Restricted for:					
Committed	-	-	-	-	-
Capital projects	-	4,633,026	18,715	549,500	5,201,241
Tourism	-	-	-	3,112	3,112
Cemetery maintenance	-	-	-	6,346	6,346
Assigned for:					
Debt service	1,218,000	-	-	-	1,218,000
Software	100,000	-	-	-	100,000
Employee wellness program	90,219	-	-	-	90,219
Unassigned	8,306,801	-	-	-	8,306,801
Total fund balances	<u>9,812,466</u>	<u>4,633,026</u>	<u>18,715</u>	<u>563,958</u>	<u>15,028,165</u>
Total liabilities and fund balances	<u>\$ 12,697,389</u>	<u>\$ 4,699,769</u>	<u>\$ 18,901</u>	<u>\$ 747,297</u>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

\$ 36,323,400

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

309,416

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.

(15,980,293)

Net assets of governmental activities

\$ 35,680,688

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

CITY OF STOCKBRIDGE, GEORGIA

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

	General Fund	SPLOST III Fund	Urban Redevelopment Fund	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 6,943,055	\$ -	\$ -	\$ 82,579	\$ 7,025,634
Licenses and permits	189,267	-	-	-	189,267
Intergovernmental	-	1,970,455	-	626,477	2,596,932
Fines and forfeitures	1,020,491	-	-	-	1,020,491
Charges for services	3,570	500,000	-	-	503,570
Interest income	130,699	9,324	175	2,030	142,228
Other revenues	788,603	-	-	-	788,603
Total revenues	<u>9,075,685</u>	<u>2,479,779</u>	<u>175</u>	<u>711,086</u>	<u>12,266,725</u>
Expenditures					
Current:					
General government	2,688,145	-	-	-	2,688,145
Judicial	706,127	-	-	-	706,127
Public safety	585,912	-	-	-	585,912
Public works	2,073,554	-	-	-	2,073,554
Housing and development	68,554	-	-	61,614	130,168
Capital outlay:					
General government	-	844,359	99,243	33,502	977,104
Public works	-	192,485	-	565,129	757,614
Debt service:					
Principal	-	-	480,000	-	480,000
Interest	-	-	737,016	-	737,016
Total expenditures	<u>6,122,292</u>	<u>1,036,844</u>	<u>1,316,259</u>	<u>660,245</u>	<u>9,135,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,953,393</u>	<u>1,442,935</u>	<u>(1,316,084)</u>	<u>50,841</u>	<u>3,131,085</u>
Other financing sources (uses):					
Transfers in	18,840	-	1,267,016	-	1,285,856
Transfers out	(1,565,886)	-	-	(18,840)	(1,584,726)
Total other financing sources (uses)	<u>(1,547,046)</u>	<u>-</u>	<u>1,267,016</u>	<u>(18,840)</u>	<u>(298,870)</u>
Net change in fund balances	1,406,347	1,442,935	(49,068)	32,001	2,832,215
Fund balances, beginning of year	<u>8,406,119</u>	<u>3,190,091</u>	<u>67,783</u>	<u>531,957</u>	<u>12,195,950</u>
Fund balances, end of year	<u>\$ 9,812,466</u>	<u>\$ 4,633,026</u>	<u>\$ 18,715</u>	<u>\$ 563,958</u>	<u>\$ 15,028,165</u>

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

CITY OF STOCKBRIDGE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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

Net change in fund balances - total governmental funds	\$ 2,832,215
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 expense in the current period.	1,279,241
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(810,460)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(82,425)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	484,972
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.	<u>2,225</u>
Changes in net assets - governmental activities	<u>\$ 3,705,768</u>

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

**CITY OF STOCKBRIDGE, GEORGIA
GENERAL FUND**

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

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 150	\$ 150	\$ -	\$ (150)
Sales taxes	3,326,169	3,326,169	3,198,744	(127,425)
Other taxes	2,918,581	2,918,581	3,744,311	825,730
Licenses and permits	168,450	168,450	189,267	20,817
Fines and forfeitures	756,750	756,750	1,020,491	263,741
Charges for services	3,100	3,100	3,570	470
Interest income	107,500	107,500	130,699	23,199
Other revenues	78,040	78,040	788,603	710,563
Total revenues	<u>7,358,740</u>	<u>7,358,740</u>	<u>9,075,685</u>	<u>1,716,945</u>
Expenditures:				
Current:				
General government:				
Mayor and council	215,154	215,154	195,396	19,758
Clerk of council	367,565	342,565	168,635	173,930
Financial administration	1,612,881	1,793,932	1,497,004	296,928
Building and plant	544,005	365,868	827,110	(461,242)
Total general government	<u>2,739,605</u>	<u>2,717,519</u>	<u>2,688,145</u>	<u>29,374</u>
Judicial:				
Municipal court	<u>673,797</u>	<u>735,260</u>	<u>706,127</u>	<u>29,133</u>
Public safety:				
Police administration	<u>580,000</u>	<u>580,000</u>	<u>585,912</u>	<u>(5,912)</u>
Total public safety	<u>580,000</u>	<u>580,000</u>	<u>585,912</u>	<u>(5,912)</u>
Public works:				
Public works administration	2,084,343	2,168,278	1,650,285	517,993
Highways and streets	<u>428,072</u>	<u>524,822</u>	<u>423,269</u>	<u>101,553</u>
Total public works	<u>2,512,415</u>	<u>2,693,100</u>	<u>2,073,554</u>	<u>619,546</u>
Housing and development:				
Code enforcement	<u>79,402</u>	<u>87,007</u>	<u>68,554</u>	<u>18,453</u>
Total housing and development	<u>79,402</u>	<u>87,007</u>	<u>68,554</u>	<u>18,453</u>
Total expenditures	<u>6,585,219</u>	<u>6,812,886</u>	<u>6,122,292</u>	<u>690,594</u>
Excess of revenues over expenditures	<u>773,521</u>	<u>545,854</u>	<u>2,953,393</u>	<u>2,407,539</u>
Other financing sources (uses):				
Transfers in	-	170,503	18,840	(151,663)
Transfers out	-	(2,289,913)	(1,565,886)	724,027
Total other financing sources (uses)	<u>-</u>	<u>(2,119,410)</u>	<u>(1,547,046)</u>	<u>572,364</u>
Net change in fund balances	773,521	(1,573,556)	1,406,347	2,979,903
Fund balances, beginning of year	<u>8,406,119</u>	<u>8,406,119</u>	<u>8,406,119</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,179,640</u>	<u>\$ 6,832,563</u>	<u>\$ 9,812,466</u>	<u>\$ 2,979,903</u>

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

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2011

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 231,510	\$ -	\$ -	\$ 995,900	\$ 1,227,410
Investments	58,000	-	-	-	58,000
Accounts receivable, net of allowances	344,627	86,729	3,075	192,016	626,447
Due from other governments	10,740	-	-	-	10,740
Due from component units	-	-	-	-	-
Due from other funds	1,103,408	1,216,764	-	-	2,320,172
Inventories	130,189	-	-	-	130,189
Prepaid expenses	108	-	400	-	508
Restricted assets, cash and cash equivalents	94,042	-	-	-	94,042
Total current assets	1,972,624	1,303,493	3,475	1,187,916	4,467,508
NONCURRENT ASSETS					
Deferred charges	60,708	-	-	-	60,708
Capital assets:					
Capital assets, non-depreciable	1,285,954	-	28,641	-	1,314,595
Capital assets, depreciable, net of accumulated depreciation	13,444,243	152,207	2,913,345	882,439	17,392,234
Total capital assets	14,730,197	152,207	2,941,986	882,439	18,706,829
Total noncurrent assets	14,790,905	152,207	2,941,986	882,439	18,767,537
Total assets	16,763,529	1,455,700	2,945,461	2,070,355	23,235,045
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	37,578	4,513	1,815	25,263	69,169
Accrued liabilities	41,424	22,691	14,643	15,109	93,867
Notes payable, current portion	71,385	-	-	-	71,385
Capital lease payable, current portion	-	-	-	-	-
Deferred revenue	-	1,006,560	-	-	1,006,560
Due to other funds	-	16,589	-	223,018	239,607
Customer deposits	91,604	-	21,055	9,188	121,847
Current portion of revenue bonds payable from restricted assets	-	-	-	-	-
Accrued interest	4,736	-	-	-	4,736
Total current liabilities	246,727	1,050,353	37,513	272,578	1,607,171
NONCURRENT LIABILITIES					
Notes payable, long-term portion	1,823,001	-	-	-	1,823,001
Total noncurrent liabilities	1,823,001	-	-	-	1,823,001
Total liabilities	2,069,728	1,050,353	37,513	272,578	3,430,172
NET ASSETS					
Invested in capital assets, net of related debt	\$ 12,835,811	\$ 152,207	\$ 2,941,986	\$ 882,439	\$ 16,812,443
Unrestricted	1,857,990	253,140	(34,038)	915,338	2,992,430
Total net assets	\$ 14,693,801	\$ 405,347	\$ 2,907,948	\$ 1,797,777	\$ 19,804,873

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

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 1,437,020	\$ -	\$ -	\$ -	\$ 1,437,020
Sewer sales	1,255,087	-	-	-	1,255,087
Stormwater sales	-	-	-	703,228	703,228
Sanitation charges	-	1,081,247	-	-	1,081,247
Rentals	-	69,093	156,008	34,964	260,065
Other fees and charges	72,134	1,408	-	-	73,542
Total operating revenues	<u>2,764,241</u>	<u>1,151,748</u>	<u>156,008</u>	<u>738,192</u>	<u>4,810,189</u>
OPERATING EXPENSES					
Personal services and employee benefits	912,771	552,865	186,657	269,568	1,921,861
Contracted services	283,222	206,885	137,565	111,023	738,695
Supplies	930,991	92,532	36,712	25,697	1,085,932
Repairs and maintenance	31,781	5,258	21,755	69,481	128,275
Bad debt expense	13,278	-	-	-	13,278
Depreciation	445,777	70,435	111,623	47,183	675,018
Amortization	1,022	-	-	-	1,022
Total operating expenses	<u>2,618,842</u>	<u>927,975</u>	<u>494,312</u>	<u>522,952</u>	<u>4,564,081</u>
Operating income (loss)	<u>145,399</u>	<u>223,773</u>	<u>(338,304)</u>	<u>215,240</u>	<u>246,108</u>
NONOPERATING INCOME (EXPENSES)					
Interest income	891	-	-	4,252	5,143
Interest expense	(19,032)	-	-	-	(19,032)
Total nonoperating income (expenses)	<u>(18,141)</u>	<u>-</u>	<u>-</u>	<u>4,252</u>	<u>(13,889)</u>
Income (loss) before transfers	127,258	223,773	(338,304)	219,492	232,219
Transfers in	<u>-</u>	<u>-</u>	<u>219,103</u>	<u>79,767</u>	<u>298,870</u>
Change in net assets	127,258	223,773	(119,201)	299,259	531,089
NET ASSETS, beginning of year	<u>14,566,543</u>	<u>181,574</u>	<u>3,027,149</u>	<u>1,498,518</u>	<u>19,273,784</u>
NET ASSETS, end of year	<u>\$ 14,693,801</u>	<u>\$ 405,347</u>	<u>\$ 2,907,948</u>	<u>\$ 1,797,777</u>	<u>\$ 19,804,873</u>

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

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,757,874	\$ 1,141,003	\$ 158,804	\$ 643,974	\$ 4,701,655
Payments to suppliers and service providers	(1,988,946)	(555,154)	(190,921)	(1,882)	(2,736,903)
Payments to employees	(925,303)	(549,024)	(186,986)	(278,282)	(1,939,595)
Net cash provided by (used in) operating activities	(156,375)	36,825	(219,103)	363,810	25,157
CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	219,103	79,767	298,870
Net cash provided by non- capital financing activities	-	-	219,103	79,767	298,870
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Purchase of property and equipment	(481,408)	(36,825)	-	-	(518,233)
Proceeds from notes payable	404,550	-	-	-	404,550
Debt issuance costs	(3,000)	-	-	-	(3,000)
Principal paid on notes payable	(17,514)	-	-	-	(17,514)
Interest paid	(65,572)	-	-	-	(65,572)
Net cash used in capital and related financing activities	(162,944)	(36,825)	-	-	(199,769)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	891	-	-	4,252	5,143
Net cash provided by investing activities	891	-	-	4,252	5,143
Increase (decrease) in cash and cash equivalents	(318,428)	-	-	447,829	129,401
Cash and cash equivalents:					
Beginning of year	643,980	-	-	548,071	1,192,051
End of year	<u>\$ 325,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995,900</u>	<u>\$ 1,321,452</u>
Classified as:					
Cash and cash equivalents	\$ 231,510	\$ -	\$ -	\$ 995,900	\$ 1,227,410
Restricted assets, cash and cash equivalents	94,042	-	-	-	94,042
	<u>\$ 325,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995,900</u>	<u>\$ 1,321,452</u>

(Continued)

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Conference Center Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 145,399	\$ 223,773	\$ (338,304)	\$ 215,240	\$ 246,108
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	445,777	70,435	111,623	47,183	675,018
Amortization	1,022	-	-	-	1,022
(Increase) decrease in accounts receivable	6,911	(10,745)	2,796	(94,218)	(95,256)
Decrease in inventories	9,681	-	-	-	9,681
Increase in due from other funds	(513,217)	(268,307)	-	-	(781,524)
Increase in customer deposits	4,878	-	7,034	9,188	21,100
Increase in prepaid expenses	(108)	-	(400)	-	(508)
Increase (decrease) in accrued liabilities	(12,532)	3,841	(329)	(8,714)	(17,734)
Increase (decrease) in accounts payable	(244,186)	1,095	(1,523)	(2,130)	(246,744)
Decrease in deferred revenue	-	144	-	-	144
Increase decrease in due to other funds	-	16,589	-	197,261	213,850
	<u>-</u>	<u>16,589</u>	<u>-</u>	<u>197,261</u>	<u>213,850</u>
Net cash provided by (used in) operating activities	<u>\$ (156,375)</u>	<u>\$ 36,825</u>	<u>\$ (219,103)</u>	<u>\$ 363,810</u>	<u>\$ 25,157</u>
NON-CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Capitalized interest	(35,961)	-	-	-	(35,961)
Net non-cash flows provided by capital and related financing activities	<u>\$ (35,961)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,961)</u>

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

CITY OF STOCKBRIDGE, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Stockbridge, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City was incorporated in 1920 and is located in the northern part of Henry County about 18 miles south of Atlanta. The City provides a full range of services to approximately 22,000 residents. These services are provided in whole by the City or through contractual agreements with Henry County. These services include police services, community development, highways and streets, water and sewer, sanitation, parks, public improvements, planning and zoning, and general administrative services.

Governmental Accounting Standards Board Statement No. 14 defines the reporting entity for determining which potential component units should be included in primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes 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 or to impose specific financial burdens on the City. The City has excluded from the City's financial report the Stockbridge Downtown Development Authority, a development authority recognized under the laws of the State of Georgia, since it is currently inactive.

Blended Component Unit - Blended component units, although legally separate entities, are, in substance, part of the government's operations. The City of Stockbridge Urban Redevelopment Agency was created by the City's elected officials to provide for the issuance of bonds to finance the construction of the Town Center facilities including City Hall. Although legally separate, the Urban Redevelopment Agency is blended as a major governmental fund into the primary government. Separate financial statements for the Urban Redevelopment Agency are not issued.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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 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 those 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 properly included 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 Basis of 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

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 **Special Purpose Local Option Sales (SPLOST) III Fund** accounts for expenditures relating to the renovation of existing City buildings, recreation projects and construction of roads. Funding is provided by special purpose sales taxes, which are collected by the County and remitted to the City through an intergovernmental agreement.

The **Urban Redevelopment Fund** accounts for the proceeds from the issuance of bonds to finance the acquisition and construction of major capital facilities.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the operation of the water and sewerage system including all revenues from sources applicable to these operations and all expenses of the operation.

The **Solid Waste Fund** accounts for revenues generated from the charges for sanitation and recycling services provided to the residential and commercial users of the City.

The **Conference Center Fund** accounts for activities related to the Merle Manders Conference Center.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and the other functions of the government. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 nonoperating 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. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's investments consist of certificates of deposit with a maturity date greater than three months from the date of purchase and the State of Georgia's Georgia Fund 1. For reporting purposes, all investments are recorded at fair value.

The City's policy is to hold investments to maturity.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2011:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items subject to involuntary participation in an external pool; and c) items associated with a fund other than the fund to which the income is assigned.

F. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

G. Prepaid Expenditures/Expenses

Prepaid items are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure/expense is made for goods or services that were purchased for consumption, but not consumed as of December 31, 2011.

H. Restricted Assets

Certain proceeds from Water and Sewer Enterprise and the Urban Redevelopment Agency Funds debt issues are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in respective funds.

Capital assets purchased or acquired with an original cost of \$3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. Interest in the amount of \$35,961 was capitalized during the fiscal year ended December 31, 2011. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building and improvements	30-50
Improvement other than buildings	25-50
Furniture and fixtures	10-20
Vehicles	5-10
Machinery and equipment	5-10
Infrastructure	40-50

The City only reports infrastructure assets purchased subsequent to December 31, 2003.

J. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave benefits, which will be paid to employees upon separation from service, when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No.16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be market or near market rates, are treated as revenues and expenditures/expenses and are not eliminated in the process of consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

M. Budgets and Budgetary Accounting

The City adopts an annual budget for all of the City's funds and is required by state law to adopt annual budgets for the General Fund and all special revenue funds, i.e., Hotel/Motel Tax Fund. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of an ordinance. Any revisions that alter the total expenditures of any department must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as amended in December 2011. All annual appropriations lapse at year end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgets and Budgetary Accounting (Continued)

Excess Expenditures over Appropriations. For the year ended December 31, 2011, expenditures exceeded budget, as follows:

<u>Department</u>	<u>Excess</u>
General Fund:	
Building and plant	\$ 461,242
Police administration	5,912

These expenditures in excess of budget were funded by greater than anticipated revenues and expenditures under budget in other departments.

N. Revenues

Substantially all governmental fund revenues are accrued. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

O. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

P. Fund Equity

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of January 1, 2011. This new standard changed the overall definitions and classifications of fund balances.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

- ***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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. Only the City Council may modify or remove the commitment.
- ***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. Through resolution, the City Council has authorized the Treasurer and his/her designee to assign fund balances. Assignments may occur subsequent to fiscal year-end.
- ***Unassigned*** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion.

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; and, 3) unassigned.

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$15,980,293 difference are as follows:

Accrued interest payable	\$ (302,487)
Bonds payable	(15,755,000)
Compensated absences payable	(56,912)
Less: Deferred charge for issuance costs to be amortized over life of debt)	<u>134,106</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (15,980,293)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,279,241 difference are as follows:

Capital outlay	\$ 2,296,458
Depreciation expense	<u>(1,017,217)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,279,241</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$484,972 difference are as follows:

Funding of other post-employment benefit obligation	\$ 4,972
Principal payments: bonds payable	<u>480,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 484,972</u></u>

Another element of that reconciliation states 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 \$2,225 difference are as follows:

Compensated absences	\$ 46
Accrued interest	9,206
Amortization of issuance costs	<u>(7,027)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 2,225</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Credit risk. 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 local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The City has no formal credit risk policy other than to only invest in obligations authorized by the State of Georgia. As of December 31, 2011, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

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

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 require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2011, all of the deposits for the City were fully collateralized in accordance with the state statutes.

Investments. The City's financial policies authorize investment in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia, pooled investment programs of the State of Georgia, and no-load mutual funds of direct obligations of the United States.

At December 31, 2011, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	60 day weighted average	\$ 324,499
Certificate of Deposit	March 11, 2012	618,279
Certificate of Deposit	March 1, 2012	1,046,604
Certificate of Deposit	March 6, 2012	2,137,196
Certificate of Deposit	June 2, 2012	1,252,210
Certificate of Deposit	June 6, 2012	591,210
Certificate of Deposit	August 19, 2014	11,312
Certificate of Deposit	December 31, 2013	58,000
		<u>\$ 6,039,310</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The City, when applicable, obtains the services of Henry County to bill and collect the City's property taxes. The County remits taxes collected to the City on a bi-monthly basis. Property taxes are levied approximately October 1 of each year and are due 60 days after issuance. A local option sales tax is in force. Proceeds from the tax are remitted to the City monthly and are utilized to give property tax owners tax relief. No property taxes were levied for the year ended December 31, 2011. There were no property taxes receivable as of December 31, 2011.

NOTE 5. RECEIVABLES

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

Governmental Funds

	General	SPLOST III	Nonmajor Governmental Funds	Total
Receivables:				
Intergovernmental	\$ -	\$ 352,501	\$ 135,827	\$ 488,328
Taxes	1,535,215	-	18,707	1,553,922
Accounts	469,605	-	34	469,639
Gross receivables	2,004,820	352,501	154,568	2,511,889
Less allowance for uncollectibles	(232,200)	-	-	(232,200)
Net total receivables	<u>\$ 1,772,620</u>	<u>\$ 352,501</u>	<u>\$ 154,568</u>	<u>\$ 2,279,689</u>

Proprietary Funds

	Water and Sewer	Solid Waste	Conference Center	Nonmajor Funds	Total
Receivables:					
Intergovernmental	10,740	-	-	-	10,740
Accounts	364,345	87,229	3,075	192,016	646,665
Gross receivables	375,085	87,229	3,075	192,016	657,405
Less allowance for uncollectibles	(19,718)	(500)	-	-	(20,218)
Net total receivables	<u>\$ 355,367</u>	<u>\$ 86,729</u>	<u>\$ 3,075</u>	<u>\$ 192,016</u>	<u>\$ 637,187</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,392,602	\$ 61,200	\$ -	\$ (534,202)	\$ 7,919,600
Construction in Progress	4,881,547	1,619,770	(810,460)	(5,420,820)	270,037
Total	<u>13,274,149</u>	<u>1,680,970</u>	<u>(810,460)</u>	<u>(5,955,022)</u>	<u>8,189,637</u>
Capital assets, being depreciated:					
Buildings & improvements	16,356,638	387,498	-	4,694,140	21,438,276
Improvements other than buildings	797,038	20,102	-	-	817,140
Infrastructure	5,932,959	-	-	1,260,882	7,193,841
Machinery and equipment	1,105,059	207,888	-	-	1,312,947
Office equipment	618,001	-	-	-	618,001
Vehicles	862,637	-	-	-	862,637
Furniture and fixtures	1,058,546	-	-	-	1,058,546
Total	<u>26,730,878</u>	<u>615,488</u>	<u>-</u>	<u>5,955,022</u>	<u>33,301,388</u>
Less accumulated depreciation for:					
Buildings & improvements	(1,346,507)	(528,833)	-	-	(1,875,340)
Improvements other than buildings	(402,061)	(39,684)	-	-	(441,745)
Infrastructure	(431,756)	(152,548)	-	-	(584,304)
Machinery and equipment	(805,781)	(72,091)	-	-	(877,872)
Office equipment	(286,723)	(53,435)	-	-	(340,158)
Vehicles	(566,128)	(82,792)	-	-	(648,920)
Furniture and fixtures	(311,452)	(87,834)	-	-	(399,286)
Total	<u>(4,150,408)</u>	<u>(1,017,217)</u>	<u>-</u>	<u>-</u>	<u>(5,167,625)</u>
Total assets, being depreciated, net	<u>22,580,470</u>	<u>(401,729)</u>	<u>-</u>	<u>5,955,022</u>	<u>28,133,763</u>
Governmental activities capital assets, net	<u>\$ 35,854,619</u>	<u>\$ 1,279,241</u>	<u>\$ (810,460)</u>	<u>\$ -</u>	<u>\$ 36,323,400</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 445,603	\$ -	\$ -	\$ -	\$ 445,603
Construction in Progress	3,700,933	427,419	-	(3,259,360)	868,992
Total	4,146,536	427,419	-	(3,259,360)	1,314,595
Capital assets, being depreciated:					
Buildings and improvements	4,032,736	-	-	-	4,032,736
Improvements other than buildings	14,858,181	-	-	3,259,360	18,117,541
Infrastructure	164,437	-	-	-	164,437
Vehicles	1,464,102	36,825	-	-	1,500,927
Furniture and fixtures	433,044	-	-	-	433,044
Machinery and equipment	1,108,872	89,950	-	-	1,198,822
Total	22,061,372	126,775	-	3,259,360	25,447,507
Less accumulated depreciation for:					
Buildings and improvements	(581,905)	(84,353)	-	-	(666,258)
Improvements other than buildings	(4,721,144)	(365,947)	-	-	(5,087,091)
Infrastructure	(21,202)	(5,281)	-	-	(26,483)
Vehicles	(1,232,061)	(92,760)	-	-	(1,324,821)
Furniture and fixtures	(188,363)	(28,973)	-	-	(217,336)
Machinery and equipment	(635,580)	(97,704)	-	-	(733,284)
Total	(7,380,255)	(675,018)	-	-	(8,055,273)
Total assets, being depreciated, net	14,681,117	(548,243)	-	3,259,360	17,392,234
Business-type activities capital assets, net	\$ 18,827,653	\$ (120,824)	\$ -	\$ -	\$ 18,706,829

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 552,402
Judicial	90,442
Public safety	52,977
Public works	265,871
Culture and recreation	-
Culture and recreation	52,764
Housing and development	2,761

Total depreciation expense - governmental activities	<u>\$ 1,017,217</u>
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Business-type activities:

Water and sewer	\$ 445,777
Solid Waste	70,435
Stormwater	27,436
Conference center	111,623
Community center	19,747

Total depreciation expense - business-type activities	<u>\$ 675,018</u>
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NOTE 7. LONG-TERM DEBT

Deferred Cost. Debt issuance costs are considered other financing uses in governmental funds in the year incurred but are deferred costs and are amortized over the life of the related debt in the Statement of Net Assets and Proprietary Fund Statements. Debt issuance costs are being amortized using the straight line method over the life of the related debt issue. The debt issue cost is related to revenue bonds in the Urban Redevelopment Fund and notes payable in the Water and Sewer Fund. Deferred costs at December 31, 2011, are as follows:

Urban Redevelopment Fund:

Debt issuance cost, net of accumulated amortization of \$37,691	\$ 134,106
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Water and Sewer Fund:

Debt issuance cost, net of accumulated amortization of \$1,022	60,708
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Total Deferred Cost	<u>\$ 194,814</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt. The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Accrued compensated absences	\$ 56,958	131,282	(131,328)	\$ 56,912	\$ 56,912
OPEB obligation	4,972		(4,972)	-	-
Urban Redevelopment revenue bonds	<u>16,235,000</u>	<u>-</u>	<u>(480,000)</u>	<u>15,755,000</u>	<u>500,000</u>
Total Governmental-Type Activity Long-Term Debt	<u>\$ 16,296,930</u>	<u>\$ 131,282</u>	<u>\$ (616,300)</u>	<u>\$ 15,811,912</u>	<u>\$ 556,912</u>
Business-type activities:					
GEFA notes payable	\$ 1,507,350	\$ 404,550	\$ (17,514)	\$ 1,894,386	\$ 71,385
Accrued compensated absences	<u>88,151</u>	<u>128,529</u>	<u>(143,853)</u>	<u>72,827</u>	<u>72,827</u>
Total Business-Type Activity Long-Term Debt	<u>\$ 1,595,501</u>	<u>\$ 533,079</u>	<u>\$ (161,367)</u>	<u>\$ 1,967,213</u>	<u>\$ 144,212</u>

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities. However, proceeds from any asset sales relative to the Urban Redevelopment project will be used to liquidate the related revenue bond obligation.

The Water and Sewer Enterprise Fund is used to liquidate all of the business-type activity long-term liabilities except for the accrued compensated absences which are the individual proprietary funds' responsibility to liquidate.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Urban Redevelopment Revenue Bonds. The City entered into an agreement with Wachovia Bank that provided for the issuance of revenue bonds for the purchase of land and construction of structures and improvements for the New Town Center. Various bond issues were used by the City during the purchase and construction phases. Some of the issues were non taxable while others were taxable issues. All of the remaining outstanding bonds are non taxable. During the year ended December 31, 2011, the City repaid various bond issues in the amount of \$480,000. Amounts outstanding at year end of \$15,755,000 reflect total draw downs to date net of repayments, if any.

Urban Redevelopment Fund long-term liabilities outstanding at December 31, 2011, are as follows:

Series 2005 B Revenue bonds payable to Wachovia Bank, in the total amount of \$7,330,000, interest at 4.45%, matures 2/1/31	\$ 6,730,000
Series 2006 A Revenue bonds payable to Wachovia Bank, in the total amount of \$4,795,000, current interest at 4.58%, matures 2/1/31	4,415,000
Series 2006 C Revenue bonds payable to Wachovia Bank, in the total amount of \$5,000,000, current interest at 4.865%, matures 2/1/31	<u>4,610,000</u>
Total	<u><u>\$ 15,755,000</u></u>

Annual debt service requirements to maturity for the revenue bonds that have closed are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 500,000	\$ 714,462	\$ 1,214,462
2013	520,000	690,979	1,210,979
2014	545,000	666,457	1,211,457
2015	570,000	640,779	1,210,779
2016	595,000	613,951	1,208,951
2017-2021	3,410,000	2,622,394	6,032,394
2022-2026	4,275,000	1,740,519	6,015,519
2027-2031	5,340,000	637,404	5,977,404
Total	<u><u>\$ 15,755,000</u></u>	<u><u>\$ 8,326,945</u></u>	<u><u>\$ 24,081,945</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Water and Sewer Long-Term Debt. The City issues revenue bonds and enters into construction note agreements with the Georgia Environmental Facilities Authority where in both types of debt the government pledges income derived from the acquired or constructed assets to pay debt service. Amounts outstanding at the end of the current fiscal year related to notes issued in 2010 to finance construction projects to improve the City's water distribution facilities. The note was issued by the Georgia Environmental Facilities Authority in the total amount of \$1,911,900. During the year ended December 31, 2011 the City repaid \$17,514 of the note payable. Amounts outstanding at year end of \$1,894,386 reflect total draw downs to date net of repayments, if any.

The annual requirement to pay the Georgia Environmental Facilities Authority's note outstanding is as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 71,385	\$ 55,855	\$ 127,240
2013	73,556	53,684	127,240
2014	75,793	51,447	127,240
2015	78,099	49,141	127,240
2016	80,474	46,766	127,240
2017-2021	440,610	195,591	636,201
2022-2026	511,820	124,381	636,201
2027-2031	562,649	41,742	604,391
Total	<u>\$ 1,894,386</u>	<u>\$ 618,607</u>	<u>\$ 2,512,993</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Payable Fund	Receivable Fund			Total
	General Fund	Water & Sewer Fund	Solid Waste Fund	
General Fund	\$ -	\$ 1,086,819	\$ 1,216,764	\$ 2,303,583
SPLOST III Fund	19,620	-	-	19,620
Urban Redevelopment Fund	186	-	-	186
Solid Waste Fund	-	16,589	-	16,589
Non-Major Governmental Funds	22,062	-	-	22,062
Non-Major Enterprise Funds	223,018	-	-	223,018
Total	<u>\$ 264,886</u>	<u>\$ 1,103,408</u>	<u>\$ 1,216,764</u>	<u>\$ 2,585,058</u>

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

Interfund transfers:

Transfers In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 18,840	\$ 18,840
Urban Redevelopment	1,267,016	-	1,267,016
Conference Center	219,103	-	219,103
Nonmajor enterprise funds	79,767	-	79,767
Total	<u>\$ 1,565,886</u>	<u>\$ 18,840</u>	<u>\$ 1,584,726</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. Membership in an 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 municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Henry County makes contributions on behalf of the City to the ARC. Separate financial statements may be obtained from:

Atlanta Regional Commission
3715 Northside Parkway
Building 200, Suite 300
Atlanta, Georgia 30327

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Stockbridge Retirement Plan (SRP), provides retirement, disability, and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. SRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Stockbridge Retirement Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

As of July 1, 2011, the date of the most recent actuarial valuation, there were 98 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	21
Vested terminated employees not yet receiving benefits	5
Active employees	72
Total	<u>98</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

As of the most recent valuation date, July 1, 2011, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded / Surplus AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 5,501,350	\$ 6,309,831	\$ 808,481	87.2 %	\$ 2,230,150	36.3 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

Funding Policy

SRP members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate for 2011 is 16.03% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMBES Board of Trustees.

Annual Pension Cost

For the year ended December 31, 2011, the City's annual pension cost of \$363,603 for SRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administration expenses), b) projected salary increases of 3.5% plus age and service based merit increase, c) an inflation rate of 3.5%, and d) salary increases of 11%, 7%, 6.5%, 6.25%, and 6%, respectively, for the first five years of service. Subsequent year of service are based on age and range from 4 to 6%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actuarial value of SRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 10-year period.

SRP's unfunded actuarial accrued liability is being amortized over a 30-year period from 1983 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. The remaining period as December 31, 2011 was nine years. These amortization periods, if applicable, are closed for this plan year.

Fiscal Year Ending	Annual Pension Cost	Actual City Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
12/31/2011	\$ 363,603	\$ 363,603	100 %	\$ -
12/31/2010	456,490	456,490	100	-
12/31/2009	429,818	429,818	100	-

NOTE 11. RISK MANAGEMENT

The City of Stockbridge is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of the Georgia Interlocal Risk Management Agency. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

Chapter 85 Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlock risk management agencies. The Georgia Interlock Risk Management Agency (GIRMA) is a municipal interlock risk management agency to function as an unincorporated non-profit instrumentality of its member municipalities- GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government.

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

During the year ended December 31, 2011, the City paid no claims. The City has not compiled a record of the claims paid up to the \$1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to \$1,000) which were outstanding and unpaid at December 31, 2011. No provisions have been made in the financial statements for the year ended December 31, 2011 for any estimate of potential unpaid claims.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Stockbridge became a member of the Georgia Municipal Associated Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Stockbridge) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

As a 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 in the funds being required to pay any claim of loss. The City is also to allow the pools' 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 defined 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 costs taxed against members in any legal proceeding defined by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

Coverages are as follows:

Coverage Description- Property:

Buildings and contents- (Blanket)

\$ 29,968,560

Automobile physical damage

Per Application on file with GIRMA

Coverage Description-Casualty:

Comprehensive general liability

\$ 1,000,000

Automobile liability

\$ 1,000,000

Errors and omissions (Public Officials)

\$ 1,000,000

Employee benefits liability

\$ 1,000,000

Pollution liability

\$ 1,000,000

Coverage Description- Crime:

Blanket employee dishonesty

\$ 500,000

Forgery or alteration

\$ 500,000

Computer crime

\$ 500,000

Money and securities- loss inside and outside premises

\$ 500,000

Deductible:

All coverages are subject to a per occurrence deductible of

\$ 1,000

Coverage Exceptions:

none

Coverage Subject to a Retroactive Date:

Public officials, pollution and employee benefits liability coverages are subject to a retroactive date of 5/1/87.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of any expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In 2007, the citizens of Henry County voted to approve a special purpose local option sales tax to help finance the acquisition and construction of major capital equipment and facilities. In relation to this, the City entered into an intergovernmental agreement with Henry County and the other cities inside the County whereby Henry County would issue revenue bonds to finance some of the SPLOST projects in advance of the SPLOST tax collections. The City of Stockbridge received \$6,626,500 from the County under this agreement.

The revenue bonds are in the name of Henry County and are not a direct liability of the City of Stockbridge. However, under the terms of the intergovernmental agreement, the County will retain all of the first SPLOST revenue collections for each year in amounts that will satisfy the annual debt service requirements. The agreement also requires the City of Stockbridge to pay its share of debt service requirements should the SPLOST revenue collections not be sufficient to satisfy the debt service requirements under the bond issue. Management believes the SPLOST revenue collections will be sufficient to satisfy all debt service requirements under the bond ordinance.

NOTE 13. HOTEL/MOTEL TAX

The City levies a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies collected under this provision to the Henry County Chamber of Commerce. Total collections for year ended December 31, 2011 is \$82,579. The amount remitted to the Chamber totaled \$32,825.

NOTE 14. POLICE PROTECTION

Henry County provides the City of Stockbridge with police protection by maintaining five full-time police officers, one lieutenant and a secretary within the city limits of Stockbridge. Prior to 2010, these services were paid for by citizens of Stockbridge through property and sales taxes collected by the County and the City paid the County for additional police services the City may request from time to time. Subsequent to 2009, the City began to pay the County an agreed upon amount paid by the citizens of Stockbridge. For 2011, the agreed upon amount is \$400,000 and increases to \$500,000 beginning in 2012.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. LEASE AGREEMENTS

The City leases its solid waste transfer station to Lamar County Regional Solid Waste Management Authority who subleases to Waste Management. The lease is on a year to year basis. The monthly rental charged by the City is \$1 for each ton of solid waste received at the site. For the year ended December 31, 2011, the City received \$69,093 in rental fees under the contract. The leased assets cost \$36,116 and are reported net of accumulated depreciation of \$23,475 for a net carrying value of \$12,641.

The City's lease agreements, other than the agreement described above, are relatively minor commitments whereby the City is leasing various pieces of office equipment.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STOCKBRIDGE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
7/1/2011	\$ 5,501,350	\$ 6,309,831	\$ 808,481	87.2 %	\$ 2,230,150	36.3 %
7/1/2010	\$ 5,007,432	\$ 6,157,553	\$ 1,150,121	81.3 %	\$ 2,475,607	46.5 %
1/1/2009	\$ 3,549,172	\$ 5,272,073	\$ 1,722,901	67.3 %	\$ 2,115,387	81.4 %
1/1/2008	\$ 3,860,238	\$ 4,804,184	\$ 943,946	80.4 %	\$ 2,227,561	42.4 %
1/1/2007	\$ 3,382,177	\$ 4,221,556	\$ 839,379	80.1 %	\$ 1,959,213	42.8 %

The assumptions used in the preparation of the above schedule are disclosed in Note 10 to the financial statements.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Hotel/Motel Tax Fund – This fund is used to account for hotel/motel taxes collected.

Permanent Fund

Burke Cemetery Fund – This fund is used to account for revenues earned from a trust set up for cemetery improvements at Burke Cemetery.

Capital Project Funds

State and Federal Grants Fund – This fund is used to account for the acquisition and construction of major capital facilities which are financed with state and federal financial assistance.

SPLOST II Fund – This fund is used to account for acquisition and construction of major capital facilities that were approved by the voters of Henry County, Georgia through the special purpose local option sales tax referendum.

CITY OF STOCKBRIDGE, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2011

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/Motel Tax Fund</u>	<u>Burke Cemetery Fund</u>	<u>State and Federal Grants Fund</u>	<u>SPLOST II Fund</u>	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 474,902	\$ 106,515	\$ 581,417
Investments	-	11,312	-	-	11,312
Receivables	18,707	34	135,827	-	154,568
	<u>18,707</u>	<u>34</u>	<u>135,827</u>	<u>-</u>	<u>154,568</u>
Total assets	<u>\$ 18,707</u>	<u>\$ 11,346</u>	<u>\$ 610,729</u>	<u>\$ 106,515</u>	<u>\$ 747,297</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,074	\$ -	\$ 9,855	\$ -	\$ 11,929
Deferred revenue	13,521	-	135,827	-	149,348
Due to other funds	-	\$ -	\$ 22,062	\$ -	\$ 22,062
	<u>-</u>	<u>-</u>	<u>22,062</u>	<u>-</u>	<u>22,062</u>
Total liabilities	<u>15,595</u>	<u>-</u>	<u>167,744</u>	<u>-</u>	<u>183,339</u>
Fund Balances:					
Nonspendable:					
Permanent fund corpus	-	5,000	-	-	5,000
Restricted:					
Cemetery maintenance	-	6,346	-	-	6,346
Capital projects	-	-	442,985	106,515	549,500
Tourism	3,112	-	-	-	3,112
	<u>3,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,112</u>
Total fund balances	<u>3,112</u>	<u>11,346</u>	<u>442,985</u>	<u>106,515</u>	<u>563,958</u>
Total liabilities and fund balances	<u>\$ 18,707</u>	<u>\$ 11,346</u>	<u>\$ 610,729</u>	<u>\$ 106,515</u>	<u>\$ 747,297</u>

CITY OF STOCKBRIDGE, GEORGIA

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

	Special Revenue Fund	Permanent Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Hotel/Motel Tax Fund	Burke Cemetery Fund	State and Federal Grants Fund	SPLOST II Fund	
Revenues:					
Other taxes	\$ 82,579	\$ -	\$ -	\$ -	\$ 82,579
Intergovernmental	-	-	626,477	-	626,477
Interest income	-	275	1,491	264	2,030
Total revenues	<u>82,579</u>	<u>275</u>	<u>627,968</u>	<u>264</u>	<u>711,086</u>
Expenditures:					
Current:					
Tourism and Promotion	61,614	-	-	-	61,614
Capital outlay:					
General government	-	-	33,502	-	33,502
Public works	-	-	565,129	-	565,129
Total expenditures	<u>61,614</u>	<u>-</u>	<u>598,631</u>	<u>-</u>	<u>660,245</u>
Excess of revenues over expenditures	<u>20,965</u>	<u>275</u>	<u>29,337</u>	<u>264</u>	<u>50,841</u>
Other financing uses:					
Transfers out	(18,840)	-	-	-	(18,840)
Total other financing uses	<u>(18,840)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,840)</u>
Net change in fund balances	2,125	275	29,337	264	32,001
Fund balances, beginning of year	<u>987</u>	<u>11,071</u>	<u>413,648</u>	<u>106,251</u>	<u>531,957</u>
Fund balances, end of year	<u>\$ 3,112</u>	<u>\$ 11,346</u>	<u>\$ 442,985</u>	<u>\$ 106,515</u>	<u>\$ 563,958</u>

NONMAJOR ENTERPRISE FUNDS

Community Center Fund – This fund is used to account for activities of the Ted Strickland Community Center.

Stormwater Fund – This fund is used to account for revenues generated from the charges for storm water services provided to the citizens of Stockbridge.

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF NET ASSETS NON-MAJOR ENTERPRISE FUNDS DECEMBER 31, 2011

	Community Center Fund	Stormwater Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 32,032	\$ 963,868	\$ 995,900
Accounts receivable	-	192,016	192,016
Capital assets	714,784	167,655	882,439
	<u>714,784</u>	<u>167,655</u>	<u>882,439</u>
Total assets	<u>746,816</u>	<u>1,323,539</u>	<u>2,070,355</u>
LIABILITIES			
Accounts payable	251	25,012	25,263
Due to other funds	-	223,018	223,018
Accrued liabilities	4,866	10,243	15,109
Customer deposits	9,188	-	9,188
	<u>14,305</u>	<u>258,273</u>	<u>272,578</u>
Total liabilities	<u>14,305</u>	<u>258,273</u>	<u>272,578</u>
NET ASSETS			
Invested in fixed assets, net of related debt	714,784	167,655	882,439
Unrestricted	17,727	897,611	915,338
	<u>17,727</u>	<u>897,611</u>	<u>915,338</u>
Total net assets	<u>\$ 732,511</u>	<u>\$ 1,065,266</u>	<u>\$ 1,797,777</u>

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	Community Center Fund	Stormwater Fund	Totals
OPERATING REVENUES			
Charges for services:			
Rentals	\$ 34,964	\$ -	\$ 34,964
Stormwater fees	-	703,228	703,228
Total operating revenues	<u>34,964</u>	<u>703,228</u>	<u>738,192</u>
OPERATING EXPENSES			
Personal services	80,702	188,866	269,568
Contracted services	13,593	97,430	111,023
Supplies	6,660	19,037	25,697
Repairs and maintenance	-	69,481	69,481
Depreciation	19,747	27,436	47,183
Total operating expenses	<u>120,702</u>	<u>402,250</u>	<u>522,952</u>
Operating income (loss)	<u>(85,738)</u>	<u>300,978</u>	<u>215,240</u>
NON-OPERATING REVENUES			
Interest income	-	4,252	4,252
Total non-operating revenues	<u>-</u>	<u>4,252</u>	<u>4,252</u>
Income (loss) before transfers	(85,738)	305,230	219,492
TRANSFERS IN	<u>79,767</u>	<u>-</u>	<u>79,767</u>
Change in net assets	(5,971)	305,230	299,259
NET ASSETS, beginning of year	<u>738,482</u>	<u>760,036</u>	<u>1,498,518</u>
NET ASSETS, end of year	<u>\$ 732,511</u>	<u>\$ 1,065,266</u>	<u>\$ 1,797,777</u>

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF CASH FLOWS NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	Community Center Fund	Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 34,964	\$ 609,010	\$ 643,974
Payments to suppliers and service providers	(14,350)	12,468	(1,882)
Payments to employees	(79,282)	(199,000)	(278,282)
Net cash provided by (used in) operating activities	(58,668)	422,478	363,810
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	79,767	-	79,767
Net cash provided by non-capital financing activities	79,767	-	79,767
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	4,252	4,252
Net cash provided by investing activities	-	4,252	4,252
Increase in cash and cash equivalents	21,099	426,730	447,829
Cash and cash equivalents:			
Beginning of year	10,933	537,138	548,071
End of year	\$ 32,032	\$ 963,868	\$ 995,900
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (85,738)	\$ 300,978	\$ 215,240
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	19,747	27,436	47,183
Increase in accounts receivable	-	(94,218)	(94,218)
Increase in customer deposits	9,188	-	9,188
Increase (decrease) in accrued liabilities	1,420	(10,134)	(8,714)
Increase (decrease) in accounts payable	65	(2,195)	(2,130)
Increase (decrease) in due to other funds	(3,350)	200,611	197,261
Net cash provided by (used in) operating activities	\$ (58,668)	\$ 422,478	\$ 363,810

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST II FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Expenditures</u>			<u>Estimated Percent Complete</u>
			<u>Beginning of Year</u>	<u>Current Year</u>	<u>To Date</u>	
Roads, streets, curbs, gutters, sidewalks and bridges	\$ 4,011,703	\$ 4,068,250	\$ 4,068,250	\$ -	\$ 4,068,250	100.00%
Water and sewer improvements, and the repayment of debt incurred to acquire and construct water and sewer improvements	1,700,000	2,033,303	2,033,303	-	2,033,303	100.00%
Parks and recreation	200,000	200,000	76,804	-	76,804	38.40%
Acquire land and buildings, including the payment of debt service relating thereto	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,702,315</u>	<u>-</u>	<u>1,702,315</u>	<u>94.57%</u>
Totals	<u>\$ 7,711,703</u>	<u>\$ 8,101,553</u>	<u>\$ 7,880,672</u>	<u>\$ -</u>	<u>\$ 7,880,672</u>	<u>97.27%</u>

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST III FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Expenditures</u>			<u>Estimated Percent Complete</u>
			<u>Beginning of Year</u>	<u>Current Year</u>	<u>To Date</u>	
Roads, bridges, sidewalks and transportation facilities	\$ 3,060,000	\$ 3,060,000	\$ 824,183	\$ 126,439	\$ 950,622	31.07%
Public safety facilities and equipment	2,000,000	3,146,129	2,210,324	341,062	2,551,386	81.10%
Public works facilities and equipment	17,097,500	17,097,500	2,328,579	66,046	2,394,625	14.01%
Construction and renovation of municipal buildings	<u>10,700,000</u>	<u>10,700,000</u>	<u>2,639,885</u>	<u>3,297</u>	<u>2,643,182</u>	<u>24.70%</u>
Totals	<u>\$ 32,857,500</u>	<u>\$ 34,003,629</u>	<u>\$ 8,002,971</u>	<u>\$ 536,844</u>	<u>\$ 8,539,815</u>	<u>25.11%</u>

Note: Current year expenditures of the SPLOST III Fund include \$500,000 in expenditures funded through an additional SPLOST allocation from Henry County which was not part of the City's share of the SPLOST per the resolution.