

CITY OF STOCKBRIDGE, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stockbridge, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 48-8-21, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules as well as the schedule of expenditures of special purpose local option sales tax proceeds (the “supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 11, 2013

City of Stockbridge

Management's Discussion and Analysis

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, 2012. 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 \$58,864,914. Of this amount unrestricted net position of \$15,014,871 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,574,167. Of this amount, an increase of \$2,969,513 was associated with governmental activities and an increase of \$604,654 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 \$17,138,391, an increase of \$2,110,226 in comparison with the prior year. Approximately 47.8 percent of this total amount, or \$8,199,749, 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 \$8,199,749, or 134.7 percent of total General Fund expenditures for the fiscal year.
- The City of Stockbridge's total debt obligations (including accrued compensated absences) decreased by \$601,558 for an overall decrease of 3.38 percent in total debt obligations.

Overview of the Financial Statements

This discussion and analysis is 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.

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 City's 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 position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position 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.

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 Position 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:

- 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 governmental funds: the General Fund, Hotel/Motel Tax Fund, SPLOST II Fund, SPLOST III Fund, State and Federal Grants Fund, Urban Redevelopment Fund, and the Burket Cemetery 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 Position 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 position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Stockbridge exceeded liabilities by \$58,864,914 as of December 31, 2012. The City's net position increased by \$3,574,167 for the fiscal year ended December 31, 2012. However, the largest portion (64.14%) 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 position (10.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,014,871 is unrestricted. The following is a comparison statement of the City's net position as of December 31, 2012:

The City of Stockbridge's Net Position

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 17,973,853	\$ 15,952,011	\$ 5,428,402	\$ 4,288,609	\$ 23,402,255	\$ 20,240,620
Capital assets	36,780,515	36,323,400	18,056,167	18,706,829	54,836,682	55,030,229
Total assets	<u>54,754,368</u>	<u>52,275,411</u>	<u>23,484,569</u>	<u>22,995,438</u>	<u>78,238,937</u>	<u>75,270,849</u>
Long-term liabilities outstanding	15,309,077	15,811,912	1,868,490	1,967,213	17,177,567	17,779,125
Other liabilities	671,536	782,811	264,732	1,223,352	936,268	2,006,163
Total liabilities	<u>15,980,613</u>	<u>16,594,723</u>	<u>2,133,222</u>	<u>3,190,565</u>	<u>18,113,835</u>	<u>19,785,288</u>
Net position:						
Net investment in						
capital assets	21,525,515	20,568,400	16,233,167	16,812,443	37,758,682	37,380,843
Restricted	6,091,361	5,215,699	-	-	6,091,361	5,215,699
Unrestricted	10,899,219	9,896,589	4,115,652	2,992,430	15,014,871	12,889,019
Total net position	<u>\$ 38,516,095</u>	<u>\$ 35,680,688</u>	<u>\$ 20,348,819</u>	<u>\$ 19,804,873</u>	<u>\$ 58,864,914</u>	<u>\$ 55,485,561</u>

A portion of the net position (10.35 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,014,871) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position increased by \$2,125,852, which is an increase of 16.49%.

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

- The purchase of vehicles for the water and sewer plants and the sanitation department. The completion of capital projects during 2012 that were part of the business type activities helped to reduce the unrestricted balance.

City of Stockbridge Changes in Net Position

	Governmental		Business		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 1,377,764	\$ 1,764,893	\$ 4,589,352	\$ 4,810,189	\$ 5,967,116	\$ 6,575,082
Operating grants and contributions	-	690,000	-	-	-	690,000
Capital grants and contributions	2,193,557	2,557,612	-	-	2,193,557	2,557,612
General revenues						
Sales tax	3,322,774	3,198,744	-	-	3,322,774	3,198,744
Other tax	3,977,827	3,840,411	-	-	3,977,827	3,840,411
Interest	84,720	132,640	2,197	5,143	86,917	137,783
Gain on disposal of capital assets	8,085	-	-	-	8,085	-
Total Revenues	10,964,727	12,184,300	4,591,549	4,815,332	15,556,276	16,999,632
Expenses:						
General Government	3,155,588	3,685,693	-	-	3,155,588	3,685,693
Public safety and courts	1,449,866	1,432,260	-	-	1,449,866	1,432,260
Public works	2,202,773	2,196,017	-	-	2,202,773	2,196,017
Culture and recreation	63,035	-	-	-	63,035	-
Housing and development	214,411	130,855	-	-	214,411	130,855
Interest on long-term debt	704,873	734,837	-	-	704,873	734,837
Water and sewer	-	-	2,607,609	2,637,874	2,607,609	2,637,874
Stormwater management	-	-	287,346	402,250	287,346	402,250
Solid waste	-	-	804,642	927,975	804,642	927,975
Conference center	-	-	366,119	494,312	366,119	494,312
Community center	-	-	125,847	120,702	125,847	120,702
Total Expenses	7,790,546	8,179,662	4,191,563	4,583,113	11,982,109	12,762,775
Increase in net position before transfers	3,174,181	4,004,638	399,986	232,219	3,574,167	4,236,857
Transfers	(204,668)	(298,870)	204,668	298,870	-	-
Increase in net position	2,969,513	3,705,768	604,654	531,089	3,574,167	4,236,857
Net position - beginning of year, as restated	35,546,582	31,974,920	19,744,165	19,273,784	55,290,747	51,248,704
Net position - end of year	\$ 38,516,095	\$ 35,680,688	\$ 20,348,819	\$ 19,804,873	\$ 58,864,914	\$ 55,485,561

Governmental activities. Governmental activities increased the City's net position by \$2,969,513, thereby accounting for 83.08% of the total growth in the net position of the City of Stockbridge. Key elements of this increase are as follows:

- Purchase of the old First State Bank Operations Center that will be used as a multiplex for Stockbridge Community Arts Center; and
- The City also purchased vehicles, a new phone system and a financial software system..

Business-type activities: Business-type activities increased the City of Stockbridge's net position by \$604,654 accounting for 16.92% of the total growth in the government's net position. Key elements of this increase are as follows:

- This included an emergency pipeline, the Flippin road project.

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, unassigned 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, unassigned fund balance of the General Fund was \$8,199,749, while total fund balance reached \$11,047,030. 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. Unassigned fund balance represents 134.7 percent of total General Fund expenditures, while total fund balance represents 181.5 percent of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1,234,564 Key factors in the increase are due to:

- New and improved financial policies and procedures along with procurement policies and procedures; and
- Removing items that have been budgeted in the past but would not be performed during the current budget due to waiting on State and Federal Funding.

The City of Stockbridge received \$2,073,160 in Special Purpose Local Option Sales Taxes (SPLOST) in 2012 compared to \$1,970,455 in 2011. This is an increase of 5.21 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, 2012, the governmental funds of the City of Stockbridge reported a combined fund balance of \$17,138,391, a 14.04 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, \$8,199,749 (47.84%) is unassigned fund balance, which is available for spending at the government's discretion.

At December 31, 2012, the Urban Redevelopment Agency of the City of Stockbridge had long-term liabilities from Revenue Bonds in the amount of \$15,255,000. 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 \$500,000 in principal and \$714,462 in interest occurred in 2012. 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 \$77,952 in fiscal year 2012, which is a 5.60 percent decrease from the prior year. The restricted fund balance at December 31, 2012 was \$39,428.

The City has a Perpetual Fund that is for the maintenance and upkeep of Burke 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, 2012 was \$11,649.

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 budget of \$8,104,540 of revenues and \$7,339,507 of expenses. The variance between the original adopted budget and final budget is \$478,525 more in revenues and \$1,494,970 less in expenditures. The variance is primarily due to:

- 1) An increase of \$156,429 in Other Taxes due to better collection rates of the past several years;
- 2) An increase of \$75,773 in intergovernmental funds for the increase in funding of grants from State Agencies;
- 3) An increase of \$187,714 in fines and forfeiture from increased ticketing and increase in certain fines;
- 4) An increase of \$57,499 in interest income;
- 5) The one greatest reduction in the General Fund budget was the lack of filling vacant employment opportunities in all departments of the General Fund; and
- 6) Cleaning up all departments making sure to pay for all the employees in the correct accounts and funds.

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, 2012, totals \$54,836,682 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. This figure represents a 1.26 percent increase in governmental-type activities and a 3.48 percent decrease in business-type activities, for a combined net decrease of 0.35 percent for the year.

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

- The purchase of the multiplex for use as a community arts center.
- 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, 2012, the City of Stockbridge had total bonded debt outstanding of \$17,177,567

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

City of Stockbridge's Outstanding Debt

	Governmental Activities		Business Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 15,255,000	\$ 15,755,000	\$ -	\$ -	\$ 15,255,000	\$ 15,755,000
Notes payable	-	-	1,823,000	1,894,386	1,823,000	1,894,386
Compensated absences	54,077	56,912	45,490	72,827	99,567	129,739
Total	\$ 15,309,077	\$ 15,811,912	\$ 1,868,490	\$ 1,967,213	\$ 17,177,567	\$ 17,779,125

The City of Stockbridge's total debt decreased by \$601,558 (3.5%) during the past fiscal year. Additional information on the City's long-term debt can be found in Note 7.

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 fund debt as of December 31, 2012. Below is a copy of the City's net taxable value of the 2012 Henry County Digest:

Real and Personal	\$ 640,653,501
Motor Vehicles	25,135,180
Mobile Homes	2,079,278
Heavy Duty Equipment	9,089
Gross Digest	667,877,048
Less M & O Exemptions	26,751,580
Net M & O Digest	\$ 641,125,468

Note: M&O stands for Maintenance and Operations

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 10.8 percent as of December 2012 and had spiked to 11.6 percent during the fiscal year, according to the U.S. Bureau of Labor Statistics. This figure was above the state average of 8.7 percent for the same time period. As of May 2012, the City's unemployment rate was 10.3 versus 8.3 for the State.
- The City's population was 26,281 as of July 2012, according to Census estimates. This is an increase of 0.8 percent since the April 2011 Census.
- At the beginning of the current SPLOST program, the 2008 Local Option Sales tax revenue collection was \$1,948,959. In Fiscal Year 2009, monthly SPLOST collections decreased by 48.2% over 2008 collections. In Fiscal Year 2010 monthly collections increased by 54.5% over 2009. In Fiscal Year 2011 monthly collections increase by 26.2% over 2010. In Fiscal Year 2012 monthly collections increase by 5.2% over 2011. Based on the economy and the trends over the past several years we expect the increases to continue but at a flatter rate than in previous years.
- 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., GA 30281.

BASIC FINANCIAL STATEMENTS

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,275,142	\$ 1,371,546	\$ 14,646,688
Investments	5,091,809	58,000	5,149,809
Taxes receivable	1,576,978	-	1,576,978
Accounts receivable, net of allowances	236,691	651,036	887,727
Due from other governments	650,922	12,589	663,511
Internal balances	(2,974,683)	2,974,683	-
Inventories	-	122,735	122,735
Prepaid expenses	108,753	27,078	135,831
Restricted assets, cash and cash equivalents	8,241	210,735	218,976
Capital assets, nondepreciable	9,627,968	1,314,595	10,942,563
Capital assets, depreciable, net of accumulated depreciation	27,152,547	16,741,572	43,894,119
Total assets	54,754,368	23,484,569	78,238,937
LIABILITIES			
Accounts payable	271,131	112,754	383,885
Retainage payable	9,679	-	9,679
Accrued interest expense	292,898	4,558	297,456
Other accrued expenses	97,828	22,586	120,414
Customer deposits	-	124,834	124,834
Compensated absences due within one year	54,077	45,490	99,567
Bonds payable due within one year	520,000	-	520,000
Bonds payable due in more than one year	14,735,000	-	14,735,000
Notes payable due within one year	-	73,556	73,556
Notes payable due in more than one year	-	1,749,444	1,749,444
Total liabilities	15,980,613	2,133,222	18,113,835
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	257,660	1,002,528	1,260,188
Total deferred inflows of resources	257,660	1,002,528	1,260,188
NET POSITION			
Net investment in capital assets	21,525,515	16,233,167	37,758,682
Restricted for capital projects	6,040,284	-	6,040,284
Restricted for tourism	39,428	-	39,428
Restricted for cemetery maintenance	11,649	-	11,649
Unrestricted	10,899,219	4,115,652	15,014,871
Total net position	\$ 38,516,095	\$ 20,348,819	\$ 58,864,914

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, 2012

<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	\$ 3,155,588	\$ 372,647	\$ -	\$ 11,375
Judicial	711,290	1,005,117	-	-
Public safety	738,576	-	-	-
Public works	2,202,773	-	-	2,182,182
Culture and recreation	63,035	-	-	-
Housing and development	214,411	-	-	-
Interest on long-term debt	704,873	-	-	-
Total governmental activities	<u>7,790,546</u>	<u>1,377,764</u>	<u>-</u>	<u>2,193,557</u>
Business-type activities:				
Water and sewer	2,607,609	2,776,146	-	-
Stormwater	287,346	494,874	-	-
Solid waste	804,642	1,155,246	-	-
Conference center	366,119	124,258	-	-
Community center	125,847	38,828	-	-
Total business-type activities	<u>4,191,563</u>	<u>4,589,352</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,982,109</u>	<u>\$ 5,967,116</u>	<u>\$ -</u>	<u>\$ 2,193,557</u>
General revenues:				
Sales taxes				
Franchise taxes				
Alcoholic beverage excise taxes				
Business and occupation taxes				
Insurance premium taxes				
Hotel/motel taxes				
Other taxes				
Gain on disposal of capital assets				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net position, beginning of year				
(as restated)				
Net position, 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
\$ (2,771,566)	\$ -	\$ (2,771,566)
293,827	-	293,827
(738,576)	-	(738,576)
(20,591)	-	(20,591)
(63,035)	-	(63,035)
(214,411)	-	(214,411)
(704,873)	-	(704,873)
<u>(4,219,225)</u>	<u>-</u>	<u>(4,219,225)</u>
-	168,537	168,537
-	207,528	207,528
-	350,604	350,604
-	(241,861)	(241,861)
-	(87,019)	(87,019)
-	397,789	397,789
<u>(4,219,225)</u>	<u>397,789</u>	<u>(3,821,436)</u>
3,322,774	-	3,322,774
1,398,424	-	1,398,424
603,903	-	603,903
582,833	-	582,833
1,277,188	-	1,277,188
64,431	-	64,431
51,048	-	51,048
8,085	-	8,085
84,720	2,197	86,917
(204,668)	204,668	-
<u>7,188,738</u>	<u>206,865</u>	<u>7,395,603</u>
2,969,513	604,654	3,574,167
35,546,582	19,744,165	55,290,747
<u>\$ 38,516,095</u>	<u>\$ 20,348,819</u>	<u>\$ 58,864,914</u>

CITY OF STOCKBRIDGE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2012

	General Fund	SPLOST III Fund	Urban Redevelopment Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,782,552	\$ 4,858,363	\$ -	\$ 634,227	\$ 13,275,142
Investments	5,078,993	1,178	-	11,638	5,091,809
Taxes receivable	1,568,219	-	-	8,759	1,576,978
Accounts receivable	236,095	585	-	11	236,691
Due from other governments	-	650,922	-	-	650,922
Due from other funds	267,233	-	-	35,565	302,798
Prepaid expenditures	108,753	-	-	-	108,753
Restricted assets, cash	-	-	8,241	-	8,241
Total assets	<u>\$ 15,041,845</u>	<u>\$ 5,511,048</u>	<u>\$ 8,241</u>	<u>\$ 690,200</u>	<u>\$ 21,251,334</u>
LIABILITIES					
Accounts payable	\$ 240,188	\$ 5,660	\$ -	\$ 25,283	\$ 271,131
Construction payable	-	9,679	-	-	9,679
Accrued liabilities	97,828	-	-	-	97,828
Due to other funds	3,199,975	20,308	186	57,012	3,277,481
Total liabilities	<u>3,537,991</u>	<u>35,647</u>	<u>186</u>	<u>82,295</u>	<u>3,656,119</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - occupational taxes	257,660	-	-	-	257,660
Unavailable revenue - court taxes	190,781	-	-	-	190,781
Unavailable revenue - franchise taxes	8,383	-	-	-	8,383
Total deferred inflows of resources	<u>456,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,824</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepays	108,753	-	-	-	108,753
Permanent fund corpus	-	-	-	5,000	5,000
Restricted for:					
Capital projects	-	5,475,401	8,055	556,828	6,040,284
Tourism	-	-	-	39,428	39,428
Cemetery maintenance	-	-	-	6,649	6,649
Assigned for:					
Capital purchases	1,330,309	-	-	-	1,330,309
Debt service	1,218,000	-	-	-	1,218,000
Software	100,000	-	-	-	100,000
Employee wellness program	90,219	-	-	-	90,219
Unassigned	8,199,749	-	-	-	8,199,749
Total fund balances	<u>11,047,030</u>	<u>5,475,401</u>	<u>8,055</u>	<u>607,905</u>	<u>17,138,391</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,041,845</u>	<u>\$ 5,511,048</u>	<u>\$ 8,241</u>	<u>\$ 690,200</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.					\$ 36,780,515
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.					199,164
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.					(15,601,975)
Net position of governmental activities					<u>\$ 38,516,095</u>

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, 2012

	General Fund	SPLOST III Fund	Urban Redevelopment Fund	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 7,227,787	\$ -	\$ -	\$ 77,952	\$ 7,305,739
Licenses and permits	197,922	-	-	-	197,922
Intergovernmental	75,773	2,073,160	-	169,076	2,318,009
Fines and forfeitures	974,404	-	-	-	974,404
Charges for services	1,014	-	-	-	1,014
Interest income	83,499	11,172	22	1,402	96,095
Other revenues	173,711	-	-	-	173,711
Total revenues	<u>8,734,110</u>	<u>2,084,332</u>	<u>22</u>	<u>248,430</u>	<u>11,066,894</u>
Expenditures					
Current:					
General government	2,638,257	-	-	-	2,638,257
Judicial	663,595	-	-	-	663,595
Public safety	671,902	-	-	-	671,902
Public works and parks	1,943,761	-	-	-	1,943,761
Housing and development	170,736	-	-	41,636	212,372
Capital outlay:					
General government	-	642,226	10,682	66,530	719,438
Public works	-	599,981	-	96,317	696,298
Debt service:					
Principal	-	-	500,000	-	500,000
Interest	-	-	714,462	-	714,462
Total expenditures	<u>6,088,251</u>	<u>1,242,207</u>	<u>1,225,144</u>	<u>204,483</u>	<u>8,760,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,645,859</u>	<u>842,125</u>	<u>(1,225,122)</u>	<u>43,947</u>	<u>2,306,809</u>
Other financing sources (uses):					
Proceeds from sale of assets	8,085	-	-	-	8,085
Transfers in	-	250	1,214,462	-	1,214,712
Transfers out	(1,419,380)	-	-	-	(1,419,380)
Total other financing sources (uses)	<u>(1,411,295)</u>	<u>250</u>	<u>1,214,462</u>	<u>-</u>	<u>(196,583)</u>
Net change in fund balances	1,234,564	842,375	(10,660)	43,947	2,110,226
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 11,047,030</u>	<u>\$ 5,475,401</u>	<u>\$ 8,055</u>	<u>\$ 607,905</u>	<u>\$ 17,138,391</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, 2012

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

Net change in fund balances - total governmental funds	\$ 2,110,226
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.	457,115
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(110,252)
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 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.	500,000
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>12,424</u>
Changes in net position - governmental activities	<u><u>\$ 2,969,513</u></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, 2012**

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Sales taxes	\$ 3,326,000	\$ 3,322,774	\$ 3,322,774	\$ -
Other taxes	3,644,650	3,801,079	3,905,013	103,934
Licenses and permits	195,000	200,922	197,922	(3,000)
Intergovernmental	-	75,773	75,773	-
Fines and forfeitures	786,690	974,404	974,404	-
Charges for services	2,600	1,014	1,014	-
Interest income	26,000	83,499	83,499	-
Other revenues	123,600	123,600	173,711	50,111
Total revenues	8,104,540	8,583,065	8,734,110	151,045
Expenditures:				
Current:				
General government:				
Mayor and council	255,174	271,417	271,417	-
Executive	390,650	305,376	321,376	(16,000)
Financial administration	1,845,650	1,676,207	1,788,700	(112,493)
Building and plant	287,900	139,264	256,764	(117,500)
Total general government	2,779,374	2,392,264	2,638,257	(245,993)
Judicial:				
Municipal court	833,840	663,595	663,595	-
Public safety:				
Police administration	675,000	671,902	671,902	-
Public Works and Parks:				
Public works	2,424,808	1,656,883	1,654,604	2,279
Parks	508,240	289,157	289,157	-
Total public works	2,933,048	1,946,040	1,943,761	2,279
Housing and development:				
Code enforcement	118,245	58,644	58,644	-
City events	-	112,092	112,092	-
Total housing and development	118,245	170,736	170,736	-
Total expenditures	7,339,507	5,844,537	6,088,251	(243,714)
Excess of revenues over expenditures	765,033	2,738,528	2,645,859	(92,669)
Other financing sources (uses):				
Proceeds from sale of assets	-	-	8,085	8,085
Transfers out	-	-	(1,419,380)	(1,419,380)
Total other financing sources (uses)	-	-	(1,411,295)	(1,411,295)
Net change in fund balances	765,033	2,738,528	1,234,564	(1,503,964)
Fund balances, beginning of year	9,812,466	9,812,466	9,812,466	-
Fund balances, end of year	\$ 10,577,499	\$ 12,550,994	\$ 11,047,030	\$ (1,503,964)

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

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2012

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 231,405	\$ -	\$ -	\$ 1,140,141	\$ 1,371,546
Investments	58,000	-	-	-	58,000
Accounts receivable, net of allowances	398,457	84,502	3,907	164,170	651,036
Due from other governments	12,589	-	-	-	12,589
Due from other funds	1,543,349	1,637,650	-	-	3,180,999
Inventories	122,735	-	-	-	122,735
Prepaid expenses	6,181	663	20,049	185	27,078
Restricted assets, cash and cash equivalents	210,735	-	-	-	210,735
Total current assets	2,583,451	1,722,815	23,956	1,304,496	5,634,718
NONCURRENT ASSETS					
Capital assets:					
Capital assets, non-depreciable	1,285,954	-	28,641	-	1,314,595
Capital assets, depreciable, net of accumulated depreciation	12,980,088	82,345	2,813,471	865,668	16,741,572
Total capital assets	14,266,042	82,345	2,842,112	865,668	18,056,167
Total noncurrent assets	14,266,042	82,345	2,842,112	865,668	18,056,167
Total assets	16,849,493	1,805,160	2,866,068	2,170,164	23,690,885
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	85,421	13,398	9,462	4,473	112,754
Accrued liabilities	33,301	16,694	4,118	13,963	68,076
Notes payable, current portion	73,556	-	-	-	73,556
Due to other funds	-	16,589	-	189,727	206,316
Customer deposits	101,060	-	13,960	9,814	124,834
Accrued interest	4,558	-	-	-	4,558
Total current liabilities	297,896	46,681	27,540	217,977	590,094
NONCURRENT LIABILITIES					
Notes payable, long-term portion	1,749,444	-	-	-	1,749,444
Total noncurrent liabilities	1,749,444	-	-	-	1,749,444
Total liabilities	2,047,340	46,681	27,540	217,977	2,339,538
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	-	1,002,528	-	-	1,002,528
Total deferred inflows of resources	-	1,002,528	-	-	1,002,528
NET POSITION					
Net investment in capital assets	12,443,042	82,345	2,842,112	865,668	16,233,167
Unrestricted	2,359,111	673,606	(3,584)	1,086,519	4,115,652
Total net position	\$ 14,802,153	\$ 755,951	\$ 2,838,528	\$ 1,952,187	\$ 20,348,819

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

CITY OF STOCKBRIDGE, GEORGIA

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

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 1,465,112	\$ -	\$ -	\$ -	\$ 1,465,112
Sewer sales	1,237,561	-	-	-	1,237,561
Stormwater sales	-	-	-	494,874	494,874
Sanitation charges	-	1,085,293	-	-	1,085,293
Rentals	-	69,953	124,258	38,828	233,039
Other fees and charges	73,473	-	-	-	73,473
Total operating revenues	<u>2,776,146</u>	<u>1,155,246</u>	<u>124,258</u>	<u>533,702</u>	<u>4,589,352</u>
OPERATING EXPENSES					
Personal services and employee benefits	877,752	455,204	136,854	237,544	1,707,354
Contracted services	290,295	200,915	85,055	90,936	667,201
Supplies	872,505	78,603	41,939	38,779	1,031,826
Repairs and maintenance	544	-	-	-	544
Bad debt expense	20,060	58	-	-	20,118
Depreciation	490,776	51,140	102,271	45,934	690,121
Total operating expenses	<u>2,551,932</u>	<u>785,920</u>	<u>366,119</u>	<u>413,193</u>	<u>4,117,164</u>
Operating income (loss)	<u>224,214</u>	<u>369,326</u>	<u>(241,861)</u>	<u>120,509</u>	<u>472,188</u>
NONOPERATING INCOME (EXPENSES)					
Loss on disposal of assets	-	(18,722)	-	-	(18,722)
Interest income	523	-	-	1,674	2,197
Interest expense	(55,677)	-	-	-	(55,677)
Total nonoperating income (expenses)	<u>(55,154)</u>	<u>(18,722)</u>	<u>-</u>	<u>1,674</u>	<u>(72,202)</u>
Income (loss) before transfers	169,060	350,604	(241,861)	122,183	399,986
Transfers in	<u>-</u>	<u>-</u>	<u>172,441</u>	<u>32,227</u>	<u>204,668</u>
Change in net assets	169,060	350,604	(69,420)	154,410	604,654
NET POSITION, beginning of year (as restated)	<u>14,633,093</u>	<u>405,347</u>	<u>2,907,948</u>	<u>1,797,777</u>	<u>19,744,165</u>
NET POSITION, end of year	<u>\$ 14,802,153</u>	<u>\$ 755,951</u>	<u>\$ 2,838,528</u>	<u>\$ 1,952,187</u>	<u>\$ 20,348,819</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, 2012

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,700,408	\$ 1,157,415	\$ 123,426	\$ 561,548	\$ 4,542,797
Payments to suppliers and service providers	(1,544,605)	(696,214)	(146,091)	(183,355)	(2,570,265)
Payments to employees	(885,876)	(461,201)	(147,379)	(238,690)	(1,733,146)
Net cash provided by (used in) operating activities	269,927	-	(170,044)	139,503	239,386
CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	172,441	32,227	204,668
Net cash provided by non- capital financing activities	-	-	172,441	32,227	204,668
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Purchase of property and equipment	(26,621)	-	(2,397)	(29,163)	(58,181)
Principal paid on notes payable	(71,386)	-	-	-	(71,386)
Interest paid	(55,855)	-	-	-	(55,855)
Net cash used in capital and related financing activities	(153,862)	-	(2,397)	(29,163)	(185,422)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	523	-	-	1,674	2,197
Net cash provided by investing activities	523	-	-	1,674	2,197
Increase in cash and cash equivalents	116,588	-	-	144,241	260,829
Cash and cash equivalents:					
Beginning of year	325,552	-	-	995,900	1,321,452
End of year	\$ 442,140	\$ -	\$ -	\$ 1,140,141	\$ 1,582,281
Classified as:					
Cash and cash equivalents	\$ 231,405	\$ -	\$ -	\$ 1,140,141	\$ 1,371,546
Restricted assets, cash and cash equivalents	210,735	-	-	-	210,735
	\$ 442,140	\$ -	\$ -	\$ 1,140,141	\$ 1,582,281

(Continued)

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 224,214	\$ 369,326	\$ (241,861)	\$ 120,509	\$ 472,188
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	490,776	51,140	102,271	45,934	690,121
(Increase) decrease in accounts receivable	(55,679)	2,227	(832)	27,846	(26,438)
Decrease in inventories	7,454	-	-	-	7,454
Increase in due from other funds	(439,941)	(420,886)	-	-	(860,827)
Increase (decrease) in customer deposits	9,456	-	(7,095)	626	2,987
Increase in prepaid expenses	(6,073)	(663)	(19,649)	(185)	(26,570)
Decrease in accrued liabilities	(8,123)	(5,997)	(10,525)	(1,146)	(25,791)
Increase (decrease) in accounts payable	47,843	8,885	7,647	(20,790)	43,585
Decrease in deferred revenue	-	(4,032)	-	-	(4,032)
Decrease in due to other funds	-	-	-	(33,291)	(33,291)
Net cash provided by (used in) operating activities	<u>\$ 269,927</u>	<u>\$ -</u>	<u>\$ (170,044)</u>	<u>\$ 139,503</u>	<u>\$ 239,386</u>
NON-CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Loss on disposal of assets	-	(18,722)	-	-	(18,722)
Net non-cash flows from capital and related financing activities	<u>\$ -</u>	<u>\$ (18,722)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,722)</u>

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

CITY OF STOCKBRIDGE, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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 26,000 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 position 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)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (Continued)

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 State of Georgia Local Government Investment Pool (Georgia Fund 1) is a special investment pool operated by the Georgia Department of Administrative Services for Georgia local governments. Georgia Fund 1 was created under OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net position value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value). The pool is regulated by the Georgia Office of the State Treasurer.

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, 2012:

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012.

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.

I. Deferred Outflows / Inflows

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City did not have any items that qualify for reporting in this category for the year ended December 31, 2012.

In addition to liabilities, the statement of net position in fund balance will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item arises only under modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue for court fines and franchise taxes levied and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Another element of deferred inflows relates to occupational taxes paid in one year but related to the subsequent fiscal year. Similarly, residential sanitation fees are billed in August, but related to the subsequent fiscal year. These amounts will be recognized as revenue in the period for which they are billed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 position 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 position 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. 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.

K. 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)

L. 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.

M. 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.

N. 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 2012. All annual appropriations lapse at year end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Budgets and Budgetary Accounting (Continued)

Excess Expenditures over Appropriations. For the year ended December 31, 2012, expenditures exceeded budget, as follows:

<u>Department</u>	<u>Excess</u>
General Fund:	
Executive	\$ 16,000
Financial administration	112,493
Building and plant	117,500

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

O. 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.

P. 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.

Q. Fund Equity

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

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

Q. 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 Position – Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position 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 position is 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 position is 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 Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$15,601,975 difference are as follows:

Accrued interest payable	\$ (292,898)
Bonds payable	(15,255,000)
Compensated absences payable	<u>(54,077)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (15,601,975)</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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$457,115 difference are as follows:

Capital outlay	\$ 1,476,518
Depreciation expense	<u>(1,019,403)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 457,115</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 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 \$12,424 difference are as follows:

Compensated absences	\$ (2,835)
Accrued interest	<u>(9,589)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (12,424)</u></u>

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, 2012, the City's investment in Georgia Fund 1 was rated AA+ 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, 2012, all of the deposits for the City were fully collateralized in accordance with the state statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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, 2012, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	40 day weighted average	\$ 1,178
Certificate of Deposit	March 1, 2014	1,059,516
Certificate of Deposit	March 6, 2014	2,162,077
Certificate of Deposit	June 2, 2013	1,261,706
Certificate of Deposit	June 6, 2013	595,694
Certificate of Deposit	August 19, 2014	11,638
Certificate of Deposit	December 31, 2013	58,000
		<u>\$ 5,149,809</u>

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, 2012. There were no property taxes receivable as of December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

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

Governmental Funds

	<u>General</u>	<u>SPLOST III</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ -	\$ 650,922	\$ -	\$ 650,922
Taxes	1,568,219	-	8,759	1,576,978
Accounts	483,042	585	11	483,638
Gross receivables	2,051,261	651,507	8,770	2,711,538
Less allowance for uncollectibles	(246,947)	-	-	(246,947)
Net total receivables	<u>\$ 1,804,314</u>	<u>\$ 651,507</u>	<u>\$ 8,770</u>	<u>\$ 2,464,591</u>

Proprietary Funds

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Conference Center</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Intergovernmental	\$ 12,589	\$ -	\$ -	\$ -	\$ 12,589
Accounts	419,127	85,002	3,907	164,170	672,206
Gross receivables	431,716	85,002	3,907	164,170	684,795
Less allowance for uncollectibles	(20,670)	(500)	-	-	(21,170)
Net total receivables	<u>\$ 411,046</u>	<u>\$ 84,502</u>	<u>\$ 3,907</u>	<u>\$ 164,170</u>	<u>\$ 663,625</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,919,600	\$ 180,091	\$ -	\$ 8,099,691
Construction in Progress	270,037	1,258,240	-	1,528,277
Total	<u>8,189,637</u>	<u>1,438,331</u>	<u>-</u>	<u>9,627,968</u>
Capital assets, being depreciated:				
Buildings & improvements	21,438,276	-	-	21,438,276
Improvements other than buildings	817,140	-	-	817,140
Infrastructure	7,193,841	-	-	7,193,841
Machinery and equipment	1,312,947	10,730	-	1,323,677
Office equipment	618,001	-	-	618,001
Vehicles	862,637	27,457	-	890,094
Furniture and fixtures	1,058,546	-	-	1,058,546
Total	<u>33,301,388</u>	<u>38,187</u>	<u>-</u>	<u>33,339,575</u>
Less accumulated depreciation for:				
Buildings & improvements	(1,875,340)	(518,396)	-	(2,393,736)
Improvements other than buildings	(441,745)	(40,881)	-	(482,626)
Infrastructure	(584,304)	(172,890)	-	(757,194)
Machinery and equipment	(877,872)	(83,123)	-	(960,995)
Office equipment	(340,158)	(46,147)	-	(386,305)
Vehicles	(648,920)	(70,132)	-	(719,052)
Furniture and fixtures	(399,286)	(87,834)	-	(487,120)
Total	<u>(5,167,625)</u>	<u>(1,019,403)</u>	<u>-</u>	<u>(6,187,028)</u>
Total assets, being depreciated, net	<u>28,133,763</u>	<u>(981,216)</u>	<u>-</u>	<u>27,152,547</u>
Governmental activities capital assets, net	<u>\$ 36,323,400</u>	<u>\$ 457,115</u>	<u>\$ -</u>	<u>\$ 36,780,515</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 445,603	\$ -	\$ -	\$ 445,603
Construction in Progress	868,992	-	-	868,992
Total	<u>1,314,595</u>	<u>-</u>	<u>-</u>	<u>1,314,595</u>
Capital assets, being depreciated:				
Buildings and improvements	4,032,736	-	-	4,032,736
Improvements other than buildings	18,117,541	-	-	18,117,541
Infrastructure	164,437	-	-	164,437
Vehicles	1,500,927	45,053	(259,042)	1,286,938
Furniture and fixtures	433,044	-	-	433,044
Machinery and equipment	1,198,822	13,128	-	1,211,950
Total	<u>25,447,507</u>	<u>58,181</u>	<u>(259,042)</u>	<u>25,246,646</u>
Less accumulated depreciation for:				
Buildings and improvements	(666,258)	(84,353)	-	(750,611)
Improvements other than buildings	(5,087,091)	(403,971)	-	(5,491,062)
Infrastructure	(26,483)	(5,281)	-	(31,764)
Vehicles	(1,324,821)	(72,028)	240,320	(1,156,529)
Furniture and fixtures	(217,336)	(28,973)	-	(246,309)
Machinery and equipment	(733,284)	(95,515)	-	(828,799)
Total	<u>(8,055,273)</u>	<u>(690,121)</u>	<u>240,320</u>	<u>(8,505,074)</u>
Total assets, being depreciated, net	<u>17,392,234</u>	<u>(631,940)</u>	<u>(18,722)</u>	<u>16,741,572</u>
Business-type activities capital assets, net	<u>\$ 18,706,829</u>	<u>\$ (631,940)</u>	<u>\$ (18,722)</u>	<u>\$ 18,056,167</u>

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	\$ 555,250
Judicial	50,111
Public safety	66,674
Public works	278,294
Culture and recreation	67,035
Housing and development	<u>2,039</u>

Total depreciation expense - governmental activities	<u><u>\$ 1,019,403</u></u>
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Business-type activities:

Water and sewer	\$ 490,776
Solid Waste	51,140
Stormwater	26,188
Conference center	102,271
Community center	<u>19,746</u>

Total depreciation expense - business-type activities	<u><u>\$ 690,121</u></u>
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NOTE 7. LONG-TERM DEBT

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, 2012:

	<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	\$ 56,912	165,672	(168,507)	\$ 54,077	\$ 54,077
Urban Redevelopment revenue bonds	<u>15,755,000</u>	<u>-</u>	<u>(500,000)</u>	<u>15,255,000</u>	<u>520,000</u>
Total Governmental-Type Activity Long-Term Debt	<u><u>\$ 15,811,912</u></u>	<u><u>\$ 165,672</u></u>	<u><u>\$ (668,507)</u></u>	<u><u>\$ 15,309,077</u></u>	<u><u>\$ 574,077</u></u>
Business-type activities:					
GEFA notes payable	\$ 1,894,386	\$ -	\$ (71,386)	\$ 1,823,000	\$ 73,556
Accrued compensated absences	<u>72,827</u>	<u>152,322</u>	<u>(179,659)</u>	<u>45,490</u>	<u>45,490</u>
Total Business-Type Activity Long-Term Debt	<u><u>\$ 1,967,213</u></u>	<u><u>\$ 152,322</u></u>	<u><u>\$ (251,045)</u></u>	<u><u>\$ 1,868,490</u></u>	<u><u>\$ 119,046</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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.

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, 2012, the City repaid various bond issues in the amount of \$500,000. Amounts outstanding at year end of \$15,255,000 reflect total draw downs to date net of repayments, if any.

Urban Redevelopment Fund long-term liabilities outstanding at December 31, 2012, are as follows:

Series 2005 B Revenue bonds payable to Wells Fargo Bank, in the total amount of \$7,330,000, interest at 4.45%, matures 2/1/31	\$ 6,510,000
Series 2006 A Revenue bonds payable to Wells Fargo Bank, in the total amount of \$4,795,000, current interest at 4.58%, matures 2/1/31	4,275,000
Series 2006 C Revenue bonds payable to Wells Fargo Bank, in the total amount of \$5,000,000, current interest at 4.865%, matures 2/1/31	<u>4,470,000</u>
Total	<u>\$ 15,255,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 520,000	\$ 690,980	\$ 1,210,980
2014	545,000	666,456	1,211,456
2015	570,000	640,778	1,210,778
2016	595,000	613,951	1,208,951
2017	625,000	585,859	1,210,859
2018-2022	3,565,000	2,233,241	5,798,241
2023-2027	4,470,000	1,539,025	6,009,025
2028-2031	<u>4,365,000</u>	<u>413,686</u>	<u>4,778,686</u>
Total	<u>\$ 15,255,000</u>	<u>\$ 7,383,976</u>	<u>\$ 22,638,976</u>

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 2011 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, 2012 the City repaid \$71,386 of the note payable. Amounts outstanding at year end of \$1,823,000 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	82,922	44,318	127,240
2018-2022	454,011	182,189	636,200
2023-2027	527,387	108,814	636,201
2028-2031	<u>450,758</u>	<u>26,393</u>	<u>477,151</u>
Total	<u>\$ 1,823,000</u>	<u>\$ 562,752</u>	<u>\$ 2,385,752</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Payable Fund	Receivable Fund				Total
	General Fund	Non-Major Governmental Fund	Water & Sewer Fund	Solid Waste Fund	
General Fund	\$ -	\$ 35,565	\$ 1,526,760	\$ 1,637,650	\$ 3,199,975
SPLOST III Fund	20,308	-	-	-	20,308
Urban Redevelopment Fund	186	-	-	-	186
Solid Waste Fund	-	-	16,589	-	16,589
Non-Major Governmental Funds	57,012	-	-	-	57,012
Non-Major Enterprise Funds	189,727	-	-	-	189,727
Total	<u>\$ 267,233</u>	<u>\$ 35,565</u>	<u>\$ 1,543,349</u>	<u>\$ 1,637,650</u>	<u>\$ 3,483,797</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
	General Fund
SPLOST III Fund	\$ 250
Urban Redevelopment Fund	1,214,462
Conference Center Fund	172,441
Nonmajor Enterprise Funds	<u>32,227</u>
Total	<u>\$ 1,419,380</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, 2012, the date of the most recent actuarial valuation, there were 107 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	22
Vested terminated employees not yet receiving benefits	8
Active employees	77
Total	<u>107</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

As of the most recent valuation date, July 1, 2012, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (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)
7/1/2012	\$ 5,900,462	\$ 7,001,325	\$ 1,100,863	84.3 %	\$ 2,702,849	40.7 %

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 position 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 01, 2012.

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 2012 is 16.43% 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, 2012, the City's annual pension cost of \$451,787 for SRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2012 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 of December 31, 2012 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
12/31/2012	\$ 451,787	\$ 451,787	100 %	\$ -
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 interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) Property and Insurance Fund is a municipal intergovernmental risk management agency operating 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 "IBNR" is established by an actuary.

During the year ended December 31, 2012, 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, 2012. No provisions have been made in the financial statements for the year ended December 31, 2012 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 Association Workers' Compensation Self Insurance Fund.

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, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the 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 to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all 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)

\$ 31,303,362

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 coverage 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, 2012 were \$77,952. The amount remitted to the Chamber totaled \$30,887.

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 2012, the agreed upon amount was \$500,000.

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, 2012, the City received \$69,953 in rental fees under the contract. The leased assets cost \$36,116 and are reported net of accumulated depreciation of \$24,378 for a net carrying value of \$11,738.

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.

NOTE 16. RESTATEMENTS

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities and Water and Sewer Fund to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net position, Governmental Activities, previously reported	\$ 35,680,688
Recognition of issuance costs incurred in prior periods	(134,106)
Beginning net position, Governmental Activities, restated	<u>\$ 35,546,582</u>
Net position, Business-Type Activities, previously reported	\$ 19,804,873
Recognition of issuance costs incurred in prior periods	(60,708)
Beginning net position, Business-Type Activities, restated	<u>\$ 19,744,165</u>
Net position, Water & Sewer Fund, previously reported	\$ 14,693,801
Recognition of issuance costs incurred in prior periods	(60,708)
Beginning net position, Water & Sewer Fund, restated	<u>\$ 14,633,093</u>

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
7/1/2012	\$ 5,900,462	\$ 7,001,325	\$ 1,100,863	84.3 %	\$ 2,702,849	40.7 %
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, 2012

	<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	\$ -	\$ -	\$ 527,509	\$ 106,718	\$ 634,227
Investments	-	11,638	-	-	11,638
Receivables	8,759	11	-	-	8,770
Due from other funds	35,565	-	-	-	35,565
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 44,324</u>	<u>\$ 11,649</u>	<u>\$ 527,509</u>	<u>\$ 106,718</u>	<u>\$ 690,200</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,896	\$ -	\$ 20,387	\$ -	\$ 25,283
Due to other funds	-	-	57,012	-	57,012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,896</u>	<u>-</u>	<u>77,399</u>	<u>-</u>	<u>82,295</u>
Fund Balances:					
Nonspendable:					
Permanent fund corpus	-	5,000	-	-	5,000
Restricted:					
Cemetery maintenance	-	6,649	-	-	6,649
Capital projects	-	-	450,110	106,718	556,828
Tourism	39,428	-	-	-	39,428
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>39,428</u>	<u>11,649</u>	<u>450,110</u>	<u>106,718</u>	<u>607,905</u>
Total liabilities and fund balances	<u>\$ 44,324</u>	<u>\$ 11,649</u>	<u>\$ 527,509</u>	<u>\$ 106,718</u>	<u>\$ 690,200</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, 2012

	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	\$ 77,952	\$ -	\$ -	\$ -	\$ 77,952
Intergovernmental	-	-	169,076	-	169,076
Interest income	-	303	896	203	1,402
Total revenues	<u>77,952</u>	<u>303</u>	<u>169,972</u>	<u>203</u>	<u>248,430</u>
Expenditures:					
Current:					
Housing and development	41,636	-	-	-	41,636
Capital outlay:					
General government	-	-	66,530	-	66,530
Public works	-	-	96,317	-	96,317
Total expenditures	<u>41,636</u>	<u>-</u>	<u>162,847</u>	<u>-</u>	<u>204,483</u>
Net change in fund balances	36,316	303	7,125	203	43,947
Fund balances, beginning of year	<u>3,112</u>	<u>11,346</u>	<u>442,985</u>	<u>106,515</u>	<u>563,958</u>
Fund balances, end of year	<u>\$ 39,428</u>	<u>\$ 11,649</u>	<u>\$ 450,110</u>	<u>\$ 106,718</u>	<u>\$ 607,905</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 POSITION NON-MAJOR ENTERPRISE FUNDS DECEMBER 31, 2012

	Community Center Fund	Stormwater Fund	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,140,141	\$ 1,140,141
Accounts receivable	-	164,170	164,170
Prepaid expenses	110	75	185
Capital assets	695,038	170,630	865,668
	<u>695,148</u>	<u>170,630</u>	<u>865,668</u>
Total assets	<u>695,148</u>	<u>1,475,016</u>	<u>2,170,164</u>
LIABILITIES			
Accounts payable	1,262	3,211	4,473
Due to other funds	-	189,727	189,727
Accrued liabilities	6,353	7,610	13,963
Customer deposits	9,814	-	9,814
	<u>17,429</u>	<u>200,548</u>	<u>217,977</u>
Total liabilities	<u>17,429</u>	<u>200,548</u>	<u>217,977</u>
NET POSITION			
Net investment in capital assets	695,038	170,630	865,668
Unrestricted	(17,319)	1,103,838	1,086,519
	<u>(17,319)</u>	<u>1,103,838</u>	<u>1,086,519</u>
Total net position	<u>\$ 677,719</u>	<u>\$ 1,274,468</u>	<u>\$ 1,952,187</u>

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	Community Center Fund	Stormwater Fund	Totals
OPERATING REVENUES			
Charges for services:			
Rentals	\$ 38,828	\$ -	\$ 38,828
Stormwater fees	-	494,874	494,874
Total operating revenues	<u>38,828</u>	<u>494,874</u>	<u>533,702</u>
OPERATING EXPENSES			
Personal services	79,338	158,206	237,544
Contracted services	19,737	71,199	90,936
Supplies	7,026	31,753	38,779
Depreciation	19,746	26,188	45,934
Total operating expenses	<u>125,847</u>	<u>287,346</u>	<u>413,193</u>
Operating income (loss)	<u>(87,019)</u>	<u>207,528</u>	<u>120,509</u>
NON-OPERATING REVENUES			
Interest income	-	1,674	1,674
Total non-operating revenues	<u>-</u>	<u>1,674</u>	<u>1,674</u>
Income (loss) before transfers	(87,019)	209,202	122,183
TRANSFERS IN	<u>32,227</u>	<u>-</u>	<u>32,227</u>
Change in net position	(54,792)	209,202	154,410
NET POSITION, beginning of year	<u>732,511</u>	<u>1,065,266</u>	<u>1,797,777</u>
NET POSITION, end of year	<u>\$ 677,719</u>	<u>\$ 1,274,468</u>	<u>\$ 1,952,187</u>

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF CASH FLOWS NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	Community Center Fund	Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 38,828	\$ 522,720	\$ 561,548
Payments to suppliers and service providers	(25,236)	(158,119)	(183,355)
Payments to employees	(77,851)	(160,839)	(238,690)
Net cash provided by (used in) operating activities	(64,259)	203,762	139,503
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	32,227	-	32,227
Net cash provided by non-capital financing activities	32,227	-	32,227
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of equipment	-	(29,163)	(29,163)
Net cash used in capital and related financing activities	-	(29,163)	(29,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	1,674	1,674
Net cash provided by investing activities	-	1,674	1,674
Increase (decrease) in cash and cash equivalents	(32,032)	176,273	144,241
Cash and cash equivalents:			
Beginning of year	32,032	963,868	995,900
End of year	\$ -	\$ 1,140,141	\$ 1,140,141
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (87,019)	\$ 207,528	\$ 120,509
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	19,746	26,188	45,934
Decrease in accounts receivable	-	27,846	27,846
Increase in customer deposits	626	-	626
Increase in prepaid expenses	(110)	(75)	(185)
Increase (decrease) in accrued liabilities	1,487	(2,633)	(1,146)
Increase (decrease) in accounts payable	1,011	(21,801)	(20,790)
Increase (decrease) in due to other funds	-	(33,291)	(33,291)
Net cash provided by (used in) operating activities	\$ (64,259)	\$ 203,762	\$ 139,503

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST II FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

<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, 2012

<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	\$ 950,622	\$ 564,049	\$ 1,514,671	49.50%
Public safety facilities and equipment	2,000,000	3,146,129	2,551,386	-	2,551,386	81.10%
Public works facilities and equipment	17,097,500	17,097,500	2,394,625	35,932	2,430,557	14.22%
Construction and renovation of municipal buildings	<u>10,700,000</u>	<u>10,700,000</u>	<u>2,643,182</u>	<u>642,226</u>	<u>3,285,408</u>	<u>30.70%</u>
Totals	<u>\$ 32,857,500</u>	<u>\$ 34,003,629</u>	<u>\$ 8,539,815</u>	<u>\$ 1,242,207</u>	<u>\$ 9,782,022</u>	<u>28.77%</u>

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