

CITY OF STOCKBRIDGE, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2013**

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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, 2013, 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 did not audit the financial statements of the City of Stockbridge, Georgia Downtown Development Authority (the "DDA") which represents 18% of the assets, 24% of net position, and 1% of the revenues of the governmental activities, and 100% of the assets, the fund balance, and the revenues of the DDA (a major governmental fund). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the DDA is based solely on the reports of the other auditors. However, the DDA recognized certain activities and events as third party arms' length transactions with the City which were reported as such in their audited financial report, and we did evaluate the appropriateness of the adjustments to convert the DDA's financial statements to the financial reporting framework used by the City. 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, based on our report and the report of other auditors, 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, 2013, 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. 61, *The Financial Reporting Entity: Omnibus (An Amendment to GASB No's 14 and 34)* as of January 1, 2013. 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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules as well as the schedules 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 9, 2015, 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 9, 2015

BASIC FINANCIAL STATEMENTS

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,601,825	\$ 2,485,230	\$ 11,087,055
Investments	3,259,777	58,000	3,317,777
Taxes receivable	1,498,630	-	1,498,630
Accounts receivable, net of allowances	310,276	622,048	932,324
Notes receivable	275,000	-	275,000
Due from other governments	970,454	12,418	982,872
Internal balances	(2,851,545)	2,851,545	-
Inventories	-	120,990	120,990
Prepaid expenses	139,218	1,736	140,954
Restricted assets, cash and cash equivalents	6,200	-	6,200
Capital assets, nondepreciable	16,454,306	416,962	16,871,268
Capital assets, depreciable, net of accumulated depreciation	30,832,589	15,506,288	46,338,877
Total assets	59,496,730	22,075,217	81,571,947
LIABILITIES			
Accounts payable	1,173,279	258,881	1,432,160
Retainage payable	175,231	-	175,231
Accrued interest expense	282,919	4,374	287,293
Other accrued expenses	165,960	28,589	194,549
Customer deposits	-	138,220	138,220
Unearned revenue	183,535	1,005,179	1,188,714
Bonds payable due within one year	545,000	-	545,000
Bonds payable due in more than one year	14,190,000	-	14,190,000
Notes payable due within one year	-	75,793	75,793
Notes payable due in more than one year	-	1,673,651	1,673,651
Total liabilities	16,715,924	3,184,687	19,900,611
NET POSITION			
Net investment in capital assets	32,551,895	14,173,806	46,725,701
Restricted for capital projects	4,038,302	-	4,038,302
Restricted for tourism	40,220	-	40,220
Restricted for cemetery maintenance	11,959	-	11,959
Unrestricted	6,138,430	4,716,724	10,855,154
Total net position	\$ 42,780,806	\$ 18,890,530	\$ 61,671,336

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, 2013

<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	\$ 5,936,424	\$ 345,093	\$ -	\$ 7,379
Judicial	847,430	1,184,636	-	-
Public safety	811,804	-	-	-
Public works	360,679	-	-	3,024,752
Culture and recreation	66,573	-	-	-
Housing and development	191,209	-	-	139,253
Interest on long-term debt	681,001	-	-	-
Total governmental activities	<u>8,895,120</u>	<u>1,529,729</u>	<u>-</u>	<u>3,171,384</u>
Business-type activities:				
Water and sewer	3,560,527	2,835,775	-	-
Stormwater	434,772	495,025	-	-
Solid waste	874,678	1,145,486	-	-
Conference center	347,392	170,707	-	-
Community center	95,972	43,438	-	-
Total business-type activities	<u>5,313,341</u>	<u>4,690,431</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 14,208,461</u>	<u>\$ 6,220,160</u>	<u>\$ -</u>	<u>\$ 3,171,384</u>
General revenues:				
Property taxes				
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 position				
Net position, beginning of year				
Net position, end of year				

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

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

Governmental Activities	Business-type Activities	Total
\$ (5,583,952)	\$ -	\$ (5,583,952)
337,206	-	337,206
(811,804)	-	(811,804)
2,664,073	-	2,664,073
(66,573)	-	(66,573)
(51,956)	-	(51,956)
(681,001)	-	(681,001)
<u>(4,194,007)</u>	<u>-</u>	<u>(4,194,007)</u>
-	(724,752)	(724,752)
-	60,253	60,253
-	270,808	270,808
-	(176,685)	(176,685)
-	(52,534)	(52,534)
-	(622,910)	(622,910)
<u>(4,194,007)</u>	<u>(622,910)</u>	<u>(4,816,917)</u>
231,993	-	231,993
3,260,524	-	3,260,524
1,355,500	-	1,355,500
621,381	-	621,381
617,617	-	617,617
1,322,407	-	1,322,407
87,052	-	87,052
74,168	-	74,168
-	890	890
49,919	1,888	51,807
<u>838,157</u>	<u>(838,157)</u>	<u>-</u>
<u>8,458,718</u>	<u>(835,379)</u>	<u>7,623,339</u>
4,264,711	(1,458,289)	2,806,422
<u>38,516,095</u>	<u>20,348,819</u>	<u>58,864,914</u>
<u>\$ 42,780,806</u>	<u>\$ 18,890,530</u>	<u>\$ 61,671,336</u>

CITY OF STOCKBRIDGE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2013

	General Fund	SPLOST III Fund	DDA Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,422,677	\$ 3,303,201	\$ 1,120,958	\$ 754,989	\$ 8,601,825
Investments	3,247,829	-	-	11,948	3,259,777
Taxes receivable	1,490,038	-	-	8,592	1,498,630
Accounts receivable	310,265	-	-	11	310,276
Notes receivable	-	-	275,000	-	275,000
Due from other governments	-	862,784	-	107,670	970,454
Due from other funds	671,632	16,496	-	36,835	724,963
Advance to other funds	6,000,000	-	-	-	6,000,000
Prepaid expenditures	138,534	-	-	684	139,218
Restricted assets, cash	-	-	-	6,200	6,200
Total assets	<u>\$ 15,280,975</u>	<u>\$ 4,182,481</u>	<u>\$ 1,395,958</u>	<u>\$ 926,929</u>	<u>\$ 21,786,343</u>
LIABILITIES					
Accounts payable	\$ 858,468	\$ 244,512	\$ -	\$ 70,299	\$ 1,173,279
Construction payable	-	175,231	-	-	175,231
Accrued liabilities	165,960	-	-	-	165,960
Unearned revenue - occupational taxes	183,535	-	-	-	183,535
Due to other funds	2,985,830	302,366	-	288,312	3,576,508
Advance from other funds	-	-	6,000,000	-	6,000,000
Total liabilities	<u>4,193,793</u>	<u>722,109</u>	<u>6,000,000</u>	<u>358,611</u>	<u>11,274,513</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - court fines	243,746	-	-	-	243,746
Unavailable revenue - franchise taxes	13,513	-	-	-	13,513
Total deferred inflows of resources	<u>257,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,259</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepays	138,534	-	-	684	139,218
Permanent fund corpus	-	-	-	5,000	5,000
Long term advance	6,000,000	-	-	-	6,000,000
Notes receivable	-	-	275,000	-	275,000
Restricted for:					
Capital projects	62,475	3,460,372	-	515,455	4,038,302
Tourism	-	-	-	40,220	40,220
Cemetery maintenance	-	-	-	6,959	6,959
Assigned for:					
Capital purchases	57,169	-	-	-	57,169
Software	85,485	-	-	-	85,485
Unassigned (deficit)	4,486,260	-	(4,879,042)	-	(392,782)
Total fund balances	<u>10,829,923</u>	<u>3,460,372</u>	<u>(4,604,042)</u>	<u>568,318</u>	<u>10,254,571</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,280,975</u>	<u>\$ 4,182,481</u>	<u>\$ 1,395,958</u>	<u>\$ 926,929</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.					\$ 47,286,895
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.					257,259
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.					(15,017,919)
Net position of governmental activities					<u>\$ 42,780,806</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, 2013

	General Fund	SPLOST III Fund	DDA Fund	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 7,478,459	\$ -	\$ -	\$ 87,052	\$ 7,565,511
Licenses and permits	246,441	-	-	-	246,441
Intergovernmental	329,367	2,126,884	-	443,501	2,899,752
Fines and forfeitures	1,131,672	-	-	-	1,131,672
Charges for services	4,391	-	-	-	4,391
Contributions	-	-	-	125,000	125,000
Interest income	48,447	7,198	398	1,255	57,298
Other revenues	94,261	-	-	-	94,261
Total revenues	<u>9,333,038</u>	<u>2,134,082</u>	<u>398</u>	<u>656,808</u>	<u>12,124,326</u>
Expenditures					
Current:					
General government	3,190,031	-	-	-	3,190,031
Judicial	805,170	-	-	-	805,170
Public safety	745,644	-	-	-	745,644
Public works and parks	2,985,676	-	-	-	2,985,676
Housing and development	104,524	-	-	85,576	190,100
Capital outlay:					
General government	-	2,479,630	-	1,500	2,481,130
Public works	-	1,669,481	-	916,962	2,586,443
Culture and recreation	-	-	-	59,750	59,750
Housing and development	-	-	4,604,440	358	4,604,798
Debt service:					
Principal	-	-	-	520,000	520,000
Interest	-	-	-	690,980	690,980
Total expenditures	<u>7,831,045</u>	<u>4,149,111</u>	<u>4,604,440</u>	<u>2,275,126</u>	<u>18,859,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,501,993</u>	<u>(2,015,029)</u>	<u>(4,604,042)</u>	<u>(1,618,318)</u>	<u>(6,735,396)</u>
Other financing sources (uses):					
Proceeds from sale of assets	2,040	-	-	-	2,040
Transfers in	417	-	-	1,570,676	1,571,093
Transfers out	<u>(1,721,557)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,721,557)</u>
Total other financing sources (uses)	<u>(1,719,100)</u>	<u>-</u>	<u>-</u>	<u>1,570,676</u>	<u>(148,424)</u>
Net change in fund balances	(217,107)	(2,015,029)	(4,604,042)	(47,642)	(6,883,820)
Fund balances, beginning of year	<u>11,047,030</u>	<u>5,475,401</u>	<u>-</u>	<u>615,960</u>	<u>17,138,391</u>
Fund balances (deficit), end of year	<u>\$ 10,829,923</u>	<u>\$ 3,460,372</u>	<u>\$ (4,604,042)</u>	<u>\$ 568,318</u>	<u>\$ 10,254,571</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, 2013

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

Net change in fund balances - total governmental funds	\$ (6,883,820)
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.	9,732,148
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	774,232
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	58,095
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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.	520,000
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>64,056</u>
Changes in net position - governmental activities	<u><u>\$ 4,264,711</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, 2013**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 3,326,000	\$ 3,326,000	\$ 3,260,524	\$ (65,476)
Other taxes	3,782,800	3,782,800	4,217,935	435,135
Licenses and permits	197,550	197,550	246,441	48,891
Intergovernmental	153,933	153,933	329,367	175,434
Fines and forfeitures	1,000,000	1,000,000	1,131,672	131,672
Charges for services	700	700	4,391	3,691
Interest income	16,000	16,000	48,447	32,447
Other revenues	84,400	84,400	94,261	9,861
Total revenues	8,561,383	8,561,383	9,333,038	771,655
Expenditures:				
Current:				
General government:				
Mayor and council	255,317	240,646	240,646	-
Executive	450,000	436,996	436,996	-
Financial administration	1,992,209	2,081,531	2,122,415	(40,884)
Building and plant	333,450	389,974	389,974	-
Total general government	3,030,976	3,149,147	3,190,031	(40,884)
Judicial:				
Municipal court	810,051	805,170	805,170	-
Public safety:				
Police administration	775,000	745,644	745,644	-
Public works and parks:				
Public works	2,774,530	2,768,070	2,768,070	-
Parks	147,400	143,602	217,606	(74,004)
Total public works	2,921,930	2,911,672	2,985,676	(74,004)
Housing and development:				
City events	170,150	104,524	104,524	-
Total housing and development	170,150	104,524	104,524	-
Total expenditures	7,708,107	7,716,157	7,831,045	(114,888)
Excess of revenues over expenditures	853,276	845,226	1,501,993	656,767
Other financing sources (uses):				
Proceeds from sale of assets	-	-	2,040	2,040
Transfers in	-	16,772	417	(16,355)
Transfers out	(1,314,738)	(1,738,329)	(1,721,557)	16,772
Total other financing sources (uses)	(1,314,738)	(1,721,557)	(1,719,100)	2,457
Net change in fund balances	(461,462)	(876,331)	(217,107)	659,224
Fund balances, beginning of year	11,047,030	11,047,030	11,047,030	-
Fund balances, end of year	\$ 10,585,568	\$ 10,170,699	\$ 10,829,923	\$ 659,224

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

CITY OF STOCKBRIDGE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2013

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 728,665	\$ 558,604	\$ 46,064	\$ 1,151,897	\$ 2,485,230
Investments	58,000	-	-	-	58,000
Accounts receivable, net of allowances	387,066	66,327	2,240	166,415	622,048
Due from other governments	12,418	-	-	-	12,418
Due from other funds	1,758,881	1,206,703	-	-	2,965,584
Inventories	120,990	-	-	-	120,990
Prepaid expenses	1,197	75	409	55	1,736
Total current assets	3,067,217	1,831,709	48,713	1,318,367	6,266,006
NONCURRENT ASSETS					
Capital assets:					
Capital assets, non-depreciable	416,962	-	-	-	416,962
Capital assets, depreciable, net of accumulated depreciation	12,661,931	255,686	2,428,360	160,311	15,506,288
Total capital assets	13,078,893	255,686	2,428,360	160,311	15,923,250
Total noncurrent assets	13,078,893	255,686	2,428,360	160,311	15,923,250
Total assets	16,146,110	2,087,395	2,477,073	1,478,678	22,189,256
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	172,410	33,008	12,355	41,108	258,881
Accrued liabilities	18,354	4,970	1,698	3,567	28,589
Unearned revenue	-	1,005,179	-	-	1,005,179
Notes payable, current portion	75,793	-	-	-	75,793
Due to other funds	16,496	16,589	9,463	71,491	114,039
Customer deposits	107,605	-	27,775	2,840	138,220
Accrued interest	4,374	-	-	-	4,374
Total current liabilities	395,032	1,059,746	51,291	119,006	1,625,075
NONCURRENT LIABILITIES					
Notes payable, long-term portion	1,673,651	-	-	-	1,673,651
Total noncurrent liabilities	1,673,651	-	-	-	1,673,651
Total liabilities	2,068,683	1,059,746	51,291	119,006	3,298,726
NET POSITION					
Net investment in capital assets	11,329,449	255,686	2,428,360	160,311	14,173,806
Unrestricted	2,747,978	771,963	(2,578)	1,199,361	4,716,724
Total net position	<u>\$ 14,077,427</u>	<u>\$ 1,027,649</u>	<u>\$ 2,425,782</u>	<u>\$ 1,359,672</u>	<u>\$ 18,890,530</u>

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, 2013

	Water and Sewer Fund	Solid Waste Fund	Conference Center Fund	Other Enterprise Funds	Totals
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 1,467,386	\$ -	\$ -	\$ -	\$ 1,467,386
Sewer sales	1,288,248	-	-	-	1,288,248
Stormwater sales	-	-	-	495,025	495,025
Sanitation charges	-	1,084,955	-	-	1,084,955
Rentals	-	60,477	170,707	43,438	274,622
Other fees and charges	80,141	54	-	-	80,195
Total operating revenues	<u>2,835,775</u>	<u>1,145,486</u>	<u>170,707</u>	<u>538,463</u>	<u>4,690,431</u>
OPERATING EXPENSES					
Personal services and					
employee benefits	868,645	426,362	96,558	228,165	1,619,730
Contracted services	381,623	294,820	111,131	87,599	875,173
Supplies	882,575	90,037	34,780	34,523	1,041,915
Repairs and maintenance	10,994	-	5,777	149,116	165,887
Depreciation	494,199	63,459	99,146	31,341	688,145
Total operating expenses	<u>2,638,036</u>	<u>874,678</u>	<u>347,392</u>	<u>530,744</u>	<u>4,390,850</u>
Operating income (loss)	<u>197,739</u>	<u>270,808</u>	<u>(176,685)</u>	<u>7,719</u>	<u>299,581</u>
NONOPERATING REVENUE (EXPENSES)					
Gain (loss) on disposal of assets	(868,991)	890	(314,605)	(674,016)	(1,856,722)
Interest income	443	-	-	1,445	1,888
Interest expense	(53,500)	-	-	-	(53,500)
Total nonoperating revenue (expenses)	<u>(922,048)</u>	<u>890</u>	<u>(314,605)</u>	<u>(672,571)</u>	<u>(1,908,334)</u>
Income (loss) before transfers	(724,309)	271,698	(491,290)	(664,852)	(1,608,753)
Transfers in	-	-	78,544	72,337	150,881
Transfers out	<u>(417)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(417)</u>
Change in net position	(724,726)	271,698	(412,746)	(592,515)	(1,458,289)
NET POSITION, beginning 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>
NET POSITION, end of year	<u>\$ 14,077,427</u>	<u>\$ 1,027,649</u>	<u>\$ 2,425,782</u>	<u>\$ 1,359,672</u>	<u>\$ 18,890,530</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, 2013

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Conference Center Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,851,666	\$ 1,166,312	\$ 186,189	\$ 529,244	\$ 4,733,411
Payments to suppliers and service providers	(1,394,789)	66,288	(119,691)	(352,709)	(1,800,901)
Payments to employees	(867,096)	(438,086)	(98,978)	(238,561)	(1,642,721)
Net cash provided by (used in) operating activities	<u>589,781</u>	<u>794,514</u>	<u>(32,480)</u>	<u>(62,026)</u>	<u>1,289,789</u>
CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	<u>(417)</u>	<u>-</u>	<u>78,544</u>	<u>72,337</u>	<u>150,464</u>
Net cash provided by (used in) non-capital financing activities	<u>(417)</u>	<u>-</u>	<u>78,544</u>	<u>72,337</u>	<u>150,464</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Purchase of property and equipment	(176,041)	(236,800)	-	-	(412,841)
Proceeds from sale of property and equipment	-	890	-	-	890
Principal payments on notes payable	(73,556)	-	-	-	(73,556)
Interest paid	(53,685)	-	-	-	(53,685)
Net cash used in capital and related financing activities	<u>(303,282)</u>	<u>(235,910)</u>	<u>-</u>	<u>-</u>	<u>(539,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>443</u>	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>1,888</u>
Net cash provided by investing activities	<u>443</u>	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>1,888</u>
Increase in cash and cash equivalents	286,525	558,604	46,064	11,756	902,949
Cash and cash equivalents:					
Beginning of year	<u>442,140</u>	<u>-</u>	<u>-</u>	<u>1,140,141</u>	<u>1,582,281</u>
End of year	<u>\$ 728,665</u>	<u>\$ 558,604</u>	<u>\$ 46,064</u>	<u>\$ 1,151,897</u>	<u>\$ 2,485,230</u>

(Continued)

CITY OF STOCKBRIDGE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Conference Center Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 197,740	\$ 270,808	\$ (176,685)	\$ 7,719	\$ 299,582
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	494,199	63,459	99,146	31,341	688,145
(Increase) decrease in accounts receivable	11,562	18,175	1,667	(2,245)	29,159
Decrease in inventories	1,745	-	-	-	1,745
(Increase) decrease in due from other funds	(215,532)	430,947	-	-	215,415
Increase (decrease) in customer deposits	6,545	-	13,815	(6,974)	13,386
Decrease in prepaid expenses	4,984	588	19,640	130	25,342
Decrease in accrued liabilities	(14,947)	(11,724)	(2,420)	(10,396)	(39,487)
Increase in accounts payable	86,989	19,610	2,894	36,635	146,128
Increase in unearned revenue	-	2,651	-	-	2,651
Increase (decrease) in due to other funds	16,496	-	9,463	(118,236)	(92,277)
Net cash provided by (used in) operating activities	<u>\$ 589,781</u>	<u>\$ 794,514</u>	<u>\$ (32,480)</u>	<u>\$ (62,026)</u>	<u>\$ 1,289,789</u>

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

CITY OF STOCKBRIDGE, GEORGIA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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.

In 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus (An Amendment to GASB No.'s 14 and 34)*, which 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. In addition to the above criteria, GASB 61 added that if the primary government is expected to repay substantially all of the component unit's debt, then the component unit should be blended.

Blended Component Units - Blended component units, although legally separate entities, are, in substance, part of the government's operations.

The City of Stockbridge Urban Redevelopment Agency (the "URA") 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 governmental fund into the primary government. Separate financial statements for the Urban Redevelopment Agency are not issued.

The City of Stockbridge Downtown Development Authority (the "DDA") exists to encourage growth and redevelopment of the Stockbridge, Georgia central business district. Although legally separate, the DDA is blended as a major governmental fund into the primary government. Separate financial statements for the DDA may be obtained from the Executive Director, 135 North Park Place, Stockbridge, GA 30281.

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 **Downtown Development Authority (DDA) Fund**, as previously discussed, accounts for the activities of the City's blended component unit, the Downtown Development Authority.

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. For reporting purposes, all investments are recorded at fair value.

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2013:

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

F. Inventories

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

G. Prepaid Expenditures/Expenses

Prepaid items are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure/expense is made for goods or services that were purchased for consumption, but not consumed as of December 31, 2013.

H. Restricted Assets

Certain proceeds from 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. Notes Receivable

Notes receivable consist of rehabilitation and redevelopment loans issued by the DDA that are generally not expected or scheduled to be collected in the subsequent year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows / Inflows

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, 2013.

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. This 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.

K. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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
Improvements 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.

L. Compensated Absences

In 2013, the City switched from using a compensated absences system to Paid Time Off (PTO) system. Under the PTO system, leave is earned and used throughout the year and any unused leave expires at the end of the year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. 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.

O. 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 2013. All annual appropriations lapse at year end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Budgets and Budgetary Accounting (Continued)

Excess Expenditures over Appropriations. For the year ended December 31, 2013, expenditures exceeded budget, as follows:

<u>Department</u>	<u>Excess</u>
General Fund:	
Financial administration	\$ 40,884
Parks	74,004

These expenditures in excess of budget were funded by greater than anticipated revenues.

P. 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.

Q. 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.

R. 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)

R. 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 investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted 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 \$15,017,919 difference are as follows:

Accrued interest payable	\$ (282,919)
Bonds payable	<u>(14,735,000)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (15,017,919)</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 \$9,732,148 difference are as follows:

Capital outlay	\$ 10,543,669
Depreciation expense	<u>(811,521)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 9,732,148</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 "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position." The details of this \$774,232 difference are as follows:

Net loss on disposal of capital assets	\$ (353,642)
Assets transferred from business-type activities	988,621
Donated capital assets	<u>139,253</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 774,232</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$64,056 difference are as follows:

Compensated absences	\$ (54,077)
Accrued interest	<u>(9,979)</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>\$ (64,056)</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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

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, 2013, all of the deposits for the primary government and URA were fully collateralized in accordance with the state statutes. As of December 31, 2013, the DDA had \$870,958 exposed to custodial credit risk.

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, 2013, the City had the following investments:

Investment	Maturities	Fair Value
Certificate of Deposit	March 1, 2014	\$ 1,068,145
Certificate of Deposit	March 6, 2014	2,179,684
Certificate of Deposit	August 19, 2014	11,948
Certificate of Deposit	December 31, 2013	58,000
		<u>\$ 3,317,777</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, 2013. There were no property taxes receivable as of December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at December 31, 2013 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>DDA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:					
Intergovernmental	\$ -	\$ 862,784	\$ -	\$ 107,670	\$ 970,454
Taxes	1,490,038	-	-	8,592	1,498,630
Notes	-	-	275,000	-	275,000
Accounts	606,017	-	-	11	606,028
Gross receivables	2,096,055	862,784	275,000	116,273	3,350,112
Less allowance for uncollectibles	(295,752)	-	-	-	(295,752)
Net total receivables	<u>\$ 1,800,303</u>	<u>\$ 862,784</u>	<u>\$ 275,000</u>	<u>\$ 116,273</u>	<u>\$ 3,054,360</u>

Proprietary Funds

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Conference Center</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Receivables:					
Intergovernmental	\$ 12,418	\$ -	\$ -	\$ -	\$ 12,418
Accounts	403,717	66,827	2,240	166,415	639,199
Gross receivables	416,135	66,827	2,240	166,415	651,617
Less allowance for uncollectibles	(16,651)	(500)	-	-	(17,151)
Net total receivables	<u>\$ 399,484</u>	<u>\$ 66,327</u>	<u>\$ 2,240</u>	<u>\$ 166,415</u>	<u>\$ 634,466</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,099,691	\$ 4,922,225	\$ -	\$ 28,641	\$ 13,050,557
Construction in Progress	1,528,277	2,591,610	-	(716,138)	3,403,749
Total	<u>9,627,968</u>	<u>7,513,835</u>	<u>-</u>	<u>(687,497)</u>	<u>16,454,306</u>
Capital assets, being depreciated:					
Buildings and improvements	21,438,276	2,632,591	(362,710)	1,097,073	24,805,230
Improvements other than buildings	817,140	4,261	-	716,138	1,537,539
Infrastructure	7,193,841	-	-	-	7,193,841
Machinery and equipment	1,323,677	73,931	-	4,500	1,402,108
Office equipment	618,001	24,625	-	-	642,626
Vehicles	890,094	432,397	-	-	1,322,491
Furniture and fixtures	1,058,546	1,282	-	3,563	1,063,391
Total	<u>33,339,575</u>	<u>3,169,087</u>	<u>(362,710)</u>	<u>1,821,274</u>	<u>37,967,226</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,393,736)	(283,165)	9,068	(139,289)	(2,807,122)
Improvements other than buildings	(482,626)	(40,916)	-	-	(523,542)
Infrastructure	(757,194)	(172,693)	-	-	(929,887)
Machinery and equipment	(960,995)	(82,386)	-	(4,500)	(1,047,881)
Office equipment	(386,305)	(41,847)	-	-	(428,152)
Vehicles	(719,052)	(103,926)	-	-	(822,978)
Furniture and fixtures	(487,120)	(86,588)	-	(1,367)	(575,075)
Total	<u>(6,187,028)</u>	<u>(811,521)</u>	<u>9,068</u>	<u>(145,156)</u>	<u>(7,134,637)</u>
Total assets, being depreciated, net	<u>27,152,547</u>	<u>2,357,566</u>	<u>(353,642)</u>	<u>1,676,118</u>	<u>30,832,589</u>
Governmental activities capital assets, net	<u>\$ 36,780,515</u>	<u>\$ 9,871,401</u>	<u>\$ (353,642)</u>	<u>\$ 988,621</u>	<u>\$ 47,286,895</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 445,603	\$ -	\$ -	\$ (28,641)	\$ 416,962
Construction in Progress	868,992	-	(868,992)	-	-
Total	<u>1,314,595</u>	<u>-</u>	<u>(868,992)</u>	<u>(28,641)</u>	<u>416,962</u>
Capital assets, being depreciated:					
Buildings and improvements	4,032,736	-	-	(1,097,073)	2,935,663
Improvements other than buildings	18,117,541	54,929	-	-	18,172,470
Infrastructure	164,437	-	-	-	164,437
Vehicles	1,286,938	357,912	-	-	1,644,850
Furniture and fixtures	433,044	-	-	(3,563)	429,481
Machinery and equipment	1,211,950	-	-	(4,500)	1,207,450
Total	<u>25,246,646</u>	<u>412,841</u>	<u>-</u>	<u>(1,105,136)</u>	<u>24,554,351</u>
Less accumulated depreciation for:					
Buildings and improvements	(750,611)	(84,353)	-	139,289	(695,675)
Improvements other than buildings	(5,491,062)	(404,048)	-	-	(5,895,110)
Infrastructure	(31,764)	(5,281)	-	-	(37,045)
Vehicles	(1,156,529)	(75,656)	-	-	(1,232,185)
Furniture and fixtures	(246,309)	(28,939)	-	1,367	(273,881)
Machinery and equipment	(828,799)	(89,868)	-	4,500	(914,167)
Total	<u>(8,505,074)</u>	<u>(688,145)</u>	<u>-</u>	<u>145,156</u>	<u>(9,048,063)</u>
Total assets, being depreciated, net	<u>16,741,572</u>	<u>(275,304)</u>	<u>-</u>	<u>(959,980)</u>	<u>15,506,288</u>
Business-type activities capital assets, net	<u>\$ 18,056,167</u>	<u>\$ (275,304)</u>	<u>\$ (868,992)</u>	<u>\$ (988,621)</u>	<u>\$ 15,923,250</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	\$ 322,985
Judicial	50,111
Public safety	66,160
Public works	304,941
Culture and recreation	66,573
Housing and development	<u>751</u>

Total depreciation expense - governmental activities	<u><u>\$ 811,521</u></u>
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Business-type activities:

Water and sewer	\$ 494,199
Solid Waste	63,459
Stormwater	10,319
Conference center	99,146
Community center	<u>21,022</u>

Total depreciation expense - business-type activities	<u><u>\$ 688,145</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, 2013:

	<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	\$ 54,077	\$ -	\$ (54,077)	\$ -	\$ -
Urban Redevelopment revenue bonds	<u>15,255,000</u>	<u>-</u>	<u>(520,000)</u>	<u>14,735,000</u>	<u>545,000</u>
Total Governmental-Type Activity Long-Term Debt	<u><u>\$ 15,309,077</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (574,077)</u></u>	<u><u>\$ 14,735,000</u></u>	<u><u>\$ 545,000</u></u>
Business-type activities:					
GEFA notes payable	\$ 1,823,000	\$ -	\$ (73,556)	\$ 1,749,444	\$ 75,793
Accrued compensated absences	<u>45,490</u>	<u>-</u>	<u>(45,490)</u>	<u>-</u>	<u>-</u>
Total Business-Type Activity Long-Term Debt	<u><u>\$ 1,868,490</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (119,046)</u></u>	<u><u>\$ 1,749,444</u></u>	<u><u>\$ 75,793</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, 2013, the City repaid various bond issues in the amount of \$520,000. Amounts outstanding at year end of \$14,735,000 reflect total draw downs to date net of repayments, if any.

Urban Redevelopment Fund long-term liabilities outstanding at December 31, 2013, 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	\$ 6,285,000
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	4,130,000
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>4,320,000</u>
Total	<u>\$ 14,735,000</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>
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	650,000	556,491	1,206,491
2019-2023	3,735,000	2,293,613	6,028,613
2024-2028	4,670,000	1,328,401	5,998,401
2029-2031	3,345,000	235,955	3,580,955
Total	<u>\$ 14,735,000</u>	<u>\$ 6,921,504</u>	<u>\$ 21,656,504</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 2010 to finance construction projects to improve the City's water distribution facilities. The note was issued by the Georgia Environmental Facilities Authority in the total amount of \$1,911,900. During the year ended December 31, 2013 the City repaid \$73,556 of the note payable. Amounts outstanding at year end of \$1,749,444 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>
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	85,444	41,796	127,240
2019-2023	467,820	168,381	636,201
2024-2028	543,428	92,773	636,201
2029-2031	335,464	14,447	349,911
Total	<u>\$ 1,749,444</u>	<u>\$ 509,069</u>	<u>\$ 2,258,513</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2013 is as follows:

Payable Fund	Receivable Fund					Total
	General Fund	SPLOST III Fund	Non-Major Governmental Fund	Water & Sewer Fund	Solid Waste Fund	
General Fund	\$ -	\$ -	\$ 36,835	\$ 1,742,292	\$ 1,206,703	\$ 2,985,830
SPLOST III Fund	302,366	-	-	-	-	302,366
Water and Sewer Fund	-	16,496	-	-	-	16,496
Solid Waste Fund	-	-	-	16,589	-	16,589
Conference Center Fund	9,463	-	-	-	-	9,463
Non-Major Governmental Funds	288,312	-	-	-	-	288,312
Non-Major Enterprise Funds	71,491	-	-	-	-	71,491
Total	<u>\$ 671,632</u>	<u>\$ 16,496</u>	<u>\$ 36,835</u>	<u>\$ 1,758,881</u>	<u>\$ 1,206,703</u>	<u>\$ 3,690,547</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 advances:

Advance From	Advance To
	Downtown Development Authority (DDA)
General Fund	\$ 6,000,000

During 2013, the City advanced to the DDA the sums of \$1,000,000 and \$5,000,000, in addition to the transfer of property, to purchase additional property to encourage growth and redevelopment in the downtown area. These amounts are not expected to be repaid until June 3, 2043 and December 9, 2043, respectively.

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

Transfers In	Transfers Out		Total
	General Fund	Water & Sewer Fund	
General Fund	\$ -	\$ 417	\$ 417
Conference Center Fund	78,544	-	78,544
Non-major Governmental Funds	1,570,676	-	1,570,676
Non-major Enterprise Funds	72,337	-	72,337
Total	<u>\$ 1,721,557</u>	<u>\$ 417</u>	<u>\$ 1,721,974</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.

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

NOTES TO FINANCIAL STATEMENTS

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, 2013, the date of the most recent actuarial valuation, there were 98 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Vested terminated employees not yet receiving benefits	7
Active employees	64
Total	<u>98</u>

As of the most recent valuation date, July 1, 2013, 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)
7/1/2013	\$ 6,257,476	\$ 7,039,795	\$ 782,319	88.9 %	\$ 2,303,633	34.0 %

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 July 1, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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 2013 is 16.54% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost

For the year ended December 31, 2013, the City's annual pension cost of \$387,593 for SRP was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2013 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%.

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, 2013 was ten 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
12/31/2013	\$ 387,593	\$ 387,593	100 %	\$ -
12/31/2012	451,787	451,787	100	-
12/31/2011	363,603	363,603	100	-
12/31/2010	456,490	456,490	100	-

NOTES TO FINANCIAL STATEMENTS

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, 2013, 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, 2013. No provisions have been made in the financial statements for the year ended December 31, 2013 for any estimate of potential unpaid claims.

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)
Automobile physical damage

\$ 34,854,899
Per Application on file with GIRMA

Coverage Description- Casualty:
Comprehensive general liability
Automobile liability
Errors and omissions (Public Officials)
Employee benefits liability

\$ 1,000,000
\$ 1,000,000
\$ 1,000,000
\$ 1,000,000

Coverage Description- Crime:

Blanket employee dishonesty
Forgery or alteration
Money and securities- loss inside and outside premises

\$ 500,000
\$ 500,000
\$ 500,000

Deductible:

All coverage are subject to a per occurrence deductible of

\$ 1,000

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 expenditure 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In January 2014, the newly elected and appointed government of the City of Stockbridge issued a "cease and desist" letter to the DDA, alleging previous government officials had not followed all statutory requirements to legally activate the DDA. The DDA is currently in litigation with the City to determine whether the DDA can continue to operate in its current form. If the City prevails, the DDA will no longer be in existence, but the assets, liabilities and fund balance as reported herein would simply be reported as a governmental fund similar in manner and approach as it is currently reported. This thought is furthered by a ratification by City officials in March 2015 in which the City represented that it will honor all activities and agreements previously entered into by the DDA. As of the issuance of this financial report, the outcome of the litigation is unknown.

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, 2013 were \$87,052. The amount remitted to the Chamber totaled \$34,250.

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 2013, the agreed upon amount was \$435,000.

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, 2013, the City received \$60,477 in rental fees under the contract. The leased assets cost \$36,116 and are reported net of accumulated depreciation of \$25,281 for a net carrying value of \$10,835.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STOCKBRIDGE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
7/1/2013	\$ 6,257,476	\$ 7,039,795	\$ 782,319	88.9 %	\$ 2,303,633	34.0 %
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 %

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 Projects 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.

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

CITY OF STOCKBRIDGE, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2013

	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	Urban Redevelopment Fund	
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 547,432	\$ 207,557	\$ -	\$ 754,989
Investments	-	11,948	-	-	-	11,948
Receivables	8,592	11	107,670	-	-	116,273
Prepaid expenditures	684	-	-	-	-	684
Due from other funds	36,835	-	-	-	-	36,835
Restricted assets, cash	-	-	-	-	6,200	6,200
Total assets	<u>\$ 46,111</u>	<u>\$ 11,959</u>	<u>\$ 655,102</u>	<u>\$ 207,557</u>	<u>\$ 6,200</u>	<u>\$ 926,929</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 5,207	\$ -	\$ 59,015	\$ 6,077	-	\$ 70,299
Due to other funds	-	-	288,312	-	-	288,312
Total liabilities	<u>5,207</u>	<u>-</u>	<u>347,327</u>	<u>6,077</u>	<u>-</u>	<u>358,611</u>
Fund Balances:						
Nonspendable:						
Permanent fund corpus	-	5,000	-	-	-	5,000
Prepaid expenditures	684	-	-	-	-	684
Restricted:						
Cemetery maintenance	-	6,959	-	-	-	6,959
Capital projects	-	-	307,775	201,480	6,200	515,455
Tourism	40,220	-	-	-	-	40,220
Total fund balances	<u>40,904</u>	<u>11,959</u>	<u>307,775</u>	<u>201,480</u>	<u>6,200</u>	<u>568,318</u>
Total liabilities and fund balances	<u>\$ 46,111</u>	<u>\$ 11,959</u>	<u>\$ 655,102</u>	<u>\$ 207,557</u>	<u>\$ 6,200</u>	<u>\$ 926,929</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, 2013

	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	Urban Redevelopment Fund	
Revenues:						
Other taxes	\$ 87,052	\$ -	\$ -	\$ -	-	\$ 87,052
Intergovernmental	-	-	443,501	-	-	443,501
Contributions	-	-	-	125,000	-	125,000
Interest income	-	310	761	181	3	1,255
Total revenues	<u>87,052</u>	<u>310</u>	<u>444,262</u>	<u>125,181</u>	<u>3</u>	<u>656,808</u>
Expenditures:						
Current:						
Housing and development	85,576	-	-	-	-	85,576
Capital outlay:						
General government	-	-	-	-	1,500	1,500
Public works	-	-	916,962	-	-	916,962
Culture and recreation	-	-	-	59,750	-	59,750
Housing and development	-	-	-	-	358	358
Debt service:						
Principal	-	-	-	-	520,000	520,000
Interest	-	-	-	-	690,980	690,980
Total expenditures	<u>85,576</u>	<u>-</u>	<u>916,962</u>	<u>59,750</u>	<u>1,212,838</u>	<u>2,275,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,476</u>	<u>310</u>	<u>(472,700)</u>	<u>65,431</u>	<u>(1,212,835)</u>	<u>(1,618,318)</u>
Other financing sources:						
Transfers in	-	-	330,365	29,331	1,210,980	1,570,676
Total other financing sources	<u>-</u>	<u>-</u>	<u>330,365</u>	<u>29,331</u>	<u>1,210,980</u>	<u>1,570,676</u>
Net change in fund balances	1,476	310	(142,335)	94,762	(1,855)	(47,642)
Fund balances, beginning of year	<u>39,428</u>	<u>11,649</u>	<u>450,110</u>	<u>106,718</u>	<u>8,055</u>	<u>615,960</u>
Fund balances, end of year	<u>\$ 40,904</u>	<u>\$ 11,959</u>	<u>\$ 307,775</u>	<u>\$ 201,480</u>	<u>\$ 6,200</u>	<u>\$ 568,318</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 stormwater services provided to the citizens of Stockbridge.

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF NET POSITION NON-MAJOR ENTERPRISE FUNDS DECEMBER 31, 2013

	Community Center Fund	Stormwater Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 26,944	\$ 1,124,953	\$ 1,151,897
Accounts receivable	2,330	164,085	166,415
Prepaid expenses	40	15	55
Capital assets, net of accumulated depreciation	-	160,311	160,311
	<hr/>	<hr/>	<hr/>
Total assets	29,314	1,449,364	1,478,678
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	2,968	38,140	41,108
Due to other funds	-	71,491	71,491
Accrued liabilities	-	3,567	3,567
Customer deposits	2,840	-	2,840
	<hr/>	<hr/>	<hr/>
Total liabilities	5,808	113,198	119,006
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net investment in capital assets	-	160,311	160,311
Unrestricted	23,506	1,175,855	1,199,361
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 23,506</u>	<u>\$ 1,336,166</u>	<u>\$ 1,359,672</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, 2013

	Community Center Fund	Stormwater Fund	Totals
OPERATING REVENUES			
Charges for services:			
Rentals	\$ 43,438	\$ -	\$ 43,438
Stormwater fees	-	495,025	495,025
Total operating revenues	<u>43,438</u>	<u>495,025</u>	<u>538,463</u>
OPERATING EXPENSES			
Personal services	55,559	172,606	228,165
Contracted services	13,950	73,649	87,599
Supplies	5,441	29,082	34,523
Repairs and maintenance	-	149,116	149,116
Depreciation	21,022	10,319	31,341
Total operating expenses	<u>95,972</u>	<u>434,772</u>	<u>530,744</u>
Operating income (loss)	<u>(52,534)</u>	<u>60,253</u>	<u>7,719</u>
NON-OPERATING REVENUES (EXPENSES)			
Loss on disposal of capital assets	(674,016)	-	(674,016)
Interest income	-	1,445	1,445
Total non-operating revenues (expenses)	<u>(674,016)</u>	<u>1,445</u>	<u>(672,571)</u>
Income (loss) before transfers	(726,550)	61,698	(664,852)
TRANSFERS IN	<u>72,337</u>	<u>-</u>	<u>72,337</u>
Change in net position	(654,213)	61,698	(592,515)
NET POSITION, beginning of year	<u>677,719</u>	<u>1,274,468</u>	<u>1,952,187</u>
NET POSITION, end of year	<u>\$ 23,506</u>	<u>\$ 1,336,166</u>	<u>\$ 1,359,672</u>

CITY OF STOCKBRIDGE, GEORGIA

COMBINING STATEMENT OF CASH FLOWS NON-MAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

	Community Center Fund	Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 34,134	\$ 495,110	\$ 529,244
Payments to suppliers and service providers	(17,615)	(335,094)	(352,709)
Payments to employees	(61,912)	(176,649)	(238,561)
Net cash used in operating activities	(45,393)	(16,633)	(62,026)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	72,337	-	72,337
Net cash provided by non-capital financing activities	72,337	-	72,337
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	1,445	1,445
Net cash provided by investing activities	-	1,445	1,445
Increase (decrease) in cash and cash equivalents	26,944	(15,188)	11,756
Cash and cash equivalents:			
Beginning of year	-	1,140,141	1,140,141
End of year	\$ 26,944	\$ 1,124,953	\$ 1,151,897
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (52,534)	\$ 60,253	\$ 7,719
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	21,022	10,319	31,341
(Increase) decrease in accounts receivable	(2,330)	85	(2,245)
Increase in customer deposits	(6,974)	-	(6,974)
Decrease in prepaid expenses	70	60	130
Decrease in accrued liabilities	(6,353)	(4,043)	(10,396)
Increase in accounts payable	1,706	34,929	36,635
Decrease in due to other funds	-	(118,236)	(118,236)
Net cash used in operating activities	\$ (45,393)	\$ (16,633)	\$ (62,026)

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST II FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

<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	59,750	136,554	68.28%
Acquire land and buildings, including the payment of debt service relating thereto	1,800,000	1,800,000	1,702,315	-	1,702,315	94.57%
Totals	<u>\$ 7,711,703</u>	<u>\$ 8,101,553</u>	<u>\$ 7,880,672</u>	<u>\$ 59,750</u>	<u>\$ 7,940,422</u>	<u>98.01%</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, 2013

<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	\$ 1,514,671	\$ -	\$ 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	2,430,557	1,669,481	4,100,038	23.98%
Construction and renovation of municipal buildings	<u>10,700,000</u>	<u>10,700,000</u>	<u>3,285,408</u>	<u>2,479,630</u>	<u>5,765,038</u>	<u>53.88%</u>
Totals	<u>\$ 32,857,500</u>	<u>\$ 34,003,629</u>	<u>\$ 9,782,022</u>	<u>\$ 4,149,111</u>	<u>\$ 13,931,133</u>	<u>40.97%</u>