

CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015



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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of City Council
City of Clarkston, 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 Clarkston, Georgia (the "City")**, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clarkston, Georgia as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 Notes 10 and 16, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No.27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4-11, 45 and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of the City of Clarkston, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clarkston, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 14, 2016

CITY OF CLARKSTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

As management of the City of Clarkston, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- ❖ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$5,440,927 (net position). Of this amount, \$1,170,433 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. \$4,061,970 of net position consisted of investments in capital assets, net of related debt. The remainder of net position consisted of amounts restricted by law, and totaled \$208,524.
- ❖ The City's total net position increased by \$1,680,840 in the year ended December 31, 2015. This is compared to an increase of \$33,979 in the prior year. This significant increase in net position for 2015 resulted from the transfer of infrastructure assets transferred to the City from DeKalb County as result of annexations in 2015.
- ❖ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$1,662,487. This compares to the prior year ending fund balances of \$1,640,231 showing a net increase of \$22,256 during the current year. The current year increase in fund balances was due, primarily, to increased revenues in 2015 due to annexation.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$1,453,963 or 30% of General Fund expenditures. Of this amount, \$1,300,014 was unassigned and \$153,949 was nonspendable, with \$121,451 of this nonspendable balance representing advances to other funds.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$85,979. This total net position was all unrestricted and available to meet the Sanitation Fund's on-going obligations to its customers.
- ❖ At the close of the year, the assets of the City's Stormwater Utility Fund exceeded its liabilities by \$1,155,442. Included in this total net position is \$1,105,572 invested in capital assets and a balance of \$49,870 of unrestricted net position available to meet the Stormwater Utility Fund's on-going obligations to its customers.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, buildings and grounds, public safety, public works, and recreation

and parks. The City's business-type activities include the Sanitation Fund and the Stormwater Utility Fund.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each major fund. The City's major fund is General Fund. Other nonmajor governmental funds include the Grants Fund, Police Seizure Fund, Public Works Building Fund and the Homestead Option Sales Tax Fund.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitation services and storm water utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on the Sanitation Fund and the Stormwater Fund. These two funds are considered to be major funds of the City.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide information about the City's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Clarkston, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,440,927 at the close of the most recent year. Table 1 below is a summary of the City's net position.

Table 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014	2015	2014 (restated)
Assets:						
Current and other assets	\$ 2,071,547	\$ 2,059,167	\$ 149,883	\$ 62,093	\$ 2,221,430	\$ 2,121,260
Capital assets	4,500,287	3,300,422	1,105,572	486,787	5,605,859	3,787,209
Total assets	<u>6,571,834</u>	<u>5,359,589</u>	<u>1,255,455</u>	<u>548,880</u>	<u>7,827,289</u>	<u>5,908,469</u>
Deferred outflows of resources	188,273	70,742	-	-	\$ 188,273	\$ 70,742
Liabilities:						
Current liabilities	525,676	361,116	14,134	13,674	539,810	374,790
Long-term liabilities	1,941,719	1,844,334	-	-	1,941,719	1,844,334
Total liabilities	<u>2,467,395</u>	<u>2,205,450</u>	<u>14,134</u>	<u>13,674</u>	<u>2,481,529</u>	<u>2,219,124</u>
Deferred inflows of resources	93,106	-	-	-	93,106	-
Net position:						
Net investment in capital assets	2,956,398	2,016,444	1,105,572	486,787	4,061,970	2,503,231
Restricted	208,524	142,301	-	-	208,524	142,301
Unrestricted	1,034,684	1,066,136	135,749	48,419	1,170,433	1,114,555
Total net position	<u>\$ 4,199,606</u>	<u>\$ 3,224,881</u>	<u>\$ 1,241,321</u>	<u>\$ 535,206</u>	<u>\$ 5,440,927</u>	<u>\$ 3,760,087</u>

A portion of the City's net position (\$4,061,970 or 74.7%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, equipment, and intangibles, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. \$208,524 (3.8%) of the City's net position is restricted for the public safety activities and capital projects. The remaining portion of the City's net position (\$1,170,433 or 21.5%) is unrestricted. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Analysis of the City's Operations and Changes in Net Position

The following schedule presents a summary of the City's operations for the year ended December 31, 2015 and 2014. Governmental activities increased the City's net position by \$974,725 for the year ended December 31, 2015 and decreased by \$302,236 for the year ended December 31, 2014 (which includes the restatement as a result of implementing GASB 68/71). Business-type activities increased the City's net position by \$706,115 for the year ended December 31, 2015 and decreased by \$143,824 for the year ended December 31, 2014. The increases in net position for 2015 resulted primarily from capital contribution related to infrastructure assets transferred to the City from DeKalb County due to annexation of new areas into the City.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014	2015	2014 (restated)
Revenues:						
Program revenues:						
Charges for services	\$ 1,557,256	\$ 1,245,151	\$ 331,586	\$ 265,876	\$ 1,888,842	\$ 1,511,027
Capital grants and contributions	1,087,941	154,228	633,305	-	1,721,246	154,228
General revenues:						
Property taxes	1,923,361	1,533,144	-	-	1,923,361	1,533,144
Franchise taxes	290,327	251,844	-	-	290,327	251,844
Insurance premium taxes	435,207	407,639	-	-	435,207	407,639
Business and occupational taxes	146,003	28,378	-	-	146,003	28,378
Alcoholic beverage taxes	104,415	88,301	-	-	104,415	88,301
Interest earnings	16	84	16	14	32	98
Total revenues	<u>5,544,526</u>	<u>3,708,769</u>	<u>964,907</u>	<u>265,890</u>	<u>6,509,433</u>	<u>3,974,659</u>
Expenses:						
General government	1,465,434	1,543,110	-	-	1,465,434	1,543,110
Buildings and grounds	106,755	93,524	-	-	106,755	93,524
Public safety	1,413,628	1,574,784	-	-	1,413,628	1,574,784
Public works	573,136	161,875	-	-	573,136	161,875
Recreation and parks	130,403	129,614	-	-	130,403	129,614
Judicial/Municipal Court	521,945	-	-	-	521,945	-
Community Development	38,900	-	-	-	38,900	-
Planning & Zoning	276,964	-	-	-	276,964	-
Interest on long-term debt	42,636	28,059	-	-	42,636	28,059
Sanitation	-	-	171,910	150,627	171,910	150,627
Stormwater utility	-	-	86,882	259,087	86,882	259,087
Total expenses	<u>4,569,801</u>	<u>3,530,966</u>	<u>258,792</u>	<u>409,714</u>	<u>4,828,593</u>	<u>3,940,680</u>
Change in net position	974,725	177,803	706,115	(143,824)	1,680,840	33,979
Net position - beginning of year 1, as previously reported	<u>3,224,881</u>	<u>3,527,117</u>	<u>535,206</u>	<u>679,030</u>	<u>3,760,087</u>	<u>4,206,147</u>
Restatement-See footnote 16	-	(480,039)	-	-	-	(480,039)
Net position - end of year	<u>\$ 4,199,606</u>	<u>\$ 3,224,881</u>	<u>\$ 1,241,321</u>	<u>\$ 535,206</u>	<u>\$ 5,440,927</u>	<u>\$ 3,760,087</u>

Governmental Activities

Revenue Charges for services of \$1,557,256 accounted for 28.1% of the City's total governmental revenue. Property taxes provided 34.7% of the City's total governmental revenue of year 2015 as compared with 41.3% in the year 2014. Capital grants and contributions of \$1,087,941 includes \$880,390 related to the annexation of infrastructure assets transferred from DeKalb County to the City in 2015 and in total accounted for 19.6% of total revenue. Overall, governmental revenues increased by \$1,835,757 or 49.5% while overall governmental expenses increased by \$1,038,835 or 29.4%. Both increases in revenues and expenses were due to annexation in 2015.

Expenses The total expense for the governmental activities was \$4,569,801. Public safety accounts for the 2nd largest portion of governmental expenses. Total public safety expenses were \$1,413,628 or 31% of total

Expenses The total expense for the governmental activities was \$4,569,801. Public safety accounts for the 2nd largest portion of governmental expenses. Total public safety expenses were \$1,413,628 or 31% of total governmental expenses and total general government expenses accounted for the largest portion of governmental expenses and represented \$1,465,434 or 32% of total governmental expenses.

Business-type activities

Revenues Total revenues for the enterprise funds increased by \$699,017 over 2014. This increase was primarily due to Stormwater infrastructure assets transferred to the City from DeKalb County and recorded as capital grants and contribution revenue of \$633,305. In the current year, the Sanitation Fund operating revenues were \$151,368 and the Stormwater Utility Fund operating revenues were \$180,218. The sanitation and the stormwater utility charges are billed on the DeKalb County annual property tax bills.

Expenses Total expenses for the Sanitation Fund were \$171,910 in the current year compared to \$150,627 in the prior year. Total expenses for the Stormwater Utility Fund were \$86,882 in the current year compared to \$259,087 in the prior year.

Financial Analysis of the Government's Funds

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

Governmental Funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$1,662,487. Of this amount, \$1,300,014 or 78.2% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$208,524 was restricted due to external limitations on its use and \$153,949 was nonspendable. These restricted uses include 1) capital projects funded by HOST funds (\$13,311); 2) public safety expenditures funded by Grant Funds (\$64,148); and 3) public safety expenditures funded by the police seizure funds (\$131,065). The nonspendable fund balance portion of \$153,949 includes \$121,451 of advances made to other funds.

General Fund - The General Fund is the central operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,453,963 of which \$1,300,014 was unassigned and \$153,949 was nonspendable. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance of \$1,453,963 represents approximately 30.4% of total General Fund expenditures compared to 39% for the prior year while unassigned fund balance of \$1,300,014 represents approximately 27.2% of total General Fund expenditures compared to 33.1% of the prior year. Fund balance of the City's General Fund decreased by \$45,158 during the current year. This was due, primarily, to increases in expenditures.

Nonmajor Governmental Funds - Total fund balance for other nonmajor governmental funds at year end was \$208,524. This total, which is 100% restricted for public safety and capital construction, had a net increase of \$67,414 when compared to the prior year.

Proprietary Funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains two (2) enterprise funds that account for the activities of the City that are operated in a business fashion. The City maintains enterprise funds for the Sanitation Fund and the Stormwater Utility Fund.

Stormwater Utility Fund - Stormwater fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Stormwater Utility Fund increased its net position by \$726,650 in 2015. This increase in net position is attributable to the capital contribution related to infrastructure assets transferred to the City from DeKalb County (\$633,305) and revenues in excess of expenses for the year of \$93,345.

Sanitation Fund - Sanitation fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Sanitation Fund decreased its net position by \$20,535 in 2015. This decrease in net position is attributable to expenditures in excess of revenues due to annexation.

Table 3 below compares governmental fund revenues and expenditures for 2015 and 2014.

Table 3
Governmental Revenues, Expenditures, and Changes in Fund Balances

	Governmental Funds	
	<u>2015</u>	<u>2014</u>
Revenues:		
Taxes	\$ 2,828,017	\$ 2,321,272
Licenses and permits	164,179	79,424
Intergovernmental	207,551	154,228
Fines and forfeitures	1,118,684	968,472
Charges for services	80,406	50,746
Interest income	16	84
Other revenues	193,287	140,319
Total Revenue	<u>4,592,140</u>	<u>3,714,545</u>
Expenditures:		
General government	1,410,874	1,517,390
Buildings and grounds	106,420	93,743
Public safety	1,328,001	1,660,624
Public works	981,988	543,734
Judicial/Municipal Court	521,945	-
Economic & Community Development	38,900	-
Planning & Zoning	276,964	-
Recreation and parks	88,346	87,988
Capital outlay	45,624	144,371
Debt service:		
Principal retirements	165,987	136,734
Interest	31,433	28,059
Total Expenditures	<u>4,996,482</u>	<u>4,212,643</u>
Deficiency of revenues under expenditures	<u>(404,342)</u>	<u>(498,098)</u>
Other financing sources (uses):		
Capital leases	-	185,979
Proceeds from issuance of debt	425,898	230,693
Proceeds from sale of capital assets	700	6,190
Total other financing sources (uses)	<u>426,598</u>	<u>422,862</u>
Net change in fund balances	22,256	(75,236)
Fund balances, beginning of year	<u>1,640,231</u>	<u>1,715,467</u>
Fund balances, end of year	<u>\$ 1,662,487</u>	<u>\$ 1,640,231</u>

General Fund Budgetary Highlights The City's budget is prepared according to Georgia Law. A comparison of General Fund actual expenditures compared to budget is presented in the financial statements. General Fund revenues were \$139,993 less than budgeted mainly due to less than expected collection of fines and forfeiture revenues than what was budgeted and anticipated. Expenditures were \$92,237 less than budgeted mainly due to expenditures for general government and public safety less than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$5,605,859 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and improvements, machinery and equipment, park facilities, streets and sidewalks, and storm water infrastructure. Table 4 below summarizes capital assets of the City.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Construction in progress	\$ 671,816	\$ 430,776	\$ -	\$ -	\$ 671,816	\$ 430,776
Land	422,608	422,608	-	-	422,608	422,608
Intangible asset	-	-	116,495	116,495	116,495	116,495
Buildings and improvements	3,144,699	3,144,699	-	-	3,144,699	3,144,699
Furniture and equipment	363,387	298,307	-	-	363,387	298,307
Vehicles	783,808	783,808	84,197	84,197	868,005	868,005
Infrastructure-Streets	1,112,348	-	-	-	1,112,348	-
Stormwater infrastructure	-	-	1,298,878	624,739	1,298,878	624,739
Less accumulated depreciation	<u>(1,998,379)</u>	<u>(1,779,776)</u>	<u>(393,998)</u>	<u>(338,644)</u>	<u>(2,392,377)</u>	<u>(2,118,420)</u>
Total	<u>\$ 4,500,287</u>	<u>\$ 3,300,422</u>	<u>\$ 1,105,572</u>	<u>\$ 486,787</u>	<u>\$ 5,605,859</u>	<u>\$ 3,787,209</u>

The City's total investment in capital assets increased from \$3,787,209 to \$5,605,859 in 2015. Of this \$1,818,650 increase in capital assets, \$1,513,695 resulted from transfers of capital assets from DeKalb County to the City as a result of annexation of additional property into the City in 2015. The City purchased and constructed \$592,793 in new capital assets during the year. The City completed \$427,373 of additional construction in process (CIP) work on the Streetscape project bringing the 2015 cumulative balance in process to \$639,991. The City completed the construction of the Montreal sidewalk in 2015 and transferred the total of \$231,958 from CIP to Streets and Sidewalks. The City also started construction on East Ponce de Leon Sidewalk Phase 1 with total 2015 expenditures of \$31,823 added to CIP. The City also purchased other machinery and equipment totaling \$78,961 in 2015. Depreciation on capital assets was \$287,838. The City disposed of \$13,881 of fully depreciated capital assets in 2015. Additional information on the City's capital assets can be found at Note 6 in the notes to the financial statements of this report.

Long Term Debt and Obligations. The City's long-term debt and obligations can be found in Note 7 in the notes to the financial statements of this report. The increase in long term debt of \$331,914 relates to notes payable to the Georgia State Roads and Tollway Authority for the construction of the Streetscapes infrastructure project. In 2015, the City implemented GASB 68/71 relating to the accounting and reporting of pension plans. The details of this change are outlined in Footnote 16 of The "Notes to Financial Statements". The net increase in net pension liability for 2015 was \$59,557. The increase in compensated absences increased by \$12,446. The City's long-term debt is summarized in table 5 below.

Long-Term Debt and Obligations

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (restated)	2015	2014	2015	2014 (restated)
Capital leases	\$ 163,407	\$ 221,155	\$ -	\$ -	\$ 163,407	\$ 221,155
Notes payable	1,380,482	1,062,823	-	-	1,380,482	1,062,823
Net pension liability	544,311	484,754	-	-	544,311	484,754
Compensated absences	88,048	75,602	-	-	88,048	75,602
	<u>\$ 2,176,248</u>	<u>\$ 1,844,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,176,248</u>	<u>\$ 1,844,334</u>

Economic Factors and Next Year's Budgets and Rates

The City considered the current year results as well as other factors in preparing the City's budget for 2016. The budget for 2016 reflects total revenues of \$5,749,961 and total expenditures of \$5,749,961.

In 2016, the City expects increased tax revenues from additional geographic areas annexed into the City effective January 1, 2016. This annexation will also result in increased expenditures for service delivery for newly annexed geography and citizenry.

The City has requested a \$2 million dollar loan from the State Road and Toll-way Authority to partially fund a streetscape project over the next few years. This loan will represent the City's match toward a \$3.6 million dollar grant from the Federal Highway Administration. The City closed on the loan in 2013, began the project in 2014, and expects to continue the project through the next few years. Loan funds will be drawn down as the project proceeds and construction occurs.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Clerk
City of Clarkston
1055 Rowland Street
Clarkston, GA 30021

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2015

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 829,974	\$ 203,287	\$ 1,033,261
Taxes receivables, net of allowances	559,815	-	559,815
Intergovernmental receivable	49,276	-	49,276
Other receivables	478,538	-	478,538
Accounts receivables, net of allowances	-	20,741	20,741
Interfund balances	121,446	(121,446)	-
Prepaid items	32,498	47,301	79,799
Capital assets:			
Non-depreciable	1,094,424	116,495	1,210,919
Depreciable, net of accumulated depreciation	3,405,863	989,077	4,394,940
Total assets	6,571,834	1,255,455	7,827,289
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	188,273	-	188,273
Total deferred outflows of resources	188,273	-	188,273
LIABILITIES			
Accounts payable	248,073	14,134	262,207
Accrued liabilities	43,074	-	43,074
Compensated absences due within one year	79,243	-	79,243
Compensated absences due in more than one year	8,805	-	8,805
Net pension liability	544,311	-	544,311
Notes payable due within one year	112,892	-	112,892
Notes payable due in more than one year	1,267,590	-	1,267,590
Capital leases due within one year	42,394	-	42,394
Capital leases due in more than one year	121,013	-	121,013
Total liabilities	2,467,395	14,134	2,481,529
DEFERRED INFLOWS OF RESOURCES			
Pension related items	93,106	-	93,106
Total deferred inflows of resources	93,106	-	93,106
NET POSITION			
Net investment in capital assets	2,956,398	1,105,572	4,061,970
Restricted for public safety	131,065	-	131,065
Restricted for capital construction	77,459	-	77,459
Unrestricted	1,034,684	135,749	1,170,433
Total net position	\$ 4,199,606	\$ 1,241,321	\$ 5,440,927

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 1,465,434	\$ 346,055	\$ 58,880	\$ (1,060,499)	\$ -	\$ (1,060,499)
Building and grounds	106,755	5,156	-	(101,599)	-	(101,599)
Public safety	1,413,628	1,170,021	-	(243,607)	-	(243,607)
Public works	573,136	750	945,050	372,664	-	372,664
Recreation and parks	130,403	35,274	84,011	(11,118)	-	(11,118)
Judicial / Municipal court	521,945	-	-	(521,945)	-	(521,945)
Economic and community development	38,900	-	-	(38,900)	-	(38,900)
Planning and zoning	276,964	-	-	(276,964)	-	(276,964)
Interest on long term debt	42,636	-	-	(42,636)	-	(42,636)
Total governmental activities	4,569,801	1,557,256	1,087,941	(1,924,604)	-	(1,924,604)
Business-type activities:						
Sanitation	171,910	151,368	-	-	(20,542)	(20,542)
Stormwater utility	86,882	180,218	633,305	-	726,641	726,641
Total business-type activities	258,792	331,586	633,305	-	706,099	706,099
Total primary government	\$ 4,828,593	\$ 1,888,842	\$ 1,721,246	\$ (1,924,604)	\$ 706,099	\$ (1,218,505)
General revenues:						
Property taxes				1,923,361	-	1,923,361
Franchise taxes				290,327	-	290,327
Insurance premium taxes				435,207	-	435,207
Business and occupational taxes				146,003	-	146,003
Alcoholic beverage taxes				104,415	-	104,415
Unrestricted investment earnings				16	16	32
Total general revenues				2,899,329	16	2,899,345
Change in net position				974,725	706,115	1,680,840
Net position, beginning of year (as restated)				3,224,881	535,206	3,760,087
Net position, end of year				\$ 4,199,606	\$ 1,241,321	\$ 5,440,927

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

CITY OF CLARKSTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 698,909	\$ 131,065	\$ 829,974
Taxes receivables, net of allowance	559,815	-	559,815
Intergovernmental receivable	-	49,276	49,276
Other receivables	478,538	-	478,538
Prepaid items	32,498	-	32,498
Due from other funds	5,073	33,256	38,329
Advances to other funds	121,451	-	121,451
Total assets	\$ 1,896,284	\$ 213,597	\$ 2,109,881
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 248,073	\$ -	\$ 248,073
Accrued liabilities	31,871	-	31,871
Due to other funds	33,261	5,073	38,334
Total liabilities	313,205	5,073	318,278
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	129,116	-	129,116
Total deferred inflows of resources	129,116	-	129,116
FUND BALANCES			
Fund balances:			
Nonspendable for:			
Prepaid items	32,498	-	32,498
Advances to other funds	121,451	-	121,451
Restricted for:			
Public safety	-	131,065	131,065
Capital construction	-	77,459	77,459
Unassigned	1,300,014	-	1,300,014
Total fund balances	1,453,963	208,524	1,662,487
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,896,284	\$ 213,597	

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.	4,500,287
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	129,116
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(449,144)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(1,643,140)
Net position of governmental activities	\$ 4,199,606

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

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,828,017	\$ -	\$ 2,828,017
Licenses and permits	164,179	-	164,179
Intergovernmental	-	207,551	207,551
Fines and forfeitures	1,040,388	78,296	1,118,684
Charges for services	80,406	-	80,406
Interest income	7	9	16
Other revenues	193,287	-	193,287
Total revenues	<u>4,306,284</u>	<u>285,856</u>	<u>4,592,140</u>
Expenditures			
Current:			
General government	1,325,954	84,920	1,410,874
Building and grounds	106,420	-	106,420
Public safety	1,296,482	31,519	1,328,001
Public works	981,986	2	981,988
Recreation and parks	87,834	512	88,346
Judicial / Municipal court	521,945	-	521,945
Economic and community development	38,900	-	38,900
Planning and zoning	276,964	-	276,964
Capital outlays	-	45,624	45,624
Debt service:			
Principal	114,276	51,711	165,987
Interest	27,279	4,154	31,433
Total expenditures	<u>4,778,040</u>	<u>218,442</u>	<u>4,996,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(471,756)</u>	<u>67,414</u>	<u>(404,342)</u>
Other financing sources:			
Proceeds from disposal of capital assets	700	-	700
Proceeds from issuance of notes payable	425,898	-	425,898
Total other financing sources	<u>426,598</u>	<u>-</u>	<u>426,598</u>
Net change in fund balances	(45,158)	67,414	22,256
Fund balances, beginning of year	<u>1,499,121</u>	<u>141,110</u>	<u>1,640,231</u>
Fund balances, end of year	<u>\$ 1,453,963</u>	<u>\$ 208,524</u>	<u>\$ 1,662,487</u>

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

CITY OF CLARKSTON, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Net change in fund balances - total governmental funds	\$	22,256
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 outlays exceeded depreciation expense in the current period.		319,475
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		71,296
The effect of donated capital assets is to increase net position		880,390
The issuance of long-term debt (e.g., capital leases and notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payment on capital leases		57,748
Principal payment on notes payable		108,239
Proceeds from notes payable		(425,898)
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>(58,781)</u>
Change in net position - governmental activities	\$	<u>974,725</u>

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

CITY OF CLARKSTON, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,805,300	\$ 2,820,400	\$ 2,828,017	\$ 7,617
Licenses and permits	144,950	159,950	164,179	4,229
Intergovernmental	32,000	-	-	-
Fines and forfeitures	1,175,317	1,175,317	1,040,388	(134,929)
Interest income	3,600	3,600	7	(3,593)
Charges for services	62,010	62,010	80,406	18,396
Other revenues	205,000	225,000	193,287	(31,713)
Total revenues	4,428,177	4,446,277	4,306,284	(139,993)
Expenditures				
Current:				
General government:				
City Council	30,620	33,620	32,707	913
Mayor	10,700	10,700	10,100	600
General administration	1,241,754	1,317,554	1,283,147	34,407
Total general government	1,283,074	1,361,874	1,325,954	35,920
Building and grounds	108,700	108,700	106,420	2,280
Public safety:				
Police	1,577,194	1,330,994	1,296,482	34,512
Total public safety	1,577,194	1,330,994	1,296,482	34,512
Public works	863,061	985,261	981,986	3,275
Recreation and parks	105,000	89,100	87,834	1,266
Judicial / Municipal Court	396,708	522,908	521,945	963
Economic and community development	44,500	44,500	38,900	5,600
Planning and zoning	245,340	285,340	276,964	8,376
Debt service:				
Principal	72,200	72,200	114,276	(42,076)
Interest	59,000	69,400	27,279	42,121
Total debt service	131,200	141,600	141,555	45
Total expenditures	4,754,777	4,870,277	4,778,040	92,237
Deficiency of revenues under expenditures	(326,600)	(424,000)	(471,756)	(47,756)
Other Financing Sources				
Proceeds from disposal of capital assets	-	-	700	700
Capital leases	-	44,000	-	(44,000)
Proceeds from issuance of note payable	350,000	380,000	425,898	45,898
Total financing sources	350,000	424,000	426,598	2,598
Net change in fund balances	23,400	-	(45,158)	(45,158)
Fund balances, beginning of year	1,499,121	1,499,121	1,499,121	-
Fund balances, end of year	\$ 1,522,521	\$ 1,499,121	\$ 1,453,963	\$ (45,158)

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

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

ASSETS	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CURRENT ASSETS			
Cash and cash equivalents	\$ 89,055	\$ 114,232	\$ 203,287
Accounts receivables, net of allowances	10,958	9,783	20,741
Prepaid items	-	47,301	47,301
Due from other funds	-	5	5
Total current assets	100,013	171,321	271,334
NONCURRENT ASSETS			
Capital assets, non-depreciated	-	116,495	116,495
Capital assets, net of accumulated depreciation	-	989,077	989,077
Total noncurrent assets	-	1,105,572	1,105,572
Total assets	100,013	1,276,893	1,376,906
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	14,134	-	14,134
Total current liabilities	14,134	-	14,134
NONCURRENT LIABILITIES			
Advances from other funds	-	121,451	121,451
Total noncurrent liabilities	-	121,451	121,451
Total liabilities	14,134	121,451	135,585
NET POSITION			
Investment in capital assets	-	1,105,572	1,105,572
Unrestricted	85,879	49,870	135,749
Total net position	\$ 85,879	\$ 1,155,442	\$ 1,241,321

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

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
OPERATING REVENUE			
Stormwater fees	\$ -	\$ 180,218	\$ 180,218
Sanitation fees	151,368	-	151,368
Total operating revenues	151,368	180,218	331,586
OPERATING EXPENSES			
Contracted services - waste pickup	171,910	-	171,910
Repairs and maintenance	-	31,528	31,528
Depreciation	-	55,354	55,354
Total operating expenses	171,910	86,882	258,792
Operating Income (loss)	(20,542)	93,336	72,794
NONOPERATING REVENUES			
Capital contributions	-	633,305	633,305
Interest income	7	9	16
Total nonoperating revenues	7	633,314	633,321
Change in net position	(20,535)	726,650	706,115
Net position, beginning	106,414	428,792	535,206
Net position, ending	\$ 85,879	\$ 1,155,442	\$ 1,241,321

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 149,537	\$ 177,656	\$ 327,193
Payments to vendors and suppliers	(170,289)	(32,688)	(202,977)
Net cash provided (used) by operating activities	(20,752)	144,968	124,216
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Amounts paid to other funds	(25,245)	(100,005)	(125,250)
Net cash used by non-capital financing activities	(25,245)	(100,005)	(125,250)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	-	(40,835)	(40,835)
Net cash used by capital financing activities	-	(40,835)	(40,835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	7	9	16
Net cash provided by investing activities	7	9	16
Net increase (decrease) in cash	(45,990)	4,137	(41,853)
Cash, beginning of year	135,045	110,095	245,140
Cash, end of year	<u>\$ 89,055</u>	<u>\$ 114,232</u>	<u>\$ 203,287</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (20,542)	\$ 93,336	\$ 72,794
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	-	55,354	55,354
Change in assets and liabilities:			
Increase in accounts receivables	(1,831)	(2,562)	(4,393)
Increase (decrease) in accounts payable	1,621	(1,160)	461
Net cash provided (used) by operating activities	<u>\$ (20,752)</u>	<u>\$ 144,968</u>	<u>\$ 124,216</u>
NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	633,305	633,305

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

CITY OF CLARKSTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City was incorporated in 1882 and operates under a Mayor/Council/City Manager form of government and provides the following services as authorized by its charter to its citizens: public safety, public works, parks and recreation, and general and administrative services, sanitation and stormwater utility services. The City Manager is the head of the administrative branch of government. As such, he is responsible for the day-to-day operations of the City government. The legislative authority of the City is vested in the Mayor and six (6) member council with an appointed City Manager.

The City, for financial reporting purposes, includes all of the funds relevant to the operations of the City. The Governmental Accounting Standards Board has set forth criteria to determine if legally separate organizations are considered to be component units in which the City is considered to be financially accountable or other organizations whose nature and significant relationship with the City is such that exclusion would cause the City's financial statements to be incomplete or misleading. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon these criteria, the City has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for support. The statement of net position includes non-current assets and deferred outflows of resources and non-current liabilities and deferred inflows of resources. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the 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 resource measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, alcoholic beverage taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period, if the available criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The City reports the following major proprietary funds:

The **Sanitation Fund** accounts for the collection of fees to cover the cost of waste management pickup services as contracted out by the City to a third-party.

The **Stormwater Utility Fund** accounts for the collection of fees for upgrades to stormwater drains and related expenses.

In accounting and reporting for its proprietary operations, the City applies all Governmental Accounting Standards Board (GASB) pronouncements. The City applies GASB Statement No. 62, *Codification of Accounting and Financial Reporting Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance on or before November 30, 1989.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

Annual appropriated budgets are adopted for all funds including capital project funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets for governmental funds are adopted on a modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America, for governmental funds. All appropriations lapse at year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value as determined by quoted market prices.

F. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year, as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., stormwater catch basins and piping, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Infrastructure	15-40
Furniture and equipment	5-10
Vehicles	5

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, drainage, sidewalks, etc. The City implemented the provisions of GASB Statement No. 34 for the year ended December 31, 2004. The City was not required to retroactively report infrastructure assets in governmental activities.

GASB Statement No. 51 was issued in June 2007 to reduce inconsistencies in financial reporting and provides needed guidance on how to identify, account for, and report intangible assets. GASB Statement No. 51 defines an intangible asset as an asset that possesses all of the following characteristics: 1) lack of physical substance; 2) nonfinancial in nature; and 3) a useful life extending beyond a single reporting period. GASB Statement No. 51 requires those intangible assets to follow the disclosure requirements of capital assets. GASB Statement No. 51 was implemented during calendar year 2010.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts (if any) are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables (if any) are reported net of the applicable bond premium or discounts. Bond issuance costs (if any) are expensed when incurred.

In the fund financial statements, governmental fund types report the face amount of debt issued and any related premiums or discounts as other financing sources and debt issuance costs and debt service payments as expenditures.

K. 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, deferred inflows of resources, 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:

- **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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

- **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 vote of the City Council through the adoption of a resolution. The same formal action is required to subsequently remove or modify a commitment of fund balance.
- **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 City's finance director to assign fund balances. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular governmental fund.
- **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

L. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the Fund Equity section. All other net position is reported as unrestricted. 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 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflow/Inflows of Resources

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

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

N. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources (if any), deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

O. Interfund Transactions

Interfund services provided and used in the fund financial statements are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

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 \$1,643,140 difference are as follows:

Compensated absences	\$	(88,048)
Capital leases		(163,407)
Accrued interest payable		(11,203)
Notes payable		<u>(1,380,482)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u>(1,643,140)</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 \$319,475 difference are as follows:

Capital outlays	\$	551,959
Depreciation expense		<u>(232,484)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u>319,475</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 explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$58,781 difference are as follows:

Compensated absences	\$	(12,446)
Interest expense on long term debt		(11,203)
Change in net pension liability		(59,557)
Change in pension experience differences		64,298
Change in pension assumption changes		(61,542)
Change in pension investment earnings differences		(31,564)
Change in pension contributions subsequent to measurement date		53,233
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	(58,781)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budget

The City of Clarkston, Georgia employs the following procedures in establishing its annual budget:

1. The initial budget is prepared based on revenues and expenditures of the prior year.
2. Work sessions are held to amend the amounts based on expected revenues.
3. The proposed budget is presented to the City Council in a regular council meeting.
4. The Council sets a date for a public hearing on the proposed budget. After the hearing, the Council adopts the budget.
5. Over or under expended appropriations are not carried forward to the next year.
6. Budget revisions that alter the total expenditures of any line item within a department must be approved by the Council.
7. Budget amounts are as originally adopted, or as amended by the Council.

Encumbrance accounting is not used by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following funds had departments with excess of actual expenditures over appropriations for the year ended December 31, 2015:

General Fund - Debt Service- Principal	\$	42,076
Grants Fund- Public safety		3,018
Grants Fund- Culture and recreation		512
Police Seizure Fund - Debt Service- Principal		3,711
Police Seizure Fund - Debt Service- Interest		4,154

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and City policy require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2015, the City's bank balances were under collateralized by \$72,963 as defined by State statutes.

Interest rate risk: The City's investment policy is to invest in certificates of deposits with maturities not exceeding one year.

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. As of December 31, 2015, the City had no investments balances that were exposed to credit risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1 and are based on property values as of January 1. Property taxes were levied on July 21, 2015 and are due and payable in two installments. The first installment was due on September 30, 2015 and the second installment was due on November 15, 2015. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

In governmental funds, property taxes are recorded as receivables and unavailable revenues (deferred inflows of resources) when assessed. Revenues are recognized when available.

In the enterprise funds, stormwater and sanitation fees are billed annually on July 1 along with the property taxes and are due and payable in two installments. The first installment was due on September 30, 2015 and the second installment was due on November 15, 2015. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2015, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Sanitation</u>	<u>Stormwater Utility</u>	<u>Non Major Governmental</u>
Receivables:				
Taxes	\$ 575,815	\$ -	\$ -	\$ -
Accounts	-	10,958	12,783	-
Intergovernmental	-	-	-	49,276
Other	478,538	-	-	-
Less allowance for uncollectible	(16,000)	-	(3,000)	-
Net total receivable	<u>\$ 1,038,353</u>	<u>\$ 10,958</u>	<u>\$ 9,783</u>	<u>\$ 49,276</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 430,776	\$ 472,998	\$ (231,958)	\$ 671,816
Land	422,608	-	-	422,608
Total	<u>853,384</u>	<u>472,998</u>	<u>(231,958)</u>	<u>1,094,424</u>
Capital assets, being depreciated:				
Buildings and improvements	3,144,699	-	-	3,144,699
Furniture and equipment	298,307	78,961	(13,881)	363,387
Infrastructure	-	880,390	231,958	1,112,348
Vehicles	783,808	-	-	783,808
Total	<u>4,226,814</u>	<u>959,351</u>	<u>218,077</u>	<u>5,404,242</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,020,657)	(75,509)	-	(1,096,166)
Furniture and equipment	(261,768)	(26,929)	13,881	(274,816)
Infrastructure	-	(44,072)	-	(44,072)
Vehicles	(497,351)	(85,974)	-	(583,325)
Total	<u>(1,779,776)</u>	<u>(232,484)</u>	<u>13,881</u>	<u>(1,998,379)</u>
Total capital assets, being depreciated, net	<u>2,447,038</u>	<u>726,867</u>	<u>231,958</u>	<u>3,405,863</u>
Governmental activities capital assets, net	<u>\$ 3,300,422</u>	<u>\$ 1,199,865</u>	<u>\$ -</u>	<u>\$ 4,500,287</u>
Business-type activities:				
Capital assets, not being depreciated:				
Easements (intangible asset)	\$ 116,495	\$ -	\$ -	\$ 116,495
Total	<u>116,495</u>	<u>-</u>	<u>-</u>	<u>116,495</u>
Capital assets, being depreciated:				
Infrastructure	324,994	674,139	-	999,133
Improvements	299,745	-	-	299,745
Vehicles	84,197	-	-	84,197
Total	<u>708,936</u>	<u>674,139</u>	<u>-</u>	<u>1,383,075</u>
Less accumulated depreciation for:				
Infrastructure	(279,005)	(26,347)	-	(305,352)
Improvements	(23,989)	(12,168)	-	(36,157)
Vehicles	(35,650)	(16,839)	-	(52,489)
Total	<u>(338,644)</u>	<u>(55,354)</u>	<u>-</u>	<u>(393,998)</u>
Total capital assets, being depreciated, net	<u>370,292</u>	<u>618,785</u>	<u>-</u>	<u>989,077</u>
Business-type activities capital assets, net	<u>\$ 486,787</u>	<u>\$ 618,785</u>	<u>\$ -</u>	<u>\$ 1,105,572</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:			
General government	\$	25,243	
Public safety		103,088	
Public works		62,374	
Recreation and parks		41,779	
Total depreciation expense - governmental activities	\$	232,484	
Business-type activities:			
Stormwater utility	\$	55,354	

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS

Long-term liability and obligations activity for the year ended December 31, 2015, was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 221,155	\$ -	\$ (57,748)	\$ 163,407	\$ 42,394
Notes payable	1,062,823	425,898	(108,239)	1,380,482	112,892
Net pension liability	484,754	461,533	(401,976)	544,311	-
Compensated absences	75,602	91,127	(78,681)	88,048	79,243
Governmental activities Long-term liabilities	<u>\$ 1,844,334</u>	<u>\$ 978,558</u>	<u>\$ (646,644)</u>	<u>\$ 2,176,248</u>	<u>\$ 234,529</u>

Compensated absences and the net pension liability are liquidated by the General Fund while capital leases and notes payable are liquidated by the Police Seizure Fund and the General Fund.

Capital Leases - Equipment. The City has entered into lease-purchase agreements as lessee for financing the acquisition of vehicles used in general governmental and public safety activities. The lease agreements qualify as capital leases for accounting purposes (the present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS (CONTINUED)

Capital Leases – Equipment (continued)

As of December 31, 2015, the cost, current year depreciation, and accumulated depreciation of vehicles acquired under capital leases are \$198,797, \$41,187, and \$46,947, respectively. The vehicles are pledged as collateral on the lease.

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

	Governmental Activities
Year Ending December 31,	
2016	\$ 47,136
2017	47,106
2018	39,823
2019	39,823
Total minimum lease payments	173,888
Less amount representing interest	10,481
Present value of future minimum lease payments	\$ 163,407

Notes Payable. The City entered into a note payable agreement with a financial institution on April 26, 2012 for the financing and construction of a City Hall Annex Building. The note is for \$700,000 and carries an interest rate of 3.22%. The loan is payable over 180 months with monthly principal and interest payments totaling \$14,756. The City Hall Annex Building is pledged as collateral on the note.

The City's future annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
Year ending December 31,			
2016	\$ 41,314	17,710	\$ 59,024
2017	42,660	16,364	59,024
2018	44,051	14,974	59,025
2019	45,486	13,538	59,024
2020	46,969	12,056	59,025
2021-2025	258,828	36,294	295,122
2026-2027	86,094	2,442	88,536
Total	\$ 565,402	\$ 113,378	\$ 678,780

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS (CONTINUED)

Notes Payable. The City entered into a note payable agreement with a financial institution on January 25, 2013 for the financing and construction of a Public Works Building. The note is for \$325,000 and carries an interest rate of 1.96%. The loan is payable over five years with quarterly principal and interest payments totaling \$18,044. The Public Works Building is pledged as collateral on the note.

The City's future annual debt service requirements to maturity are as follows:

Year ending December 31,	Principal	Interest	Total
2016	\$ 69,578	\$ 2,597	\$ 72,175
2018	70,952	1,223	72,175
2018	17,956	88	18,044
Total	\$ 158,486	\$ 3,908	\$ 162,394

Notes Payable. The City entered into a note payable agreement with the Georgia State Road and Tollway Authority on June 20, 2013 for the financing a streetscape project. The note is for \$2,000,000 and carries an interest rate of 2.40%. The loan is currently in the draw phase and the loan has not closed. As of December 31, 2015, the outstanding balance is \$656,594.

NOTE 8. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of \$450,000 at a local financial institution. The borrowing, with an interest rate of 1.23%, matured on December 31, 2015. As of December 31, 2015, all outstanding principal has been paid in full. Total short-term borrowings interest incurred and expensed for the year ended December 31, 2015, was \$3,075.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SHORT-TERM BORROWINGS (CONTINUED)

The following is a summary of the City's short-term borrowings for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ -	\$ 450,000	\$ (450,000)	\$ -

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2015, is as follows:

Due to / from other funds are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 33,256
General Fund	Nonmajor Governmental Funds	5,073
Stormwater Fund	General Fund	5
		\$ 38,334

All interfund 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.

Advances from/to other funds are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Stormwater Fund	\$ 121,451

The General Fund advanced money to cover the shortfall of revenues of the Stormwater Fund. Amounts are expected to be paid in more than one year through increased revenues from the annexation of additional properties to the City's tax digest in 2015 and 2016. The advance will be repaid during fiscal year 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the Mayor and City Council, has established a defined benefit pension plan (the "City of Chamblee Retirement Plan") covering all full-time employees. The City Council in its role as the Plan Sponsor, has the sole authority to amend the provisions, including specific benefit provisions and contribution requirements of the Plan as provided by the Plan document. The City's Pension Plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472 or on the internet at www.gmanet.com.

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by the Mayor and City Council, the Plan provides pension benefits and death and disability benefits for Plan members and beneficiaries. All employees who work at least thirty (30) hours a week are eligible to participate after one (1) year. Elected officials have no waiting period for eligibility. Benefits vest after ten years of service. A City employee who retires at age 65 with five (5) years of service is entitled to benefits of 2.0% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he or she has a minimum of ten (10) years total credited service to receive full benefits. Elected officials are entitled to \$30 for each year of service after reaching normal retirement age not to exceed twenty (20) years. Employees of the City are not required to make contributions to this Plan.

At July 1, 2015, the date of the most recent actuarial valuation, there were 97 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants not yet receiving benefits	31
Active participants - vested	22
Active participants - nonvested	17
Total	<u>97</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For year 2015, the actuarially determined contribution rate was 11.76% of covered payroll. The City makes all contributions to the Plan. For 2015, the City's contribution to the Plan was \$112,067.

Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2015.

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for the July 1, 2015 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 3.25%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2015 were as follows:

Primary Government:	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/14	\$ 2,536,865	\$ 2,052,111	\$ 484,754
Changes for the year:			
Service cost	164,013	-	164,013
Interest	191,727	-	191,727
Differences between expected and actual experience	96,448	-	96,448
Assumption Changes	(92,313)	-	(92,313)
Contributions—employer	-	112,067	(112,067)
Net investment income	-	197,596	(197,596)
Benefit payments	(125,937)	(125,937)	-
Administrative expense	-	(9,345)	9,345
Net changes	233,938	174,381	59,557
Balances at 12/31/15	\$ 2,770,803	\$ 2,226,492	\$ 544,311

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's net pension liability	\$ 938,499	\$ 544,311	\$ 219,627

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2015 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$200,432. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,298	\$ -
Changes in assumptions	-	61,542
Net difference between projected and actual earnings on pension plan investments	-	31,564
City contributions subsequent to the measurement date	123,975	-
Total	\$ 188,273	\$ 93,106

City contributions subsequent to the measurement date of \$123,975 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2016	\$ (6,513)
2017	(6,513)
2018	(7,891)
2019	(7,891)
Total	\$ (28,808)

NOTES TO FINANCIAL STATEMENTS

NOTE 11. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by DeKalb County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 12. RELATED ORGANIZATIONS

The City of Clarkston Housing Authority was established to assist low-income individuals in obtaining housing at affordable rates. The Authority was not active as of December 31, 2015. The Authority is independent of the City. The City's financial accountability is limited to cosigning on two (2) small bank accounts. Those accounts had no activity during the year ended December 31, 2015.

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the State as part of the Georgia Inter-local Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim or loss.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions arising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies:

The City has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 15. SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the City has drawn \$770,000 on a new tax anticipation note that will mature on December 30, 2016. The purpose of the short-term borrowing was for operating purposes. The short-term borrowing carries an interest rate of 1.48%.

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLES

As discussed in Note 10, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The new standards significantly changed the City's accounting for pension amounts. As a result of this change in accounting principle, the City was required to restate beginning net position for the following:

Governmental activities:

Net position, as previously reported	\$ 3,704,920
Restatement for implementation of GASB Statement No. 68/71:	
Removal of net pension asset as previously reported	(66,027)
Net pension liability, beginning balance	(484,754)
Deferred outflows of resources, pension related items, beginning balance	70,742
Net position, as restated	<u><u>\$ 3,224,881</u></u>

CITY OF CLARKSTON, GEORGIA
Required Supplementary Information

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS**

	2015
Total pension liability	
Service cost	\$ 164,013
Interest on total pension liability	191,727
Differences between expected and actual experience	96,448
Changes of assumptions	(92,313)
Benefit payments	(125,937)
Net change in total pension liability	233,938
Total pension liability - beginning	2,536,865
Total pension liability - ending (a)	\$ 2,770,803
 Plan fiduciary net position	
Contributions - employer	112,067
Net investment income	197,596
Benefit payments	(125,937)
Administrative expenses	(9,345)
Net change in plan fiduciary net position	174,381
Plan fiduciary net position - beginning	2,052,111
Plan fiduciary net position - ending (b)	\$ 2,226,492
 City's net pension liability - ending (a) - (b)	\$ 544,311
 Plan fiduciary net position as a percentage of the total pension liability	80.4%
 Covered-employee payroll	\$ 1,469,336
 City's net pension liability as a percentage of covered - employee payroll	37.0%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF CLARKSTON, GEORGIA
Required Supplementary Information

SCHEDULE OF CITY CONTRIBUTIONS

	2015
Actuarially determined contribution	\$ 175,594
Contributions in relation to the actuarially determined contribution	112,067
Contribution deficiency (excess)	\$ 63,527
Covered-employee payroll	1,469,336
Contributions as a percentage of Covered-employee payroll	7.6%

Notes to the Schedule

Valuation Date	July 1, 2015
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75% plus service base merit increases
Cost-of-living Adjustment	3.25%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 12 years

The schedule will present 10 years of information once it is accumulated.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

The **Police Seizure Fund** is used to account for the use of confiscated drug money by the City's Police Department. These revenues are restricted by State law to be expended on investigations and other law enforcement activities of the City's Police Department.

The **Grants Fund** is one of the City's special revenue funds which is used to report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects. This fund is used to account for grants received from various Federal and State agencies.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources restricted, committed or assigned to expenditures for the acquisition or construction of capital assets.

The **Homestead Option Sales Tax (HOST) Fund** is used to account for locally funded acquisition and construction of major capital projects financed by restricted homestead option sales tax funds.

The **Public Works Building Fund** is one of the City's capital project funds which is used to report the financing and construction of the new Public Works building.

CITY OF CLARKSTON, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Police Seizure Fund	Grants Fund	Homestead Option Sales Tax Fund	Public Works Building Fund	
ASSETS					
Cash and cash equivalents	\$ 131,065	\$ -	\$ -	\$ -	\$ 131,065
Intergovernmental receivable	-	30,892	18,384	-	49,276
Due from other funds	-	33,256	-	-	33,256
Total assets	<u>\$ 131,065</u>	<u>\$ 64,148</u>	<u>\$ 18,384</u>	<u>\$ -</u>	<u>\$ 213,597</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ 5,073	\$ -	\$ 5,073
Total liabilities	-	-	5,073	-	5,073
FUND BALANCES					
Restricted for:					
Public safety	131,065	-	-	-	131,065
Capital construction	-	64,148	13,311	-	77,459
Total fund balances	<u>131,065</u>	<u>64,148</u>	<u>13,311</u>	<u>-</u>	<u>208,524</u>
Total liabilities and fund balances	<u>\$ 131,065</u>	<u>\$ 64,148</u>	<u>\$ 18,384</u>	<u>\$ -</u>	<u>\$ 213,597</u>

CITY OF CLARKSTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Police Seizure Fund	Grants Fund	Homestead Option Sales Tax Fund	Public Works Building Fund	
REVENUES					
Fines and forfeitures	\$ 78,296	\$ -	\$ -	\$ -	\$ 78,296
Intergovernmental	-	153,789	53,762	-	207,551
Interest	9	-	-	-	9
Total revenues	<u>78,305</u>	<u>153,789</u>	<u>53,762</u>	<u>-</u>	<u>285,856</u>
EXPENDITURES					
Current:					
General governemnt	-	84,920	-	-	84,920
Public safety	28,501	3,018	-	-	31,519
Public works	-	-	-	2	2
Recreation and parks	-	512	-	-	512
Capital outlays	-	-	45,624	-	45,624
Debt service:					
Principal	51,711	-	-	-	51,711
Interest	4,154	-	-	-	4,154
Total expenditures	<u>84,366</u>	<u>88,450</u>	<u>45,624</u>	<u>2</u>	<u>218,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,061)</u>	<u>65,339</u>	<u>8,138</u>	<u>(2)</u>	<u>67,414</u>
Net change in fund balances	<u>(6,061)</u>	<u>65,339</u>	<u>8,138</u>	<u>(2)</u>	<u>67,414</u>
FUND BALANCES (DEFICITS), beginning of year	<u>137,126</u>	<u>(1,191)</u>	<u>5,173</u>	<u>2</u>	<u>141,110</u>
FUND BALANCES, end of year	<u>\$ 131,065</u>	<u>\$ 64,148</u>	<u>\$ 13,311</u>	<u>\$ -</u>	<u>\$ 208,524</u>

CITY OF CLARKSTON, GEORGIA

**POLICE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 142,800	\$ 142,800	\$ 78,296	\$ (64,504)
Miscellaneous	200	200	-	(200)
Interest	100	100	9	(91)
Total revenue	<u>143,100</u>	<u>143,100</u>	<u>78,305</u>	<u>(64,795)</u>
EXPENDITURES				
Public safety	98,600	98,600	28,501	70,099
Debt service:				
Principal	48,000	48,000	51,711	(3,711)
Interest	-	-	4,154	(4,154)
Total expenditures	<u>146,600</u>	<u>146,600</u>	<u>84,366</u>	<u>62,234</u>
Deficiency of revenues under expenditures	(3,500)	(3,500)	(6,061)	(2,561)
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	<u>3,500</u>	<u>3,500</u>	-	(3,500)
Total other financing sources	<u>3,500</u>	<u>3,500</u>	-	(3,500)
Net change in fund balances	-	-	(6,061)	(6,061)
FUND BALANCES, beginning of year	<u>137,126</u>	<u>137,126</u>	<u>137,126</u>	-
FUND BALANCES, end of year	<u>\$ 137,126</u>	<u>\$ 137,126</u>	<u>\$ 131,065</u>	<u>\$ (6,061)</u>

CITY OF CLARKSTON, GEORGIA

**GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 136,600	\$ 136,600	\$ 153,789	\$ 17,189
Total revenue	136,600	136,600	153,789	17,189
EXPENDITURES				
General government	119,000	119,000	84,920	34,080
Public safety	-	-	3,018	(3,018)
Culture and recreation	-	-	512	(512)
Total expenditures	119,000	119,000	88,450	30,550
Net change in fund balances	17,600	17,600	65,339	47,739
FUND BALANCES (DEFICITS), beginning of year	(1,191)	(1,191)	(1,191)	-
FUND BALANCES, end of year	\$ 16,409	\$ 16,409	\$ 64,148	\$ 47,739

COMPLIANCE SECTION



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

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

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Clarkston, Georgia** (the "City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 14, 2016. Our report also includes a reference to the change in accounting principles resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, as well as GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2015-001 through 2015-003, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is reported in the accompanying schedule of findings and responses as item 2015-004.

City of Clarkston, Georgia's Responses to Findings

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

Purpose of this Report

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



Atlanta, Georgia
October 14, 2016

CITY OF CLARKSTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Federal Awards

There was not an audit of major federal award programs required as of December 31, 2015 due to the total amount expended for federal awards being less than \$750,000.

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND REPOSSES FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-001 Segregation of Duties - Repeat

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: The size of the City's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Substantial duties relative to the receipt and disbursement process, payroll, journal entries, and general ledger functions are handled by one (1) individual. More specifically, the following was noted:

- Stale checks (or outstanding checks) are followed up on periodically by individuals who are not independent of accounts payable and cash disbursement functions.
- The list of daily cash receipts listing from the bank is compared to postings to deposits and to a validated deposit slip by a person not independent of the cash receipts and accounts receivable functions.
- Invoice processing and accounts payable are not segregated from the general ledger function.
- Persons preparing payroll are independent of other payroll and personnel duties (for example, timekeeping, distribution of checks, and hiring employees) but are not restricted from access to other payroll data or cash.
- Responsibilities for payroll accounting are not segregated from the general ledger function.
- Journal entries are not reviewed and approved by an appropriate independent person.

Context/Cause: We addressed this matter with City officials who understand that the size of the City's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: Failure to properly segregate duties between recording, distribution, and reconciliation of accounts may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We understand the staffing limitations which result in these overlapping duties; however, we recommend the Mayor and City Council implement additional controls that further reduce the risk of fraudulent activity and the risk that such activities go undetected by management and the Mayor and City Council.

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2015-001 Segregation of Duties – Repeat (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

2015-002 Accounting for Leases

Criteria: Generally Accepted Accounting Principles call for leases to be capitalized if one of the following criteria are met (1) the lease transfers ownership of the property to the lessee at the end of the lease term (2) the lease contains a bargain purchase option (3) the lease term is equal to seventy-five percent of the estimated economic life of the leased property (4) the present value of the minimum lease payments equals or exceeds ninety percent of the fair value of the leased property. Otherwise, leases should be expensed as operating leases.

Condition: The City incorrectly capitalized leases which did not meet the criteria as noted above.

Context/Cause: The City was not aware of the capital lease criteria and the types of assets leased have typically met the criteria for capitalization in prior years, based on the lease terms.

Effect: Audit adjustments were required as follows:

- To remove capital leases and capital assets of \$43,830 from the government wide financial statements.
- To remove lease proceeds of \$43,468 from the General Fund.
- To remove capital leases and capital assets of \$98,918 from the Stormwater Fund.

Recommendation: We recommend the City's review all leases to ensure proper recording of capital and operating leases in accordance with Generally Accepted Accounting Principles.

Views of Responsible Officials and Planned Corrective Action: The City will review the capital lease criteria on future leases at the time of lease transaction to verify whether or not the lease meets criteria for capitalization based on the lease terms.

CITY OF CLARKSTON, GEORGIA

**SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)**

2015-003 Donated Infrastructure

Criteria: Internal controls should be in place to ensure capital assets are properly reflected in the financial statements.

Condition: Internal controls did not detect a misstatement in recording governmental and stormwater infrastructure assumed from DeKalb County during the annexation of properties into the City.

Context/Cause: The City overlooked the infrastructure associated with the annexations as these were non-routine transactions.

Effects: An adjustment of \$880,390 and \$633,305 was required to record capital assets in the governmental activities and stormwater opinion units, respectively. An audit adjustment of \$38,274 and \$19,444 was also required to record current year depreciation on these capital assets in the governmental activities and stormwater opinion units, respectively.

Recommendation: We understand these are non-routine transactions; however, we recommend the City's management implement additional controls that ensure all capital assets are properly and timely reflected in the financial statements in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will take necessary steps in the future to ensure that proper controls are implemented to properly and timely reflect capital assets.

2015-004 Collateralization of Deposits

Criteria: Policies should be in place requiring all financial institutions holding cash deposits to be properly insured and, or collateralized at all times throughout the fiscal year. Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) requires deposits of public funds to be insured or collateralized at a rate of at least 110 percent of the deposit amount.

Condition: As of December 31, 2015, deposits of the City held at a financial institution totaling \$1,318,832 were not fully collateralized or insured in accordance with the state statute. The pledged collateral for these accounts was less than the required amount by \$72,953.

Context/Cause: The City's collateralization of these deposits was not properly monitored by management of the City and therefore, were not adequately collateralized at the financial institution as of December 31, 2015.

Effects: The failure of a financial institution to fully collateralize or insure the City's deposits could result in financial loss to the City should the financial institution fail.

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2015-004 Collateralization of Deposits (continued)

Recommendation: We recommend the City ensure that all deposits are properly categorized as public funds by the financial institution and that the deposits are adequately insured and, or collateralized throughout the fiscal year.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We have discussed the matter with the financial institution and have implemented a process whereby both daily close of business and monthly collateral statements are remitted to the City to ensure the adequacy of collateral pledged to secure the City's deposits

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.