

**CITY OF CLARKSTON, GEORGIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**



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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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**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, 2016, 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.

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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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Police Seizure Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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, 46 and 47, 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.

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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 June 13, 2017 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  
June 13, 2017

## CITY OF CLARKSTON, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016. 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 \$5,965,907 (net position). Of this amount, \$1,491,493 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. \$4,274,384 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 \$200,030.
- ❖ The City's total net position increased by \$524,980 in the year ended December 31, 2016. This is compared to an increase of \$1,680,840 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 \$1,867,410. This compares to the prior year ending fund balances of \$1,662,487 showing a net increase of \$204,923 during the current year. The current year increase in fund balances was due, primarily, to increased revenues in 2016 due to annexation.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$1,667,380 or 32.9% of General Fund expenditures. Of this amount, \$1,610,383 was unassigned and \$56,997 was nonspendable.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$83,089. 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 \$1,255,100. Included in this total net position is \$1,050,218 invested in capital assets and a balance of \$204,882 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 four (4) 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 funds are the General Fund and Police Seizure Fund. Other nonmajor governmental funds include the Grants 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 and special revenue funds 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 \$5,965,907 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	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	\$ 2,280,106	\$ 2,071,547	\$ 306,577	\$ 149,883	\$ 2,586,683	\$ 2,221,430
Capital assets	4,981,775	4,500,287	1,050,218	1,105,572	6,031,993	5,605,859
Total assets	<u>7,261,881</u>	<u>6,571,834</u>	<u>1,356,795</u>	<u>1,255,455</u>	<u>8,618,676</u>	<u>7,827,289</u>
<b>Deferred outflows of resources</b>	282,745	188,273	-	-	\$ 282,745	\$ 188,273
<b>Liabilities:</b>						
Current liabilities	524,920	525,676	18,606	14,134	543,526	539,810
Long-term liabilities	2,361,217	1,941,719	-	-	2,361,217	1,941,719
Total liabilities	<u>2,886,137</u>	<u>2,467,395</u>	<u>18,606</u>	<u>14,134</u>	<u>2,904,743</u>	<u>2,481,529</u>
<b>Deferred inflows of resources</b>	30,771	93,106	-	-	30,771	93,106
<b>Net position:</b>						
Net investment in capital assets	3,224,166	2,956,398	1,050,218	1,105,572	4,274,384	4,061,970
Restricted	200,030	208,524	-	-	200,030	208,524
Unrestricted	<u>1,203,522</u>	<u>1,034,684</u>	<u>287,971</u>	<u>135,749</u>	<u>1,491,493</u>	<u>1,170,433</u>
Total net position	<u>\$ 4,627,718</u>	<u>\$ 4,199,606</u>	<u>\$ 1,338,189</u>	<u>\$ 1,241,321</u>	<u>\$ 5,965,907</u>	<u>\$ 5,440,927</u>

A portion of the City's net position (\$4,274,384 or 71.7%) 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. \$200,030 (3.3%) 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 (\$1,491,493 or 25%) 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, 2016 and 2015. Governmental activities increased the City's net position by \$428,112 for the year ended December 31, 2016 and increased by \$974,725 for the year ended December 31, 2015. Business-type activities increased the City's net position by \$96,868 for the year ended December 31, 2016 and increased by \$706,115 for the year ended December 31, 2015. 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,455,248	\$ 1,557,256	\$ 409,447	\$ 331,586	\$ 1,864,695	\$ 1,888,842
Capital grants and contributions	190,993	1,087,941	-	633,305	190,993	1,721,246
General revenues:						
Property taxes	2,295,606	1,923,361	-	-	2,295,606	1,923,361
Franchise taxes	260,237	290,327	-	-	260,237	290,327
Insurance premium taxes	725,252	435,207	-	-	725,252	435,207
Business and occupational taxes	196,297	146,003	-	-	196,297	146,003
Alcoholic beverage taxes	104,114	104,415	-	-	104,114	104,415
Gain sale of capital assets	18,877	-	-	-	18,877	-
Interest earnings	8	16	16	16	24	32
Total revenues	5,246,632	5,544,526	409,463	964,907	5,656,095	6,509,433
Expenses:						
General government	976,291	1,465,434	-	-	976,291	1,465,434
Buildings and grounds	117,092	106,755	-	-	117,092	106,755
Public safety	1,879,603	1,413,628	-	-	1,879,603	1,413,628
Public works	763,840	573,136	-	-	763,840	573,136
Recreation and parks	131,625	130,403	-	-	131,625	130,403
Judicial/Municipal Court	568,714	521,945	-	-	568,714	521,945
Community Development	28,200	38,900	-	-	28,200	38,900
Planning & Zoning	307,159	276,964	-	-	307,159	276,964
Interest on long-term debt	45,996	42,636	-	-	45,996	42,636
Sanitation	-	-	188,020	171,910	188,020	171,910
Stormwater utility	-	-	124,575	86,882	124,575	86,882
Total expenses	4,818,520	4,569,801	312,595	258,792	5,131,115	4,828,593
Change in net position	428,112	974,725	96,868	706,115	524,980	1,680,840
Net position - beginning of year	4,199,606	3,224,881	1,241,321	535,206	5,440,927	3,760,087
Net position - end of year	\$ 4,627,718	\$ 4,199,606	\$ 1,338,189	\$ 1,241,321	\$ 5,965,907	\$ 5,440,927

### Governmental Activities

**Revenue** Charges for services of \$1,455,248 accounted for 27.7% of the City's total governmental revenue. Property taxes provided 43.8% of the City's total governmental revenue of year 2016 as compared with 34.7% in the year 2015. Capital grants and contributions of \$190,993 comprises 3.6% of total governmental revenue in 2016 compared to \$1,087,941 in 2015 which included \$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 2015 revenue. Overall, governmental revenues decreased by \$297,894 or 5.4% while overall governmental expenses increased by \$248,719 or 5.4%. Both the decrease in revenues and increase in expenses were due to annexation cost in 2015 and lower grant revenues and contributions in 2016.

**Expenses** The total expense for the governmental activities was \$4,818,520. Public safety accounts for the largest portion of governmental expenses. Total public safety expenses were \$1,879,603 or 39% of total governmental expenses and total general government expenses accounted for the 2<sup>nd</sup> largest portion of governmental expenses and represented \$976,291 or 20% of total governmental expenses. The increase in public safety expenses in 2016 included police costs of servicing the new annexation areas.

#### **Business-type activities**

**Revenues** Total revenues for the enterprise funds decreased by \$555,444 from 2015. This decrease 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 2015 due to annexation. In the current year, the Sanitation Fund operating revenues were \$185,225, an increase of 22.4% over 2015, and the Stormwater Utility Fund operating revenues were \$224,222, an increase of 24.3% over 2015. These increases were due to annexation in 2016. 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 \$188,020 in the current year compared to \$171,910 in the prior year. Total expenses for the Stormwater Utility Fund were \$124,575 in the current year compared to \$86,882 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 \$1,867,410. Of this amount, \$1,610,383 or 86% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$200,030 was restricted due to external limitations on its use and \$56,997 was nonspendable. These restricted uses include 1) capital projects funded by HOST funds (\$28,208) public safety expenditures funded by Grant Funds (\$75,921); and 3) public safety expenditures funded by the police seizure funds (\$95,901). The nonspendable fund balance portion of \$56,997 is for prepaid items.

*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 \$1,667,380 of which \$1,610,383 was unassigned and \$56,997 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 \$1,667,380 represents approximately 32.9% of total General Fund expenditures compared to 30.4% for the prior year while unassigned fund balance of \$1,610,383 represents approximately 31.8% of total General Fund expenditures compared to 27.2% of the prior year. Fund balance of the City's General Fund increased by \$213,417 during the current year. This was due, primarily, to increases in revenues.

*Police Seizure Funds* - Total fund balance for the Police Seizure funds was \$95,901 in 2016 and in 2015 the balance of \$131,065 was included in Nonmajor Governmental Funds, representing a decrease of \$35,164.

*Nonmajor Governmental Funds* - Total fund balance for other nonmajor governmental funds at year end was \$104,129. This total is 100% restricted for capital construction.

**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 \$99,658 in 2016. This increase in net position is attributable to revenues in excess of expenses for the year.

*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 \$2,790 in 2016.

This decrease in net position is attributable to expenses in excess of revenues due to annexation.

Table 3 below compares governmental fund revenues and expenditures for 2016 and 2015.

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

	<b>Governmental Funds</b>	
	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Taxes	\$ 3,525,480	\$ 2,828,017
Licenses and permits	195,828	164,179
Intergovernmental	190,993	207,551
Fines and forfeitures	1,021,860	1,118,684
Charges for services	81,717	80,406
Interest income	8	16
Other revenues	155,843	193,287
<b>Total Revenue</b>	<u>5,171,729</u>	<u>4,592,140</u>
<b>Expenditures:</b>		
General government	896,067	1,410,874
Buildings and grounds	116,083	106,420
Public safety	1,770,684	1,328,001
Public works	700,370	981,988
Judicial/Municipal Court	568,714	521,945
Economic & Community Development	28,200	38,900
Planning & Zoning	307,159	276,964
Recreation and parks	89,135	88,346
Capital outlay	698,600	45,624
Debt service:		
Principal retirements	153,284	165,987
Interest	31,224	31,433
<b>Total Expenditures</b>	<u>5,359,520</u>	<u>4,996,482</u>
<b>Deficiency of revenues under expenditures</b>	<u>(187,791)</u>	<u>(404,342)</u>
<b>Other financing sources (uses):</b>		
Proceeds from issuance of debt	367,004	425,898
Proceeds from sale of capital assets	25,710	700
<b>Total other financing sources (uses)</b>	<u>392,714</u>	<u>426,598</u>
<b>Net change in fund balances</b>	204,923	22,256
<b>Fund balances, beginning of year</b>	<u>1,662,487</u>	<u>1,640,231</u>
<b>Fund balances, end of year</b>	<u>\$ 1,867,410</u>	<u>\$ 1,662,487</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 \$133,416 less than budgeted mainly due to less than expected collection of tax revenues than what was budgeted and anticipated. Expenditures were \$347,664 less than budgeted mainly due to expenditures for buildings and grounds 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, 2016, amounts to \$6,031,993 (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.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Construction in progress	\$ 1,007,372	\$ 671,816	\$ -	\$ -	\$ 1,007,372	\$ 671,816
Land	422,608	422,608	-	-	422,608	422,608
Intangible asset	-	-	116,495	116,495	116,495	116,495
Buildings and improvements	3,170,457	3,144,699	-	-	3,170,457	3,144,699
Furniture and equipment	438,976	363,387	-	-	438,976	363,387
Vehicles	707,633	783,808	84,197	84,197	791,830	868,005
Infrastructure-Streets	1,351,571	1,112,348	-	-	1,351,571	1,112,348
Stormwater infrastructure	-	-	1,298,878	1,298,878	1,298,878	1,298,878
Less accumulated depreciation	<u>(2,116,842)</u>	<u>(1,998,379)</u>	<u>(449,352)</u>	<u>(393,998)</u>	<u>(2,566,194)</u>	<u>(2,392,377)</u>
Total	<u>\$ 4,981,775</u>	<u>\$ 4,500,287</u>	<u>\$ 1,050,218</u>	<u>\$ 1,105,572</u>	<u>\$ 6,031,993</u>	<u>\$ 5,605,859</u>

The City's total investment in capital assets increased from \$5,605,859 to \$6,031,993 in 2016. The City completed \$367,379 of additional construction in process (CIP) work on the Streetscape project bringing the 2016 cumulative balance in process to \$1,007,372. The City also completed construction on East Ponce de Leon Sidewalk Phase 1 with total 2016 expenses of \$179,650 added to CIP and transferred from CIP to Infrastructure-Streets at a total of \$211,473. The City also purchased other machinery and equipment totaling \$75,589, building improvements \$25,758, infrastructure \$27,750 and vehicles \$22,474 in 2016. Depreciation on capital assets was \$265,633. The City disposed of \$98,649 of capital assets with accumulated depreciation of \$91,816 in 2016. 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 notes payable relates to notes payable to the Georgia State Roads and Tollway Authority for the construction of the Streetscapes infrastructure project. The net increase in net pension liability for 2016 was \$204,084. The increase in compensated absences increased by \$38,556. The City's long-term debt is summarized in table 5 below.

**Table 5**  
**Long-Term Debt and Obligations**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases	\$ 121,013	\$ 163,407	\$ -	\$ -	\$ 121,013	\$ 163,407
Notes payable	1,636,596	1,380,482	-	-	1,636,596	1,380,482
Net pension liability	748,395	544,311	-	-	748,395	544,311
Compensated absences	126,604	88,048	-	-	126,604	88,048
	<u>\$ 2,632,608</u>	<u>\$ 2,176,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,632,608</u>	<u>\$ 2,176,248</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 2017. The budget for 2017 reflects total revenues of \$8,377,606 and total expenditures of \$8,377,606. The major increases in the 2017 budget includes seeking a \$1,350,000 revenue bond for improvements to the Friendship Forest Nature Preserve. The City will also enter into a capital lease totaling \$257,500 for the purchase of police and public works vehicles and police body cameras.

The City has been working on a Streetscape project and anticipates construction to begin in 2017 with completion of construction by the end of fiscal year 2019. A \$2 million dollar loan from the State Road and Tollway Authority was secured in June 2013 to partially fund the streetscape project. At the end of 2016, the City had drawn down \$1,023,596 against this loan. The City expects to draw down the balance of this loan as construction begins in the fall of 2017. The City expects to begin debt payments on this loan beginning in 2018. This loan will represent the City's match toward a \$3.52 million dollar grant from the Federal Highway Administration. The City has also expects to receive an additional \$1.373 million dollar grant the ARC Surface Transportation Program Urban Funding for this project. The City has applied for an additional \$1.7 million loan from the State Road and Tollway Authority for the balance expected to fund this project in full.

### **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, 2016

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,469,612	\$ 273,466	\$ 1,743,078
Taxes receivables, net of allowances	462,185	-	462,185
Intergovernmental receivable	19,257	-	19,257
Other receivables	232,519	-	232,519
Accounts receivables, net of allowances	-	25,346	25,346
Interfund balances	39,536	(39,536)	-
Prepaid items	56,997	47,301	104,298
Capital assets:			
Non-depreciable	1,429,980	116,495	1,546,475
Depreciable, net of accumulated depreciation	3,551,795	933,723	4,485,518
Total assets	7,261,881	1,356,795	8,618,676
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	282,745	-	282,745
Total deferred outflows of resources	282,745	-	282,745
<b>LIABILITIES</b>			
Accounts payable	179,736	18,606	198,342
Accrued liabilities	73,793	-	73,793
Compensated absences due within one year	113,944	-	113,944
Compensated absences due in more than one year	12,660	-	12,660
Net pension liability	748,395	-	748,395
Notes payable due within one year	113,612	-	113,612
Notes payable due in more than one year	1,522,984	-	1,522,984
Capital leases due within one year	43,835	-	43,835
Capital leases due in more than one year	77,178	-	77,178
Total liabilities	2,886,137	18,606	2,904,743
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	30,771	-	30,771
Total deferred inflows of resources	30,771	-	30,771
<b>NET POSITION</b>			
Net investment in capital assets	3,224,166	1,050,218	4,274,384
Restricted for public safety	95,901	-	95,901
Restricted for capital construction	104,129	-	104,129
Unrestricted	1,203,522	287,971	1,491,493
Total net position	\$ 4,627,718	\$ 1,338,189	\$ 5,965,907

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

**CITY OF CLARKSTON, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 976,291	\$ 367,475	\$ 59,896	\$ (548,920)	\$ -	\$ (548,920)
Building and grounds	117,092	1,095	-	(115,997)	-	(115,997)
Public safety	1,879,603	1,049,986	-	(829,617)	-	(829,617)
Public works	763,840	1,953	75,922	(685,965)	-	(685,965)
Recreation and parks	131,625	34,739	55,175	(41,711)	-	(41,711)
Judicial / Municipal court	588,714	-	-	(588,714)	-	(588,714)
Economic and community development	28,200	-	-	(28,200)	-	(28,200)
Planning and zoning	307,159	-	-	(307,159)	-	(307,159)
Interest on long term debt	45,996	-	-	(45,996)	-	(45,996)
Total governmental activities	4,818,520	1,455,248	190,993	(3,172,279)	-	(3,172,279)
Business-type activities:						
Sanitation	188,020	185,225	-	-	(2,795)	(2,795)
Stormwater utility	124,575	224,222	-	-	99,647	99,647
Total business-type activities	312,595	409,447	-	-	96,852	96,852
Total primary government	\$ 5,131,115	\$ 1,864,695	\$ 190,993	\$ (3,172,279)	\$ 96,852	\$ (3,075,427)
General revenues:						
Property taxes				2,295,606	-	2,295,606
Franchise taxes				260,237	-	260,237
Insurance premium taxes				725,252	-	725,252
Business and occupational taxes				196,297	-	196,297
Alcoholic beverage taxes				104,114	-	104,114
Unrestricted investment earnings				8	16	24
Gain on sale of capital assets				18,877	-	18,877
Total general revenues				3,600,391	16	3,600,407
Change in net position				428,112	96,868	524,980
Net position, beginning of year				4,199,606	1,241,321	5,440,927
Net position, end of year				\$ 4,627,718	\$ 1,338,189	\$ 5,965,907

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



**CITY OF CLARKSTON, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

<b>ASSETS</b>	<b>General Fund</b>	<b>Police Seizure Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 1,373,711	\$ 95,901	\$ -	\$ 1,469,612
Taxes receivables, net of allowance	462,185	-	-	462,185
Intergovernmental receivable	-	-	19,257	19,257
Other receivables	232,519	-	-	232,519
Prepaid items	56,997	-	-	56,997
Due from other funds	41,451	-	84,872	126,323
<b>Total assets</b>	<b>\$ 2,166,863</b>	<b>\$ 95,901</b>	<b>\$ 104,129</b>	<b>\$ 2,366,893</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 179,736	\$ -	\$ -	\$ 179,736
Accrued liabilities	47,818	-	-	47,818
Due to other funds	86,787	-	-	86,787
<b>Total liabilities</b>	<b>314,341</b>	<b>-</b>	<b>-</b>	<b>314,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	185,142	-	-	185,142
<b>Total deferred inflows of resources</b>	<b>185,142</b>	<b>-</b>	<b>-</b>	<b>185,142</b>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable for:				
Prepaid items	56,997	-	-	56,997
Restricted for:				
Public safety	-	95,901	-	95,901
Capital construction	-	-	104,129	104,129
Unassigned	1,610,383	-	-	1,610,383
<b>Total fund balances</b>	<b>1,667,380</b>	<b>95,901</b>	<b>104,129</b>	<b>1,867,410</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,166,863</b>	<b>\$ 95,901</b>	<b>\$ 104,129</b>	

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 governmental funds.	4,981,775
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	185,142
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 governmental funds.	(496,421)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds.	(1,910,188)
<b>Net position of governmental activities</b>	<b>\$ 4,627,718</b>

**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, 2016**

	<u>General Fund</u>	<u>Police Seizure Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 3,525,480	\$ -	\$ -	\$ 3,525,480
Licenses and permits	195,828	-	-	195,828
Intergovernmental	-	-	190,993	190,993
Fines and forfeitures	951,417	70,443	-	1,021,860
Charges for services	81,717	-	-	81,717
Interest income	-	8	-	8
Other revenues	155,843	-	-	155,843
Total revenues	<u>4,910,285</u>	<u>70,451</u>	<u>190,993</u>	<u>5,171,729</u>
<b>Expenditures</b>				
Current:				
General government	894,567	-	1,500	896,067
Building and grounds	116,083	-	-	116,083
Public safety	1,704,892	12,117	53,675	1,770,684
Public works	700,370	-	-	700,370
Recreation and parks	89,135	-	-	89,135
Judicial/Municipal court	568,714	-	-	568,714
Economic and community development	28,200	-	-	28,200
Planning and zoning	307,159	-	-	307,159
Capital outlays	513,720	75,732	109,148	698,600
Debt service:				
Principal	117,316	35,968	-	153,284
Interest	27,368	3,856	-	31,224
Total expenditures	<u>5,067,524</u>	<u>127,673</u>	<u>164,323</u>	<u>5,359,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(157,239)</u>	<u>(57,222)</u>	<u>26,670</u>	<u>(187,791)</u>
<b>Other financing sources:</b>				
Proceeds from sale of capital asset:	3,652	22,058	-	25,710
Proceeds from issuance of notes payable	367,004	-	-	367,004
Total other financing sources	<u>370,656</u>	<u>22,058</u>	<u>-</u>	<u>392,714</u>
Net change in fund balances	213,417	(35,164)	26,670	204,923
<b>Fund balances, beginning of year</b>	<u>1,453,963</u>	<u>131,065</u>	<u>77,459</u>	<u>1,662,487</u>
<b>Fund balances, end of year</b>	<u>\$ 1,667,380</u>	<u>\$ 95,901</u>	<u>\$ 104,129</u>	<u>\$ 1,867,410</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, 2016**

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

Net change in fund balances - total governmental funds	\$	204,923
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.		488,321
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		56,026
The effect of various miscellaneous transactions involving capital assets (i.e. sale of capital assets is to decrease net position).		(6,833)
The issuance of long-term debt (on 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		42,394
Principal payment on notes payable		110,890
Proceeds from notes payable		(367,004)
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>(100,605)</u>
Change in net position - governmental activities	\$	<u>428,112</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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,291,475	\$ 3,657,845	\$ 3,525,480	\$ (132,365)
Licenses and permits	143,958	178,716	195,828	17,112
Intergovernmental	-	600	-	(600)
Fines and forfeitures	1,100,000	976,858	951,417	(25,441)
Interest income	100	100	-	(100)
Charges for services	69,425	81,703	81,717	14
Other revenues	160,652	147,879	155,843	7,964
<b>Total revenues</b>	<b>4,765,610</b>	<b>5,043,701</b>	<b>4,910,285</b>	<b>(133,416)</b>
<b>Expenditures</b>				
Current:				
General government:				
City Council	34,607	36,614	35,293	1,321
Mayor	10,998	11,098	10,957	141
General administration	878,599	873,273	855,110	18,163
<b>Total general government</b>	<b>924,204</b>	<b>920,985</b>	<b>901,360</b>	<b>19,625</b>
Building and grounds	107,400	340,912	126,366	214,546
Public safety:				
Police	1,794,275	1,781,008	1,712,107	68,901
<b>Total public safety</b>	<b>1,794,275</b>	<b>1,781,008</b>	<b>1,712,107</b>	<b>68,901</b>
Public works	1,123,778	1,204,526	1,189,799	14,727
Recreation and parks	90,700	90,552	89,135	1,417
Judicial/Municipal Court	571,212	595,921	568,714	27,207
Economic and community development	24,000	28,200	28,200	-
Planning and zoning	289,600	307,284	307,159	125
Debt service:				
Principal	164,873	118,000	117,316	684
Interest	26,268	27,800	27,368	432
<b>Total debt service</b>	<b>191,141</b>	<b>145,800</b>	<b>144,684</b>	<b>1,116</b>
<b>Total expenditures</b>	<b>5,116,310</b>	<b>5,415,188</b>	<b>5,067,524</b>	<b>347,664</b>
Deficiency of revenues under expenditures	(350,700)	(371,487)	(157,239)	214,248
<b>Other Financing Sources:</b>				
Proceeds from sale of capital assets	700	3,651	3,652	1
Proceeds from issuance of note payable	350,000	367,836	367,004	(832)
<b>Total financing sources</b>	<b>350,700</b>	<b>371,487</b>	<b>370,656</b>	<b>(831)</b>
Net change in fund balances	-	-	213,417	213,417
<b>Fund balances, beginning of year</b>	<b>1,453,963</b>	<b>1,453,963</b>	<b>1,453,963</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,453,963</b>	<b>\$ 1,453,963</b>	<b>\$ 1,667,380</b>	<b>\$ 213,417</b>

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

**CITY OF CLARKSTON, GEORGIA**

**POLICE SEIZURE FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 60,050	\$ 130,300	\$ 70,443	\$ (59,857)
Interest revenues	-	-	8	8
Total revenues	60,050	130,300	70,451	(59,849)
<b>Expenditures</b>				
Current:				
Public safety	20,226	73,433	87,849	(14,416)
Debt service:				
Principal	35,968	52,712	35,968	16,744
Interest	3,856	4,155	3,856	299
Total debt service	60,050	130,300	127,673	2,627
Total expenditures	60,050	130,300	127,673	2,627
Deficiency of revenues under expenditures	-	-	(57,222)	(57,222)
<b>Other Financing Sources:</b>				
Proceeds from sale of capital assets	-	-	22,058	22,058
Total other financing sources	-	-	22,058	22,058
Net change in fund balances	-	-	(35,164)	(35,164)
<b>Fund balances, beginning of year</b>	131,065	131,065	131,065	-
<b>Fund balances, end of year</b>	\$ 131,065	\$ 131,065	\$ 95,901	\$ (35,164)

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

**CITY OF CLARKSTON, GEORGIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016**

ASSETS	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 86,425	\$ 187,041	\$ 273,466
Accounts receivables, net of allowances	11,027	14,319	25,346
Prepaid items	-	47,301	47,301
Due from other funds	1,178	737	1,915
Total current assets	98,630	249,398	348,028
<b>NONCURRENT ASSETS</b>			
Capital assets, non-depreciated	-	116,495	116,495
Capital assets, net of accumulated depreciation	-	933,723	933,723
Total noncurrent assets	-	1,050,218	1,050,218
Total assets	98,630	1,299,616	1,398,246
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	15,541	3,065	18,606
Due to other funds	-	41,451	41,451
Total current liabilities	15,541	44,516	60,057
Total liabilities	15,541	44,516	60,057
<b>NET POSITION</b>			
Investment in capital assets	-	1,050,218	1,050,218
Unrestricted	83,089	204,882	287,971
Total net position	\$ 83,089	\$ 1,255,100	\$ 1,338,189

**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, 2016**

	<b>Business-Type Activities-Enterprise Funds</b>		<b>Total Business-Type Activities - Enterprise Funds</b>
	<b>Sanitation Fund</b>	<b>Stormwater Utility Fund</b>	
<b>OPERATING REVENUE</b>			
Stormwater fees	\$ -	\$ 224,222	\$ 224,222
Sanitation fees	185,225	-	185,225
Total operating revenues	<u>185,225</u>	<u>224,222</u>	<u>409,447</u>
<b>OPERATING EXPENSES</b>			
Contracted services - waste pickup	188,020	-	188,020
Repairs and maintenance	-	69,221	69,221
Depreciation	-	55,354	55,354
Total operating expenses	<u>188,020</u>	<u>124,575</u>	<u>312,595</u>
Operating income (loss)	<u>(2,795)</u>	<u>99,647</u>	<u>96,852</u>
<b>NONOPERATING REVENUES</b>			
Interest income	5	11	16
Total nonoperating revenues	<u>5</u>	<u>11</u>	<u>16</u>
Change in net position	(2,790)	99,658	96,868
<b>Net position, beginning</b>	<u>85,879</u>	<u>1,155,442</u>	<u>1,241,321</u>
<b>Net position, ending</b>	<u>\$ 83,089</u>	<u>\$ 1,255,100</u>	<u>\$ 1,338,189</u>

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, 2016**

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 185,156	\$ 219,686	\$ 404,842
Payments to vendors and suppliers	(186,613)	(66,156)	(252,769)
Net cash provided (used) by operating activities	(1,457)	153,530	152,073
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Amounts paid to other funds	(1,178)	(122,183)	(123,361)
Amounts received from other funds	-	41,451	41,451
Net cash used by non-capital financing activities	(1,178)	(80,732)	(81,910)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	5	11	16
Net cash provided by investing activities	5	11	16
Net increase (decrease) in cash	(2,630)	72,809	70,179
Cash, beginning of year	89,055	114,232	203,287
Cash, end of year	<u>\$ 86,425</u>	<u>\$ 187,041</u>	<u>\$ 273,466</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (2,795)	\$ 99,647	\$ 96,852
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	(69)	(4,536)	(4,605)
Increase in accounts payable	1,407	3,065	4,472
Net cash provided (used) by operating activities	<u>\$ (1,457)</u>	<u>\$ 153,530</u>	<u>\$ 152,073</u>

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



**CITY OF CLARKSTON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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

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### 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

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### 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 **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 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

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets

Annual appropriated budgets are adopted for general fund and special revenue 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

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### 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 acquisition 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.

#### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items in both government-wide and fund financial statements.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.
- **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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Fund Equity (Continued)

- **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.

#### 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 as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Deferred Outflow/Inflows of Resources (Continued)

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, 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.

#### P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Clarkston Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



## 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 \$1,910,188 difference are as follows:

Compensated absences	\$	(126,604)
Capital leases		(121,013)
Accrued interest payable		(25,975)
Notes payable		<u>(1,636,596)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i>		
<i>to arrive at net position - governmental activities</i>		<u>\$ (1,910,188)</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 \$488,321 difference are as follows:

Capital outlays	\$	698,600
Depreciation expense		<u>(210,279)</u>
Net adjustment to increase <i>net changes in fund balances - total</i>		
<i>governmental funds</i> to arrive at <i>changes in net position of</i>		
<i>governmental activities</i>		<u>\$ 488,321</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 \$100,605 difference are as follows:

Compensated absences	\$	(38,556)
Interest expense on long term debt		(14,772)
Change in net pension liability		(204,084)
Change in pension experience differences		(23,647)
Change in pension assumption changes		30,771
Change in pension investment earnings differences		141,963
Change in pension contributions subsequent to measurement date		<u>7,720</u>
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>		<u><u>\$ (100,605)</u></u>

### 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

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### NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following funds had departments with excess of actual expenditures over appropriations for the year ended December 31, 2016:

Police Seizure Fund - Public safety	\$ 14,416
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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, 2016, the City's bank balances were adequately collateralized 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, 2016, the City had no investments balances that were exposed to credit risk.

**Fair value instruments:** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. At December 31, 2016 the City has no investments and no hierarchy disclosure is presented.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2016 and are due and payable in two installments. The first installment was due on September 30, 2016 and the second installment was due on November 15, 2016. 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, 2016 and the second installment was due on November 15, 2016. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2016, 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	\$ 478,185	\$ -	\$ -	\$ -
Accounts	-	11,027	18,819	-
Intergovernmental	-	-	-	19,257
Other	232,519	-	-	-
Less allowance for uncollectible	(16,000)	-	(4,500)	-
Net total receivable	<u>\$ 694,704</u>	<u>\$ 11,027</u>	<u>\$ 14,319</u>	<u>\$ 19,257</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, is as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 671,816	\$ 547,029	\$ (211,473)	\$ 1,007,372
Land	422,608	-	-	422,608
Total	<u>1,094,424</u>	<u>547,029</u>	<u>(211,473)</u>	<u>1,429,980</u>
Capital assets, being depreciated:				
Buildings and improvements	3,144,699	25,758	-	3,170,457
Furniture and equipment	363,387	75,589	-	438,976
Infrastructure	1,112,348	27,750	211,473	1,351,571
Vehicles	783,808	22,474	(98,649)	707,633
Total	<u>5,404,242</u>	<u>151,571</u>	<u>112,824</u>	<u>5,668,637</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,096,166)	(76,007)	-	(1,172,173)
Furniture and equipment	(274,816)	(30,309)	-	(305,125)
Infrastructure	(44,072)	(30,683)	-	(74,755)
Vehicles	(583,325)	(73,280)	91,816	(564,789)
Total	<u>(1,998,379)</u>	<u>(210,279)</u>	<u>91,816</u>	<u>(2,116,842)</u>
Total capital assets, being depreciated, net	<u>3,405,863</u>	<u>(58,708)</u>	<u>204,640</u>	<u>3,551,795</u>
Governmental activities capital assets, net	<u>\$ 4,500,287</u>	<u>\$ 488,321</u>	<u>\$ (6,833)</u>	<u>\$ 4,981,775</u>
<b>Business-type activities:</b>				
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	999,133	-	-	999,133
Improvements	299,745	-	-	299,745
Vehicles	84,197	-	-	84,197
Total	<u>1,383,075</u>	<u>-</u>	<u>-</u>	<u>1,383,075</u>
Less accumulated depreciation for:				
Infrastructure	(305,352)	(26,347)	-	(331,699)
Improvements	(36,157)	(12,168)	-	(48,325)
Vehicles	(52,489)	(16,839)	-	(69,328)
Total	<u>(393,998)</u>	<u>(55,354)</u>	<u>-</u>	<u>(449,352)</u>
Total capital assets, being depreciated, net	<u>989,077</u>	<u>(55,354)</u>	<u>-</u>	<u>933,723</u>
Business-type activities capital assets, net	<u>\$ 1,105,572</u>	<u>\$ (55,354)</u>	<u>\$ -</u>	<u>\$ 1,050,218</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	\$	25,741	
Public safety		89,297	
Public works		53,462	
Recreation and parks		41,779	
Total depreciation expense - governmental activities	\$	210,279	
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, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 163,407	\$ -	\$ (42,394)	\$ 121,013	\$ 43,835
Notes payable	1,380,482	367,004	(110,890)	1,636,596	113,612
Net pension liability	544,311	378,427	(174,343)	748,395	-
Compensated absences	88,048	130,507	(91,951)	126,604	113,944
Governmental activities					
Long-term liabilities	\$ 2,176,248	\$ 875,938	\$ (419,578)	\$ 2,632,608	\$ 271,391

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, 2016, 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:

	<b>Governmental Activities</b>
Year Ending December 31,	
2017	\$ 47,106
2018	39,823
2019	39,823
Total minimum lease payments	126,752
Less amount representing interest	5,739
Present value of future minimum lease payments	\$ 121,013

**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,			
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	48,500	10,525	59,025
2022-2026	267,264	27,858	295,122
2027	29,159	353	29,512
Total	\$ 524,089	\$ 95,668	\$ 619,757

## NOTES TO FINANCIAL STATEMENTS

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### 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
2017	\$ 70,952	\$ 1,223	\$ 72,175
2018	17,960	88	18,048
Total	\$ 88,912	\$ 1,311	\$ 90,223

**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, 2016, the outstanding balance is \$1,023,595.

### NOTE 8. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of \$770,000 at a local financial institution. The borrowing, with an interest rate of 1.48%, matured on December 31, 2016. As of December 31, 2016, all outstanding principal has been paid in full. Total short-term borrowings interest incurred and expensed for the year ended December 31, 2016, was \$6,025.



## 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, 2016:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Tax anticipation note	\$ -	\$ 770,000	\$ (770,000)	\$ -

### NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2016, is as follows:

Due to/from other funds are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Nonmajor Governmental Funds	General Fund	\$ 84,872
General Fund	Stormwater Utility Fund	41,451
Sanitation Fund	General Fund	1,178
Stormwater Utility Fund	General Fund	737
		\$ 128,238

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.

## NOTES TO FINANCIAL STATEMENTS

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### 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 Clarkston 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](http://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, 2016, the date of the most recent actuarial valuation, there were 104 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	28
Terminated vested participants not yet receiving benefits	32
Active participants - vested	19
Active participants - nonvested	25
Total	<u>104</u>

## NOTES TO FINANCIAL STATEMENTS

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### 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 2016, the actuarially determined contribution rate was 11.76% of covered payroll. The City makes all contributions to the Plan. For year 2016, the City's contribution to the Plan was \$175,594.

#### Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2016.

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for the July 1, 2016 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, 2016 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, 2016 are summarized in the table below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	45%	6.75%
International equity	20	7.45
Real estate	10	4.55
Global fixed income	5	3.30
Domestic fixed income	20	1.75
Cash	—	
Total	<u>100%</u>	

**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, 2016 were as follows:

Primary Government:	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/15</b>	\$ 2,770,803	\$ 2,226,492	\$ 544,311
<b>Changes for the year:</b>			
Service cost	145,312	-	145,312
Interest	210,131	-	210,131
Differences between expected and actual experience	12,753	-	12,753
Contributions—employer	-	167,876	(167,876)
Net investment income	-	6,467	(6,467)
Benefit payments	(118,864)	(118,864)	-
Administrative expense	-	(10,231)	10,231
<b>Net changes</b>	<b>249,332</b>	<b>45,248</b>	<b>204,084</b>
<b>Balances at 12/31/16</b>	<b>\$ 3,020,135</b>	<b>\$ 2,271,740</b>	<b>\$ 748,395</b>

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	\$ 1,176,857	\$ 748,395	\$ 395,123

## 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, 2016 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, 2016, the City recognized pension expense of \$222,873. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 40,651	\$ -
Changes in assumptions	-	30,771
Net difference between projected and actual earnings on pension plan investments	110,399	-
City contributions subsequent to the measurement date	131,695	-
Total	\$ 282,745	\$ 30,771

City contributions subsequent to the measurement date of \$131,695 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending December 31:</b>	
2017	\$ 31,256
2018	29,878
2019	25,627
2020	33,518
Total	\$ 120,279

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2016. 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, 2016.

### **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.

Settled claims have not exceeded the coverages in the last three years.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2016, the City has drawn \$650,000 on a new tax anticipation note that will mature on December 30, 2017. The purpose of the short-term borrowing was for operating purposes. The short-term borrowing carries an interest rate of 1.84%.

Subsequent to December 31, 2016, the City has created an Urban Redevelopment Authority (URA). On March 17, 2017, the URA issued \$1,350,000 of Bonds for the purpose of financing improvements to the Friendship Forest Wildlife Sanctuary. The bonds carry interest rate of 2.65% and mature on December 1, 2025.



**CITY OF CLARKSTON, GEORGIA**  
**Required Supplementary Information**

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

	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 145,312	\$ 164,013
Interest on total pension liability	210,131	191,727
Differences between expected and actual experience	12,753	96,448
Changes of assumptions	-	(92,313)
Benefit payments	(118,864)	(125,937)
<b>Net change in total pension liability</b>	249,332	233,938
<b>Total pension liability - beginning</b>	2,770,803	2,536,865
<b>Total pension liability - ending (a)</b>	<u>\$ 3,020,135</u>	<u>\$ 2,770,803</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 167,876	\$ 112,067
Net investment income	6,467	197,596
Benefit payments	(118,864)	(125,937)
Administrative expenses	(10,231)	(9,345)
<b>Net change in plan fiduciary net position</b>	45,248	174,381
<b>Plan fiduciary net position - beginning</b>	2,226,492	2,052,111
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,271,740</u>	<u>\$ 2,226,492</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 748,395</u>	<u>\$ 544,311</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	75.2%	80.4%
<b>Covered-employee payroll</b>	\$ 1,872,798	\$ 1,469,336
<b>City's net pension liability as a percentage of covered - employee payroll</b>	40.0%	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**

	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	175,594	\$ 165,303
Contributions in relation to the actuarially determined contribution	175,594	165,303
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	1,493,146	1,469,336
Contributions as a percentage of Covered-employee payroll	11.76%	11.25%

**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	3.25% 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

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### **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 **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.

**CITY OF CLARKSTON, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

<b>ASSETS</b>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<b>Total Nonmajor Governmental Funds</b>
	<u>Grants Fund</u>	<u>Homestead Option Sales Tax Fund</u>	
Intergovernmental receivable	\$ 4,542	\$ 14,715	\$ 19,257
Due from other funds	<u>71,379</u>	<u>13,493</u>	<u>84,872</u>
Total assets	<u>\$ 75,921</u>	<u>\$ 28,208</u>	<u>\$ 104,129</u>
 <b>FUND BALANCES</b>			
Restricted for:			
Capital construction	<u>75,921</u>	<u>28,208</u>	<u>104,129</u>
Total fund balances	<u>75,921</u>	<u>28,208</u>	<u>104,129</u>
Total liabilities and fund balances	<u>\$ 75,921</u>	<u>\$ 28,208</u>	<u>\$ 104,129</u>

**CITY OF CLARKSTON, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Grants Fund</u>	<u>Homestead Option Sales Tax Fund</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 131,096	\$ 59,897	\$ 190,993
Total revenues	<u>131,096</u>	<u>59,897</u>	<u>190,993</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,500	-	1,500
Public safety	53,675	-	53,675
Capital outlays	<u>64,148</u>	<u>45,000</u>	<u>109,148</u>
Total expenditures	<u>119,323</u>	<u>45,000</u>	<u>164,323</u>
Net change in fund balances	<u>11,773</u>	<u>14,897</u>	<u>26,670</u>
<b>FUND BALANCES, beginning of year</b>	<u>64,148</u>	<u>13,311</u>	<u>77,459</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 75,921</u>	<u>\$ 28,208</u>	<u>\$ 104,129</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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 164,000	\$ 120,648	\$ 131,096	\$ 10,448
Total revenues	164,000	120,648	131,096	10,448
<b>EXPENDITURES</b>				
Current:				
General government	-	1,500	1,500	-
Public safety	50,000	55,000	53,675	1,325
Capital outlays	64,000	64,148	64,148	-
Total expenditures	114,000	120,648	119,323	1,325
Net change in fund balances	50,000	-	11,773	11,773
<b>FUND BALANCES, beginning of year</b>	64,148	64,148	64,148	-
<b>FUND BALANCES, end of year</b>	<u>\$ 114,148</u>	<u>\$ 64,148</u>	<u>\$ 75,921</u>	<u>\$ 11,773</u>

## **COMPLIANCE SECTION**

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**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***

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**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2017.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
June 13, 2017

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

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SECTION I  
SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

\_\_\_ yes X no

Significant deficiencies identified?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

**Federal Awards**

There was not an audit of major federal award programs required as of December 31, 2016 due to the total amount expended for federal awards being less than \$750,000.

SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None noted.