

CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress (on pages 3 through 9 and page 39, 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.

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 fund 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
October 24, 2012

CITY OF CLARKSTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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 of the City exceeded its liabilities at the close of the most recent year by \$4,561,481 (net assets). Of this amount, \$2,510,395 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. \$1,944,708 of net assets consisted of investments in capital assets, net of related debt. The remainder of net assets consisted of amounts restricted by law, and totaled \$106,378.
- ❖ The City's total net assets increased by \$763,866 in the year ended December 31, 2011. This compared to an increase of \$304,916 in the prior year.
- ❖ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$2,039,428. This compares to the prior ending fund balances of \$2,415,525 showing a net decrease of \$376,097 during the current year. The current year decrease in fund balances was due, in part, to an increase in capital outlay expenditures over the prior year.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$1,933,050 or 70% of General Fund expenditures. Of this amount, \$1,930,365 was unassigned and \$2,685 was nonspendable.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$107,944. These net assets of \$107,944 were all unrestricted net assets 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 \$644,792. Included in these net assets is \$230,433 invested in capital assets and \$414,359 of unrestricted net assets 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent year. All changes in net assets 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 the Grants Fund. Other nonmajor governmental funds include the Police Seizure Fund and the Homestead Option Sales Tax Fund.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided for the General Fund and the Grants Fund to demonstrate compliance with this budget.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Clarkston, assets exceeded liabilities by \$4,561,481 at the close of the most recent year. Table 1 below is a summary of the City's net assets.

Table 1
Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,425,651	\$ 2,654,063	\$ 550,214	\$ 621,591	\$ 2,975,865	\$ 3,275,654
Capital assets	<u>1,714,275</u>	<u>713,716</u>	<u>230,433</u>	<u>146,216</u>	<u>1,944,708</u>	<u>859,932</u>
Total assets	<u>4,139,926</u>	<u>3,367,779</u>	<u>780,647</u>	<u>767,807</u>	<u>4,920,573</u>	<u>4,135,586</u>
Current liabilities	325,966	232,777	27,911	100,545	353,877	333,322
Long-term liabilities	<u>5,215</u>	<u>4,649</u>	<u>-</u>	<u>-</u>	<u>5,215</u>	<u>4,649</u>
Total liabilities	<u>331,181</u>	<u>237,426</u>	<u>27,911</u>	<u>100,545</u>	<u>359,092</u>	<u>337,971</u>
Net assets:						
Invested in capital assets, net of related debt	1,714,275	675,709	230,433	146,216	1,944,708	821,925
Restricted	106,378	159,093	-	-	106,378	159,093
Unrestricted	<u>1,988,092</u>	<u>2,295,551</u>	<u>522,303</u>	<u>521,046</u>	<u>2,510,395</u>	<u>2,816,597</u>
Total net assets	<u>\$ 3,808,745</u>	<u>\$ 3,130,353</u>	<u>\$ 752,736</u>	<u>\$ 667,262</u>	<u>\$ 4,561,481</u>	<u>\$ 3,797,615</u>

A portion of the City's net assets (\$1,944,708 or 42.6%) reflects its investment in capital assets (e.g., land, buildings, 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 assets represents resources that are subject to external restrictions on how they may be used. \$106,378 (2.3%) of the City's net assets is restricted for the public safety activities and capital projects. The remaining portion of the City's net assets (\$2,510,395 or 55%) is unrestricted. Unrestricted net assets may be used to meet the government'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 assets, both for the government 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 Assets

The following schedule presents a summary of the City's operations for the year ended December 31, 2011 and 2010. Governmental activities increased the City's net assets by \$678,392 for the year ended December 31, 2011 and \$219,531 for the year ended December 31, 2010. Business-type activities increased the City's net assets by \$85,474 for the year ended December 31, 2011 and \$85,385 for the year ended December 31, 2010.

Table 2
Change in net assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,367,081	\$ 1,238,051	\$ 289,477	\$ 290,365	\$ 1,656,558	\$ 1,528,416
Capital grants and contributions	562,626	62,544	-	-	562,626	62,544
General revenues:						
Property taxes	949,463	986,570	-	-	949,463	986,570
Franchise taxes	234,027	222,695	-	-	234,027	222,695
Insurance premium taxes	354,314	389,258	-	-	354,314	389,258
Business and Occupational taxes	18,187	28,147	-	-	18,187	28,147
Alcoholic beverage taxes	63,680	59,334	-	-	63,680	59,334
Interest earnings	3,626	13,967	61	71	3,687	14,038
Gain on sale of capital assets	-	1,300	-	-	-	1,300
Total revenues	<u>3,553,004</u>	<u>3,001,866</u>	<u>289,538</u>	<u>290,436</u>	<u>3,842,542</u>	<u>3,291,002</u>
Expenses:						
General government	885,238	833,812	-	-	885,238	833,812
Buildings and grounds	109,440	111,339	-	-	109,440	111,339
Public safety	1,598,791	1,479,858	-	-	1,598,791	1,479,858
Public works	250,307	307,164	-	-	250,307	307,164
Recreation and parks	27,839	49,264	-	-	27,839	49,264
Interest on long-term debt	2,997	898	-	-	2,997	898
Sanitation	-	-	149,868	154,469	149,868	154,469
Stormwater	-	-	54,196	50,582	54,196	50,582
Total expenses	<u>2,874,612</u>	<u>2,782,335</u>	<u>204,064</u>	<u>205,051</u>	<u>3,078,676</u>	<u>2,987,386</u>
Change in net assets	678,392	219,531	85,474	85,385	763,866	303,616
Net assets - Jan 1	<u>3,130,353</u>	<u>2,910,822</u>	<u>667,262</u>	<u>581,877</u>	<u>3,797,615</u>	<u>3,492,699</u>
Net assets - Dec 31	<u>\$ 3,808,745</u>	<u>\$ 3,130,353</u>	<u>\$ 752,736</u>	<u>\$ 667,262</u>	<u>\$ 4,561,481</u>	<u>\$ 3,796,315</u>

Governmental Activities

Revenue Charges for services of \$1,367,081 accounted for 38.5% of the City's total governmental revenue. Property taxes provided 26.7% of the City's total governmental revenue of year 2011 as compared with 32.9% in the year 2010. Overall governmental revenues increased by \$551,138 or 18.4% while overall governmental expenses increased by \$92,277 or 3.3%. The increase in revenue was due, primarily, to the receipt of grant funds which were used to renovate the Milam Park swimming pool.

Expenses The total expense for the governmental activities was \$2,874,612. Public safety accounts for the largest portion of governmental expenses. Total public safety expenses were \$1,598,791 or 55.6% of total governmental expenses.

Business-type activities

Revenues Operating revenues for the enterprise funds were slightly lower (\$888) than in 2010. In the current year, the Sanitation Fund operating revenues were \$159,928 and the Stormwater Utility Fund operating revenues were \$129,549. The sanitation and the stormwater utility charges are billed on the DeKalb County annual property tax bills.

Expenses Operating expenses for the Sanitation Fund were \$149,868 in the current year compared to \$154,469 in the prior year. Operating expenses for the Stormwater Utility Fund were \$54,196 in the current year compared to \$50,582 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 \$2,039,428. Of this amount \$1,930,365 or 94.7% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$106,378 was restricted due to external limitations on its use and \$2,685 was nonspendable. These restricted uses include 1) capital projects funded by HOST funds (\$33,363) and 2) public safety expenditures funded by the police seizure funds (\$73,015).

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 \$1,933,050 in which \$1,930,365 was unassigned and \$2,685 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 \$1,933,050 represents approximately 69.8% of total General Fund expenditures compared to 87% of the prior year.

Fund balance of the City's General Fund decreased by \$323,382 during the current year. This was due to transfers made to the Grants Fund to fund the Milam Park swimming pool renovation.

Total fund balance for other nonmajor governmental funds at year end was \$106,378. This total, which is 100% restricted for public safety and capital construction, had a net decrease of \$52,715 when compared to the prior year.

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

Stormwater 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 assets by \$75,398 in 2011. This increase in net assets is attributable to revenues in excess of expenses.

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 increased its net assets by \$10,076 in 2011. This increase in net assets is attributable to revenues in excess of expenses.

Table 3 below compares governmental fund revenues and expenditures for 2011 and 2010.

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

	Governmental Funds	
	2011	2010
Revenues:		
Taxes	\$ 1,601,962	\$ 1,689,818
Licenses and permits	71,245	101,824
Intergovernmental	562,626	62,544
Fines and forfeitures	1,017,685	927,394
Charges for services	58,596	37,545
Interest income	3,626	13,967
Other revenues	219,555	171,288
Total Revenue	3,535,295	3,004,380
Expenditures:		
General government	884,338	834,493
Buildings and grounds	109,435	111,419
Public safety	1,606,507	1,512,609
Public works	244,479	301,086
Recreation and parks	1,025,629	48,103
Debt service:		
Principal retirements	38,007	53,802
Interest	2,997	898
Total Expenditures	3,911,392	2,862,410
Excess (deficiency) of revenues over (under) expenditures	<u>(376,097)</u>	<u>141,970</u>
Other financing sources (uses):		
Capital leases	-	78,795
Proceeds from sale of capital assets	-	6,742
Transfers in	448,740	-
Transfers out	(448,740)	-
Total other financing sources (uses)	<u>-</u>	<u>85,537</u>
Net change in fund balances	(376,097)	227,507
Fund balances, beginning of year	<u>2,415,525</u>	<u>2,188,018</u>
Fund balances, end of year	<u>\$ 2,039,428</u>	<u>\$ 2,415,525</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 \$84,519 more than budgeted mainly due to more than expected collection of fines and forfeitures than what was budgeted and anticipated. Expenditures were \$35,481 less than budgeted.

The original budget was not amended during the current year.

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, 2011, amounts to \$1,944,708 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and improvements, machinery and equipment, park facilities, and storm water infrastructure. Table 4 below summarizes capital assets of the City.

Table 4
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 408,799	\$ 408,799	\$ -	\$ -	\$ 408,799	\$ 408,799
Intangible asset	-	-	116,495	41,698	116,495	41,698
Buildings and improvements	1,946,224	958,019	-	-	1,946,224	958,019
Furniture and equipment	273,136	228,396	-	-	273,136	228,396
Vehicles	554,842	493,179	-	-	554,842	493,179
Stormwater infrastructure	-	-	390,366	364,994	390,366	364,994
Less accumulated depreciation	<u>(1,468,726)</u>	<u>(1,374,677)</u>	<u>(276,428)</u>	<u>(260,476)</u>	<u>(1,745,154)</u>	<u>(1,635,153)</u>
Total	<u>\$ 1,714,275</u>	<u>\$ 713,716</u>	<u>\$ 230,433</u>	<u>\$ 146,216</u>	<u>\$ 1,944,708</u>	<u>\$ 859,932</u>

The City's total investment in capital assets increased from \$859,932 to \$1,944,708 in 2011. The City purchased and constructed \$1,194,777 in new capital assets during the year. The largest capital asset addition was for the renovation of the Milam Park swimming pool, which was funded, in part, by a Community Development Block Grant of \$500,000. Depreciation on capital assets was \$110,001. 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. The City's long-term debt can be found in Note 7 in the notes to the financial statements of this report. The City did not incur additional debt in 2011 from purchasing vehicles through capital leases. Debt related to compensated absences increased by \$5,656. The City's long-term debt is summarized in table 5 below.

Table 5
Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital leases	\$ -	\$ 38,007	\$ -	\$ -	\$ -	\$ 38,007
Compensated absences	<u>52,150</u>	<u>46,494</u>	<u>-</u>	<u>-</u>	<u>52,150</u>	<u>46,494</u>
	<u>\$ 52,150</u>	<u>\$ 84,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,150</u>	<u>\$ 84,501</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 2012. The budget for 2012 reflects total revenues of \$2,900,590 and total expenditures of \$2,900,590.

The City is in the process of renovating a recently purchased building to serve as the City's new City Hall annex which will house the City's administrative staff. The project is expected to cost approximately \$700,000 and will be funded through a long-term lease with the Georgia Municipal Association.

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
3921 Church Street
Clarkston, GA 30021

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET ASSETS DECEMBER 31, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,611,629	\$ 480,435	\$ 2,092,064
Investments	430,885	-	430,885
Taxes receivables, net of allowances	265,212	-	265,212
Accrued interest receivable	64	-	64
Other receivables	61,365	-	61,365
Accounts receivables, net of allowances	-	22,323	22,323
Internal balances	2,685	(2,685)	-
Prepaid items	-	50,141	50,141
Net pension asset	53,811	-	53,811
Capital assets:			
Non-depreciable	408,799	116,495	525,294
Depreciable, net of accumulated depreciation	1,305,476	113,938	1,419,414
Total assets	4,139,926	780,647	4,920,573
LIABILITIES			
Accounts payable	212,855	27,911	240,766
Accrued liabilities	63,669	-	63,669
Unearned revenue	2,507	-	2,507
Compensated absences due within one year	46,935	-	46,935
Compensated absences due in more than one year	5,215	-	5,215
Total liabilities	331,181	27,911	359,092
NET ASSETS			
Invested in capital assets	1,714,275	230,433	1,944,708
Restricted for public safety	73,015	-	73,015
Restricted for capital construction	33,363	-	33,363
Unrestricted	1,988,092	522,303	2,510,395
Total net assets	\$ 3,808,745	\$ 752,736	\$ 4,561,481

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 885,238	\$ 295,925	\$ 33,363	\$ (555,950)	\$ -	\$ (555,950)
Building and grounds	109,440	20,238	-	(89,202)	-	(89,202)
Public safety	1,598,791	1,039,570	-	(559,221)	-	(559,221)
Public works	250,307	480	-	(249,827)	-	(249,827)
Recreation and parks	27,839	10,868	529,263	512,292	-	512,292
Interest on long term debt	2,997	-	-	(2,997)	-	(2,997)
Total governmental activities	2,874,612	1,367,081	562,626	(944,905)	-	(944,905)
Business-type activities:						
Sanitation	149,868	159,928	-	-	10,060	10,060
Stormwater	54,196	129,549	-	-	75,353	75,353
Total business-type activities	204,064	289,477	-	-	85,413	85,413
Total primary government	\$ 3,078,676	\$ 1,656,558	\$ 562,626	(944,905)	85,413	(859,492)
General revenues:						
Property taxes				949,463	-	949,463
Franchise taxes				234,027	-	234,027
Insurance premium taxes				354,314	-	354,314
Business and occupational taxes				18,187	-	18,187
Alcoholic beverage taxes				63,680	-	63,680
Unrestricted investment earnings				3,626	61	3,687
Total general revenues				1,623,297	61	1,623,358
Change in net assets				678,392	85,474	763,866
Net assets, beginning of year				3,130,353	667,262	3,797,615
Net assets, end of year				\$ 3,808,745	\$ 752,736	\$ 4,561,481

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

CITY OF CLARKSTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

ASSETS	General Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,033,097	\$ 519,297	\$ 59,235	\$ 1,611,629
Investments	430,885	-	-	430,885
Taxes receivables, net of allowance	259,651	-	5,561	265,212
Accrued interest receivables	64	-	-	64
Other receivables	43,193	10,988	7,184	61,365
Due from other funds	426,645	-	37,132	463,777
Advances to other funds	2,685	-	-	2,685
Total assets	\$ 2,196,220	\$ 530,285	\$ 109,112	\$ 2,835,617
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 118,318	\$ 91,803	\$ 2,734	\$ 212,855
Accrued liabilities	63,669	-	-	63,669
Deferred revenues	53,381	2,507	-	55,888
Due to other funds	27,802	435,975	-	463,777
Total liabilities	263,170	530,285	2,734	796,189
FUND BALANCES				
Fund balances:				
Nonspendable for:				
Advances to other funds	2,685	-	-	2,685
Restricted for:				
Public safety	-	-	73,015	73,015
Capital construction	-	-	33,363	33,363
Unassigned	1,930,365	-	-	1,930,365
Total fund balances	1,933,050	-	106,378	2,039,428
Total liabilities and fund balances	\$ 2,196,220	\$ 530,285	\$ 109,112	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,714,275
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	53,381
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(52,150)
Net pension asset is not a financial resource used in governmental activities and therefore not reported in governmental funds.	53,811
Net assets of governmental activities	\$ 3,808,745

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, 2011**

	General Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,601,962	\$ -	\$ -	\$ 1,601,962
Licenses and permits	71,245	-	-	71,245
Intergovernmental	-	529,263	33,363	562,626
Fines and forfeitures	939,355	-	78,330	1,017,685
Charges for services	58,596	-	-	58,596
Interest income	3,607	-	19	3,626
Other revenues	219,555	-	-	219,555
Total revenues	<u>2,894,320</u>	<u>529,263</u>	<u>111,712</u>	<u>3,535,295</u>
Expenditures				
Current:				
General government	884,338	-	-	884,338
Building and grounds	109,435	-	-	109,435
Public safety	1,471,254	11,830	123,423	1,606,507
Public works	244,479	-	-	244,479
Recreation and parks	59,456	966,173	-	1,025,629
Debt service:				
Principal retirements	-	-	38,007	38,007
Interest	-	-	2,997	2,997
Total expenditures	<u>2,768,962</u>	<u>978,003</u>	<u>164,427</u>	<u>3,911,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,358</u>	<u>(448,740)</u>	<u>(52,715)</u>	<u>(376,097)</u>
Other financing sources (uses):				
Transfers In	-	448,740	-	448,740
Transfers Out	<u>(448,740)</u>	<u>-</u>	<u>-</u>	<u>(448,740)</u>
Total other financing sources (uses)	<u>(448,740)</u>	<u>448,740</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(323,382)	-	(52,715)	(376,097)
Fund balances, beginning of year	<u>2,256,432</u>	<u>-</u>	<u>159,093</u>	<u>2,415,525</u>
Fund balances, end of year	<u>\$ 1,933,050</u>	<u>\$ -</u>	<u>\$ 106,378</u>	<u>\$ 2,039,428</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, 2011**

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

Net change in fund balances - total governmental funds	\$	(376,097)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		1,000,559
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		17,709
The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payment of capital leases		38,007
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>(1,786)</u>
Change in net assets - governmental activities	\$	<u>678,392</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, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,723,631	\$ 1,723,631	\$ 1,601,962	\$ (121,669)
Licenses and permits	74,100	74,100	71,245	(2,855)
Fines and forfeitures	750,000	750,000	939,355	189,355
Interest	20,000	20,000	3,607	(16,393)
Charges for services	128,570	128,570	58,596	(69,974)
Miscellaneous	113,500	113,500	219,555	106,055
Total revenues	<u>2,809,801</u>	<u>2,809,801</u>	<u>2,894,320</u>	<u>84,519</u>
Expenditures				
Current:				
General government:				
City Council	27,620	27,620	24,841	2,779
Mayor	9,698	9,698	11,474	(1,776)
City Manager	81,912	81,912	66,604	15,308
City Clerk	65,040	65,040	63,490	1,550
General administration	747,988	747,988	715,292	32,696
Zoning and planning	5,355	5,355	2,637	2,718
Total general government	<u>937,613</u>	<u>937,613</u>	<u>884,338</u>	<u>53,275</u>
Building and grounds	<u>119,300</u>	<u>119,300</u>	<u>109,435</u>	<u>9,865</u>
Public safety:				
Police	<u>1,331,030</u>	<u>1,331,030</u>	<u>1,471,254</u>	<u>(140,224)</u>
Total public safety	<u>1,331,030</u>	<u>1,331,030</u>	<u>1,471,254</u>	<u>(140,224)</u>
Public works:				
Streets	136,250	136,250	132,839	3,411
Sanitation	178,550	178,550	111,640	66,910
Total public works	<u>314,800</u>	<u>314,800</u>	<u>244,479</u>	<u>70,321</u>
Recreation and parks	<u>101,700</u>	<u>101,700</u>	<u>59,456</u>	<u>42,244</u>
Total expenditures	<u>2,804,443</u>	<u>2,804,443</u>	<u>2,768,962</u>	<u>35,481</u>
Excess of revenues over expenditures	<u>5,358</u>	<u>5,358</u>	<u>125,358</u>	<u>120,000</u>
Other financing sources (uses)				
Transfers out	-	-	(448,740)	(448,740)
Proceeds from disposal of capital assets	1,000	1,000	-	(1,000)
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>(448,740)</u>	<u>(449,740)</u>
Net change in fund balances	6,358	6,358	(323,382)	(329,740)
Fund balances, beginning of year	<u>2,256,432</u>	<u>2,256,432</u>	<u>2,256,432</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,262,790</u>	<u>\$ 2,262,790</u>	<u>\$ 1,933,050</u>	<u>\$ (329,740)</u>

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

CITY OF CLARKSTON, GEORGIA

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

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 529,263	\$ 509,263
Total revenue	20,000	20,000	529,263	509,263
EXPENDITURES				
General government	20,000	20,000	-	20,000
Public safety	-	-	11,830	(11,830)
Recreation and parks	100,000	100,000	966,173	(866,173)
Total expenditures	120,000	120,000	978,003	(858,003)
Deficiency of revenues under expenditures	(100,000)	(100,000)	(448,740)	(348,740)
Other financing sources (uses):				
Transfers in	-	-	448,740	448,740
Total other financing sources (uses)	-	-	448,740	448,740
Net change in fund balances	(100,000)	(100,000)	-	100,000
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 100,000</u>

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

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2011**

ASSETS	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CURRENT ASSETS			
Cash and cash equivalents	\$ 136,335	\$ 344,100	\$ 480,435
Accounts receivables, net of allowances	8,434	13,889	22,323
Prepaid items	-	50,141	50,141
Advances to other funds	-	10,061	10,061
Total current assets	<u>144,769</u>	<u>418,191</u>	<u>562,960</u>
NONCURRENT ASSETS			
Capital assets, non-depreciated	-	116,495	116,495
Capital assets, net of accumulated depreciation	-	113,938	113,938
Total noncurrent assets	<u>-</u>	<u>230,433</u>	<u>230,433</u>
Total assets	<u>144,769</u>	<u>648,624</u>	<u>793,393</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	24,079	3,832	27,911
Advances from other funds	12,746	-	12,746
Total current liabilities	<u>36,825</u>	<u>3,832</u>	<u>40,657</u>
NET ASSETS			
Invested in capital assets	-	230,433	230,433
Unrestricted	107,944	414,359	522,303
Total net assets	<u>\$ 107,944</u>	<u>\$ 644,792</u>	<u>\$ 752,736</u>

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

CITY OF CLARKSTON, GEORGIA

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

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
OPERATING REVENUE			
Stormwater fees	\$ -	\$ 129,549	\$ 129,549
Sanitation fees	159,928	-	159,928
Total operating revenues	159,928	129,549	289,477
OPERATING EXPENSES			
Contracted services - waste pickup	149,774	-	149,774
Bank charges	94	-	94
Repairs and maintenance	-	38,244	38,244
Depreciation	-	15,952	15,952
Total operating expenses	149,868	54,196	204,064
Operating income	10,060	75,353	85,413
NONOPERATING REVENUES			
Interest income	16	45	61
Total nonoperating revenues	16	45	61
Change in net assets	10,076	75,398	85,474
Total net assets, beginning	97,868	569,394	667,262
Total net assets, ending	\$ 107,944	\$ 644,792	\$ 752,736

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, 2011

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 161,254	\$ 219,406	\$ 380,660
Payments to vendors and suppliers	(151,375)	(96,675)	(248,050)
Net cash provided by operating activities	<u>9,879</u>	<u>122,731</u>	<u>132,610</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	-	(100,169)	(100,169)
Net cash used by capital financing activities	<u>-</u>	<u>(100,169)</u>	<u>(100,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	16	45	61
Net cash provided by investing activities	<u>16</u>	<u>45</u>	<u>61</u>
Net increase in cash	9,895	22,607	32,502
Cash, beginning of year	126,440	321,493	447,933
Cash, end of year	<u>\$ 136,335</u>	<u>\$ 344,100</u>	<u>\$ 480,435</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 10,060	\$ 75,353	\$ 85,413
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	15,952	15,952
Change in assets and liabilities:			
Decrease in due from other governments	-	97,296	97,296
(Increase) decrease in accounts receivables	1,326	(7,439)	(6,113)
Decrease in prepaid items	-	12,696	12,696
(Decrease) in accounts payable	(1,507)	(71,127)	(72,634)
Net cash provided by operating activities	<u>\$ 9,879</u>	<u>\$ 122,731</u>	<u>\$ 132,610</u>

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

CITY OF CLARKSTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 assets 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 assets includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to 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 fund 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 fund 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 fiscal 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 fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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 **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 expenditure 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.

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.

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

The City has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

D. Budgets

Annual appropriated budgets are adopted for all funds. However, although the City adopted a budget for its Grants Fund, the original budget and amended budget was not a balanced budget as the actions by the City created budgeted fund deficits of \$100,000 in the original and amended budgets of the Grants Fund. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets 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 applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

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

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

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

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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 and Net Assets

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

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

- **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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Equity and Net Assets (Continued)

• **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

• **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the 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.

Net Assets - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Restrictions on the government-wide statement of net assets represent amounts segregated to meet debt covenants and State laws.

L. 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$52,150 difference are as follows:

Compensated absences	\$ <u>(52,150)</u>
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net assets -governmental activities</i>	\$ <u><u>(52,150)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,000,559 difference are as follows:

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)

Capital outlay	\$ 1,094,608
Depreciation expense	(94,049)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 1,000,559

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 \$1,786 difference are as follows:

Compensated absences	\$ (5,656)
Net pension asset	3,870
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (1,786)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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.

Encumbrances accounting is not used by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the year ended December 31, 2011:

General Fund - General Government - Mayor	1,776
General Fund - Public Safety - Police	140,224
General Fund - Transfers Out	448,740
Grants Fund - Public Safety	11,830
Grants Fund - Parks and recreation	866,173

These over expenditures were funded by greater than anticipated revenues and by available fund balance. Although the City adopted a budget for its Grants Fund, the original budget and amended budget was not a balanced budget as the actions by the City created budgeted fund deficits of \$100,000 in the original and amended budgets of the Grants Fund. The City will monitor the budget more closely in the future and amend the budget as necessary.

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, 2011, all of the City's deposits were covered either by FDIC or collateralized by the financial institution or a combination of both.

As of December 31, 2011, the City had \$430,885 invested in certificates of deposit as noted in the following table:

Investment	Maturities	Fair Value
Certificate of Deposit # 1	December 7, 2012	\$ 269,398
Certificate of Deposit # 2	July 28, 2012	4,063
Certificate of Deposit # 3	December 27, 2012	157,424
Total		\$ 430,885

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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, 2011, the City had no investments balances that were exposed to credit risk.

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 June 22, 2011, and are due and payable in two installments. The first installment was due on September 30, 2011 and the second installment was due on November 15, 2011. 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 deferred revenues when assessed. Revenues are recognized when available.

In the enterprise funds, stormwater and sanitation fees are billed annually on June 22, 2011 along with the property taxes and are due and payable in two installments. The first installment was due on September 30, 2011 and the second installment was due on November 15, 2011. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

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

	<u>General</u>	<u>Grant</u>	<u>Nonmajor governmental</u>	<u>Sanitation</u>	<u>Stormwater Utility</u>
Receivables:					
Taxes	\$ 267,651	\$ -	\$ 5,561	\$ -	\$ -
Accounts	-	-	-	8,434	15,889
Accrued interest	64	-	-	-	-
Other	43,193	10,988	7,184	-	-
Less allowance for uncollectible	(8,000)	-	-	-	(2,000)
Net total receivable	<u>\$ 302,908</u>	<u>\$ 10,988</u>	<u>\$ 12,745</u>	<u>\$ 8,434</u>	<u>\$ 13,889</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 408,799	\$ -	\$ -	\$ 408,799
Total	<u>408,799</u>	<u>-</u>	<u>-</u>	<u>408,799</u>
Capital assets, being depreciated:				
Buildings and improvements	958,019	988,205	-	1,946,224
Furniture and equipment	228,396	44,740	-	273,136
Vehicles	493,179	61,663	-	554,842
Total	<u>1,679,594</u>	<u>1,094,608</u>	<u>-</u>	<u>2,774,202</u>
Less accumulated depreciation for:				
Buildings and improvements	(915,894)	(2,201)	-	(918,095)
Furniture and equipment	(137,578)	(28,919)	-	(166,497)
Vehicles	(321,205)	(62,929)	-	(384,134)
Total	<u>(1,374,677)</u>	<u>(94,049)</u>	<u>-</u>	<u>(1,468,726)</u>
Total capital assets, being depreciated, net	<u>304,917</u>	<u>1,000,559</u>	<u>-</u>	<u>1,305,476</u>
Governmental activities capital assets, net	<u>\$ 713,716</u>	<u>\$ 1,000,559</u>	<u>\$ -</u>	<u>\$ 1,714,275</u>
Business-type activities:				
Capital assets, not being depreciated:				
Easements (intangible asset)	\$ 41,698	\$ 74,797	\$ -	\$ 116,495
Total	<u>41,698</u>	<u>74,797</u>	<u>-</u>	<u>116,495</u>
Capital assets, being depreciated:				
Infrastructure	364,994	25,372	-	390,366
Total	<u>364,994</u>	<u>25,372</u>	<u>-</u>	<u>390,366</u>
Less accumulated depreciation for:				
Infrastructure	(260,476)	(15,952)	-	(276,428)
Total	<u>(260,476)</u>	<u>(15,952)</u>	<u>-</u>	<u>(276,428)</u>
Total capital assets, being depreciated, net	<u>104,518</u>	<u>9,420</u>	<u>-</u>	<u>113,938</u>
Business-type activities Capital assets, net	<u>\$ 146,216</u>	<u>\$ 84,217</u>	<u>\$ -</u>	<u>\$ 230,433</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	\$	768	
Public safety		85,951	
Public works		5,898	
Recreation and parks		1,432	
Total depreciation expense - governmental activities	\$	94,049	
Business-type activities:			
Stormwater	\$	15,952	

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 38,007	\$ -	\$ (38,007)	\$ -	\$ -
Compensated absences	46,494	53,303	(47,647)	52,150	46,935
Governmental activity					
Long-term liabilities	\$ 84,501	\$ 53,303	\$ (85,654)	\$ 52,150	\$ 46,935

For governmental funds, compensated absences are liquidated by the General Fund while capital leases are liquidated by the Police Seizure Fund.

Capital Leases - Equipment. The City has entered into lease-purchase agreements as lessee for financing the acquisition of vehicles used in general governmental 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. As of December 31, 2011, the City has paid off these leases and has no assets under capital leases.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

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

Due to / from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Grants Fund	\$ 9,330
General Fund	Grants Fund	426,645
Nonmajor Governmental Funds	General Fund	27,802
		<u>\$ 463,777</u>

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

Advances from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Stormwater Utility Fund	Sanitation Fund	\$ 10,061
General Fund	Sanitation Fund	2,685
		<u>\$ 12,746</u>

The General Fund and Stormwater Utility Fund advanced money to cover the shortfall of revenues of the Sanitation Fund. Amounts are expected to be paid in more than one year through increase revenues.

Interfund transfers are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Grants Fund	General Fund	\$ 448,740
		<u>\$ 448,740</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN

A. Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Clarkston Retirement Plan) covering all full-time employees. 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.

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the Plan provides pension benefits and death and disability benefits for all full-time employees. Benefits vest after 5 years of service. City employees who retire at age 62 with five years of service are entitled to a monthly retirement benefit based upon average earnings and years credited service.

At July 1, 2011, the date of the most recent actuarial valuation, there were 84 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	25
Terminated vested participants not yet receiving benefits	26
Active vested employees	17
Active nonvested employees	16
Total	<u>84</u>

B. Funding Policy

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. At July 1, 2011, the date of the most recent actuarial valuation, the actuarially determined contribution rate was 7.66% of covered payroll.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

B. Funding Policy (Continued)

For 2011, the City's annual required contribution was \$67,773 and actual contribution totaled \$67,773. The annual required contribution was determined as part of the July 1, 2010 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include an 7.75% rate of return on investments and projected salary increases of 3.5% (3.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

C. Annual Pension Cost

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended December 31, 2011, were computed as follows:

Annual required contribution	\$ 67,773
Interest	(3,870)
Annual pension cost	63,903
Actual contributions made	(67,773)
Increase in net pension asset	(3,870)
Net pension asset, December 31, 2010	(49,941)
Net pension asset, December 31, 2011	\$ (53,811)

D. Schedule of Annual Pension Costs

Year Ended December 31,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$ 63,903	\$ 67,773	106.1 %	\$ (53,811)
2010	110,009	\$ 113,601	103.3	(49,941)
2009	67,388	120,092	178.2	(46,349)

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN (Continued)

E. Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2011	\$ 1,970,629	\$ 1,758,515	\$ (212,114)	112.06%	\$ 1,040,437	- %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2011.

The assumptions used in the July 1, 2011 actuarial valuation are as follows:

Actuarial Assumptions:

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount 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 50% of market value in 2009, 44% of market value in 2010, 38% of market value in 2011, 32% of market value in 2012, 26% of market value in 2013, and 20% of market value for 2014 and later years.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost-of-living Adjustment	3.50%
Amortization Method	Closed level dollar for remaining unfunded liability.
Remaining Amortization Period	N/A

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 11. 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, 2011. 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, 2011.

NOTE 12. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (Continued)

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.

NOTE 13. 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 rising 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 14. SUBSEQUENT EVENT

On April 26, 2012, the City of Clarkston borrowed \$700,000 from the Georgia Municipal Association to renovate and annex a building for expansion of City Hall offices. The money is to be paid back over fifteen (15) years at an interest rate of 3.22% with monthly principal and interest payments of \$14,756.10. Schedule payments are to begin on July 26, 2012 and mature on April 26, 2027.

CITY OF CLARKSTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

Schedule of Funding Progress

The information presented below is based on the annual actuarial valuations as of July 1 of each of the previous years and current fiscal year.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	\$ 1,970,629	\$ 1,758,515	\$ (212,114)	112.1 %	\$ 1,040,437	- %
7/1/2010	1,878,005	1,749,789	(128,216)	107.3	976,937	-
7/1/2009	1,438,195	1,859,034	420,839	77.4	822,417	51.2

See notes to financial statements for actuarial assumptions used in the above calculations.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

The **Police Seizure Fund** - This 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.

Capital Projects Funds

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

Homestead Option Sales Tax (HOST) Fund– This 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, 2011**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
ASSETS	Police Seizure Fund	Homestead Option Sales Tax Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 59,235	\$ -	\$ 59,235
Taxes receivables		5,561	5,561
Other receivables	7,184		7,184
Due from other Funds	9,330	27,802	37,132
	<u>9,330</u>	<u>27,802</u>	<u>37,132</u>
Total assets	<u>\$ 75,749</u>	<u>\$ 33,363</u>	<u>\$ 109,112</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,734	\$ -	\$ 2,734
Total liabilities	<u>2,734</u>	<u>-</u>	<u>2,734</u>
 FUND BALANCES			
Restricted for:			
Public safety	73,015	-	73,015
Capital construction	-	33,363	33,363
	<u>-</u>	<u>33,363</u>	<u>33,363</u>
Total fund balances	<u>73,015</u>	<u>33,363</u>	<u>106,378</u>
Total liabilities and fund balances	<u>\$ 75,749</u>	<u>\$ 33,363</u>	<u>\$ 109,112</u>

CITY OF CLARKSTON, GEORGIA

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

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Police Seizure Fund</u>	<u>Homestead Option Sales Tax Fund</u>	
REVENUES			
Fines and forfeitures	\$ 78,330	\$ -	\$ 78,330
Intergovernmental	-	33,363	33,363
Interest	19	-	19
Total revenues	<u>78,349</u>	<u>33,363</u>	<u>111,712</u>
EXPENDITURES			
Current			
Public safety	123,423	-	123,423
Debt service			
Principal retirements	38,007	-	38,007
Interest	2,997	-	2,997
Total expenditures	<u>164,427</u>	<u>-</u>	<u>164,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,078)</u>	<u>33,363</u>	<u>(52,715)</u>
Net change in fund balances	<u>(86,078)</u>	<u>33,363</u>	<u>(52,715)</u>
FUND BALANCES, beginning of year	<u>159,093</u>	<u>-</u>	<u>159,093</u>
FUND BALANCES, end of year	<u>\$ 73,015</u>	<u>\$ 33,363</u>	<u>\$ 106,378</u>

CITY OF CLARKSTON, GEORGIA

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

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 180,650	\$ 180,650	\$ 78,330	\$ (102,320)
Interest	600	600	19	(581)
Total revenue	181,250	181,250	78,349	(102,901)
EXPENDITURES				
Public safety	182,750	182,750	123,423	59,327
Debt service				
Principal retirements	-	-	38,007	(38,007)
Interest	-	-	2,997	(2,997)
Total expenditures	182,750	182,750	164,427	18,323
Deficiency of revenues under expenditures	(1,500)	(1,500)	(86,078)	(84,578)
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	1,500	1,500	-	(1,500)
Total other financing sources	1,500	1,500	-	(1,500)
Net change in fund balances	-	-	(86,078)	(86,078)
FUND BALANCES, beginning of year	159,093	159,093	159,093	-
FUND BALANCES, end of year	\$ 159,093	\$ 159,093	\$ 73,015	\$ (86,078)