

CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**



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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and ARPA Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Clarkston, Georgia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards *and Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the schedule of projects constructed with special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (the "supplementary information") 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 13, 2023

CITY OF CLARKSTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 at the close of the most recent year by \$19,588,070 (net position). Of this amount, \$1,136,289 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. \$13,493,792 of net position consisted of investments in capital assets, net of related debt. The remainder of net position consisted of amounts restricted by law, with \$4,424,711 restricted for capital construction, \$161,190 restricted for public safety, \$362,718 restricted for public works, and \$9,370 restricted for recreation.
- ❖ The City's total net position increased by \$2,938,958 in the year ended December 31, 2021. This is compared to an increase of \$2,528,506 the prior year. This increase in net position for 2021 resulted primarily from increased restricted cash available for capital construction of \$2,199,718 and net investment in capital assets of \$390,710. Restricted cash available for public safety decreased by \$60,367 and cash restricted for public works increased by \$86,224. Unrestricted net position increased by \$322,673 primarily due to the positive variance in cash and cash equivalents.
- ❖ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,756,519. This compares to the prior year ending fund balances of \$8,526,593 showing a net decrease of \$770,074 during the current year. The current year decrease in total fund balances was primarily due to a decrease on the SPLOST Fund balance of \$1,319,054 from the SPLOST fund expenditures exceeding revenues in 2021 and an increase of \$523,093 in the General Fund balance.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$2,877,858 or 45% of General Fund expenditures. Of this amount, \$2,570,742 was unassigned, \$237,263 was assigned to public safety, and \$69,853 was non-spendable.
- ❖ At the end of the current year, the total fund balance for the SPLOST Fund was \$4,274,189 restricted to capital construction for transportation projects.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$192,275. 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 \$1,817,632. Included in this total net position is \$1,453,452 invested in capital assets net of related debt and a balance of \$364,180 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 like a private-sector business.

The *statement of net position* presents information on 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 include general government, buildings and grounds, public safety, public works, recreation and parks, judicial, economic and community development, and planning and zoning. 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. 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 seven (7) 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, ARPA (American Rescue Plan Act) Fund and the SPLOST Fund. Other nonmajor governmental funds include the Police Seizure Fund, Grant Fund, CARES 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 major funds of the City.

Fiduciary Funds

Fiduciary funds are used to account for resources that the government holds as a trustee or agent on behalf of an outside party that cannot be used to support the government's own programs. The City uses a fiduciary fund to account for the Affordable Housing Trust set up by a developer for affordable housing projects.

Fiduciary funds provide the same type of information as the government-wide financial statements, only in more detail. The fiduciary fund financial statements provide separate information on the Affordable Housing Trust Fund. This fund was established in December 2019 and funded by a \$200,000 donation. No expenditures were recorded in 2021.

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 \$19,588,070 at the close of the most recent year. Table 1 below is a summary of the City's net position.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 10,363,837	\$ 9,989,336	\$ 621,182	\$ 693,212	\$ 10,985,019	\$ 10,682,548
Capital assets	22,999,612	20,694,619	1,726,644	1,184,829	24,726,256	21,879,448
Total assets	<u>33,363,449</u>	<u>30,683,955</u>	<u>2,347,826</u>	<u>1,878,041</u>	<u>35,711,275</u>	<u>32,561,996</u>
Deferred outflows of resources	<u>619,987</u>	<u>976,467</u>	<u>-</u>	<u>-</u>	<u>\$ 619,987</u>	<u>\$ 976,467</u>
Liabilities:						
Current liabilities	5,451,761	2,867,854	226,471	54,333	5,678,232	2,922,187
Long-term liabilities	<u>10,242,732</u>	<u>13,967,164</u>	<u>111,448</u>	<u>-</u>	<u>10,354,180</u>	<u>13,967,164</u>
Total liabilities	<u>15,694,493</u>	<u>16,835,018</u>	<u>337,919</u>	<u>54,333</u>	<u>16,032,412</u>	<u>16,889,351</u>
Deferred inflows of resources	<u>710,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,780</u>	<u>-</u>
Net position:						
Net investment in capital assets	12,040,340	11,918,253	1,453,452	1,184,829	13,493,792	13,103,082
Restricted	4,957,989	2,732,414	-	-	4,957,989	2,732,414
Unrestricted	<u>579,834</u>	<u>174,737</u>	<u>556,455</u>	<u>638,879</u>	<u>1,136,289</u>	<u>813,616</u>
Total net position	<u>\$ 17,578,163</u>	<u>\$ 14,825,404</u>	<u>\$ 2,009,907</u>	<u>\$ 1,823,708</u>	<u>\$ 19,588,070</u>	<u>\$ 16,649,112</u>

A portion of the City's net position (\$13,493,792 or 68.9%) 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. \$4,957,989 (25.3%) of the City's net position is restricted for the public safety, recreation and public works activities and capital construction. The remaining portion of the City's net position (\$1,136,289 or 5.8%) is unrestricted. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

public works activities and capital construction. The remaining portion of the City's net position (\$1,136,289 or 5.8%) 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, for the City as a whole, the unrestricted net position of the primary government increased by \$322,673 in 2021 from the previous year's balance of \$813,616 to a net balance of \$1,136,289.

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

The schedule below presents a summary of the City's operations for the years ended December 31, 2021 and 2020. Governmental activities during the current year increased the City's net position by \$2,752,759 for the year ended December 31, 2021. Business-type activities increased the City's net position by \$186,199 for the year ended December 31, 2021.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,212,748	\$ 936,065	\$ 524,569	\$ 532,932	\$ 1,737,317	\$ 1,468,997
Operating Grants and contributions	956,769	1,434,288	-	-	956,769	1,434,288
Capital grants and contributions	2,292,273	2,865,300	190,000	-	2,482,273	2,865,300
General revenues:						
Property taxes	3,782,226	2,947,466	-	-	3,782,226	2,947,466
Franchise taxes	461,601	399,842	-	-	461,601	399,842
Insurance premium taxes	1,006,157	972,010	-	-	1,006,157	972,010
Business and occupational taxes	220,925	173,167	-	-	220,925	173,167
Alcoholic beverage taxes	127,514	125,315	-	-	127,514	125,315
Miscellaneous Income	1,446	-	-	-	1,446	-
Unrestricted Investment Earnings	97	31	37	44	134	75
Total revenues	10,061,756	9,853,484	714,606	532,976	10,776,362	10,386,460
Expenses:						
General government	1,372,331	1,296,871	-	-	1,372,331	1,296,871
Buildings and grounds	149,894	108,232	-	-	149,894	108,232
Public safety	2,692,323	2,577,274	-	-	2,692,323	2,577,274
Public works	940,899	940,405	-	-	940,899	940,405
Recreation and parks	360,975	129,480	-	-	360,975	129,480
Judicial/Municipal Court	453,783	465,800	-	-	453,783	465,800
Economic/Community Development	717,318	1,246,215	-	-	717,318	1,246,215
Planning & Zoning	382,063	349,577	-	-	382,063	349,577
Interest on long-term debt	239,411	354,819	-	-	239,411	354,819
Sanitation	-	-	219,064	142,079	219,064	142,079
Stormwater utility	-	-	309,343	247,202	309,343	247,202
Total expenses	7,308,997	7,468,673	528,407	389,281	7,837,404	7,857,954
Change in net position	2,752,759	2,384,811	186,199	143,695	2,938,958	2,528,506
Net position - beginning of year	14,825,404	12,440,593	1,823,708	1,680,013	16,649,112	14,120,606
Net position - end of year	\$ 17,578,163	\$ 14,825,404	\$ 2,009,907	\$ 1,823,708	\$ 19,588,070	\$ 16,649,112

Governmental Activities

Revenue Charges for services of \$1,212,748 increased by \$276,683 primarily due to easing of restrictions on services during the Coronavirus pandemic and operation shut down that began in early 2020 accounted for 12.1% of the City's total governmental revenue in 2021 compared to 9.5% in 2020. Operating Grants and contributions decreased by \$477,519 in 2021 due the Coronavirus pandemic and represents 9.5% of total governmental revenue in 2021. Capital Grants and Contributions of \$2,292,273 decreased by \$573,027 due to completion of capital construction projects funded by Federal Grants in 2020 and increases in Special Purpose Local Option Sales Tax (SPLOST). Capital grants

and contributions comprises 22.8% of total governmental revenue in 2021 compared to 29.1% in 2020. Property taxes provided 37.6% of the City's total governmental revenue of year 2021 as compared with 29.9% in the year 2020. Overall, governmental revenues increased by \$208,272 or 2.1% while overall governmental expenses decreased by \$159,676 or 2.1%. The increase in revenues was primarily due to increases in Property Tax Revenue in 2021 after we had severe property tax negative adjustments in 2020 due to property tax appeals and increases in other sources of revenue. The decrease in expenses were due to less spending from the ARPA (American Rescue Plan Act) in 2021 compared the Federal Cares Act grant programs in 2020.

Expenses The total expense for the governmental activities was \$7,308,997 in 2021, a decrease of \$159,676 or 2.1% compared to 2020. Public safety accounts for the largest portion of governmental expenses. Total public safety expenses were \$2,692,323 or 36.8% of total governmental expenses. General government expenses accounted for the second largest portion of governmental expenses and represented \$1,372,331 or 18.8% of total governmental expenses. Public Works expenses are the third largest portion of governmental expenses at \$940,899 and represented 12.9% of total governmental expenses,

Business-type activities

Revenues Total revenues for the enterprise funds increased by \$181,630 from 2020 to 2021. The reason for this increase was a Capital Grant contribution of \$190,000 for a Stormwater project. In the current year, the Sanitation Fund operating revenues were \$219,938, with a \$2,585 increase from 2020, and the Stormwater Utility Fund operating revenues were \$304,631, an decrease of \$10,948 from 2020. The Stormwater Utility Fund also had a one time capital contribution revenue of \$190,000 related to a fairly large stormwater construction project.

Expenses Total expenses for the Sanitation Fund were \$219,064 in the current year compared to \$142,079 in the prior year. This significant increase was due to the additional of residential recycling services in 2021 that had been discontinued in 2020 by our sanitation services vendor. Total expenses for the Stormwater Utility Fund were \$309,343 in the current year compared to \$247,202 in the prior year. The increase in Stormwater Utility Fund expenses was primarily due to an increase in allocations of payroll expenses for stormwater system inspections and cleanings during 2021 that did not occur 2020 due to the COVID-19 pandemic.

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 \$7,756,519. Of this amount, \$2,570,742 or 33.1% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is made of \$4,878,661 of restricted fund balance due to external limitations on its use, \$69,853 was nonspendable, and \$237,263 is assigned for Public Works. These restricted uses include 1) capital projects funded by SPLOST and HOST funds (\$4,345,383), 2) capital projects funded by Grant fund (\$362,718), 3) public safety expenditures funded by the police seizure funds (\$161,190), 4) \$9,370 for a recreation grant. The nonspendable fund balance portion of \$69,853 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 \$2,877,858 of which \$2,570,742 was unassigned, \$237,263 was assigned for public safety, and \$69,853 was non-spendable. 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 \$2,877,858 represents approximately 44.6% of total General Fund expenditures compared to 41.3% for the prior year while unassigned fund balance of \$2,570,742, represents approximately 39.9% of total General Fund expenditures compared to 40.2% of the prior year. Fund balance of the City's General Fund increased by \$523,093 during the current year. This was due, primarily, to increases in general government revenues in 2021 compared to 2020 during the height of the Covid19 pandemic in 2020.

ARPA (American Rescue Plan Act) Fund – The ARPA Fund was created in 2021 due to the Federal American Rescue Plan Act Grant administered to provide economic relief during the Coronavirus pandemic. The City received an APRA Grant Award of \$2,359,558 US Treasury American Rescue Plan Act of 2021. As of December 31, 2021, the City

recorded an Unearned Revenue liability from this award in the amount of \$1,346,788 and recorded unearned revenue of \$1,012,769 and Interest Revenue of \$90. Total Expenditures in 2021 were \$1,012,859.

SPLOST Fund – The SPLOST Fund was created in 2018 for a six year SPLOST Tax. The SPLOST Fund balance at year-end 2021 of \$4,274,189 decreased by \$1,319,024 from 2020 due to capital outlay exceeding revenues. Revenues from the SPLOST tax increased in 2021 by \$361,317 due increased SPLOST tax proceeds. The fund balance is restricted for capital construction and SPLOST bond debt service.

Nonmajor Governmental Funds - Total fund balance for other nonmajor governmental funds at year end was \$604,472, with \$362,718 restricted for public works, \$161,190 restricted for public safety, \$71,194 restricted for capital construction and \$9,370 restricted for recreation.

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 \$185,325 in 2021. This increase in net position is attributable to reimbursement of capital costs for Stormwater improvements from two property owners.

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 increased its net position by \$874 in 2021. This increase in net position is attributable to revenues being in excess of expenses for the year.

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Table 3 below compares governmental fund revenues and expenditures for 2021 and 2020.

Table 1
Net Assets

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 2,618,061	\$ 2,736,999	\$ 365,914	\$ 254,982
Capital assets	737,874	650,129	82,781	88,913
Total assets	<u>\$ 3,355,935</u>	<u>\$ 3,387,128</u>	<u>\$ 448,695</u>	<u>\$ 343,895</u>
Current liabilities	180,792	114,851	-	-
Long-term liabilities	3,591	4,055	-	-
Total Liabilities	<u>184,383</u>	<u>118,906</u>	<u>-</u>	<u>-</u>
Net assets:				
Invested in capital assets, net of related debt				
related debt	688,231	637,068	82,781	88,913
Restricted	138,722	180,713	-	-
Unrestricted	2,344,599	2,450,441	365,914	254,982
Total net assets	<u>\$ 3,171,552</u>	<u>\$ 3,268,222</u>	<u>\$ 448,695</u>	<u>\$ 343,895</u>

Table 2
Change in net assets

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Revenues:				
Program revenues:				
Charges for services	\$ 832,332	\$ 710,468	\$ 129,466	\$ 128,147
Operating grant and contributions	-	40,000		
Capital grants and contributions	58,226	72,423		
General revenues:				
Property taxes	992,158	1,019,767	-	-
Franchise taxes	214,885	204,044	-	-
Insurance premium taxes	404,706	395,238	-	-
Business and Occupational taxes	36,593	40,299	-	-
Alcoholic beverage taxes	54,440	51,182	-	-
Interest earnings	57,870	81,623	-	-
Gain on sale of capital assets	-	74	-	-
Total revenues	<u>2,651,210</u>	<u>2,615,118</u>	<u>129,466</u>	<u>128,147</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 revenue was \$280,283 more than budgeted mainly due to higher than expected collection of taxes and licenses/permit fees. Expenditures were \$341,163 less than budgeted due to expenditures for all departments being 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, 2021, amounts to \$24,726,256 (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	
	2021	2020	2021	2020	2021	2020
Construction in progress	\$ 2,997,929	\$ 12,005,356	\$ 15,275	\$ 137,849	\$ 3,013,204	\$ 12,143,205
Land	585,808	585,808	-	-	585,808	585,808
Intangible asset	-	-	116,495	116,495	116,495	116,495
Buildings and improvements	3,431,298	3,323,308	-	-	3,431,298	3,323,308
Furniture and equipment	786,827	991,728	-	-	786,827	991,728
Vehicles	1,441,776	1,234,752	255,056	113,167	1,696,832	1,347,919
Infrastructure-Streets	17,324,393	5,738,655	-	-	17,324,393	5,738,655
Stormwater infrastructure	-	-	2,028,528	1,453,949	2,028,528	1,453,949
Less accumulated depreciation	(3,568,419)	(3,184,988)	(688,710)	(636,631)	(4,257,129)	(3,821,619)
Total	<u>\$ 22,999,612</u>	<u>\$ 20,694,619</u>	<u>\$ 1,726,644</u>	<u>\$ 1,184,829</u>	<u>\$24,726,256</u>	<u>\$ 21,879,448</u>

The City's total investment in capital assets increased from \$21,879,448 to \$24,726,256 in 2021. The City spent an additional \$2,972,842 on construction in process (CIP) and transferred a total of \$12,102,843 of construction in process (CIP) to Infrastructure-Streets for several infrastructure projects completed in 2021. As of December 31, 2021, there was \$3,013,204 of construction projects in process that are scheduled to be completed in 2022.

During fiscal year 2021, the City purchased other machinery and equipment totaling \$42,577 for public safety equipment, buildings and improvements \$107,990, infrastructure \$57,474 and vehicles \$363,413. Depreciation on capital assets was \$697,488. 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. Bonds payable and Notes payable all decreased in 2021 due to debt service payments while financed purchases increased due to newly issued financed purchases. The net decrease in net pension liability for 2021 was \$1,083,451. The City's compensated absences decreased by \$29,466 from 2020 to 2021. The City's long-term debt is summarized in the table on the following page.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds Payable	\$ 7,102,783	\$ 8,051,696	\$ -	\$ -	\$ 7,102,783	\$ 8,051,696
Financed Purchases	456,377	513,652	131,303	-	587,680	513,652
Notes Payable	3,320,784	3,650,432	-	-	3,320,784	3,650,432
Net Pension Liability	1,861,832	2,894,283	-	-	1,861,832	2,894,283
Compensated Absences	402,206	431,672	-	-	402,206	431,672
Governmental Activities						
Long-term liabilities	<u>\$ 13,143,982</u>	<u>\$ 15,541,735</u>	<u>\$ 131,303</u>	<u>\$ -</u>	<u>\$ 13,275,285</u>	<u>\$ 15,541,735</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 2022. The budget for 2022 reflects total revenues of \$12,973,624 and total expenditures of \$12,973,624. The SPLOST Fund represents \$4,050,698 of the total fiscal year 2022 budget for construction of streets and sidewalks and the debt service related to the SPLOST bonds.

The City has been working on our Streetscape development project since planning and design began in 2014. Actual construction on the Streetscape project began in 2017 and was finally completed during 2021 with a total final cost since inception of \$11,042,248. This project has improved the major thoroughfares transportation, safety and visual appeal throughout the city along East Ponce de Leon Avenue, Market Street and Norman Road.

In November of 2017, DeKalb County voters approved a referendum for a six-year Special Purpose Local Option Sales Tax restricted for capital construction of streets and sidewalk improvements with the City estimated to receive \$11,353,392 over six years. To date the actual tax collected by the City is averaging 104.9% of the original estimate.

The tax digest valuation for the City is estimated to increase by approximately 4.51% in 2022 and the City maintained the property tax millage rate at 14.89 mils. During the past few years, the city has experienced a dramatic increase in development and redevelopment projects compared to the previous decade. As these projects are completed over the next couple of years, we expect increases in our property tax digest and tax revenues.

Our fines and forfeitures revenues have continued to decline over the past few years as a percentage of total revenue as we have taken a more lenient approach in law enforcement by issuing more warnings and less citations. The overall focus by the city, including the police department and judicial process has been to be a little more lenient and tolerant in our judicial proceedings.

During 2022, the City will receive additional federal funding through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan Act to support our response to and recovery from the COVID-19 public health emergency.

We continue to monitor our revenues and expenditures in expectation of potential revenue shortfalls.

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, 2021

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 9,567,136	\$ 442,180	\$ 10,009,316
Taxes receivables, net of allowances	597,055	-	597,055
Intergovernmental receivable	210,607	-	210,607
Other receivables	65,117	-	65,117
Accounts receivables, net of allowances	-	28,900	28,900
Interfund balances	(145,931)	145,931	-
Prepaid items	69,853	4,171	74,024
Capital assets:			
Nondepreciable	3,583,737	131,770	3,715,507
Depreciable, net of accumulated depreciation	19,415,875	1,594,874	21,010,749
Total assets	33,363,449	2,347,826	35,711,275
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	619,987	-	619,987
Total deferred outflows of resources	619,987	-	619,987
LIABILITIES			
Accounts payable	871,938	206,616	1,078,554
Accrued liabilities	331,785	-	331,785
Unearned revenues	1,346,788	-	1,346,788
Compensated absences due within one year	160,188	-	160,188
Compensated absences due in more than one year	242,018	-	242,018
Net pension liability	1,861,832	-	1,861,832
Notes payable due within one year	337,228	-	337,228
Notes payable due in more than one year	2,983,556	-	2,983,556
Bonds payable due within one year	2,232,900	-	2,232,900
Bonds payable due in more than one year	4,869,883	-	4,869,883
Financed purchases due within one year	170,934	19,855	190,789
Financed purchases due in more than one year	285,443	111,448	396,891
Total liabilities	15,694,493	337,919	16,032,412
DEFERRED INFLOWS OF RESOURCES			
Pension related items	710,780	-	710,780
Total deferred inflows of resources	710,780	-	710,780
Net investment in capital assets	12,040,340	1,453,452	13,493,792
Restricted for public safety	161,190	-	161,190
Restricted for recreation	9,370	-	9,370
Restricted for public works	362,718	-	362,718
Restricted for capital construction	4,424,711	-	4,424,711
Unrestricted	579,834	556,455	1,136,289
Total net position	\$ 17,578,163	\$ 2,009,907	\$ 19,588,070

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,372,331	\$ 711,707	\$ 109,462	\$ -	\$ (551,162)	\$ -	\$ (551,162)
Building and grounds	149,894	-	-	-	(149,894)	-	(149,894)
Public safety	2,692,323	477,332	109,632	58,376	(2,046,983)	-	(2,046,983)
Public works	940,899	-	55,037	2,233,897	1,348,035	-	1,348,035
Recreation and parks	360,975	23,709	4,945	-	(332,321)	-	(332,321)
Judicial/municipal court	453,783	-	-	-	(453,783)	-	(453,783)
Economic and community development	717,318	-	677,693	-	(39,625)	-	(39,625)
Planning and zoning	382,063	-	-	-	(382,063)	-	(382,063)
Interest and fiscal charges	239,411	-	-	-	(239,411)	-	(239,411)
Total governmental activities	<u>7,308,997</u>	<u>1,212,748</u>	<u>956,769</u>	<u>2,292,273</u>	<u>(2,847,207)</u>	<u>-</u>	<u>(2,847,207)</u>
Business-type activities:							
Sanitation	219,064	219,938	-	-	-	874	874
Stormwater utility	309,343	304,631	-	190,000	-	185,288	185,288
Total business-type activities	<u>528,407</u>	<u>524,569</u>	<u>-</u>	<u>190,000</u>	<u>-</u>	<u>186,162</u>	<u>186,162</u>
Total primary government	<u>\$ 7,837,404</u>	<u>\$ 1,737,317</u>	<u>\$ 956,769</u>	<u>\$ 2,482,273</u>	<u>(2,847,207)</u>	<u>186,162</u>	<u>(2,661,045)</u>
General revenues:							
Property taxes					3,782,226	-	3,782,226
Franchise taxes					461,601	-	461,601
Insurance premium taxes					1,006,157	-	1,006,157
Business and occupational taxes					220,925	-	220,925
Alcoholic beverage taxes					127,514	-	127,514
Unrestricted investment earnings					97	37	134
Miscellaneous Income					1,446	-	1,446
Total general revenues					<u>5,599,966</u>	<u>37</u>	<u>5,600,003</u>
Change in net position					2,752,759	186,199	2,938,958
Net position, beginning of year					14,825,404	1,823,708	16,649,112
Net position, end of year					<u>\$ 17,578,163</u>	<u>\$ 2,009,907</u>	<u>\$ 19,588,070</u>

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

CITY OF CLARKSTON, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2021

ASSETS	General Fund	ARPA Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,244,000	\$ 1,389,587	\$ 4,772,359	\$ 161,190	\$ 9,567,136
Taxes receivables, net of allowance	597,055	-	-	-	597,055
Intergovernmental receivable	-	-	210,607	-	210,607
Other receivables	65,117	-	-	-	65,117
Prepaid items	69,853	-	-	-	69,853
Due from other funds	100	-	-	443,282	443,382
Total assets	\$ 3,976,125	\$ 1,389,587	\$ 4,982,966	\$ 604,472	\$ 10,953,150
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 240,167	\$ 42,699	\$ 589,072	\$ -	\$ 871,938
Accrued liabilities	151,717	-	119,705	-	271,422
Unearned revenue	-	1,346,788	-	-	1,346,788
Due to other funds	589,213	100	-	-	589,313
Total liabilities	981,097	1,389,587	708,777	-	3,079,461
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	117,170	-	-	-	117,170
Total deferred inflows of resources	117,170	-	-	-	117,170
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepaid items	69,853	-	-	-	69,853
Restricted:					
Public safety	-	-	-	161,190	161,190
Recreation	-	-	-	9,370	9,370
Public works	-	-	-	362,718	362,718
Capital construction	-	-	4,274,189	71,194	4,345,383
Assigned:					
Public safety	237,263	-	-	-	237,263
Unassigned	2,570,742	-	-	-	2,570,742
Total fund balances	2,877,858	-	4,274,189	604,472	7,756,519
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,976,125	\$ 1,389,587	\$ 4,982,966	\$ 604,472	

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.	22,999,612
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	117,170
The deferred outflows 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.	(1,952,625)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(11,342,513)
Net position of governmental activities	\$ 17,578,163

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, 2021

	General Fund	ARPA Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 5,713,254	\$ -	\$ -	\$ -	\$ 5,713,254
Licenses and permits	404,366	-	-	-	404,366
Intergovernmental	-	1,012,769	2,146,407	88,600	3,247,776
Fines and forfeitures	372,932	-	-	76,262	449,194
Charges for services	116,273	-	-	-	116,273
Interest income	6	90	1,266	1	1,363
Other revenues	242,915	-	-	-	242,915
Total revenues	<u>6,849,746</u>	<u>1,012,859</u>	<u>2,147,673</u>	<u>164,863</u>	<u>10,175,141</u>
Expenditures					
Current:					
General government	1,235,979	109,462	-	-	1,345,441
Building and grounds	149,894	-	-	-	149,894
Public safety	2,163,035	165,633	-	103,541	2,432,209
Public works	1,093,107	55,037	-	-	1,148,144
Recreation and parks	125,176	4,945	-	-	130,121
Judicial/municipal court	440,328	10,669	-	-	450,997
Economic and community development	48,460	667,113	-	4	715,577
Planning and zoning	383,645	-	-	-	383,645
Capital outlays	65,267	-	2,547,941	-	2,613,208
Debt service:					
Principal	625,520	-	799,000	32,517	1,457,037
Interest	118,889	-	119,756	2,944	241,589
Total expenditures	<u>6,449,300</u>	<u>1,012,859</u>	<u>3,466,697</u>	<u>139,006</u>	<u>11,067,862</u>
Excess (deficiency) of revenues over (under) expenditures	<u>400,446</u>	<u>-</u>	<u>(1,319,024)</u>	<u>25,857</u>	<u>(892,721)</u>
Other financing sources:					
Proceeds from sale of capital assets	1,446	-	-	-	1,446
Issuance of financed purchases	121,201	-	-	-	121,201
Total other financing sources	<u>122,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,647</u>
Net change in fund balances	523,093	-	(1,319,024)	25,857	(770,074)
Fund balances, beginning of year	<u>2,354,765</u>	<u>-</u>	<u>5,593,213</u>	<u>578,615</u>	<u>8,526,593</u>
Fund balances, end of year	<u>\$ 2,877,858</u>	<u>\$ -</u>	<u>\$ 4,274,189</u>	<u>\$ 604,472</u>	<u>\$ 7,756,519</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, 2021

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

Net change in fund balances - total governmental funds	\$	(770,074)
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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.		2,304,993
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(114,831)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payment on financed purchases		178,476
Principal payment on bonds payable		948,913
Issuance of financed purchase		(121,201)

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.		(3,165)
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Change in net position - governmental activities	\$	<u>2,752,759</u>
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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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,493,709	\$ 5,493,709	\$ 5,713,254	\$ 219,545
Licenses and permits	312,400	312,400	404,366	91,966
Fines and forfeitures	525,000	525,000	372,932	(152,068)
Interest income	-	-	6	6
Charges for services	80,730	80,730	116,273	35,543
Other revenues	157,624	157,624	242,915	85,291
Total revenues	6,569,463	6,569,463	6,849,746	280,283
Expenditures				
Current:				
General government:				
City council	139,976	139,976	118,892	21,084
Mayor	31,630	31,630	26,773	4,857
General administration	934,070	1,086,070	1,090,314	(4,244)
Total general government	1,105,676	1,257,676	1,235,979	21,697
Building and grounds	117,224	163,424	149,894	13,530
Public safety:				
Police	2,258,713	2,178,713	2,163,035	15,678
Public works	1,153,982	1,242,232	1,093,107	149,125
Recreation and parks	142,350	142,350	125,176	17,174
Judicial/municipal Court	488,605	453,605	440,328	13,277
Economic and community development	151,500	51,500	48,460	3,040
Planning and zoning	440,601	390,601	383,645	6,956
Capital outlay	91,000	69,550	65,267	4,283
Debt service:				
Principal	691,552	691,552	625,520	66,032
Interest	149,260	149,260	118,889	30,371
Total debt service	840,812	840,812	744,409	96,403
Total expenditures	6,790,463	6,790,463	6,449,300	341,163
Excess (deficiency) of revenues over (under) expenditures	(221,000)	(221,000)	400,446	621,446
Other Financing Sources:				
Proceeds from sale of capital assets	-	-	1,446	(1,446)
Issuance of financed purchases	221,000	221,000	121,201	99,799
Total other financing sources	221,000	221,000	122,647	98,353
Net change in fund balances	-	-	523,093	719,799
Fund balances, beginning of year	2,354,765	2,354,765	2,354,765	-
Fund balances, end of year	\$ 2,354,765	\$ 2,354,765	\$ 2,877,858	\$ 719,799

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

CITY OF CLARKSTON, GEORGIA
ARPA FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,140,000	\$ 1,140,000	\$ 1,012,769	\$ (127,231)
Interest income	-	-	90	90
Total revenues	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,012,859</u>	<u>(127,141)</u>
EXPENDITURES				
Current:				
General government	112,500	112,500	109,462	3,038
Public safety	100,000	100,000	165,633	(65,633)
Public works	87,500	87,500	55,037	32,463
Recreation and parks	25,000	25,000	4,945	20,055
Judicial/municipal court	25,000	25,000	10,669	14,331
Economic and community development	790,000	790,000	667,113	122,887
Total expenditures	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,012,859</u>	<u>127,141</u>
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2021

ASSETS	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
	Sanitation Fund	Stormwater Utility Fund	
CURRENT ASSETS			
Cash and cash equivalents	\$ 200,661	\$ 241,519	\$ 442,180
Accounts receivables, net of allowances	9,548	19,352	28,900
Prepaid items	-	4,171	4,171
Due from other funds	-	145,931	145,931
Total current assets	210,209	410,973	621,182
NONCURRENT ASSETS			
Capital assets, non-depreciated	-	131,770	131,770
Capital assets, net of accumulated depreciation	-	1,594,874	1,594,874
Total noncurrent assets	-	1,726,644	1,726,644
Total assets	210,209	2,137,617	2,347,826
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	17,934	188,682	206,616
Financed purchase payable, due within one year	-	19,855	19,855
Total Current liabilities	17,934	208,537	226,471
NONCURRENT LIABILITIES			
Financed purchase payable, due in more than one year	-	111,448	111,448
Total noncurrent liabilities	-	111,448	111,448
Total liabilities	17,934	319,985	337,919
NET POSITION			
Net investment in capital assets	-	1,453,452	1,453,452
Unrestricted	192,275	364,180	556,455
Total net position	\$ 192,275	\$ 1,817,632	\$ 2,009,907

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, 2021

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
	Fund	Fund	
OPERATING REVENUE			
Stormwater fees	\$ -	\$ 304,631	\$ 304,631
Sanitation fees	219,938	-	219,938
Total operating revenues	<u>219,938</u>	<u>304,631</u>	<u>524,569</u>
OPERATING EXPENSES			
Contracted services - waste pickup	219,064	-	219,064
Personnel services	-	53,922	53,922
Repairs and maintenance	-	201,089	201,089
Depreciation	-	52,079	52,079
Total operating expenses	<u>219,064</u>	<u>307,090</u>	<u>526,154</u>
Operating income (loss)	<u>874</u>	<u>(2,459)</u>	<u>(1,585)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	37	37
Interest expense	-	(2,253)	(2,253)
Reimbursement of capital costs	-	190,000	190,000
Total nonoperating revenues	<u>-</u>	<u>187,784</u>	<u>187,784</u>
Change in net position	874	185,325	186,199
Net position, beginning	<u>191,401</u>	<u>1,632,307</u>	<u>1,823,708</u>
Net position, ending	<u>\$ 192,275</u>	<u>\$ 1,817,632</u>	<u>\$ 2,009,907</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, 2021

	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	\$ 219,557	\$ 157,794	\$ 377,351
Payments to employees	-	(53,922)	(53,922)
Payments to vendors and suppliers	(212,697)	(46,205)	(258,902)
Net cash provided by operating activities	6,860	57,667	64,527
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Issuance of financed purchases	-	145,920	145,920
Principal payment on financed purchase	-	(14,617)	(14,617)
Interest paid	-	(2,253)	(2,253)
Reimbursement of capital costs	-	190,000	190,000
Purchase of capital assets	-	(593,894)	(593,894)
Net cash used by capital financing activities	-	(274,844)	(274,844)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	37	37
Net cash provided by investing activities	-	37	37
Net change in cash	6,860	(217,140)	(210,280)
Cash, beginning of year	193,801	458,659	652,460
Cash, end of year	\$ 200,661	\$ 241,519	\$ 442,180
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 874	\$ (2,459)	\$ (1,585)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	52,079	52,079
Change in assets and liabilities:			
Increase in accounts receivables	(381)	(906)	(1,287)
Increase in due from other funds	-	(145,931)	(145,931)
Decrease in prepaid items	-	8,968	8,968
Increase in accounts payable	6,367	145,916	152,283
Net cash provided by operating activities	\$ 6,860	\$ 57,667	\$ 64,527

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

	Affordable Housing Private Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ 200,000
Total assets	\$ 200,000
 NET POSITION	
Restricted for affordable housing	\$ 200,000
	\$ 200,000

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

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2021**

	Affordable Housing Private Purpose Trust Fund
ADDITIONS	
Contribution to establish fund	\$ -
Total additions	<u>-</u>
Change in net position	-
NET POSITION:	
Beginning of fiscal year	<u>200,000</u>
End of fiscal year	<u><u>\$ 200,000</u></u>

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

CITY OF CLARKSTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. In conformity with GASB Statement No. 14, "The financial reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", and GASB Statement No. 61, "The Financial Reporting Entity", the component unit's financial statements have been included as a blended component unit.

Blended component units, although also legally separate entities, are in substance part of the City's operations; data from this component unit is combined with the data of the City of Clarkston.

Blended Component Unit - The Urban Redevelopment Agency of the City of Clarkston was established as a legally separate entity on December 6, 2016. The five (5) members of the Urban Redevelopment Agency are appointed by the Mayor and City Council and they may also be removed by the Mayor and City Council. The Urban Redevelopment Agency provides a means to issue revenue bonds for development within the City. Although it is legally separate from the City, the Urban Redevelopment Agency is reported as if it were a part of the primary government because its sole purpose is to finance the City's acquisition of property within the City, and the City is repaying the debt. The Authority has no assets, liabilities, or financial transactions for the year ended December 31, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. 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.

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, proprietary funds, and fiduciary 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 and fiduciary 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 for property taxes and 180 days for all other revenues. 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.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. 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 and capital improvement costs that are not paid through other funds are paid from the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **ARPA Fund** is used to account for restricted grant monies received under the American Rescue Plan Act.

The **SPLOST Fund** is used to provide financing for the acquisition of capital assets or construction of major projects financed by special purpose local option sales tax proceeds.

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.

The City reports the following fiduciary fund:

The **Affordable Housing Private Purpose Trust Fund** accounts for assets held by the City under the terms of a formal trust agreement to be used for affordable housing programs in the City.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

Annual appropriated budgets are adopted for the 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. A project length budget is adopted for all capital projects funds.

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."

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:

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

<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, 2021, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City permits an accumulation of sick leave with no limitation on the amount of hours that can be accrued. Sick leave is payable to those employees who retire from City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- **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, and (3) Unassigned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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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 \$11,342,513 difference are as follows:

Compensated absences	\$	(402,206)
Bonds payable		(7,102,783)
Financed purchases		(456,377)
Accrued interest payable		(60,363)
Notes payable		<u>(3,320,784)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u><u>(11,342,513)</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 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 \$2,304,993 difference are as follows:

Capital outlays	\$	2,950,402
Depreciation expense		<u>(645,409)</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><u>2,304,993</u></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 \$3,165 difference are as follows:

Change in compensated absences	\$ 29,466
Change in accrued interest	2,178
Change in net pension liability	1,032,451
Change in pension experience differences	108,911
Change in pension assumption changes	(31,724)
Change in pension investment earnings differences	(1,135,452)
Change in pension contributions subsequent to measurement date	<u>(8,995)</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>\$ (3,165)</u></u>

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NOTES TO FINANCIAL STATEMENTS

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.

The following fund had departments with excess of actual expenditures over appropriations for the year ended December 31, 2021:

General Fund - General administration	\$ 4,244
ARPA Fund - Public safety	65,633
Police Seizure Fund - Public safety	5,629

These over expenditures were funded by greater than anticipated revenues, available fund balance, and expenditures less than appropriations in other departments.

NOTES TO FINANCIAL STATEMENTS

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 or be enrolled in the State secure deposit program. As of December 31, 2021, 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, 2021, the City had no investments balances that were exposed to credit risk.

Fair value measurements: 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, 2021 the City has no investments and no hierarchy disclosure is presented.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1 and are based on property values as of January 1. Property taxes were levied on July 2, 2021 and are due and payable in two installments. The first installment was due on September 30, 2021, and the second installment was due on November 16, 2021. 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 2 along with the property taxes and are due and payable in two installments. The first installment was due on September 30, 2021, and the second installment was due on November 16, 2021. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2021, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>SPLOST</u>	<u>Sanitation</u>	<u>Stormwater Utility</u>
Receivables:				
Taxes	\$ 627,055	\$ -	\$ -	\$ -
Accounts	-	-	9,548	23,852
Intergovernmental	-	210,607	-	-
Other	65,117	-	-	-
Less allowance for uncollectible	(30,000)	-	-	(4,500)
Net total receivable	<u>\$ 662,172</u>	<u>\$ 210,607</u>	<u>\$ 9,548</u>	<u>\$ 19,352</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 12,005,356	\$ 2,560,695	\$ (11,568,122)	\$ 2,997,929
Land	585,808	-	-	585,808
Total	<u>12,591,164</u>	<u>2,560,695</u>	<u>(11,568,122)</u>	<u>3,583,737</u>
Capital assets, being depreciated:				
Buildings and improvements	3,323,308	107,990	-	3,431,298
Furniture and equipment	991,728	42,577	(247,478)	786,827
Infrastructure	5,738,655	17,616	11,568,122	17,324,393
Vehicles	1,234,752	221,524	(14,500)	1,441,776
Total	<u>11,288,443</u>	<u>389,707</u>	<u>11,306,144</u>	<u>22,984,294</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,504,480)	(91,613)	-	(1,596,093)
Furniture and equipment	(619,952)	(132,452)	247,478	(504,926)
Infrastructure	(392,250)	(241,340)	-	(633,590)
Vehicles	(668,306)	(180,004)	14,500	(833,810)
Total	<u>(3,184,988)</u>	<u>(645,409)</u>	<u>261,978</u>	<u>(3,568,419)</u>
Total capital assets, being depreciated, net	<u>8,103,455</u>	<u>(255,702)</u>	<u>11,568,122</u>	<u>19,415,875</u>
Governmental activities capital assets, net	<u>\$ 20,694,619</u>	<u>\$ 2,304,993</u>	<u>\$ -</u>	<u>\$ 22,999,612</u>
Business-type activities:				
Capital assets, not being depreciated:				
Easements (intangible asset)	\$ 116,495	\$ -	\$ -	\$ 116,495
Construction in progress	137,849	412,147	(534,721)	15,275
Total	<u>254,344</u>	<u>412,147</u>	<u>(534,721)</u>	<u>131,770</u>
Capital assets, being depreciated:				
Infrastructure	1,141,154	39,858	-	1,181,012
Improvements	312,795	-	534,721	847,516
Vehicles	113,167	141,889	-	255,056
Total	<u>1,567,116</u>	<u>181,747</u>	<u>534,721</u>	<u>2,283,584</u>
Less accumulated depreciation for:				
Infrastructure	(441,384)	(28,356)	-	(469,740)
Improvements	(100,912)	(17,929)	-	(118,841)
Vehicles	(94,335)	(5,794)	-	(100,129)
Total	<u>(636,631)</u>	<u>(52,079)</u>	<u>-</u>	<u>(688,710)</u>
Total capital assets, being depreciated, net	<u>930,485</u>	<u>129,668</u>	<u>534,721</u>	<u>1,594,874</u>
Business-type activities capital assets, net	<u>\$ 1,184,829</u>	<u>\$ 541,815</u>	<u>\$ -</u>	<u>\$ 1,726,644</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	\$ 40,147
Public safety	273,348
Public works	100,374
Recreation and parks	<u>231,540</u>
Total depreciation expense - governmental activities	<u>\$ 645,409</u>
Business-type activities:	
Stormwater utility	<u>\$ 52,079</u>

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS

Long-term liability and obligations activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable- direct placement	\$ 8,051,696	\$ -	\$ (948,913)	\$ 7,102,783	\$ 2,232,900
Financed purchases from direct borrowing	513,652	121,201	(178,476)	456,377	170,934
Notes payable- direct borrowing	3,650,432	-	(329,648)	3,320,784	337,228
Net pension liability	2,894,283	1,027,602	(2,060,053)	1,861,832	-
Compensated absences	431,672	205,584	(235,050)	402,206	160,188
Governmental activities					
Long-term liabilities	<u>\$ 15,541,735</u>	<u>\$ 1,354,387</u>	<u>\$ (3,752,140)</u>	<u>\$ 13,143,982</u>	<u>\$ 2,901,250</u>

Compensated absences, the net pension liability, notes payable, financed purchases, and bonds payable are liquidated by the General Fund while other financed purchases are liquidated by the Police Seizure Fund and the Stormwater Fund. The SPLOST revenue proceeds will be used to pay the SPLOST bonds.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business type activities:					
Financed purchases from direct borrowing	\$ -	\$ 145,920	\$ (14,617)	\$ 131,303	\$ 19,855
Business type activities					
Long-term liabilities	<u>\$ -</u>	<u>\$ 145,920</u>	<u>\$ (14,617)</u>	<u>\$ 131,303</u>	<u>\$ 19,855</u>

NOTES TO FINANCIAL STATEMENTS

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

Financed Purchases from Direct Borrowing - Equipment. The City has entered into lease-purchase agreements as lessee for financing the acquisition of vehicles and equipment used in general governmental, public safety, and public works 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. The outstanding balance at December 31, 2021 is \$456,377.

As of December 31, 2021, the cost, current year depreciation, and accumulated depreciation of vehicles and equipment acquired under financed purchases are \$870,331, \$148,121, and \$192,790, respectively. The vehicles and equipment are pledged as collateral on the lease.

The City's total financed purchase debt service requirements to maturity are as follows:

	Principal	Interest	Total
Year ending December 31,			
2022	\$ 170,934	\$ 26,219	\$ 197,153
2023	176,316	21,038	197,354
2024	50,604	16,924	67,528
2025	17,577	16,658	34,235
2026	17,954	16,657	34,611
2027-2028	22,992	368	23,360
Total	\$ 456,377	\$ 97,864	\$ 554,241

Financed Purchases from Direct Borrowing – Stormwater Vehicles. The City has entered into a lease-purchase agreement as lessee for financing the acquisition of vehicles for stormwater. The lease agreement qualifies 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, has been recorded at the present value of the future minimum lease payments as of the date of its inceptions. The outstanding balance at December 31, 2021 is \$131,303.

As of December 31, 2021, the cost of the equipment under lease is \$145,920 with no accumulated depreciation. The vehicles are pledged as collateral on the lease.

NOTES TO FINANCIAL STATEMENTS

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

Financed Purchases from Direct Borrowing – Stormwater Vehicles (continued)

The City's total financed purchase debt service requirements to maturity are as follows:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 19,855	\$ 2,639	\$ 22,494
2023	20,280	2,214	22,494
2024	20,716	1,778	22,494
2025	21,161	1,333	22,494
2026	21,615	879	22,494
2027-2028	27,676	443	28,119
Total	<u>\$ 131,303</u>	<u>\$ 9,286</u>	<u>\$ 140,589</u>

Bonds Payable - Direct Placement. The City's URA Fund issued bonds of \$1,350,000 on March 17, 2017 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. Semi-annual payments began on June 1, 2017.

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

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 151,900	\$ 16,424	\$ 168,324
2023	153,912	12,399	166,311
2024	155,952	8,320	164,272
2025	158,019	4,188	162,207
Total	<u>\$ 619,783</u>	<u>\$ 41,331</u>	<u>\$ 661,114</u>

The City issued \$5,150,000 of Sales Tax Bonds for the purpose of financing capital projects improvements. The issuance of the bonds was approved by a Special Purpose Local Option Sales Tax referendum in November 2017. Pursuant to Georgia Law, these bonds will be repaid with the proceeds of a one percent sales tax. Principal payments on the bonds are due annually commencing on June 1, 2019 until maturity June 1, 2024. Interest payments on the bonds are due semiannually commencing on December 1, 2018 until maturity at an interest rate of 2.65%. These bonds were fully refunded in fiscal year 2020 by the Series 2020A and Series 2020B Bonds.

NOTES TO FINANCIAL STATEMENTS

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

Bonds Payable- Direct Placement (continued)

During fiscal year 2020, the City issued Sales Tax Bonds Series 2020A and 2020B for \$3,585,000 and \$3,697,000, respectively, for the purpose of financing capital outlay projects and refunding the outstanding principal of the Series 2018 Bonds. The issuance of the bonds was approved by a Special Purpose Local Option Sales Tax referendum in November 2017. Pursuant to Georgia Law, these bonds will be repaid with the proceeds of a one percent sales tax. Principal payments on the bonds are due annually commencing on June 1, 2022 until maturity June 1, 2024 for the Series 2020A bonds and June 1, 2021 until maturity June 1, 2024 for the Series 2020B bonds. Interest payments on both series are due semiannually commencing on December 1, 2020 until maturity at an interest rate of 1.74%. The refunding transaction undertaken by the City resulted in aggregate debt service savings of \$60,972 and an economic gain (net present value of the aggregate debt service savings) of \$58,859. The refunded bonds are considered defeased. At December 31, 2021, \$2,890,000 of outstanding revenue bonds are considered defeased.

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

Year ending December 31,	Series 2020A Principal	Series 2020A Interest	Series 2020B Principal	Series 2020B Interest	Total
2022	\$ 1,132,000	\$ 46,622	\$ 949,000	\$ 48,078	\$ 2,175,700
2023	1,192,000	28,465	966,000	29,355	2,215,820
2024	1,261,000	9,611	983,000	9,912	2,263,523
Total	<u>\$ 3,585,000</u>	<u>\$ 84,698</u>	<u>\$ 2,898,000</u>	<u>\$ 87,345</u>	<u>\$ 6,655,043</u>

Notes Payable from Direct Borrowing. 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. Payments commenced on April 1, 2018.

NOTES TO FINANCIAL STATEMENTS

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

Notes Payable from Direct Borrowing (continued)

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

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 50,080	\$ 8,944	\$ 59,024
2023	51,712	7,312	59,024
2024	53,398	5,627	59,025
2025	55,138	3,886	59,024
2026	56,935	2,089	59,024
2027	29,161	353	29,514
Total	<u>\$ 296,424</u>	<u>\$ 28,211</u>	<u>\$ 324,635</u>

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 payable over fifteen years with monthly principal and interest payments totaling \$13,242.

The City entered into a note payable agreement with the Georgia State Road and Tollway Authority on October 20, 2017 for the financing a streetscape project. The note is for \$1,700,000 and carries an interest rate of 1.90%. The loan is payable over ten years with monthly principal and interest payments totaling \$15,966.

The City's future annual debt service requirements to maturity on the Georgia State Road and Tollway Authority loans are as follows:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 287,148	\$ 63,608	\$ 350,756
2023	293,277	57,484	350,761
2024	299,539	51,227	350,766
2025	305,936	44,835	350,771
2026	312,472	38,024	350,496
2027-2031	1,330,502	90,915	1,421,417
2032-2033	195,486	3,142	198,628
Total	<u>\$ 3,024,360</u>	<u>\$ 349,235</u>	<u>\$ 3,373,595</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of \$500,000 at a local financial institution. The borrowing, with an interest rate of 2.09%, matured on December 31, 2021. As of December 31, 2021, all outstanding principal has been paid in full. Total short-term borrowings interest incurred and expensed for the year ended December 31, 2021, was \$4,819.

The following is a summary of the City's short-term borrowings for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ -	\$ 500,000	\$ (500,000)	\$ -

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2021, is as follows:

Due to/from other funds are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 372,088
Stormwater Fund	General Fund	145,931
General Fund	ARPA Fund	100
Nonmajor Governmental Funds	General Fund	71,194
		\$ 589,313

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

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.

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, 2021, the date of the most recent actuarial valuation, there were 118 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	34
Terminated vested participants not yet receiving benefits	41
Active participants - vested	37
Active participants - nonvested	6
Total	<u>118</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For year 2021, the actuarially determined contribution rate was 23.29% of covered payroll. The City makes all contributions to the Plan. For year 2021, the City's contribution to the Plan was \$476,356.

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2021.

Actuarial assumptions. The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.00-8.50% including inflation
Investment rate of return	7.375%

Mortality rates for the July 1, 2021 valuation were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 for healthy retirees and beneficiaries and the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 for disabled participants.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015–June 30, 2019.

Cost of living adjustments were assumed to be 2.25% if terminated prior to July 3, 2018 and 3.00% if terminated on or after July 3, 2018.

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, 2021 are summarized in the table below:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.40%
International equity	20	7.05
Real estate	10	4.50
Global fixed income	5	1.25
Domestic fixed income	20	1.15
Cash	—	
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.375%, this was the same 7.375% rate used in the prior year. 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, 2021, were as follows:

Primary Government:	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/20	\$ 6,281,907	\$ 3,387,624	\$ 2,894,283
Changes for the year:			
Service cost	246,899	-	246,899
Interest	473,591	-	473,591
Differences between expected and actual experience	292,896	-	292,896
Contributions—employer	-	485,351	(485,351)
Net investment income	-	1,574,702	(1,574,702)
Benefit payments	(214,467)	(214,467)	-
Administrative expense	-	(14,216)	14,216
Net changes	798,919	1,831,370	(1,032,451)
Balances at 12/31/21	\$ 7,080,826	\$ 5,218,994	\$ 1,861,832

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 7.375 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 (6.375 percent) or 1-percentage-point higher (8.375 percent) than the current rate:

	<u>1% Decrease (6.375%)</u>	<u>Current Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
City's net pension liability	\$ 2,878,546	\$ 1,861,832	\$ 1,019,202

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

Sensitivity of the net pension liability to changes in the discount rate (continued). 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, 2021 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, 2021, the City recognized pension expense of \$511,165. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 230,996	\$ -
Change of assumptions	31,724	-
Net difference between projected and actual earnings on pension plan investments	-	710,780
City contributions subsequent to the measurement date	357,267	-
Total	\$ 619,987	\$ 710,780

City contributions subsequent to the measurement date of \$357,267 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:

2022		\$	7,402
2023			(35,487)
2024			(156,895)
2025			(263,080)
	Total		\$ (448,060)

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED CONTRIBUTION PLAN

The City of Clarkston's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by Nationwide Retirement Solutions for all full time employees. The Plan is funded through employer and employee contributions. Plan provisions and contribution requirements are established and may be amended by the City's Mayor and Council. At December 31, 2021, there were 19 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the year ended December 31, 2021 was \$77,175. The City did not contribute any matching contributions.

NOTE 12. 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, 229 Peachtree Street NE, Suite 100, Atlanta, Georgia 30303.

NOTE 13. 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, 2021. The Authority is independent of the City.

NOTE 14. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (CONTINUED)

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.

NOTE 15. 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.

Construction Commitments:

At December 31, 2021, the City has outstanding construction commitments of approximately \$465,890 on various construction projects.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. SUBSEQUENT EVENTS

The City closed on a \$500,000 tax anticipation note on July 14, 2022 that will mature on December 31, 2022. The purpose of the short-term borrowing was for operating purposes. The short-term borrowing carries an interest rate of 3.47%.

CITY OF CLARKSTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability							
Service cost	\$ 246,899	\$ 277,466	\$ 229,507	\$ 243,779	\$ 177,308	\$ 145,312	\$ 164,013
Interest on total pension liability	473,591	431,304	377,433	339,846	229,382	210,131	191,727
Differences between expected and actual experience	292,896	107,197	151,862	72,115	(92,121)	12,753	96,448
Changes of assumptions	-	95,171	-	(103,236)	-	-	(92,313)
Benefit payments, including refunds of employee contributions	(214,467)	(204,969)	(144,151)	(125,213)	(120,731)	(118,864)	(125,937)
Other	-	-	86,085	-	1,233,738	-	-
Net change in total pension liability	<u>798,919</u>	<u>706,169</u>	<u>700,736</u>	<u>427,291</u>	<u>1,427,576</u>	<u>249,332</u>	<u>233,938</u>
Total pension liability - beginning	<u>6,281,907</u>	<u>5,575,738</u>	<u>4,875,002</u>	<u>4,447,711</u>	<u>3,020,135</u>	<u>2,770,803</u>	<u>2,536,865</u>
Total pension liability - ending (a)	<u><u>\$ 7,080,826</u></u>	<u><u>\$ 6,281,907</u></u>	<u><u>\$ 5,575,738</u></u>	<u><u>\$ 4,875,002</u></u>	<u><u>\$ 4,447,711</u></u>	<u><u>\$ 3,020,135</u></u>	<u><u>\$ 2,770,803</u></u>
Plan fiduciary net position							
Contributions - employer	\$ 485,351	\$ 450,446	\$ 482,677	\$ 204,429	\$ 168,420	\$ 167,876	\$ 112,067
Net investment income	1,574,702	(265,567)	116,924	326,148	288,556	6,467	197,596
Benefit payments, including refunds of member contributions	(214,467)	(204,969)	(144,151)	(125,213)	(120,731)	(118,864)	(125,937)
Administrative expenses	(14,216)	(15,279)	(14,466)	(14,275)	(17,065)	(10,231)	(9,345)
Net change in plan fiduciary net position	<u>1,831,370</u>	<u>(35,369)</u>	<u>440,984</u>	<u>391,089</u>	<u>319,180</u>	<u>45,248</u>	<u>174,381</u>
Plan fiduciary net position - beginning	<u>3,387,624</u>	<u>3,422,993</u>	<u>2,982,009</u>	<u>2,590,920</u>	<u>2,271,740</u>	<u>2,226,492</u>	<u>2,052,111</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,218,994</u></u>	<u><u>\$ 3,387,624</u></u>	<u><u>\$ 3,422,993</u></u>	<u><u>\$ 2,982,009</u></u>	<u><u>\$ 2,590,920</u></u>	<u><u>\$ 2,271,740</u></u>	<u><u>\$ 2,226,492</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 1,861,832</u></u>	<u><u>\$ 2,894,283</u></u>	<u><u>\$ 2,152,745</u></u>	<u><u>\$ 1,892,993</u></u>	<u><u>\$ 1,856,791</u></u>	<u><u>\$ 748,395</u></u>	<u><u>\$ 544,311</u></u>
Plan fiduciary net position as a percentage of the total pension liability	73.71%	53.93%	61.39%	61.17%	58.25%	75.22%	80.36%
Covered payroll	\$ 2,280,748	\$ 2,022,384	\$ 2,115,817	\$ 1,845,243	\$ 1,867,558	\$ 1,872,798	\$ 1,469,336
City's net pension liability as a percentage of covered payroll	81.63%	143.11%	101.75%	102.59%	99.42%	39.96%	37.04%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 476,356	\$ 488,350	\$ 437,812	\$ 407,153	\$ 204,600
Contributions in relation to the actuarially determined contribution	476,356	488,350	437,812	407,153	204,600
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,045,324	\$ 2,144,708	\$ 1,870,192	\$ 1,897,265	\$ 1,903,256
Contributions as a percentage of covered payroll	23.29%	22.77%	23.41%	21.46%	10.75%
	<u>2016</u>	<u>2015</u>			
Actuarially determined contribution	\$ 175,594	\$ 165,303			
Contributions in relation to the actuarially determined contribution	175,594	165,303			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 1,493,146	\$ 1,469,336			
Contributions as a percentage of covered payroll	11.76%	11.25%			

Notes to the Schedule of City Contributions:

(1) Actuarial Assumptions used to determine contributions:

Valuation Date	July 1, 2021
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	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost-of-living Adjustment	2.25%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	years.

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

The **Grant Fund** 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.

The **CARES Fund** is used to account for restricted grant monies received for coronavirus relief.

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, 2021

	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Police Seizure Fund</u>	<u>Grant Fund</u>	<u>CARES Fund</u>	<u>Homestead Option Sales Tax Fund</u>	
ASSETS					
Cash and cash equivalents	\$ 161,190	\$ -	\$ -	\$ -	\$ 161,190
Due from other funds	-	372,088	-	71,194	443,282
 Total assets	<u>\$ 161,190</u>	<u>\$ 372,088</u>	<u>\$ -</u>	<u>\$ 71,194</u>	<u>\$ 604,472</u>
FUND BALANCES					
Restricted for:					
Public safety	\$ 161,190	\$ -	\$ -	\$ -	\$ 161,190
Public works	-	362,718	-	-	362,718
Recreation	-	9,370	-	-	9,370
Capital construction	-	-	-	71,194	71,194
 Total fund balances	<u>\$ 161,190</u>	<u>\$ 372,088</u>	<u>\$ -</u>	<u>\$ 71,194</u>	<u>\$ 604,472</u>

CITY OF CLARKSTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Police Seizure Fund	Grant Fund	CARES Fund	Homestead Option Sales Tax Fund	
REVENUES					
Intergovernmental	\$ -	\$ 88,600	\$ -	\$ -	\$ 88,600
Interest Income	-		1	-	1
Fines and forfeitures	76,262		-	-	76,262
Total revenues	<u>76,262</u>	<u>88,600</u>	<u>1</u>	<u>-</u>	<u>164,863</u>
EXPENDITURES					
Current:					
Public safety	101,165	2,376	-	-	103,541
Economic and Community Development	-	-	4	-	4
Debt service:					
Principal	32,517	-	-	-	32,517
Interest	2,944	-	-	-	2,944
Total expenditures	<u>136,626</u>	<u>2,376</u>	<u>4</u>	<u>-</u>	<u>139,006</u>
Net change in fund balances	(60,364)	86,224	(3)	-	25,857
FUND BALANCES, beginning of year	<u>221,554</u>	<u>285,864</u>	<u>3</u>	<u>71,194</u>	<u>578,615</u>
FUND BALANCES, end of year	<u>\$ 161,190</u>	<u>\$ 372,088</u>	<u>\$ -</u>	<u>\$ 71,194</u>	<u>\$ 604,472</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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 80,000	\$ 150,000	\$ 76,262	\$ (73,738)
Total revenues	80,000	150,000	76,262	(73,738)
Expenditures				
Current:				
Public safety	25,536	95,536	101,165	(5,629)
Debt service:				
Principal	49,785	49,785	32,517	17,268
Interest	4,679	4,679	2,944	1,735
Total expenditures	80,000	150,000	136,626	13,374
Net change in fund balances	-	-	(60,364)	(60,364)
Fund balances, beginning of year	221,554	221,554	221,554	-
Fund balances, end of year	\$ 221,554	\$ 221,554	\$ 161,190	\$ (60,364)

CITY OF CLARKSTON, GEORGIA
GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 104,000	\$ 104,000	\$ 88,600	\$ (15,400)
Total revenues	<u>104,000</u>	<u>104,000</u>	<u>88,600</u>	<u>(15,400)</u>
EXPENDITURES				
Current:				
Public safety	4,000	4,000	2,376	1,624
Capital outlays	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>104,000</u>	<u>104,000</u>	<u>2,376</u>	<u>101,624</u>
Net change in fund balances	-	-	86,224	86,224
FUND BALANCES, beginning of year	<u>285,864</u>	<u>285,864</u>	<u>285,864</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 285,864</u></u>	<u><u>\$ 285,864</u></u>	<u><u>\$ 372,088</u></u>	<u><u>\$ 86,224</u></u>

CITY OF CLARKSTON, GEORGIA
CARES FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest income	\$ -	\$ 1	\$ 1	\$ -
Total revenues	-	1	1	-
EXPENDITURES				
Current:				
Economic and community development	3	4	4	-
Total expenditures	3	4	4	-
Net change in fund balances	(3)	(3)	(3)	-
FUND BALANCES, beginning of year	3	3	3	-
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CLARKSTON, GEORGIA

**SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

PROJECT	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENT COMPLETE
SPLOST:						
Roads Projects	\$ 6,202,053	\$ 6,202,053	\$ 4,148,939	\$ 591,507	\$ 4,740,446	76.43 %
Transportation improvements	4,717,481	4,717,481	1,957,638	1,956,434	3,914,072	82.97
SPLOST bond closing fees	95,942	196,130	196,110	-	196,110	99.99
SPLOST bond interest	540,638	540,638	351,336	119,756	471,092	87.14
SPLOST bond principal	5,150,000	5,150,000	1,480,000	799,000	2,279,000	44.25
Total SPLOST	<u>\$ 16,706,114</u>	<u>\$ 16,806,302</u>	<u>\$ 8,134,023</u>	<u>\$ 3,466,697</u>	<u>\$ 11,600,720</u>	

SINGLE AUDIT SECTION



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Clarkston, Georgia** (the "City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2023.

Report on 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") as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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
March 13, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Clarkston, Georgia's (the "City's") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 13, 2023

CITY OF CLARKSTON, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
Passed through the Georgia Governor's Office of Planning and Budget Covid 19 -Coronavirus State and Local Fiscal Recovery Fund	21.027	GA-0004853	\$ 1,012,769
Passed through DeKalb County, Georgia Covid-19 Coronavirus Relief Fund	21.019	n/a	4
Total U.S. Department of Treasury			<u>1,012,773</u>
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership	16.607	2021BUBX21025006	<u>2,376</u>
Total U.S. Department of Justice			<u>2,376</u>
Total Expenditures of Federal Awards			<u>\$ 1,015,149</u>

See notes to schedule of expenditures of federal awards.

CITY OF CLARKSTON, GEORGIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Clarkston, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The City did not utilize the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

The City did not pass any federal awards to sub-recipients.

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

Federal Assistance Listing Number
21.027

Name of Federal Program or Cluster
COVID-19: Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF CLARKSTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

CITY OF CLARKSTON, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

None reported