CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

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FOR THE YEAR ENDED
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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Clarkston, Georgia**, as of and for the year ended December 31, 2010, which collectively comprise the City of Clarkston, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Clarkston, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Clarkston, Georgia as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund, the Grants Fund, and the Police Seizure Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2011, on our consideration of the City of Clarkston, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 through 9 and the schedule of funding progress (on page 39) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 25, 2011

CITY OF CLARKSTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $3,797,615 (net assets). Of this amount, $2,816,597 (*unrestricted net assets)* may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets had an increase in net assets of $304,916 during the most recent year resulting from governmental and business-type activities. This compared to a decrease of $127,548 in the prior year.

- As of the close of the current year, the City's governmental funds reported combined ending fund balances of $2,415,525. This compares to the prior ending fund balances of $2,188,018 showing a net increase of $227,507 during the current year. The current year increase in fund balances was due, in part, to an increase in fines and forfeitures revenue over the prior year offset by an increase in expenditures in the public safety department.

- At the end of the current year, the total fund balance for the General Fund was $2,256,432 or 87% of General Fund expenditures. Of this amount, $53,416 was reserved for prepaid items.

- At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by $97,868. These net assets of $97,868 are all unrestricted net assets available to meet the Utilities' 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 $569,394. Included in these net assets is $146,216 invested in capital assets and $423,178 of unrestricted net assets available to meet the Funds on-going obligations to its customers.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains three (3) 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, the Grants Fund, and the Police Seizure Fund.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The assets exceeded liabilities by $3,797,615 at the close of the most recent year. Table 1 below is a summary of the City's net assets.

Table 1
Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 2,654,063	$ 2,455,029	$ 621,591	$ 544,136	$ 3,275,654	$ 2,999,165
Capital assets	713,716	693,863	146,216	76,649	859,932	770,512
Total assets	3,367,779	3,148,892	767,807	620,785	4,135,586	3,769,677
Current liabilities	232,777	233,682	100,545	38,908	333,322	272,590
Long-term liabilities	4,649	4,388	-	-	4,649	4,388
Total liabilities	237,426	238,070	100,545	38,908	337,971	276,978
Net assets:						
Invested in capital assets, net of related debt	675,709	680,849	146,216	76,649	821,925	757,498
Restricted	159,093	42,793	-	-	159,093	42,793
Unrestricted	2,295,551	2,187,180	521,046	505,228	2,816,597	2,692,408
Total net assets	$ 3,130,353	$ 2,910,822	$ 667,262	$ 581,877	$ 3,797,615	$ 3,492,699

A portion of the City's net assets ($821,925 or 21.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and intangibles), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets ($159,093 or 4.2%) represents resources that are subject to external restrictions on how they may be used. $159,093 of the City's net assets is restricted for the public safety department. This restriction is related to the Police Seizure Fund. The remaining portion of the City's net assets ($2,816,597 or 74.2%) is unrestricted. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

Changes in Net Assets

The following schedule presents a summary of changes in net assets for the year ended December 31, 2010.

Table 2
Change in net assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 1,238,051	$ 616,265	$ 290,365	$ 277,753	$ 1,528,416	$ 894,018
Capital grants and contributions	62,544	49,445	-	-	62,544	49,445
General revenues:						
Property taxes	986,570	1,027,351	-	-	986,570	1,027,351
Franchise taxes	222,695	207,323	-	-	222,695	207,323
Insurance premium taxes	389,258	400,959	-	-	389,258	400,959
Business and Occupational taxes	28,147	28,565	-	-	28,147	28,565
Alcoholic beverage taxes	59,334	51,822	-	-	59,334	51,822
Interest earnings	13,967	32,919	71	21	14,038	32,940
Gain on sale of capital assets	1,300	-	-	-	1,300	-
Total revenues	3,001,866	2,414,649	290,436	277,774	3,291,002	2,692,423
Expenses:						
General government	833,812	855,000	-	-	833,812	855,000
Buildings and grounds	111,339	57,417	-	-	111,339	57,417
Public safety	1,479,858	1,288,381	-	-	1,479,858	1,288,381
Public works	307,164	317,670	-	-	307,164	317,670
Recreation and parks	49,264	61,236	-	-	49,264	61,236
Interest on long-term debt & capital leases	898	2,335	-	-	898	2,335
Sanitation	-	-	154,469	154,134	154,469	154,134
Stormwater	-	-	50,582	83,798	50,582	83,798
Total expenses	2,782,335	2,582,039	205,051	237,932	2,987,386	2,819,971
Excess (deficiency)	219,531	(167,390)	85,385	39,842	304,916	(127,548)
Transfers	-	(93,340)	-	93,340	-	-
Change in net assets	219,531	(260,730)	85,385	133,182	304,916	(127,548)
Net assets - Jan 1	2,910,822	3,171,552	581,877	448,695	3,492,699	3,620,247
Net assets - Dec 31	$ 3,130,353	$ 2,910,822	$ 667,262	$ 581,877	$ 3,797,615	$ 3,492,699

Governmental Activities

Governmental activities increased the City's net assets by $219,531.

Revenues. Charges for services of $1,238,051 accounted for 41.2% of the City's total governmental revenue. Property taxes provided 32.9% of the City's total governmental revenue of year 2010 as compared with 42.6% in the year 2009. Governmental charges for services increased by $621,786 due to increases in fines and forfeitures of $509,801 and increases in other charges for services. Overall, governmental revenues increased by $587,217 or 24.3% while overall governmental expenses increased by $200,296 or 7.8%.

Expenses. The total expense for the governmental activities was $2,782,335. Public safety accounts for the largest portion of governmental expenses. Total public safety expenses were $1,479,858 or 53.2% of total governmental expenses.

Business-type activities

Business-type activities contain operations of the Sanitation Fund and Stormwater Utility Fund. Business-type activities increased the City's net assets by $85,385.

Revenues. Operating revenues for the enterprise funds were $12,612 higher than in 2009. In the current year, the Sanitation Fund operating revenues were $161,638 and the Stormwater Utility Fund operating revenues were $128,727. The sanitation and the stormwater utility charges are billed on the DeKalb County annual property tax bills.

Expenses. Operating expenses for the Sanitation Fund were $154,469 in the current year compared to $154,134 in the prior year. Operating expenses for the Stormwater Utility Fund were $50,582 in the current year compared to $83,798 in the prior year.

Financial Analysis of the Government's Funds

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

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of $2,415,525. Of this amount $2,203,016 or 91.2% constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance of $212,509 is reserved indicating it is not available for new spending. Reserved governmental fund balances are reserved for prepaid items in the amount of $53,416 and public safety in the amount of $159,093.

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 $2,256,432, of which, $2,203,016 was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total fund balance of $2,256,432 represents approximately 87% of total General Fund expenditures compared to 86.1% of the prior year.

Fund balance of the City's General Fund increased by $111,241 during the current year.

Total fund balance for other governmental funds at year end was $159,093. This total, in which 100% was reserved for public safety, had a net increase of $116,300 when compared to the prior year.

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

Stormwater fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Stormwater Utility Fund increased its net assets by $78,201 in 2010. This increase in net assets is attributable to revenues in excess of expenses.

Sanitation fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Sanitation Fund increased its net assets by $7,184 in 2010. This increase in net assets is attributable to revenues in excess of expenses.

Table 3 below compares governmental fund revenues and expenditures for 2010 and 2009.

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

	Governmental Funds	
	2010	2009
Revenues:		
Taxes	$ 1,689,818	$ 1,705,996
Licenses and permits	101,824	55,510
Intergovernmental	62,544	49,445
Fines and forfeitures	927,394	417,593
Charges for services	37,545	28,931
Interest income	13,967	32,919
Other revenues	171,288	114,231
Total Revenue	3,004,380	2,404,625
Expenditures:		
General government	834,493	870,297
Buildings and grounds	111,419	59,631
Public safety	1,512,609	1,273,489
Public works	301,086	316,293
Recreation and parks	48,103	61,821
Debt service:		
Principal retirements	53,802	50,493
Interest	898	2,335
Total Expenditures	2,862,410	2,634,359
Excess (deficiency) of revenues over (under) expenditures	141,970	(229,734)
Other financing sources (uses):		
Capital leases	78,795	26,925
Proceeds from sale of capital assets	6,742	1,104
Transfers in	-	49,492
Transfers out	-	(142,832)
Total other financing sources (uses)	85,537	(65,311)
Net change in fund balances	227,507	(295,045)
Fund balances, beginning of year	2,188,018	2,483,063
Fund balances, end of year	$ 2,415,525	$ 2,188,018

General Fund Budgetary Highlights

The City's budget is prepared according to Georgia Law. A comparison of General Fund actual expenditures compared to budget is presented in the financial statements. General Fund revenues were $171,800 more than budgeted mainly due to more than expected collection of fines and forfeitures than what was budgeted and anticipated. Expenditures were $47,403 less than budgeted.

The original budget was not amended during the current fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2010, amounts to $859,932 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and improvements, machinery and equipment, park facilities, and storm water infrastructure. Table 4 below summarizes capital assets of the City.

Table 4
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 408,799	$ 408,799	$ -	$ -	$ 408,799	$ 408,799
Intangible asset	-	-	41,698	-	41,698	-
Buildings and improvements	958,019	958,019	-	-	958,019	958,019
Furniture and equipment	228,396	194,780	-	-	228,396	194,780
Vehicles	493,179	474,699	-	-	493,179	474,699
Stormwater infrastructure	-	-	364,994	324,994	364,994	324,994
Less accumulated depreciation	(1,374,677)	(1,342,434)	(260,476)	(248,345)	(1,635,153)	(1,590,779)
Total	$ 713,716	$ 693,863	$ 146,216	$ 76,649	$ 859,932	$ 770,512

The City's total investment in capital assets increased from $770,512 to $859,932 in 2010. The City purchased $194,109 in new capital assets and disposed of $60,315 in capital assets. Depreciation on capital assets was $99,247. Additional information on the City's capital assets can be found at Note 6 in the notes to the financial statements of this report.

Long Term Debt. The City's long-term debt can be found in Note 7 in the notes to the financial statements of this report. The City incurred additional debt in 2010 from purchasing vehicles through capital leases. Debt related to compensated absences increased by $2,614. The City's long-term debt is summarized in table 5 below.

Table 5
Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Capital leases	$ 38,007	$ 13,014	$ -	$ -	$ 38,007	$ 13,014
Compensated absences	46,494	43,880	-	-	46,494	43,880
	$ 84,501	$ 56,894	$ -	$ -	$ 84,501	$ 56,894

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 2011. The budget for 2011 reflects total revenues of $3,415,551 and total expenditures of 3,415,543.

The City was awarded a Community Development Block Grant in the amount of $500,000 which is to be used to renovate the City's public swimming pool. This project is expected to be completed in 2011 at a total cost of $950,000, of which $500,000 will be paid from grant funds and $450,000 from the City.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Clerk
City of Clarkston
3921 Church Street
Clarkston, GA 30021

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equvialents	$ 906,707	$ 447,933	$ 1,354,640
Investments	1,290,551	-	1,290,551
Taxes receivable	308,348	-	308,348
Accrued interest receivable	563	-	563
Due from other governments	-	97,296	97,296
Other receivables	41,852	-	41,852
Accounts receivable	-	16,210	16,210
Internal balances	2,685	(2,685)	-
Prepaid items	53,416	62,837	116,253
Net pension asset	49,941	-	49,941
Capital assets:			
Non-depreciable	408,799	41,698	450,497
Depreciable, net of accumulated depreciation	304,917	104,518	409,435
Total assets	3,367,779	767,807	4,135,586
LIABILITIES			
Accounts payable	116,276	100,545	216,821
Accrued liabilities	34,142	-	34,142
Unearned revenue	2,507	-	2,507
Compensated absences due within one year	41,845	-	41,845
Compensated absences due in more than one year	4,649	-	4,649
Capital leases due within one year	38,007	-	38,007
Total liabilities	237,426	100,545	337,971
NET ASSETS			
Invested in capital assets, net of related debt	675,709	146,216	821,925
Restricted for public safety	159,093	-	159,093
Unrestricted	2,295,551	521,046	2,816,597
Total net assets	$ 3,130,353	$ 667,262	$ 3,797,615

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	$ 833,812	$ 292,089	$ -	$ (541,723)	$ -	$ (541,723)
Building and grounds	111,339	570	-	(110,769)	-	(110,769)
Public safety	1,479,858	928,614	62,544	(488,700)	-	(488,700)
Public works	307,164	1,608	-	(305,556)	-	(305,556)
Recreation and parks	49,264	15,170	-	(34,094)	-	(34,094)
Interest on long term debt	898	-	-	(898)	-	(898)
Total governmental activities	2,782,335	1,238,051	62,544	(1,481,740)	-	(1,481,740)
Business-type activities:						
Sanitation	154,469	161,638	-	-	7,169	7,169
Stormwater	50,582	128,727	-	-	78,145	78,145
Total business-type activities	205,051	290,365	-	-	85,314	85,314
Total primary government	$ 2,987,386	$ 1,528,416	$ 62,544	(1,481,740)	85,314	(1,396,426)
General revenues:						
Property taxes				986,570	-	986,570
Franchise taxes				222,695	-	222,695
Insurance premium taxes				389,258	-	389,258
Business and occupational taxes				28,147	-	28,147
Alcoholic beverage taxes				59,334	-	59,334
Unrestricted investment earnings				13,967	71	14,038
Gain on sale of capital assets				1,300	-	1,300
Total general revenues and gain on sale of capital assets				1,701,271	71	1,701,342
Change in net assets				219,531	85,385	304,916
Net assets, beginning of year				2,910,822	581,877	3,492,699
Net assets, end of year				$ 3,130,353	$ 667,262	$ 3,797,615

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

CITY OF CLARKSTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

ASSETS	General Fund	Grants Fund	Police Seizure Fund	Total Governmental Funds
Cash and cash equivalents	$ 738,273	$ -	$ 168,434	$ 906,707
Investments	1,290,551	-	-	1,290,551
Taxes receivable, net of allowance	308,348	-	-	308,348
Accrued interest receivables	563	-	-	563
Other receivables	41,852	-	-	41,852
Due from other funds	2,685	2,507	-	5,192
Prepaid items	53,416	-	-	53,416
Total assets	$ 2,435,688	$ 2,507	$ 168,434	$ 2,606,629
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 109,435	$ -	$ 6,841	$ 116,276
Accrued liabilities	34,142	-	-	34,142
Deferred revenues	35,672	2,507	-	38,179
Due to other funds	7	-	2,500	2,507
Total liabilities	179,256	2,507	9,341	191,104
FUND BALANCES				
Fund balances:				
Reserved for:				
Public safety	-	-	159,093	159,093
Prepaid items	53,416	-	-	53,416
Unreserved and undesignated, reported in				
General fund	2,203,016	-	-	2,203,016
Total fund balances	2,256,432	-	159,093	2,415,525
Total liabilities and fund balances	$ 2,435,688	$ 2,507	$ 168,434	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	713,716
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	35,672
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(84,501)
Net pension asset is not a financial resource used in governmental activities and therefore not reported in governmental funds.	49,941
Net assets of governmental activities	$ 3,130,353

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, 2010

	General Fund	Grants Fund	Police Seizure Fund	Total Governmental Funds
Revenues				
Taxes	$ 1,689,818	$ -	$ -	$ 1,689,818
Licenses and permits	101,824	-	-	101,824
Intergovernmental	-	62,544	-	62,544
Fines and forfeitures	689,361	-	238,033	927,394
Charges for services	37,545	-	-	37,545
Interest income	13,860	81	26	13,967
Other revenues	171,288	-	-	171,288
Total revenues	2,703,696	62,625	238,059	3,004,380
Expenditures				
Current:				
General government	834,493	-	-	834,493
Building and grounds	111,419	-	-	111,419
Public safety	1,297,354	62,659	152,596	1,512,609
Public works	301,086	-	-	301,086
Recreation and parks	48,103	-	-	48,103
Debt service:				
Principal retirements	-	-	53,802	53,802
Interest	-	-	898	898
Total expenditures	2,592,455	62,659	207,296	2,862,410
Excess (deficiency) of revenues over (under) expenditures	111,241	(34)	30,763	141,970
Other financing sources (uses):				
Capital leases	-	-	78,795	78,795
Proceeds from disposal of capital assets	-	-	6,742	6,742
Total other financing sources (uses)	-	-	85,537	85,537
Net change in fund balances	111,241	(34)	116,300	227,507
Fund balances, beginning of year	2,145,191	34	42,793	2,188,018
Fund balances, end of year	$ 2,256,432	$ -	$ 159,093	$ 2,415,525

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, 2010

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	227,507
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		25,295
The net effect of the disposal of capital assets is to decrease net assets.		(5,442)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,814)
The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fun Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Initiation of capital leases		(78,795)
Principal payment of capital leases		53,802
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.		978
Change in net assets - governmental activities	$	219,531

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, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 1,739,226	$ 1,739,226	$ 1,689,818	$ (49,408)
Licenses and permits	53,933	53,933	101,824	47,891
Fines and forfeitures	600,000	600,000	689,361	89,361
Interest	30,000	30,000	13,860	(16,140)
Charges for services	28,737	28,737	37,545	8,808
Miscellaneous	80,000	80,000	171,288	91,288
Total revenues	2,531,896	2,531,896	2,703,696	171,800
Expenditures				
Current:				
General government:				
City Council	29,605	29,605	25,309	4,296
Mayor	9,598	9,598	8,630	968
City Clerk	65,670	65,670	62,267	3,403
General administration	786,980	786,980	734,385	52,595
Zoning and planning	5,355	5,355	3,902	1,453
Total general government	897,208	897,208	834,493	62,715
Building and grounds	72,370	72,370	111,419	(39,049)
Public safety:				
Police	1,277,230	1,277,230	1,297,354	(20,124)
Total public safety	1,277,230	1,277,230	1,297,354	(20,124)
Public works:				
Streets	154,300	154,300	134,207	20,093
Sanitation	175,800	175,800	166,879	8,921
Total public works	330,100	330,100	301,086	29,014
Recreation and parks	62,950	62,950	48,103	14,847
Total expenditures	2,639,858	2,639,858	2,592,455	47,403
Excess (deficiency) of revenues over (under) expenditures	(107,962)	(107,962)	111,241	219,203
Other financing sources (uses)				
Proceeds from disposal of capital assets	1,000	1,000	-	(1,000)
Total other financing sources (uses)	1,000	1,000	-	(1,000)
Net change in fund balances	(106,962)	(106,962)	111,241	218,203
Fund balances, beginning of year	2,145,191	2,145,191	2,145,191	-
Fund balances, end of year	$ 2,038,229	$ 2,038,229	$ 2,256,432	$ 218,203

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

CITY OF CLARKSTON, GEORGIA

GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 20,000	$ 20,000	$ 62,544	$ 42,544
Interest	-	-	81	81
Total revenue	20,000	20,000	62,625	42,625
EXPENDITURES				
General government	20,000	20,000	-	20,000
Public Safety	-	-	62,659	(62,659)
Total expenditures	20,000	20,000	62,659	(42,659)
Deficiency of revenues under expenditures	-	-	(34)	(34)
Net change in fund balances	-	-	(34)	(34)
FUND BALANCES, beginning of year	34	34	34	-
FUND BALANCES, end of year	$ 34	$ 34	$ -	$ (34)

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

CITY OF CLARKSTON, GEORGIA

POLICE SEIZURE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 203,750	$ 203,750	$ 238,033	$ 34,283
Interest	600	600	26	(574)
Total revenue	204,350	204,350	238,059	33,709
EXPENDITURES				
Public safety	203,850	203,850	152,596	51,254
Debt service				
Principal retirements	-	-	53,802	(53,802)
Interest	-	-	898	(898)
Total expenditures	203,850	203,850	207,296	(3,446)
Excess of revenues over expenditures	500	500	30,763	30,263
OTHER FINANCING SOURCES				
Capital leases	-	-	78,795	78,795
Proceeds from disposal of capital assets	2,500	2,500	6,742	4,242
Total other financing sources	2,500	2,500	85,537	83,037
Net change in fund balances	3,000	3,000	116,300	113,300
FUND BALANCES, beginning of year	42,793	42,793	42,793	-
FUND BALANCES, end of year	$ 45,793	$ 45,793	$ 159,093	$ 113,300

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

ASSETS	Business-Type Activities-Enterprise Funds: Sanitation Fund	Business-Type Activities-Enterprise Funds: Stormwater Utility Fund	Total Business-Type Activities - Enterprise Funds
CURRENT ASSETS			
Cash and cash equivalents	$ 126,440	$ 321,493	$ 447,933
Due from other governments	-	97,296	97,296
Accounts receivable, net of allowances	9,760	6,450	16,210
Prepaid items	-	62,837	62,837
Due from other funds	-	10,061	10,061
Total current assets	136,200	498,137	634,337
NONCURRENT ASSETS			
Capital assets, non-depreciated	-	41,698	41,698
Capital assets, net of accumulated depreciation	-	104,518	104,518
Total noncurrent assets	-	146,216	146,216
Total assets	136,200	644,353	780,553
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	25,586	74,959	100,545
Due to other funds	12,746	-	12,746
Total current liabilities	38,332	74,959	113,291
NET ASSETS			
Invested in capital assets	-	146,216	146,216
Unrestricted	97,868	423,178	521,046
Total net assets	$ 97,868	$ 569,394	$ 667,262

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities-Enterprise Funds		
	Sanitation Fund	Stormwater Utility Fund	Total Business-Type Activities - Enterprise Funds
OPERATING REVENUE			
Stormwater fees	$ -	$ 128,727	$ 128,727
Sanitation fees	161,638	-	161,638
Total operating revenues	161,638	128,727	290,365
OPERATING EXPENSES			
Contracted services - waste pickup	154,295	-	154,295
Bank charges	174	-	174
Repairs and maintenance	-	38,451	38,451
Depreciation	-	12,131	12,131
Total operating expenses	154,469	50,582	205,051
Operating income	7,169	78,145	85,314
NONOPERATING REVENUES			
Interest income	15	56	71
Total nonoperating revenues	15	56	71
Change in net assets	7,184	78,201	85,385
Total net assets, beginning	90,684	491,193	581,877
Total net assets, ending	$ 97,868	$ 569,394	$ 667,262

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, 2010

	Business-Type Activities-Enterprise Funds		
	Sanitation Fund	Stormwater Utility Fund	Total Business-Type Activities - Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 160,106	$ 206,567	$ 366,673
Payments to vendors and suppliers	(167,122)	(41,457)	(208,579)
Net cash provided (used) by operating activities	(7,016)	165,110	158,094
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	-	(81,698)	(81,698)
Net cash used by capital financing activities	-	(81,698)	(81,698)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	15	56	71
Net cash provided by investing activities	15	56	71
Net increase (decrease) in cash	(7,001)	83,468	76,467
Cash, beginning of year	133,441	238,025	371,466
Cash, end of year	$ 126,440	$ 321,493	$ 447,933
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	$ 7,169	$ 78,145	$ 85,314
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	12,131	12,131
Change in assets and liabilities:			
(Increase) decrease in due from other governments	-	(97,296)	(97,296)
(Increase) decrease in accounts receivable	(1,532)	2,368	836
Decrease in due from other funds	-	75,472	75,472
Decrease in prepaid items	-	20,000	20,000
Increase (decrease) in accounts payable	(12,653)	74,290	61,637
Net cash provided (used) by operating activities	$ (7,016)	$ 165,110	$ 158,094

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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

The **Grants Fund** is one of the City's special revenue funds. This fund is used to account for grants received from the U.S. Department of Justice.

The **Police Seizure Fund** is another one of the City's special revenue funds. This fund is used to account for the use of confiscated drug money by the City's Police Department.

The City reports the following major proprietary funds:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

D. Budgets

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

E. Deposits and Investments

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

F. Interfund Receivables and Payables

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

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

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

Assets	Years
Buildings and improvements	25-40
Infrastructure	15-40
Furniture and equipment	5-10
Vehicles	5

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

J. Long-Term Obligations

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

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

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $84,501 difference are as follows:

Capital leases payable	$	(38,007)
Compensated absences		(46,494)
Net adjustment to reduce *fund balance - total governmental funds to arrive at net assets -governmental activities*	$	(84,501)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $25,295 difference are as follows:

Capital outlay	$	112,411
Depreciation expense		(87,116)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	25,295

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 $978 difference are as follows:

Compensated absences	$	(2,614)
Net pension asset		3,592
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	978

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

Encumbrances accounting is not used by the City.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the year ended December 31, 2010:

General Fund - Building and Grounds	$	39,049
General Fund - Public Safety - Police		20,124
Police Seizure Fund - Debt Service - Prinicipal Retirements		53,802
Police Seizure Fund - Debt Service - Interest		898
Grants Fund - Public Safety		62,659

These over expenditures were funded by greater than anticipated revenues and by available fund balance. The City will monitor the budget more closely in the future and amend the budget as necessary.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statues and City policy, require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2010, all of the City's deposits were covered either by FDIC or collateralized by the financial institution or a combination of both.

As of December 31, 2010, the City had $1,290,551 invested in certificates of deposit as noted in the following table:

Investment	Maturities	Fair Value
Certificate of Deposit # 1	December 7, 2011	$ 327,480
Certificate of Deposit # 2	June 10, 2011	801,821
Certificate of Deposit # 3	December 27, 2011	157,188
Certificate of Deposit # 4	July 28, 2011	4,062
Total		$ 1,290,551

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

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Credit risk: State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2010, the City had no investments balances that were exposed to credit risk.

NOTE 5. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1, and are based on property values as of January 1. Property taxes were levied on June 24, 2010, and are due and payable in two installments. The first installment was due on August 31, 2010 and the second installment was due on November 15, 2010. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

In governmental funds, property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

In the enterprise funds, stormwater and sanitation fees are billed annually on June 24, 2010 along with the property taxes and are due and payable in two installments. The first installment was due on August 31, 2010 and the second installment was due on November 15, 2010. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2010, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Sanitation	Stormwater Utility
Receivables:			
Taxes	$ 312,848	$ -	$ -
Accounts	-	9,760	7,650
Accrued interest	563	-	-
Due from other governments	-	-	97,296
Other	41,852	-	-
Less allowance for uncollectible	(4,500)	-	(1,200)
Net total receivable	$ 350,763	$ 9,760	$ 103,746

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 408,799	$ -	$ -	$ 408,799
Total	408,799	-	-	408,799
Capital assets, being depreciated:				
Buildings and improvements	958,019	-	-	958,019
Furniture and equipment	194,780	33,616	-	228,396
Vehicles	474,699	78,795	(60,315)	493,179
Total	1,627,498	112,411	(60,315)	1,679,594
Less accumulated depreciation for:				
Buildings and improvements	(913,977)	(1,917)	-	(915,894)
Furniture and equipment	(114,555)	(23,023)	-	(137,578)
Vehicles	(313,902)	(62,176)	54,873	(321,205)
Total	(1,342,434)	(87,116)	54,873	(1,374,677)
Total capital assets, being depreciated, net	285,064	25,295	(5,442)	304,917
Governmental activities capital assets, net	$ 693,863	$ 25,295	$ (5,442)	$ 713,716
Business-type activities:				
Capital assets, not being depreciated:				
Easements (intangible asset)	$ -	$ 41,698	$ -	$ 41,698
Total	-	41,698	-	41,698
Capital assets, being depreciated:				
Infrastructure	$ 324,994	$ 40,000	$ -	$ 364,994
Total	324,994	40,000	-	364,994
Less accumulated depreciation for:				
Infrastructure	(248,345)	(12,131)	-	(260,476)
Total	(248,345)	(12,131)	-	(260,476)
Total capital assets, being depreciated, net	76,649	27,869	-	104,518
Business-type activities Capital assets, net	$ 76,649	$ 69,567	$ -	$ 146,216

NOTE 6. CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government	$	132
Public safety		79,938
Public works		5,898
Recreation and parks		1,148
Total depreciation expense - governmental activities	$	87,116
Business-type activities:		
Stormwater	$	12,131

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 13,014	$ 78,795	$ (53,802)	$ 38,007	$ 38,007
Compensated absences	43,880	57,784	(55,170)	46,494	41,845
Governmental activity Long-term liabilities	$ 56,894	$ 136,579	$ (108,972)	$ 84,501	$ 79,852

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

Capital Leases - Equipment. The City has entered into lease-purchase agreements as lessee for financing the acquisition of vehicles used in general governmental activities. The lease agreements qualify as capital leases for accounting purposes (the present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. As of December 31, 2010, the City had $132,160 of vehicles under capital leases.

NOTE 7. LONG-TERM DEBT (Continued)

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

	Governmental Activities
Year Ending December 31,	
2011	$ 40,788
Total minimum lease payments	40,788
Less amount representing interest	2,781
Present value of future minimum lease payments	$ 38,007

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2010, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Grant Fund	Police Seizure Fund	$ 2,500
Grant Fund	General Fund	7
Stormwater Utility Fund	Sanitation Fund	10,061
General Fund	Sanitation Fund	2,685
		$ 15,253

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.

NOTE 9. PENSION PLAN

A. Plan Description

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

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

At July 1, 2010, the date of the most recent actuarial valuation, there were 77 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	25
Terminated vested participants not yet receiving benefits	23
Active vested employees	13
Active nonvested employees	16
Total	77

B. Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. At July 1, 2010, the date of the most recent actuarial valuation, the actuarially determined contribution rate was 6.82% of covered payroll.

NOTE 9. PENSION PLAN (Continued)

B. Funding Policy (Continued)

For 2010, the City's annual required contribution was $113,601 and actual contribution totaled $113,601. The annual required contribution was determined as part of the July 1, 2009 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include an 8.0% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

C. Annual Pension Cost

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended December 31, 2010, were computed as follows:

Annual required contribution	$ 113,601
Interest	(3,592)
Annual pension cost	110,009
Actual contributions made	(113,601)
Increase in net pension asset	(3,592)
Net pension asset, December 31, 2009	(46,349)
Net pension asset, December 31, 2010	$ (49,941)

D. Schedule of Annual Pension Costs

Year Ended December 31,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2010	$ 110,009	$ 113,601	103.3 %	$ (49,941)
2009	67,388	120,092	178.2	(46,349)
2008	57,858	57,446	99.3	6,355

NOTE 9. PENSION PLAN (Continued)

E. Funding Progress

As of the most recent valuation date, July 1, 2010, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2010	$ 1,878,005	$ 1,749,789	$ (128,216)	107.3%	$ 976,937	- %

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2010.

The assumptions used in the July 1, 2010 actuarial valuation are as follows:

Actuarial Assumptions:

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

NOTE 10. JOINT VENTURE

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

NOTE 11. RELATED ORGANIZATIONS

The City of Clarkston Housing Authority was established to assist low-income individuals in obtaining housing at affordable rates. The Authority was not active as of December 31, 2010. The Authority is independent of the City. The City's financial accountability is limited to cosigning on two (2) small bank accounts. Those accounts had no activity during the year ended December 31, 2010.

NOTE 12. RISK MANAGEMENT

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

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

NOTE 12. RISK MANAGEMENT (Continued)

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

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

CITY OF CLARKSTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	$ 1,878,005	$ 1,749,789	$ (128,216)	107.3 %	$ 976,937	- %
7/1/2009	1,438,195	1,859,034	420,839	77.4	822,417	51.2
7/1/2008	1,963,216	1,810,490	(152,726)	108.4	863,086	-

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