CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Clarkston, Georgia (the "City")**, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clarkston, Georgia as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10 and Schedule of Funding Progress on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarkston, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary 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 June 16, 2014 on our consideration of the City of Clarkston, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clarkston, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 16, 2014

CITY OF CLARKSTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by $4,206,147 (net position). Of this amount, $1,630,013 (*unrestricted net position)* may be used to meet the City's ongoing obligations to citizens and creditors. $2,270,186 of net position consisted of investments in capital assets, net of related debt. The remainder of net position consisted of amounts restricted by law, and totaled $305,948.

- The City's total net position decreased by $154,656 in the year ended December 31, 2013. This is compared to a decrease of $200,678 in the prior year.

- As of the close of the current year, the City's governmental funds reported combined ending fund balances of $1,715,467. This compares to the prior year ending fund balances of $2,244,661 showing a net decrease of $529,194 during the current year. The current year decrease in fund balances was due, primarily, to capital outlay expenditures in 2013.

- At the end of the current year, the total fund balance for the General Fund was $1,409,519 or 40% of General Fund expenditures. Of this amount, $1,406,834 was unassigned and $2,685 was nonspendable.

- At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by $108,140. This total net position of $108,140 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 $570,890. Included in this total net position is $521,926 invested in capital assets and $48,964 of unrestricted net position available to meet the Stormwater Utility Fund's on-going obligations to its customers.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains six (6) 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, Grants Fund, City Hall Annex Fund, and Public Works Building Fund. Other nonmajor governmental funds include the Police Seizure Fund and the Homestead Option Sales Tax Fund.

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Clarkston, assets exceeded liabilities by $4,206,147 at the close of the most recent year. Table 1 below is a summary of the City's net position.

Table 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
Assets:	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Current and other assets	$ 2,079,267	$ 2,645,908	$ 206,347	$ 476,160	$ 2,285,614	$ 3,122,068
Capital assets	2,752,300	2,108,516	521,926	274,875	3,274,226	2,383,391
Total assets	4,831,567	4,754,424	728,273	751,035	5,559,840	5,505,459
Liabilities:						
Current liabilities	232,736	280,841	40,544	35,983	273,280	316,824
Long-term liabilities	1,071,714	819,048	8,699	8,784	1,080,413	827,832
Total liabilities	1,304,450	1,099,889	49,243	44,767	1,353,693	1,144,656
Net position:						
Net investment in capital assets	1,748,260	1,646,400	521,926	274,875	2,270,186	1,921,275
Restricted	305,948	375,369	-	-	305,948	375,369
Unrestricted	1,472,909	1,632,766	157,104	431,393	1,630,013	2,064,159
Total net position	$ 3,527,117	$ 3,654,535	$ 679,030	$ 706,268	$ 4,206,147	$ 4,360,803

A portion of the City's net position ($2,270,186 54%) reflects its net 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 position represents resources that are subject to external restrictions on how they may be used. $305,948 (7.3%) of the City's net position is restricted for the public safety and public works activities and capital projects. The remaining portion of the City's net position ($1,630,013 or 38.8%) 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, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

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

The following schedule presents a summary of the City's operations for the year ended December 31, 2013 and 2012. Governmental activities decreased the City's net position by $127,418 for the year ended December 31, 2013 and $154,210 for the year ended December 31, 2012. Business-type activities decreased the City's net position by $27,238 for the year ended December 31, 2013 and $58,418 for the year ended December 31, 2012.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 1,482,864	$ 1,452,231	$ 280,213	$ 274,400	$ 1,763,077	$ 1,726,631
Capital grants and contributions	78,662	91,887	87,302	-	165,964	91,887
General revenues:						
Property taxes	1,181,146	1,136,117	-	-	1,181,146	1,136,117
Franchise taxes	227,712	219,568	-	-	227,712	219,568
Insurance premium taxes	390,415	376,341	-	-	390,415	376,341
Business and occupational taxes	29,672	21,580	-	-	29,672	21,580
Alcoholic beverage taxes	78,745	71,676	-	-	78,745	71,676
Interest earnings	6,391	2,501	28	61	6,419	2,562
Gain on sale of capital assets	-	7,600	-	17,333	-	24,933
Total revenues	3,475,607	3,379,501	367,543	291,794	3,843,150	3,671,295
Expenses:						
General government	1,295,281	1,087,501	-	-	1,295,281	1,087,501
Buildings and grounds	164,827	101,541	-	-	164,827	101,541
Public safety	1,791,392	1,569,631	-	-	1,791,392	1,569,631
Public works	208,137	216,589	-	-	208,137	216,589
Recreation and parks	115,304	545,999	-	-	115,304	545,999
Interest on long-term debt	28,084	12,450	-	-	28,084	12,450
Sanitation	-	-	148,853	146,235	148,853	146,235
Stormwater utility	-	-	245,928	203,977	245,928	203,977
Total expenses	3,603,025	3,533,711	394,781	350,212	3,997,806	3,883,923
Change in net position	(127,418)	(154,210)	(27,238)	(58,418)	(154,656)	(212,628)
Net position - Jan 1	3,654,535	3,808,745	706,268	752,736	4,360,803	4,561,481
Net position - Dec 31	$ 3,527,117	$ 3,654,535	$ 679,030	$ 694,318	$ 4,206,147	$ 4,348,853

Governmental Activities

Revenue Charges for services of $1,482,864 accounted for 42.7% of the City's total governmental revenue. Property taxes provided 34% of the City's total governmental revenue of year 2013 as compared with 33.6% in the year 2012. Overall, governmental revenues increased by $96,106 or 2.8% while overall governmental expenses increased by $69,314 or 2%.

Expenses The total expense for the governmental activities was $3,603,025. Public safety accounts for the largest portion of governmental expenses. Total public safety expenses were $1,791,392 or 49.7% of total governmental expenses.

Business-type activities

Revenues Total revenues for the enterprise funds were higher by $63,799 than in 2012. This was due to a grant received in 2013 for infrastructure improvements in the Stormwater Utility Fund. In the current year, the Sanitation Fund operating revenues were $150,152 and the Stormwater Utility Fund operating revenues were $130,061. The sanitation and the stormwater utility charges are billed on the DeKalb County annual property tax bills.

Expenses Total expenses for the Sanitation Fund were $148,853 in the current year compared to $146,235 in the prior year. Total expenses for the Stormwater Utility Fund were $245,928 in the current year compared to $203,977 in the prior year.

Financial Analysis of the Government's Funds

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

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

At the end of the current year, the City's governmental funds reported combined ending fund balances of $1,715,467. Of this amount, $1,406,834 or 82% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of $305,948 was restricted due to external limitations on its use and $2,685 was nonspendable. These restricted uses include 1) grant fund restricted for public works projects ($40,241), 2) capital projects funded by capital lease proceeds ($25,261), 3) capital projects funded by HOST funds ($78,573), and 4) public safety expenditures funded by the police seizure funds ($161,873).

General Fund - The General Fund is the central operating fund of the City. At the end of the current year, the fund balance of the General Fund was $1,409,519 in which $1,406,834 was unassigned and $2,685 was nonspendable. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance of $1,409,519 represents approximately 40.5% of total General Fund expenditures compared to 57.6% of the prior year. Fund balance of the City's General Fund decreased by $459,843 during the current year. This was due, primarily, to operating transfers to the City Hall Annex Capital Projects Fund and increases in expenditures in general government and public safety.

Grants Fund – The Grants Fund had little activity during the 2013 year. The City received $40,459 in grant funding of which only $148 was spent. Fund balance of $40,241 is restricted for public works.

City Hall Annex Fund - The City Hall Annex fund is a capital projects fund established in 2012 to account for the proceeds from the issuance of a note payable to be used for the acquisition and renovation of a building which is to be used for the City Hall Annex. The project was completed in 2013 and the fund was closed.

Public Works Building Fund - The Public Works Building Fund is a capital projects fund established in 2013 to account for the proceeds from a capital lease to be used for the construction of a public works building. Fund balance of $25,261 is restricted for construction of the building. The project is expected to be completed in 2014.

Nonmajor Governmental Funds - Total fund balance for other nonmajor governmental funds at year end was $240,446. This total, which is 100% restricted for public safety and capital construction, had a net increase of $104,059 when compared to the prior year.

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

Stormwater Utility Fund - Stormwater fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Stormwater Utility Fund decreased its net position by $28,543 in 2013. This decrease in net position is attributable to expenses in excess of revenues.

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 $1,305 in 2013. This increase in net position is attributable to revenues in excess of expenses.

Table 3 below compares governmental fund revenues and expenditures for 2013 and 2012.

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

	Governmental Funds	
	2013	2012
Revenues:		
Taxes	$ 1,901,439	$ 1,815,128
Licenses and permits	59,635	65,423
Intergovernmental	78,662	91,887
Fines and forfeitures	1,222,812	1,110,492
Charges for services	50,834	69,107
Interest income	6,391	2,501
Other revenues	149,583	207,209
Total Revenue	3,469,356	3,361,747
Expenditures:		
General government	1,312,498	1,085,143
Buildings and grounds	164,954	101,421
Public safety	1,738,812	1,544,881
Public works	224,062	213,994
Recreation and parks	82,577	505,322
Capital outlay	692,755	459,751
Debt service:		
Principal retirements	106,393	33,105
Interest	28,084	12,450
Total Expenditures	4,350,135	3,956,067
Deficiency of revenues under expenditures	(880,779)	(594,320)
Other financing sources (uses):		
Capital leases	351,585	91,953
Proceeds from issuance of debt	-	700,000
Proceeds from sale of capital assets	-	7,600
Transfers in	201,201	-
Transfers out	(201,201)	-
Total other financing sources (uses)	351,585	799,553
Net change in fund balances	(529,194)	205,233
Fund balances, beginning of year	2,244,661	2,039,428
Fund balances, end of year	$ 1,715,467	$ 2,244,661

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 $171,227 more than budgeted mainly due to more than expected collection of fines and forfeitures than what was budgeted and anticipated. Expenditures were $162,454 more than budgeted mainly due to expenditures for public safety being more than budgeted.

The original budget was not amended during the current year.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to $3,274,226 (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	
	2013	2012	2013	2012	2013	2012
Construction in progress	$ 270,541	$ 431,868	$ -	$ 23,890	$ 270,541	$ 455,758
Land	422,608	408,799	-	-	422,608	408,799
Intangible asset	-	-	116,495	116,495	116,495	116,495
Buildings and improvements	2,846,655	1,946,224	-	-	2,846,655	1,946,224
Furniture and equipment	287,912	280,374	-	-	287,912	280,374
Vehicles	611,596	564,511	-	-	611,596	564,511
Stormwater infrastructure	-	-	708,936	409,819	708,936	409,819
Less accumulated depreciation	(1,687,012)	(1,523,260)	(303,505)	(275,329)	(1,990,517)	(1,798,589)
Total	$ 2,752,300	$ 2,108,516	$ 521,926	$ 274,875	$ 3,274,226	$ 2,383,391

The City's total investment in capital assets increased from $2,383,391 to $3,274,226 in 2013. The City purchased and constructed $1,082,763 in new capital assets during the year. The largest capital asset addition was for the acquisition and renovation of the City Hall Annex building, which was funded by a long-term note payable through the Georgia Municipal Association in the amount of $700,000. Depreciation on capital assets was $191,928. 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 long-term debt during 2013 of $415,794. This increase in long-term debt was primarily from capital lease proceeds for the construction of a public works building and the purchase of a vehicle. Debt related to compensated absences increased by $7,389. The City's long-term debt is summarized in table 5 below.

Table 5
Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital leases	$ 66,255	$ 77,164	$ -	$ -	$ 66,255	$ 77,164
Notes payable	937,785	681,684	-	-	937,785	681,684
Compensated absences	67,674	60,200	8,699	8,784	76,373	68,984
	$ 1,071,714	$ 819,048	$ 8,699	$ 8,784	$ 1,080,413	$ 827,832

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 2013. The budget for 2013 reflects total revenues of $4,307,230 and total expenditures of $4,307,230.

In 2014, the City expects to complete the construction of its public works building that was started in 2013. The project was funded through a note payable of $325,000 with the Georgia Municipal Association.

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

Requests for Information

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

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 1,174,512	$ 224,871	$ 1,399,383
Investments	433,266	-	433,266
Taxes receivables, net of allowances	298,843	-	298,843
Accrued interest receivable	73	-	73
Other receivables	24,556	-	24,556
Accounts receivables, net of allowances	-	20,914	20,914
Interfund balances	86,739	(86,739)	-
Prepaid items	-	47,301	47,301
Net pension asset	61,278	-	61,278
Capital assets:			
Non-depreciable	693,149	116,495	809,644
Depreciable, net of accumulated depreciation	2,059,151	405,431	2,464,582
Total assets	4,831,567	728,273	5,559,840
LIABILITIES			
Accounts payable	221,003	40,544	261,547
Accrued liabilities	11,733	-	11,733
Compensated absences due within one year	60,907	7,829	68,736
Compensated absences due in more than one year	6,767	870	7,637
Notes payable due within one year	105,656	-	105,656
Notes payable due in more than one year	832,129	-	832,129
Capital leases due within one year	37,116	-	37,116
Capital leases due in more than one year	29,139	-	29,139
Total liabilities	1,304,450	49,243	1,353,693
NET POSITION			
Net investment in capital assets	1,748,260	521,926	2,270,186
Restricted for public safety	161,873	-	161,873
Restricted for public works	40,241	-	40,241
Restricted for capital construction	103,834	-	103,834
Unrestricted	1,472,909	157,104	1,630,013
Total net position	$ 3,527,117	$ 679,030	$ 4,206,147

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position: Total
Primary government:						
Governmental activities:						
General government	$ 1,295,281	$ 198,214	$ 38,203	$ (1,058,864)	$ -	$ (1,058,864)
Building and grounds	164,827	1,567	-	(163,260)	-	(163,260)
Public safety	1,791,392	1,247,550	-	(543,842)	-	(543,842)
Public works	208,137	75	-	(208,062)	-	(208,062)
Recreation and parks	115,304	35,458	40,459	(39,387)	-	(39,387)
Interest on long term debt	28,084	-	-	(28,084)	-	(28,084)
Total governmental activities	3,603,025	1,482,864	78,662	(2,041,499)	-	(2,041,499)
Business-type activities:						
Sanitation	148,853	150,152	-	-	1,299	1,299
Stormwater utility	245,928	130,061	87,302	-	(28,565)	(28,565)
Total business-type activities	394,781	280,213	87,302	-	(27,266)	(27,266)
Total primary government	$ 3,997,806	$ 1,763,077	$ 165,964	(2,041,499)	(27,266)	(2,068,765)
General revenues:						
Property taxes				1,181,146	-	1,181,146
Franchise taxes				227,712	-	227,712
Insurance premium taxes				390,415	-	390,415
Business and occupational taxes				29,672	-	29,672
Alcoholic beverage taxes				78,745	-	78,745
Unrestricted investment earnings				6,391	28	6,419
Total general revenues				1,914,081	28	1,914,109
Change in net position				(127,418)	(27,238)	(154,656)
Net position, beginning of year				3,654,535	706,268	4,360,803
Net position, end of year				$ 3,527,117	$ 679,030	$ 4,206,147

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

CITY OF CLARKSTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

ASSETS	General Fund	Grants Fund	City Hall Annex Fund	Public Works Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 588,133	$ 93,792	$ -	$ 313,612	$ 178,975	$ 1,174,512
Investments	433,266	-	-	-	-	433,266
Taxes receivables, net of allowance	298,843	-	-	-	-	298,843
Accrued interest receivables	73	-	-	-	-	73
Other receivables	24,556	-	-	-	-	24,556
Due from other funds	405,337	-	-	-	88,445	493,782
Advances to other funds	2,685	-	-	-	-	2,685
Total assets	$ 1,752,893	$ 93,792	$ -	$ 313,612	$ 267,420	$ 2,427,717
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 182,740	$ -	$ -	$ 11,289	$ 26,974	$ 221,003
Accrued liabilities	11,733	-	-	-	-	11,733
Due to other funds	79,115	53,551	-	277,062	-	409,728
Total liabilities	273,588	53,551	-	288,351	26,974	642,464
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	69,786	-	-	-	-	69,786
Total deferred inflows of resources	69,786	-	-	-	-	69,786
FUND BALANCES						
Fund balances:						
Nonspendable for:						
Advances to other funds	2,685	-	-	-	-	2,685
Restricted for:						
Public safety	-	-	-	-	161,873	161,873
Public works	-	40,241	-	-	-	40,241
Capital construction	-	-	-	25,261	78,573	103,834
Unassigned	1,406,834	-	-	-	-	1,406,834
Total fund balances	1,409,519	40,241	-	25,261	240,446	1,715,467
Total liabilities, deferred inflows of resources, and fund balances	$ 1,752,893	$ 93,792	$ -	$ 313,612	$ 267,420	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,752,300
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	69,786
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(1,071,714)
Net pension asset is not a financial resource used in governmental activities and therefore not reported in governmental funds.	61,278
Net position of governmental activities	$ 3,527,117

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, 2013

	General Fund	Grants Fund	City Hall Annex Fund	Public Works Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 1,901,439	$ -	$ -	$ -	$ -	$ 1,901,439
Licenses and permits	59,635	-	-	-	-	59,635
Intergovernmental	-	40,459	-	-	38,203	78,662
Fines and forfeitures	1,031,055	-	-	-	191,757	1,222,812
Charges for services	50,834	-	-	-	-	50,834
Interest income	5,961	-	308	112	10	6,391
Other revenues	149,583	-	-	-	-	149,583
Total revenues	3,198,507	40,459	308	112	229,970	3,469,356
Expenditures						
Current:						
General government	1,312,498	-	-	-	-	1,312,498
Building and grounds	164,954	-	-	-	-	164,954
Public safety	1,644,985	-	-	-	93,827	1,738,812
Public works	212,562	-	-	11,500	-	224,062
Recreation and parks	82,429	148	-	-	-	82,577
Capital outlay	-	-	440,491	252,264	-	692,755
Debt service:						
Principal	44,806	-	-	31,375	30,212	106,393
Interest	21,500	-	-	4,712	1,872	28,084
Total expenditures	3,483,734	148	440,491	299,851	125,911	4,350,135
Excess (deficiency) of revenues over (under) expenditures	(285,227)	40,311	(440,183)	(299,739)	104,059	(880,779)
Other financing sources (uses):						
Transfers in	-	-	201,201	-	-	201,201
Transfers out	(201,201)	-	-	-	-	(201,201)
Capital leases	26,585	-	-	325,000	-	351,585
Total other financing sources (uses)	(174,616)	-	201,201	325,000	-	351,585
Net change in fund balances	(459,843)	40,311	(238,982)	25,261	104,059	(529,194)
Fund balances (deficit), beginning of year	1,869,362	(70)	238,982	-	136,387	2,244,661
Fund balances, end of year	$ 1,409,519	$ 40,241	$ -	$ 25,261	$ 240,446	$ 1,715,467

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, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(529,194)
Governmenta 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.		643,784
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6,251
The issuance of long-term debt (e.g., capital leases and notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmentalfunds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payment on capital leases		37,494
Principal payment on notes payable		68,899
Initiation of capital leases		(26,585)
Proceeds from notes payable		(325,000)
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.		(3,067)
Change in net position - governmental activities	$	(127,418)

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 1,818,650	$ 1,818,650	$ 1,901,439	$ 82,789
Licenses and permits	59,200	59,200	59,635	435
Intergovernmental	28,000	28,000	-	(28,000)
Fines and forfeitures	821,930	821,930	1,031,055	209,125
Interest income	3,600	3,600	5,961	2,361
Charges for services	105,900	105,900	50,834	(55,066)
Other revenues	190,000	190,000	149,583	(40,417)
Total revenues	3,027,280	3,027,280	3,198,507	171,227
Expenditures				
Current:				
General government:				
City Council	27,620	27,620	23,757	3,863
Mayor	10,700	10,700	12,995	(2,295)
General administration	1,176,500	1,176,500	1,272,388	(95,888)
Zoning and planning	5,360	5,360	3,358	2,002
Total general government	1,220,180	1,220,180	1,312,498	(92,318)
Building and grounds	95,500	95,500	164,954	(69,454)
Public safety:				
Police	1,492,350	1,492,350	1,644,985	(152,635)
Total public safety	1,492,350	1,492,350	1,644,985	(152,635)
Public works:				
Streets	213,250	213,250	212,562	688
Total public works	213,250	213,250	212,562	688
Recreation and parks	84,000	84,000	82,429	1,571
Debt service:				
Principal	216,000	216,000	44,806	171,194
Interest	-	-	21,500	(21,500)
Total debt service	216,000	216,000	66,306	149,694
Total expenditures	3,321,280	3,321,280	3,483,734	(162,454)
Deficiency of revenues under expenditures	(294,000)	(294,000)	(285,227)	(8,773)
Other Financing Sources (Uses)				
Transfers in	294,000	294,000	-	294,000
Transfers out	-	-	(201,201)	201,201
Capital leases	-	-	26,585	(26,585)
Total financing sources (uses)	294,000	294,000	(174,616)	468,616
Net change in fund balances	-	-	(459,843)	459,843
Fund balances, beginning of year	1,869,362	1,869,362	1,869,362	-
Fund balances, end of year	$ 1,869,362	$ 1,869,362	$ 1,409,519	$ 459,843

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 96,000	$ 96,000	$ 40,459	$ (55,541)
Total revenue	96,000	96,000	40,459	(55,541)
EXPENDITURES				
General government	96,000	96,000	-	96,000
Recreation and parks	-	-	148	(148)
Total expenditures	96,000	96,000	148	95,852
Excess of revenues over expenditures	-	-	40,311	40,311
Net change in fund balances	-	-	40,311	40,311
FUND BALANCES (DEFICITS), beginning of year	(70)	(70)	(70)	-
FUND BALANCES (DEFICITS), end of year	$ (70)	$ (70)	$ 40,241	$ 40,311

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

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	$ 122,459	$ 102,412	$ 224,871
Accounts receivables, net of allowances	10,926	9,988	20,914
Prepaid items	-	47,301	47,301
Total current assets	133,385	159,701	293,086
NONCURRENT ASSETS			
Advances to other funds	-	10,061	10,061
Capital assets, non-depreciated	-	116,495	116,495
Capital assets, net of accumulated depreciation	-	405,431	405,431
Total noncurrent assets	-	531,987	531,987
Total assets	133,385	691,688	825,073
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12,499	28,045	40,544
Compensated absences due within one year	-	7,829	7,829
Due to other funds	-	84,054	84,054
Total current liabilities	12,499	119,928	132,427
NONCURRENT LIABILITIES			
Advances from other funds	12,746	-	12,746
Compensated absences due in more than one year	-	870	870
Total noncurrent liabilities	12,746	870	13,616
Total liabilities	25,245	120,798	146,043
NET POSITION			
Investment in capital assets	-	521,926	521,926
Unrestricted	108,140	48,964	157,104
Total net position	$ 108,140	$ 570,890	$ 679,030

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, 2013

	Business-Type Activities-Enterprise Funds		
	Sanitation Fund	Stormwater Utility Fund	Total Business-Type Activities - Enterprise Funds
OPERATING REVENUE			
Stormwater fees	$ -	$ 130,061	$ 130,061
Sanitation fees	150,152	-	150,152
Total operating revenues	150,152	130,061	280,213
OPERATING EXPENSES			
Contracted services - waste pickup	148,853	-	148,853
Personal services and benefits		161,197	161,197
Bank charges	-	7	7
Repairs and maintenance	-	56,548	56,548
Depreciation	-	28,176	28,176
Total operating expenses	148,853	245,928	394,781
Operating income (loss)	1,299	(115,867)	(114,568)
NONOPERATING REVENUES			
Capital contributions	-	87,302	87,302
Interest income	6	22	28
Total nonoperating revenues	6	87,324	87,330
Change in net position	1,305	(28,543)	(27,238)
Net position, beginning	106,835	599,433	706,268
Net position, ending	$ 108,140	$ 570,890	$ 679,030

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, 2013

	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	$ 148,739	$ 130,362	$ 279,101
Payments to vendors and suppliers	(160,921)	(39,926)	(200,847)
Payments to employees	-	(161,282)	(161,282)
Net cash used by operating activities	(12,182)	(70,846)	(83,028)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Amounts paid to other funds	-	(17,247)	(17,247)
Net cash used by non-capital financing activities	-	(17,247)	(17,247)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Capital grant funding received	-	87,302	87,302
Purchase of capital assets	-	(275,227)	(275,227)
Net cash used by capital financing activities	-	(187,925)	(187,925)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	6	22	28
Net cash provided by investing activities	6	22	28
Net decrease in cash	(12,176)	(275,996)	(288,172)
Cash, beginning of year	134,635	378,408	513,043
Cash, end of year	$ 122,459	$ 102,412	$ 224,871
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 1,299	$ (115,867)	$ (114,568)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	-	28,176	28,176
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	(1,413)	301	(1,112)
Decrease in compensated absences	-	(85)	(85)
Increase (decrease) in accounts payable	(12,068)	16,629	4,561
Net cash used by operating activities	$ (12,182)	$ (70,846)	$ (83,028)

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 position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for support. The statement of net position includes non-current assets and deferred outflows of resources (if any) and non-current liabilities and deferred inflows of resources (if any). 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

The **Grants Fund** is one of the City's special revenue funds which is used to report the proceeds of specific revenue sources that are restricted or committed to 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 **City Hall Annex Fund** is one of the City's capital project funds which is used to report the financing and construction of the new City Hall Annex building.

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

The City reports the following major proprietary funds:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Budgets

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

E. Deposits and Investments

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

F. Interfund Receivables and Payables

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

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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 position. Bond premiums and discounts (if any) are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables (if any) are reported net of the applicable bond premium or discounts. Bond issuance costs (if any) are expensed when incurred.

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

K. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (Continued)

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal vote of the City Council through the adoption of a resolution. The same formal action is required to subsequently remove or modify a commitment of fund balance.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance director to assign fund balances. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular governmental fund.

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

L. Net Position

Net position represents the difference between assets 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflow/Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities* as of January 1, 2012. These standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has no financial items that qualify for reporting in this category.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one (1) type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other sources as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

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 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.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $1,071,714 difference are as follows:

Compensated absences	$ (67,674)
Capital leases	(66,255)
Notes payable	(937,785)
Net adjustment to reduce *fund balance - total governmental funds to arrive at net position -governmental activities*	$ (1,071,714)

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 $643,784 difference are as follows:

Capital outlays	$ 807,536
Depreciation expense	(163,752)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 643,784

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 $3,067 difference are as follows:

Compensated absences	$ (7,474)
Net pension asset	4,407
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (3,067)

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.

Encumbrance accounting is not used by the City.

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following funds had departments with excess of actual expenditures over appropriations for the year ended December 31, 2013:

General Fund - General Government - Mayor	2,295
General Fund - General Government- General Administration	95,888
General Fund - Building and Grounds	69,454
General Fund - Public Safety - Police	152,635
General Fund - Debt Service- Interest	21,500
General Fund - Transfers Out	201,201
Grants Fund - Recreation and Parks	148
Police Seizure Fund - Debt Service- Principal	30,212
Police Seizure Fund - Debt Service- Interest	1,872

These over expenditures were funded by greater than anticipated revenues and by available fund balance. Although the City adopted a budget, the original budgets were not amended throughout the year. The City will monitor the budget more closely in the future and amend the budgets 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, 2013, 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, 2013, the City had $433,266 invested in certificates of deposit as noted in the following table:

Investment	Maturities	Fair Value
Certificate of Deposit # 1	December 7, 2014	$ 271,420
Certificate of Deposit # 2	July 28, 2014	4,067
Certificate of Deposit # 3	December 27, 2014	157,779
Total		$ 433,266

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, 2013, 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 July 16, 2013 and are due and payable in two installments. The first installment was due on September 30, 2013 and the second installment was due on November 15, 2013. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

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

In the enterprise funds, stormwater and sanitation fees are billed annually on July 1 along with the property taxes and are due and payable in two installments. The first installment was due on September 30, 2013 and the second installment was due on November 15, 2013. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2013, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Sanitation	Stormwater Utility
Receivables:			
Taxes	$ 314,843	$ -	$ -
Accounts	-	10,926	12,988
Accrued interest	73	-	-
Other	24,556	-	-
Less allowance for uncollectible	(16,000)	-	(3,000)
Net total receivable	$ 323,472	$ 10,926	$ 9,988

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, is as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 431,868	$ 700,379	$ (861,706)	$ 270,541
Land	408,799	13,809	-	422,608
Total	840,667	714,188	(861,706)	693,149
Capital assets, being depreciated:				
Buildings and improvements	1,946,224	38,725	861,706	2,846,655
Furniture and equipment	280,374	7,538	-	287,912
Vehicles	564,511	47,085	-	611,596
Total	2,791,109	93,348	861,706	3,746,163
Less accumulated depreciation for:				
Buildings and improvements	(959,540)	(58,008)	-	(1,017,548)
Furniture and equipment	(199,591)	(34,892)	-	(234,483)
Vehicles	(364,129)	(70,852)	-	(434,981)
Total	(1,523,260)	(163,752)	-	(1,687,012)
Total capital assets, being depreciated, net	1,267,849	(70,404)	861,706	2,059,151
Governmental activities capital assets, net	$ 2,108,516	$ 643,784	$ -	$ 2,752,300
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 23,890	$ 213,531	$ (237,421)	$ -
Easements (intangible asset)	116,495	-	-	116,495
Total	140,385	213,531	(237,421)	116,495
Capital assets, being depreciated:				
Infrastructure	409,819	61,696	237,421	708,936
Total	409,819	61,696	237,421	708,936
Less accumulated depreciation for:				
Infrastructure	(275,329)	(28,176)	-	(303,505)
Total	(275,329)	(28,176)	-	(303,505)
Total capital assets, being depreciated, net	134,490	33,520	237,421	405,431
Business-type activities Capital assets, net	$ 274,875	$ 247,051	$ -	$ 521,926

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	$ 16,104
Public safety	96,530
Public works	9,983
Recreation and parks	41,135
Total depreciation expense - governmental activities	$ 163,752
Business-type activities:	
Stormwater utility	$ 28,176

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	$ 77,164	$ 26,585	$ (37,494)	$ 66,255	$ 37,116
Notes payable	681,684	325,000	(68,899)	937,785	105,656
Compensated absences	60,200	64,209	(56,735)	67,674	60,907
Governmental activities Long-term liabilities	$ 819,048	$ 415,794	$ (163,128)	$ 1,071,714	$ 203,679
Business-type activities:					
Compensated absences	$ 8,784	$ 8,733	$ (8,818)	$ 8,699	$ 7,829
Business-type activities Long-term liabilities	$ 8,784	$ 8,733	$ (8,818)	$ 8,699	$ 7,829

For governmental funds, compensated absences are liquidated by the General Fund while capital leases and notes payable are liquidated by the Police Seizure Fund and the City Hall Annex Fund, respectively. For the business-type funds, compensated absences are liquidated by the Stormwater Utility Fund.

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

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Leases – Equipment (continued)

As of December 31, 2013, the cost, current year depreciation, and accumulated depreciation of vehicles acquired under capital leases are $117,996, $18,725, and $29,391, respectively. The vehicles are pledged as collateral on the lease.

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

	Governmental Activities
Year Ending December 31,	
2014	$ 39,365
2015	23,324
2016	7,282
Total minimum lease payments	69,971
Less amount representing interest	3,716
Present value of future minimum lease payments	$ 66,255

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

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

	Principal	Interest	Total
Year ending December 31,			
2014	$ 38,747	$ 20,277	$ 59,024
2015	40,010	19,014	59,024
2016	41,314	17,710	59,024
2017	42,660	16,364	59,024
2018	44,051	14,974	59,025
2019-2023	242,748	52,374	295,122
2024-2027	194,630	11,955	206,585
Total	$ 644,160	$ 152,668	$ 796,828

NOTE 7. LONG-TERM DEBT (CONTINUED)

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

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

Year ending December 31,	Principal	Interest	Total
2014	$ 66,909	$ 5,265	$ 72,174
2015	68,231	3,944	72,175
2016	69,578	2,597	72,175
2017	70,952	1,223	72,175
2018	17,955	88	18,043
Total	$ 293,625	$ 13,117	$ 306,742

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2013, is as follows:

Due to / from other funds are as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	Grants Fund	$ 9,330
General Fund	Grants Fund	44,221
General Fund	Stormwater Fund	84,054
General Fund	Public Works Building Fund	277,062
Nonmajor Governmental Funds	General Fund	79,115
		$ 493,782

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 8. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Advances from/to other funds are as follows:

Receivable Fund	Payable Fund	Amount
Stormwater Utility Fund	Sanitation Fund	$ 10,061
General Fund	Sanitation Fund	2,685
		$ 12,746

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

Interfund transfers are as follows:

Transfers In	Transfers Out	Amount
City Hall Annex Fund	General Fund	$ 201,201
		$ 201,201

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

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, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

NOTE 9. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

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, 2013, the date of the most recent actuarial valuation, there were 88 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	28
Terminated vested participants not yet receiving benefits	28
Active vested employees	18
Active nonvested employees	14
Total	88

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, 2013, the date of the most recent actuarial valuation, the actuarially determined contribution rate was 8.82% of covered payroll.

For 2013, the City's annual required contribution was $85,169 and actual contribution totaled $85,169. The annual required contribution was determined as part of the July 1, 2012 actuarial valuations using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% (3.0% due to inflation and .5% due to merit or seniority increases). The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

NOTE 9. PENSION PLAN (CONTINUED)

C. Annual Pension Cost

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended December 31, 2013 were computed as follows:

Annual required contribution	$ 85,169
Interest	(4,406)
Annual pension cost	80,763
Actual contributions made	(85,169)
Increase in net pension asset	(4,406)
Net pension asset, December 31, 2012	(56,871)
Net pension asset, December 31, 2013	$ (61,278)

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)
2013	$ 80,763	$ 85,169	105.5 %	$ (61,278)
2012	76,929	79,989	104.0	(56,872)
2011	63,903	67,773	106.1	(53,811)

E. Funding Progress

As of the most recent valuation date, July 1, 2013, 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
7/1/2013	$ 2,104,686	$ 2,007,242	$ (97,444)	104.85%	$ 1,050,927	(0.09) %

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.

NOTE 9. PENSION PLAN (CONTINUED)

E. Funding Progress (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 July 1, 2013.

The assumptions used in the July 1, 2013 actuarial valuation are as follows:

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	Not Applicable

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, 2013. 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, 2013.

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.

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.

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

Contractual Commitments

In addition to the liabilities enumerated in the statement of net position on December 31, 2013, the City has contractual commitments on uncompleted contracts of $89,775.

CITY OF CLARKSTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

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
7/1/2013	$ 2,104,686	$ 2,007,242	$ (97,444)	104.9 %	$ 1,050,927	(0.09) %
7/1/2012	2,024,618	1,857,846	(166,772)	109.0	935,201	(0.18)
7/1/2011	1,970,629	1,758,515	(212,114)	112.1	1,040,437	(0.20)
7/1/2010	1,878,005	1,749,789	(128,216)	107.3	976,937	(0.13)
7/1/2009	1,438,195	1,859,034	420,839	77.4	822,417	0.51
7/1/2008	1,963,216	1,810,490	(152,726)	108.4	863,086	(0.18)

The assumptions used in preparing the above schedule of funding progress are disclosed in Note 9 for the Pension Plan.

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

Capital Projects Funds

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

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

CITY OF CLARKSTON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue Fund	Capital Project Fund	
ASSETS	**Police Seizure Fund**	**Homestead Option Sales Tax Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ 178,975	$ -	$ 178,975
Due from other funds	9,872	78,573	88,445
Total assets	$ 188,847	$ 78,573	$ 267,420
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 26,974	$ -	$ 26,974
Total liabilities	26,974	-	26,974
FUND BALANCES			
Restricted for:			
Public safety	161,873	-	161,873
Capital construction	-	78,573	78,573
Total fund balances	161,873	78,573	240,446
Total liabilities and fund balances	$ 188,847	$ 78,573	$ 267,420

CITY OF CLARKSTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Fund	Capital Project Fund	
	Police Seizure Fund	Homestead Option Sales Tax Fund	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	$ 191,757	$ -	$ 191,757
Intergovernmental	-	38,203	38,203
Interest	10	-	10
Total revenues	191,767	38,203	229,970
EXPENDITURES			
Current:			
Public safety	93,827	-	93,827
Debt service			
Principal	30,212	-	30,212
Interest	1,872	-	1,872
Total expenditures	125,911	-	125,911
Excess of revenues over expenditures	65,856	38,203	104,059
Net change in fund balances	65,856	38,203	104,059
FUND BALANCES, beginning of year	96,017	40,370	136,387
FUND BALANCES, end of year	$ 161,873	$ 78,573	$ 240,446

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, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	$ 130,100	$ 130,100	$ 191,757	$ 61,657
Interest	100	100	10	(90)
Total revenue	130,200	130,200	191,767	61,567
EXPENDITURES				
Public safety	150,700	150,700	93,827	56,873
Debt service				
Principal	-	-	30,212	(30,212)
Interest	-	-	1,872	(1,872)
Total expenditures	150,700	150,700	125,911	24,789
Excess (deficiency) of revenues over (under) expenditures	(20,500)	(20,500)	65,856	86,356
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	20,500	20,500	-	(20,500)
Total other financing sources	20,500	20,500	-	(20,500)
Net change in fund balances	-	-	65,856	65,856
FUND BALANCES, beginning of year	96,017	96,017	96,017	-
FUND BALANCES, end of year	$ 96,017	$ 96,017	$ 161,873	$ 65,856

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 16, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-001 and 2013-002 to be material weaknesses.

Compliance and Other Matters

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

City of Clarkston, Georgia's Responses to Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 16, 2014

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes ____ no
Significant deficiencies identified?	____ yes __X__ no
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

There was not an audit of major federal award programs required as of December 31, 2013 due to the total amount expended being less than $500,000.

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND REPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013-001 Segregation of Duties - Repeat

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

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

- Mail is opened and a list of daily receipts is prepared by two people who are not independent of the cashier and accounts receivable bookkeeping.
- Check signing (including control of mechanical check signers and signature plates) is not independent of the initiator of purchases, approver of purchases, preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- Stale checks (or outstanding checks) are followed up on periodically by individuals who are not independent of accounts payable and cash disbursement functions.
- The list of daily cash receipts listing from the bank is compared to postings to deposits and to a validated deposit slip by a person not independent of the cash receipts and accounts receivable functions.
- Bank accounts are reconciled by individuals not independent of cash receipts and disbursements functions.
- Invoice processing and accounts payable are not segregated from the general ledger function.
- Persons preparing payroll are independent of other payroll and personnel duties (for example, timekeeping, distribution of checks, and hiring employees) but are not restricted from access to other payroll data or cash.
- Responsibilities for payroll accounting are not segregated from the general ledger function.

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

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

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

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND REPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2013-001 Segregation of Duties – Repeat (Continued)

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

2013-002 Expenditure recognition and related liabilities / capital assets

Criteria: Generally accepted accounting principles ("GAAP) call for liabilities in governmental funds to be reported when goods have been received or services have been rendered, regardless of the timing of payments.

Condition: Internal controls did not detect a misstatement in the reporting of City's liability and expenditure accounts. The misstatement also impacted the City's capital assets on the government wide statement of net position.

Context/Cause: During our testing of capital assets, we noted retainage payable of $11,229 related to the public works building for which no expenditure or payable was recorded. We also noted this amount was not recorded as an addition to the public works building (capital asset) on the government wide statement of net position.

Effect: An audit adjustment of $11,229 was required as detailed above in the Public Works Building Fund.

Recommendation: We recommend the City review all invoices, particularly construction related invoices, for any retainage payable to ensure proper recording under the modified accrual basis of accounting.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all invoices for any retainage payable to ensure proper recording in accordance with generally accepted accounting principles.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.