

CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**



CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 42 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015 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
September 3, 2015

CITY OF CLARKSTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 \$4,240,126 (net position). Of this amount, \$1,594,594 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. \$2,503,231 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 \$142,301.
- ❖ The City's total net position increased by \$33,979 in the year ended December 31, 2014. This is compared to a decrease of \$154,656 in the prior year.
- ❖ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$1,640,231. This compares to the prior year ending fund balances of \$1,715,467 showing a net decrease of \$75,236 during the current year. The current year decrease in fund balances was due, primarily, to increased public works expenditures in 2014.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$1,499,121 or 39% of General Fund expenditures. Of this amount, \$1,276,826 was unassigned and \$222,295 was nonspendable, with \$221,451 of this nonspendable balance representing advances to other funds.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$106,414. This total net position of \$106,414 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 \$428,792. Included in this total net position is \$486,787 invested in capital assets and a deficit balance of \$57,995 of unrestricted net position that is not 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, deferred outflows of resources (if any), deferred inflows of resources (if any), and liabilities, with the difference between these items 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 five (5) 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 fund is General Fund. Other nonmajor governmental funds include the Grants Fund, Police Seizure Fund, the Homestead Option Sales Tax Fund, and the Public Works Building Fund.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund 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.

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 \$4,240,126 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:	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,125,194	\$ 2,079,267	\$ 62,093	\$ 206,347	\$ 2,187,287	\$ 2,285,614
Capital assets	3,300,422	2,752,300	486,787	521,926	3,787,209	3,274,226
Total assets	<u>5,425,616</u>	<u>4,831,567</u>	<u>548,880</u>	<u>728,273</u>	<u>5,974,496</u>	<u>5,559,840</u>
Liabilities:						
Current liabilities	361,116	232,736	13,674	40,544	374,790	273,280
Long-term liabilities	1,359,580	1,071,714	-	8,699	1,359,580	1,080,413
Total liabilities	<u>1,720,696</u>	<u>1,304,450</u>	<u>13,674</u>	<u>49,243</u>	<u>1,734,370</u>	<u>1,353,693</u>
Net position:						
Net investment in capital assets	2,016,444	1,748,260	486,787	521,926	2,503,231	2,270,186
Restricted	142,301	305,948	-	-	142,301	305,948
Unrestricted	<u>1,546,175</u>	<u>1,472,909</u>	<u>48,419</u>	<u>157,104</u>	<u>1,594,594</u>	<u>1,630,013</u>
Total net position	<u>\$ 3,704,920</u>	<u>\$ 3,527,117</u>	<u>\$ 535,206</u>	<u>\$ 679,030</u>	<u>\$ 4,240,126</u>	<u>\$ 4,206,147</u>

A portion of the City's net position (\$2,503,231 or 59%) 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. \$142,301 (3.4%) of the City's net position is restricted for the public safety activities and capital projects. The remaining portion of the City's net position (\$1,594,594 or 37.6%) 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, 2014 and 2013. Governmental activities increased the City's net position by \$177,803 for the year ended December 31, 2014 and decreased by \$127,418 for the year ended December 31, 2013. Business-type activities decreased the City's net position by \$143,824 for the year ended December 31, 2014 and \$27,238 for the year ended December 31, 2013.

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Total net position	<u>\$ 3,704,920</u>	<u>\$ 3,527,117</u>	<u>\$ 535,206</u>	<u>\$ 679,030</u>	<u>\$ 4,240,126</u>	<u>\$ 4,206,147</u>

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The following schedule presents a summary of the City's operations for the year ended December 31, 2014 and 2013. Governmental activities increased the City's net position by \$177,803 for the year ended December 31, 2014 and decreased by \$127,418 for the year ended December 31, 2013. Business-type activities decreased the City's net position by \$143,824 for the year ended December 31, 2014 and \$27,238 for the year ended December 31, 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,245,151	\$ 1,482,864	\$ 265,876	\$ 280,213	\$ 1,511,027	\$ 1,763,077
Capital grants and contributions	154,228	78,662	-	87,302	154,228	165,964
General revenues:						
Property taxes	1,533,144	1,181,146	-	-	1,533,144	1,181,146
Franchise taxes	251,844	227,712	-	-	251,844	227,712
Insurance premium taxes	407,639	390,415	-	-	407,639	390,415
Business and occupational taxes	28,378	29,672	-	-	28,378	29,672
Alcoholic beverage taxes	88,301	78,745	-	-	88,301	78,745
Interest earnings	84	6,391	14	28	98	6,419
Total revenues	3,708,769	3,475,607	265,890	367,543	3,974,659	3,843,150
Expenses:						
General government	1,543,110	1,295,281	-	-	1,543,110	1,295,281
Buildings and grounds	93,524	164,827	-	-	93,524	164,827
Public safety	1,574,784	1,791,392	-	-	1,574,784	1,791,392
Public works	161,875	208,137	-	-	161,875	208,137
Recreation and parks	129,614	115,304	-	-	129,614	115,304
Interest on long-term debt	28,059	28,084	-	-	28,059	28,084
Sanitation	-	-	150,627	148,853	150,627	148,853
Stormwater utility	-	-	259,087	245,928	259,087	245,928
Total expenses	3,530,966	3,603,025	409,714	394,781	3,940,680	3,997,806
Change in net position	177,803	(127,418)	(143,824)	(27,238)	33,979	(154,656)
Net position - Jan 1	3,527,117	3,654,535	679,030	706,268	4,206,147	4,360,803
Net position - Dec 31	\$ 3,704,920	\$ 3,527,117	\$ 535,206	\$ 679,030	\$ 4,240,126	\$ 4,206,147

Governmental Activities

Revenue Charges for services of \$1,245,151 accounted for 33.6% of the City's total governmental activities revenue. Property taxes provided 41.3% of the City's total governmental activities revenue of year 2014 as compared with 34% in the year 2013. Overall, governmental activities revenues increased by \$233,162 or 6.7% while overall governmental activities expenses decreased by \$72,059 or 2%.

Expenses The total expense for the governmental activities was \$3,530,966. Public safety accounts for the largest portion of governmental activities expenses. Total public safety expenses were \$1,574,784 or 44.6% of total governmental expenses and total general government expenses were \$1,543,110 or 43.7% of total governmental activities expenses.

Business-type activities

Revenues Total revenues for the enterprise funds were lower by \$101,639 than in 2013. 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 \$148,892 and the Stormwater Utility Fund operating revenues were \$116,984. 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 \$150,627 in the current year compared to \$148,853 in the prior year. Total expenses for the Stormwater Utility Fund were \$259,087 in the current year compared to \$245,928 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 \$1,640,231. Of this amount, \$1,275,635 or 78% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$142,301 was restricted due to external limitations on its use and \$222,295 was nonspendable. These restricted uses include 1) capital projects funded by HOST funds and sources (\$5,175), and 2) public safety expenditures funded by the police seizure funds (\$137,126). The nonspendable fund balance portion of \$222,295 includes \$221,451 of advances made to other funds.

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 \$1,499,121 in which \$1,276,826 was unassigned and \$222,295 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 \$1,499,121 represents approximately 39% of total General Fund expenditures compared to 40.5% of the prior year, while unassigned fund balance of \$1,276,826 represents approximately 33.1% of total General Fund expenditures compared to 40.4% of the prior year. Fund balance of the City's General Fund increased by \$89,602 during the current year. This was due, primarily, increases in revenues.

Nonmajor Governmental Funds - Total fund balance for other nonmajor governmental funds at year end was \$141,110. Of this total, \$142,301 is restricted for public safety and capital construction and \$1,191 reflects a deficit in unassigned fund balance. Total fund balance for nonmajor governmental funds decreased by \$164,838.

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 \$142,098 in 2014. 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 decreased its net position by \$1,726 in 2014. This decrease in net position is attributable to expenses in excess of revenues.

Table 3 below compares governmental fund revenues and expenditures for 2014 and 2013.

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

	Governmental Funds	
	2014	2013
Revenues:		
Taxes	\$ 2,321,272	\$ 1,901,439
Licenses and permits	79,424	59,635
Intergovernmental	154,228	78,662
Fines and forfeitures	968,472	1,222,812
Charges for services	50,746	50,834
Interest income	84	6,391
Other revenues	140,319	149,583
Total Revenue	<u>3,714,545</u>	<u>3,469,356</u>
Expenditures:		
General government	1,517,390	1,312,498
Buildings and grounds	93,743	164,954
Public safety	1,660,624	1,738,812
Public works	543,734	224,062
Recreation and parks	87,988	82,577
Capital outlay	144,371	692,755
Debt service:		
Principal retirements	136,734	106,393
Interest	28,059	28,084
Total Expenditures	<u>4,212,643</u>	<u>4,350,135</u>
Deficiency of revenues under expenditures	<u>(498,098)</u>	<u>(880,779)</u>
Other financing sources (uses):		
Capital leases	185,979	351,585
Proceeds from issuance of debt	230,693	-
Proceeds from sale of capital assets	6,190	-
Transfers in	-	201,201
Transfers out	-	(201,201)
Total other financing sources (uses)	<u>422,862</u>	<u>351,585</u>
Net change in fund balances	(75,236)	(529,194)
Fund balances, beginning of year	<u>1,715,467</u>	<u>2,244,661</u>
Fund balances, end of year	<u>\$ 1,640,231</u>	<u>\$ 1,715,467</u>

General Fund Budgetary Highlights The City's budget is prepared according to Georgia Law. A comparison of General Fund actual expenditures compared to budget is presented in the financial statements. General Fund revenues were \$14,259 less than budgeted mainly due to less than expected collection of intergovernmental revenues than what was budgeted and anticipated. Expenditures were \$132,189 less than budgeted mainly due to expenditures for public works being less than budgeted. Public safety expenditures were \$127,163 more than budgeted due to the accrual of capital purchase of police vehicles on a capital lease that became effective in December 2014 but was not budgeted in 2014. The original budget was 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, 2014, amounts to \$3,787,209 (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 on the following page summarizes capital assets of the City.

Table 4
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Construction in progress	\$ 430,776	\$ 270,541	\$ -	\$ -	\$ 430,776	\$ 270,541
Land	422,608	422,608	-	-	422,608	422,608
Intangible asset	-	-	116,495	116,495	116,495	116,495
Buildings and improvements	3,144,699	2,846,655	-	-	3,144,699	2,846,655
Furniture and equipment	298,307	287,912	-	-	298,307	287,912
Vehicles	783,808	611,596	-	-	783,808	611,596
Stormwater infrastructure	-	-	708,936	708,936	708,936	708,936
Less accumulated depreciation	(1,779,776)	(1,687,012)	(338,644)	(303,505)	(2,118,420)	(1,990,517)
Total	\$ 3,300,422	\$ 2,752,300	\$ 486,787	\$ 521,926	\$ 3,787,209	\$ 3,274,226

The City's total investment in capital assets increased from \$3,274,226 to \$3,787,209 in 2014. The City purchased and constructed \$713,286 in new capital assets during the year. The largest capital asset addition was for the construction of the new Public Works building, which was funded by a long-term note payable through the Georgia Municipal Association in the amount of \$325,000 and with the remainder coming from the General Fund. Depreciation on capital assets was \$200,303. The City disposed of \$72,400 of fully depreciated capital assets in 2014. 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 2014 of \$489,517. This increase in long-term debt was primarily from capital lease proceeds for the purchase of six new police vehicles and proceeds from a notes payable from the Georgia State Roads and Tollway Authority for the construction of the Streetscapes infrastructure project. Debt related to compensated absences decreased by \$771. The City's long-term debt is summarized in table 5 below.

Table 5
Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 221,155	\$ 66,255	\$ -	\$ -	\$ 221,155	\$ 66,255
Notes payable	1,062,823	937,785	-	-	1,062,823	937,785
Compensated absences	75,602	67,674	-	8,699	75,602	76,373
	<u>\$ 1,359,580</u>	<u>\$ 1,071,714</u>	<u>\$ -</u>	<u>\$ 8,699</u>	<u>\$ 1,359,580</u>	<u>\$ 1,080,413</u>

Economic Factors and Next Year's Budgets and Rates

The City considered the current year results as well as other factors in preparing the City's budget for 2014. The budget for 2015 reflects total revenues of \$5,427,427 and total expenditures of \$5,427,427. In 2015, the City expects significant increased tax revenues from additional geographic areas annexed into the City effective January 1, 2015. This annexation will also result in increased expenditures for service delivery to this newly annexed geography and citizenry. The City has requested a \$2 million dollar loan from the State Road and Tollway 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, began the project in 2014, and expects to continue the project through the next few years. Loan funds will be drawn down as the project proceeds and construction occurs.

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 of Clarkston (Attention: City Clerk)
1055 Rowland Street
Clarkston, GA 30021

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2014

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,317,536	\$ 245,140	\$ 1,562,676
Taxes receivables, net of allowances	345,878	-	345,878
Accrued interest receivable	26,745	-	26,745
Other receivables	121,468	-	121,468
Accounts receivables, net of allowances	-	16,348	16,348
Interfund balances	246,696	(246,696)	-
Prepaid items	844	47,301	48,145
Net pension asset	66,027	-	66,027
Capital assets:			
Non-depreciable	853,384	116,495	969,879
Depreciable, net of accumulated depreciation	2,447,038	370,292	2,817,330
Total assets	5,425,616	548,880	5,974,496
LIABILITIES			
Accounts payable	343,439	13,674	357,113
Accrued liabilities	17,677	-	17,677
Compensated absences due within one year	60,907	-	60,907
Compensated absences due in more than one year	14,695	-	14,695
Notes payable due within one year	108,241	-	108,241
Notes payable due in more than one year	954,582	-	954,582
Capital leases due within one year	126,053	-	126,053
Capital leases due in more than one year	95,102	-	95,102
Total liabilities	1,720,696	13,674	1,734,370
NET POSITION			
Net investment in capital assets	2,016,444	486,787	2,503,231
Restricted for public safety	137,126	-	137,126
Restricted for capital construction	5,175	-	5,175
Unrestricted	1,546,175	48,419	1,594,594
Total net position	\$ 3,704,920	\$ 535,206	\$ 4,240,126

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/ <u>Programs</u>	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions			
Primary government:						
Governmental activities:						
General government	\$ 1,543,110	\$ 208,673	\$ 45,704	\$ (1,288,733)	\$ -	\$ (1,288,733)
Building and grounds	93,524	581	-	(92,943)	-	(92,943)
Public safety	1,574,784	989,520	-	(585,264)	-	(585,264)
Public works	161,875	180	40,535	(121,160)	-	(121,160)
Recreation and parks	129,614	46,197	67,989	(15,428)	-	(15,428)
Interest on long term debt	28,059	-	-	(28,059)	-	(28,059)
Total governmental activities	3,530,966	1,245,151	154,228	(2,131,587)	-	(2,131,587)
Business-type activities:						
Sanitation	150,627	148,892	-	-	(1,735)	(1,735)
Stormwater utility	259,087	116,984	-	-	(142,103)	(142,103)
Total business-type activities	409,714	265,876	-	-	(143,838)	(143,838)
Total primary government	\$ 3,940,680	\$ 1,511,027	\$ 154,228	(2,131,587)	(143,838)	(2,275,425)
General revenues:						
Property taxes				1,533,144	-	1,533,144
Franchise taxes				251,844	-	251,844
Insurance premium taxes				407,639	-	407,639
Business and occupational taxes				28,378	-	28,378
Alcoholic beverage taxes				88,301	-	88,301
Unrestricted investment earnings				84	14	98
Total general revenues				2,309,390	14	2,309,404
Change in net position				177,803	(143,824)	33,979
Net position, beginning of year				3,527,117	679,030	4,206,147
Net position, end of year				\$ 3,704,920	\$ 535,206	\$ 4,240,126

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

CITY OF CLARKSTON, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2014

ASSETS	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,188,091	\$ 129,445	\$ 1,317,536
Taxes receivables, net of allowance	345,878	-	345,878
Intergovernmental receivable	-	26,745	26,745
Other receivables	121,468	-	121,468
Prepaid items	844	-	844
Due from other funds	28,597	15,045	43,642
Advances to other funds	221,451	-	221,451
Total assets	<u>\$ 1,906,329</u>	<u>\$ 171,235</u>	<u>\$ 2,077,564</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 316,666	\$ 26,773	\$ 343,439
Accrued liabilities	17,677	-	17,677
Due to other funds	15,045	3,352	18,397
Total liabilities	<u>349,388</u>	<u>30,125</u>	<u>379,513</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>57,820</u>	<u>-</u>	<u>57,820</u>
Total deferred inflows of resources	<u>57,820</u>	<u>-</u>	<u>57,820</u>
FUND BALANCES			
Fund balances:			
Nonspendable for:			
Prepaid items	844	-	844
Advances to other funds	221,451	-	221,451
Restricted for:			
Public safety	-	137,126	137,126
Capital construction	-	5,175	5,175
Unassigned (deficit)	<u>1,276,826</u>	<u>(1,191)</u>	<u>1,275,635</u>
Total fund balances	<u>1,499,121</u>	<u>141,110</u>	<u>1,640,231</u>
Total liabilities, deferred inflows of resources, and fund balances:	<u>\$ 1,906,329</u>	<u>\$ 171,235</u>	
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.			3,300,422
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.			57,820
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.			(1,359,580)
Net pension asset is not a financial resource used in governmental activities and therefore not reported in governmental funds.			66,027
Net position of governmental activities			<u>\$ 3,704,920</u>

The accompanying notes are an integral part of these financial statement:

CITY OF CLARKSTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,321,272	\$ -	\$ 2,321,272
Licenses and permits	79,424	-	79,424
Intergovernmental	-	154,228	154,228
Fines and forfeitures	932,926	35,546	968,472
Charges for services	50,746	-	50,746
Interest income	64	20	84
Other revenues	140,319	-	140,319
Total revenues	<u>3,524,751</u>	<u>189,794</u>	<u>3,714,545</u>
Expenditures			
Current:			
General government	1,448,210	69,180	1,517,390
Building and grounds	93,743	-	93,743
Public safety	1,626,212	34,412	1,660,624
Public works	462,958	80,776	543,734
Recreation and parks	87,988	-	87,988
Capital outlays	-	144,371	144,371
Debt service:			
Principal	105,655	31,079	136,734
Interest	27,055	1,004	28,059
Total expenditures	<u>3,851,821</u>	<u>360,822</u>	<u>4,212,643</u>
Deficiency of revenues under expenditures	<u>(327,070)</u>	<u>(171,028)</u>	<u>(498,098)</u>
Other financing sources:			
Proceeds from disposal of capital assets	-	6,190	6,190
Capital leases	185,979	-	185,979
Proceeds from issuance of notes payable	230,693	-	230,693
Total other financing sources	<u>416,672</u>	<u>6,190</u>	<u>422,862</u>
Net change in fund balances	89,602	(164,838)	(75,236)
Fund balances, beginning of year	<u>1,409,519</u>	<u>305,948</u>	<u>1,715,467</u>
Fund balances, end of year	<u><u>\$ 1,499,121</u></u>	<u><u>\$ 141,110</u></u>	<u><u>\$ 1,640,231</u></u>

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

CITY OF CLARKSTON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

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

Net change in fund balances - total governmental funds	\$	(75,236)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	548,122
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(11,966)
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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 governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payment on capital leases	31,079
Principal payment on notes payable	105,655
Initiation of capital leases	(185,979)
Proceeds from notes payable	(230,693)

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.	(3,179)
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Change in net position - governmental activities	\$	<u>177,803</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CLARKSTON, GEORGIA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,217,350	\$ 2,262,350	\$ 2,321,272	\$ 58,922
Licenses and permits	55,950	71,950	79,424	7,474
Intergovernmental	32,000	32,000	-	(32,000)
Fines and forfeitures	900,000	927,400	932,926	5,526
Interest income	3,600	3,600	64	(3,536)
Charges for services	77,710	77,710	50,746	(26,964)
Other revenues	195,000	164,000	140,319	(23,681)
Total revenues	3,481,610	3,539,010	3,524,751	(14,259)
Expenditures				
Current:				
General government:				
City Council	30,620	30,620	26,917	3,703
Mayor	10,700	10,700	9,431	1,269
General administration	1,211,961	1,453,761	1,410,506	43,255
Zoning and planning	3,860	3,860	1,356	2,504
Total general government	1,257,141	1,498,941	1,448,210	50,731
Building and grounds	106,800	106,800	93,743	13,057
Public safety:				
Police	1,629,549	1,499,049	1,626,212	(127,163)
Total public safety	1,629,549	1,499,049	1,626,212	(127,163)
Public works	234,620	655,420	462,958	192,462
Recreation and parks	91,000	91,000	87,988	3,012
Debt service:				
Principal	131,200	131,200	105,655	25,545
Interest	-	1,600	27,055	(25,455)
Total debt service	131,200	132,800	132,710	90
Total expenditures	3,450,310	3,984,010	3,851,821	132,189
Excess (Deficiency) of revenues over (under) expenditures	31,300	(445,000)	(327,070)	117,930
Other Financing Sources				
Capital leases	-	-	185,979	185,979
Proceeds from issuance of note payable	-	445,000	230,693	(214,307)
Total financing sources	-	445,000	416,672	(28,328)
Net change in fund balances	31,300	-	89,602	89,602
Fund balances, beginning of year	1,409,519	1,409,519	1,409,519	-
Fund balances, end of year	\$ 1,440,819	\$ 1,409,519	\$ 1,499,121	\$ 89,602

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

CITY OF CLARKSTON, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2014

ASSETS	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CURRENT ASSETS			
Cash and cash equivalents	\$ 135,045	\$ 110,095	\$ 245,140
Accounts receivables, net of allowances	9,127	7,221	16,348
Prepaid items	-	47,301	47,301
Total current assets	144,172	164,617	308,789
NONCURRENT ASSETS			
Capital assets, non-depreciated	-	116,495	116,495
Capital assets, net of accumulated depreciation	-	370,292	370,292
Total noncurrent assets	-	486,787	486,787
Total assets	144,172	651,404	795,576
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12,513	1,161	13,674
Due to other funds	25,245	-	25,245
Total current liabilities	37,758	1,161	38,919
NONCURRENT LIABILITIES			
Advances from other funds	-	221,451	221,451
Total noncurrent liabilities	-	221,451	221,451
Total liabilities	37,758	222,612	260,370
NET POSITION			
Investment in capital assets	-	486,787	486,787
Unrestricted (deficit)	106,414	(57,995)	48,419
Total net position	\$ 106,414	\$ 428,792	\$ 535,206

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, 2014

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
OPERATING REVENUE			
Stormwater fees	\$ -	\$ 116,984	\$ 116,984
Sanitation fees	148,892	-	148,892
Total operating revenues	148,892	116,984	265,876
OPERATING EXPENSES			
Contracted services - waste pickup	150,627	-	150,627
Personal services and benefits	-	166,360	166,360
Repairs and maintenance	-	57,588	57,588
Depreciation	-	35,139	35,139
Total operating expenses	150,627	259,087	409,714
Operating loss	(1,735)	(142,103)	(143,838)
NONOPERATING REVENUES			
Interest income	9	5	14
Total nonoperating revenues	9	5	14
Change in net position	(1,726)	(142,098)	(143,824)
Net position, beginning	108,140	570,890	679,030
Net position, ending	\$ 106,414	\$ 428,792	\$ 535,206

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, 2014

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 150,691	\$ 119,751	\$ 270,442
Payments to vendors and suppliers	(150,613)	(84,472)	(235,085)
Payments to employees	-	(175,059)	(175,059)
Net cash proved (used) by operating activities	78	(139,780)	(139,702)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Amounts paid to other funds	(12,746)	(84,054)	(96,800)
Amounts received from other funds	25,245	231,512	256,757
Net cash provided by non-capital financing activities	12,499	147,458	159,957
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	9	5	14
Net cash provided by investing activities	9	5	14
Net increase in cash	12,586	7,683	20,269
Cash, beginning of year	122,459	102,412	224,871
Cash, end of year	\$ 135,045	\$ 110,095	\$ 245,140
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$ (1,735)	\$ (142,103)	\$ (143,838)
Adjustments to reconcile operating income loss to net cash provided by (used by) operating activities:			
Depreciation	-	35,139	35,139
Change in assets and liabilities:			
Decrease in accounts receivables	1,799	2,767	4,566
Decrease in compensated absences	-	(8,699)	(8,699)
Increase (decrease) in accounts payable	14	(26,884)	(26,870)
Net cash provided (used) by operating activities	\$ 78	\$ (139,780)	\$ (139,702)

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

CITY OF CLARKSTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

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

E. Deposits and Investments

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

F. Interfund Receivables and Payables

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

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

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

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

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

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

GASB 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, 2014, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

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

J. Long-Term Obligations

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

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

K. Fund Equity

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS

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, deferred outflows of resources (if any), deferred inflows of resources (if any), 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflow/Inflows of Resources

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 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, deferred outflows of resources (if any), deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

O. Interfund Transactions

Interfund services provided and used in the fund financial statements are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$1,359,580 difference are as follows:

Compensated absences	\$ (75,602)
Capital leases	(221,155)
Notes payable	<u>(1,062,823)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position -governmental activities</i>	<u>\$ (1,359,580)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$548,122 difference are as follows:

Capital outlays	\$ 713,286
Depreciation expense	<u>(165,164)</u>
Net adjustment to increase <i>net changes in fund balances - total</i> <i>governmental funds</i> to arrive at <i>changes in net position of</i> <i>governmental activities</i>	<u>\$ 548,122</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$3,179 difference are as follows:

Compensated absences	\$ (7,928)
Net pension asset	<u>4,749</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (3,179)</u></u>

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budget

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

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

Encumbrance accounting is not used by the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following funds had departments with excess of actual expenditures over appropriations for the year ended December 31, 2014:

General Fund - Public Safety - Police	127,163
General Fund - Debt Service- Interest	25,455
Grants Fund - Public Works	80,776
Police Seizure Fund - Debt Service- Interest	1,004

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

B. Budget

The fund deficit in the Grants Fund of \$1,191 as of December 31, 2014 will be reduced through General Fund appropriations.

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and City policy require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2014, all of the City's deposits were covered either by FDIC or collateralized by the financial institution or a combination of both.

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

Credit risk: State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2014, the City had no investments balances that were exposed to credit risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1 and are based on property values as of January 1. Property taxes were levied on July 24, 2014 and are due and payable in two installments. The first installment was due on September 30, 2014 and the second installment was due on November 15, 2014. 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, 2014 and the second installment was due on November 15, 2014. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2014, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Sanitation</u>	<u>Stormwater Utility</u>	<u>Non Major Governmental</u>
Receivables:				
Taxes	\$ 361,878	\$ -	\$ -	\$ -
Accounts	-	9,127	10,221	-
Intergovernmental	-	-	-	26,745
Other	121,468	-	-	-
Less allowance for uncollectible	(16,000)	-	(3,000)	-
Net total receivable	<u>\$ 467,346</u>	<u>\$ 9,127</u>	<u>\$ 7,221</u>	<u>\$ 26,745</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, is as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 270,541	\$ 530,679	\$ (370,444)	\$ 430,776
Land	422,608	-	-	422,608
Total	<u>693,149</u>	<u>530,679</u>	<u>(370,444)</u>	<u>853,384</u>
Capital assets, being depreciated:				
Buildings and improvements	2,846,655	-	298,044	3,144,699
Furniture and equipment	287,912	10,395	-	298,307
Vehicles	611,596	172,212	-	783,808
Total	<u>3,746,163</u>	<u>182,607</u>	<u>298,044</u>	<u>4,226,814</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,017,548)	(75,509)	72,400	(1,020,657)
Furniture and equipment	(234,483)	(27,285)	-	(261,768)
Vehicles	(434,981)	(62,370)	-	(497,351)
Total	<u>(1,687,012)</u>	<u>(165,164)</u>	<u>72,400</u>	<u>(1,779,776)</u>
Total capital assets, being depreciated, net	<u>2,059,151</u>	<u>17,443</u>	<u>370,444</u>	<u>2,447,038</u>
Governmental activities capital assets, net	<u>\$ 2,752,300</u>	<u>\$ 548,122</u>	<u>\$ -</u>	<u>\$ 3,300,422</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Easements (intangible asset)	116,495	-	-	116,495
Total	<u>116,495</u>	<u>-</u>	<u>-</u>	<u>116,495</u>
Capital assets, being depreciated:				
Infrastructure	708,936	-	-	708,936
Total	<u>708,936</u>	<u>-</u>	<u>-</u>	<u>708,936</u>
Less accumulated depreciation for:				
Infrastructure	(303,505)	(35,139)	-	(338,644)
Total	<u>(303,505)</u>	<u>(35,139)</u>	<u>-</u>	<u>(338,644)</u>
Total capital assets, being depreciated, net	<u>405,431</u>	<u>(35,139)</u>	<u>-</u>	<u>370,292</u>
Business-type activities capital assets, net	<u>\$ 521,926</u>	<u>\$ (35,139)</u>	<u>\$ -</u>	<u>\$ 486,787</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 25,243
Public safety	83,767
Public works	14,375
Recreation and parks	41,779
	<u>165,164</u>
Total depreciation expense - governmental activities	<u>\$ 165,164</u>
Business-type activities:	
Stormwater utility	<u>\$ 35,139</u>

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 66,255	\$ 185,979	\$ (31,079)	\$ 221,155	\$ 126,053
Notes payable	937,785	230,693	(105,655)	1,062,823	108,241
Compensated absences	67,674	72,845	(64,917)	75,602	60,907
Governmental activities Long-term liabilities	<u>\$ 1,071,714</u>	<u>\$ 489,517</u>	<u>\$ (201,651)</u>	<u>\$ 1,359,580</u>	<u>\$ 295,201</u>
Business-type activities:					
Compensated absences	\$ 8,699	\$ -	\$ (8,699)	\$ -	\$ -
Business-type activities Long-term liabilities	<u>\$ 8,699</u>	<u>\$ -</u>	<u>\$ (8,699)</u>	<u>\$ -</u>	<u>\$ -</u>

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 General Fund.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Leases – Equipment (continued)

As of December 31, 2014, the cost, current year depreciation, and accumulated depreciation of vehicles acquired under capital leases are \$290,209, \$23,599, and \$52,989, respectively. The vehicles are pledged as collateral on the lease.

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

Year Ending December 31,	<u>Governmental Activities</u>
2015	\$ 63,127
2016	47,086
2017	47,086
2018	39,804
2019	39,804
Total minimum lease payments	<u>236,907</u>
Less amount representing interest	15,752
Present value of future minimum lease payments	<u><u>\$ 221,155</u></u>

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:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	45,486	13,538	59,024
2020-2024	250,659	44,463	295,122
2025-2027	141,233	6,329	147,562
Total	<u><u>\$ 605,413</u></u>	<u><u>\$ 132,392</u></u>	<u><u>\$ 737,805</u></u>

NOTES TO FINANCIAL STATEMENTS

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
2015	\$ 68,231	\$ 3,944	\$ 72,175
2016	69,578	2,597	72,175
2017	70,952	1,223	72,175
2018	17,956	88	18,044
Total	<u>\$ 226,717</u>	<u>\$ 7,852</u>	<u>\$ 234,569</u>

Notes Payable. The City entered into a note payable agreement with the Georgia State Road and Tollway Authority on June 20, 2013 for the financing a streetscape project. The note is for \$2,000,000 and carries an interest rate of 2.40%. The loan is currently in the draw phase and the loan has not closed. As of December 31, 2014 the outstanding balance is \$230,693.

NOTE 8. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of \$360,000 at a local financial institution. The borrowing, with an interest rate of 1.23%, matured on December 31, 2014. As of December 31, 2014, all outstanding principal has been paid in full. Total short-term borrowings interest incurred and expensed for the year ended December 31, 2014, was \$1,513.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SHORT-TERM BORROWINGS (CONTINUED)

The following is a summary of the City's short-term borrowings for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation note	\$ -	\$ 360,000	\$ (360,000)	\$ -

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2014, is as follows:

Due to / from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 9,872
Nonmajor Governmental Funds	General Fund	5,173
General Fund	Nonmajor Governmental Funds	3,352
General Fund	Sanitation Fund	25,245
		<u>\$ 43,642</u>

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

Advances from/to other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Stormwater Fund	<u>\$ 221,451</u>

The General Fund advanced money to cover the shortfall of revenues of the Stormwater Fund. Amounts are expected to be paid in more than one year through increased revenues from the annexation of additional properties to the City's tax digest in 2015 and the additional annexation approved for 2016. The advance will be repaid during fiscal year 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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.

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, 2014, the date of the most recent actuarial valuation, there were 93 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants not yet receiving benefits	31
Active vested employees	18
Active nonvested employees	17
Total	<u>93</u>

B. Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. At July 1, 2014, the date of the most recent actuarial valuation, the actuarially determined contribution rate was 12.56% of covered payroll.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. PENSION PLAN (CONTINUED)

B. Funding Policy (continued)

For 2014, the City's annual required contribution was \$94,322 and actual contribution totaled \$94,322. The annual required contribution was determined as part of the July 1, 2013 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.

C. Annual Pension Cost

The City's actuarially required contribution, pension cost, and increase in net pension asset for the year ended December 31, 2014 were computed as follows:

Annual required contribution	\$ 94,322
Interest	(4,749)
Annual pension cost	<u>89,573</u>
Actual contributions made	<u>(94,322)</u>
Increase in net pension asset	(4,749)
Net pension asset, December 31, 2013	(61,278)
Net pension asset, December 31, 2014	<u><u>\$ (66,027)</u></u>

D. Schedule of Annual Pension Costs

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Pension Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2014	\$ 89,574	\$ 94,322	105.3 %	\$ (66,027)
2013	80,763	85,169	105.5	(61,278)
2012	76,929	79,989	104.0	(56,278)

NOTES TO FINANCIAL STATEMENTS

NOTE 10. PENSION PLAN (CONTINUED)

E. Funding Progress

As of the most recent valuation date, July 1, 2014, 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
7/1/2014	\$ 2,197,163	\$ 2,332,521	\$ 135,358	94.20%	\$ 1,293,500	10.46%

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2014.

The assumptions used in the July 1, 2014 actuarial valuation are as follows:

Actuarial Assumptions:

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
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	Remaining amortization period varies for the bases, with a net effective amortization period of 17 years.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. JOINT VENTURE

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

NOTE 12. RELATED ORGANIZATIONS

The City of Clarkston Housing Authority was established to assist low-income individuals in obtaining housing at affordable rates. The Authority was not active as of December 31, 2014. 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, 2014.

NOTE 13. RISK MANAGEMENT

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

NOTE 15. SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the City has drawn \$450,000 on a new tax anticipation note that will mature on December 31, 2015. The purpose of the short-term borrowing was for operating purposes. The short-term borrowing carries an interest rate of 1.23%.

CITY OF CLARKSTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

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
7/1/2014	\$ 2,197,163	\$ 2,332,521	\$ 135,358	94.2 %	\$ 1,293,500	10.46%
7/1/2013	2,104,686	2,007,242	(97,444)	104.9	1,050,927	-9.27%
7/1/2012	2,024,618	1,857,846	(166,772)	109.0	935,201	-17.83%
7/1/2011	1,970,629	1,758,515	(212,114)	112.1	1,040,437	-20.39%
7/1/2010	1,878,005	1,749,789	(128,216)	107.3	976,937	-13.12%
7/1/2009	1,438,195	1,859,034	420,839	77.4	822,417	51.17%

The assumptions used in preparing the above schedule of funding progress are disclosed in Note 10 for the Pension Plan.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

The **Grants Fund** is one of the City's special revenue funds which is used to report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects. This fund is used to account for grants received from various Federal and State agencies.

Capital Projects Funds

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

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

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.

CITY OF CLARKSTON, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2014

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Police Seizure Fund	Grants Fund	Homestead Option Sales Tax Fund	Public Works Building Fund	
ASSETS					
Cash and cash equivalents	\$ 129,443	\$ -	\$ -	\$ 2	\$ 129,445
Intergovernmental receivable	-	26,745	-	-	26,745
Due from other funds	9,872	-	5,173	-	15,045
Total assets	<u>\$ 139,315</u>	<u>\$ 26,745</u>	<u>\$ 5,173</u>	<u>\$ 2</u>	<u>\$ 171,235</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,189	\$ 24,584	\$ -	\$ -	\$ 26,773
Due to other funds	-	3,352	-	-	3,352
Total liabilities	<u>2,189</u>	<u>27,936</u>	<u>-</u>	<u>-</u>	<u>30,125</u>
FUND BALANCES (DEFICITS)					
Restricted for:					
Public safety	137,126	-	-	-	137,126
Capital construction	-	-	5,173	2	5,175
Unassigned (deficit)	-	(1,191)	-	-	(1,191)
Total fund balances (deficit)	<u>137,126</u>	<u>(1,191)</u>	<u>5,173</u>	<u>2</u>	<u>141,110</u>
Total liabilities and fund balances	<u>\$ 139,315</u>	<u>\$ 26,745</u>	<u>\$ 5,173</u>	<u>\$ 2</u>	<u>\$ 171,235</u>

CITY OF CLARKSTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Police Seizure Fund	Grants Fund	Homestead Option Sales Tax Fund	Public Works Building Fund	
REVENUES					
Fines and forfeitures	\$ 35,546	\$ -	\$ -	\$ -	\$ 35,546
Intergovernmental	-	108,524	45,704	-	154,228
Interest	12	-	-	8	20
Total revenues	35,558	108,524	45,704	8	189,794
EXPENDITURES					
Current:					
General governemnt	-	69,180	-	-	69,180
Public safety	34,412	-	-	-	34,412
Public works	-	80,776	-	-	80,776
Capital outlays	-	-	119,104	25,267	144,371
Debt service:					
Principal	31,079	-	-	-	31,079
Interest	1,004	-	-	-	1,004
Total expenditures	66,495	149,956	119,104	25,267	360,822
Excess (deficiency) of revenues over (under) expenditures	(30,937)	(41,432)	(73,400)	(25,259)	(171,028)
OTHER FINANCING SOURCES					
Proceeds from disposal of capital assets	6,190	-	-	-	6,190
Total other financing sources	6,190	-	-	-	6,190
Net change in fund balances	(24,747)	(41,432)	(73,400)	(25,259)	(164,838)
FUND BALANCES, beginning of year	161,873	40,241	78,573	25,261	305,948
FUND BALANCES (DEFICITS), end of year	\$ 137,126	\$ (1,191)	\$ 5,173	\$ 2	\$ 141,110

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	\$ 101,600	\$ 101,600	\$ 35,546	\$ (66,054)
Miscellaneous	200	200	-	(200)
Interest	100	100	12	(88)
Total revenue	101,900	101,900	35,558	(66,342)
EXPENDITURES				
Public safety	86,600	86,600	34,412	52,188
Debt service:				
Principal	33,000	33,000	31,079	1,921
Interest	-	-	1,004	(1,004)
Total expenditures	119,600	119,600	66,495	53,105
Deficiency of revenues under expenditures	(17,700)	(17,700)	(30,937)	(13,237)
OTHER FINANCING SOURCES				
Proceeds from disposal of capital assets	1,500	1,500	6,190	4,690
Total other financing sources	1,500	1,500	6,190	4,690
Net change in fund balances	(16,200)	(16,200)	(24,747)	(8,547)
FUND BALANCES, beginning of year	161,873	161,873	161,873	-
FUND BALANCES, end of year	<u>\$ 145,673</u>	<u>\$ 145,673</u>	<u>\$ 137,126</u>	<u>\$ (8,547)</u>

CITY OF CLARKSTON, GEORGIA

**GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 279,000	\$ 77,000	\$ 108,524	\$ 31,524
Total revenue	279,000	77,000	108,524	31,524
EXPENDITURES				
General government	317,000	77,000	69,180	7,820
Public works	-	-	80,776	(80,776)
Total expenditures	317,000	77,000	149,956	(72,956)
Deficiency of revenues under expenditures	(38,000)	-	(41,432)	(41,432)
OTHER FINANCING SOURCES				
Transfers in	38,000	-	-	-
Total other financing sources	38,000	-	-	-
Net change in fund balances	-	-	(41,432)	(41,432)
FUND BALANCES, beginning of year	40,241	40,241	40,241	-
FUND BALANCES (DEFICITS), end of year	<u>\$ 40,241</u>	<u>\$ 40,241</u>	<u>\$ (1,191)</u>	<u>\$ (41,432)</u>

COMPLIANCE SECTION



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Clarkston, Georgia** (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 3, 2015.

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 2014-001, 2014-002, and 2014-003 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.

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

Atlanta, Georgia
September 3, 2015

CITY OF CLARKSTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

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 none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

There was not an audit of major federal award programs required as of December 31, 2014 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, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001 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, journal entries, and general ledger functions are handled by one (1) individual. More specifically, the following was noted:

- 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.
- Journal entries are not reviewed and approved by an appropriate independent person.

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 undetected by management and the Mayor and City Council.

CITY OF CLARKSTON, GEORGIA
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2014-001 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.

2014-002 Year-End Financial Close and Reporting Controls

Criteria: Internal controls should be in place to ensure that all amounts reported within the general ledger (an ultimately in the financial statements) are accurate in accordance with generally accepted accounting principles and have been reconciled to subsidiary ledgers and underlying accounting records.

Condition: Due to ineffective controls surrounding the year-end financial close procedures, three (3) audit adjustments were necessary at December 31, 2014.

Context/Cause: During our testing, audit adjustments were required as follows:

- To balance inter-fund transactions (due to/from) in the General Fund for \$7,139.
- To properly record accounts payable in the General Fund for \$15,420. This amount is also included in the capital asset portion of Finding 2014-003 on the following page as we found this error during our testing of capital assets.
- To write off the compensated absence balance of \$8,699 in the Stormwater Fund and move balance to governmental activities as the City will no longer allocate salaries to the Stormwater Fund going forward.

Effect: Audit adjustments of \$31,258 were required as detailed above.

Recommendation: We recommend the City's finance department implement and/or strengthen internal controls surrounding the year-end financial close out procedures.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will make efforts to implement and strengthen internal controls surrounding the fiscal year-end financial close out procedures.

CITY OF CLARKSTON, GEORGIA

SCHEDULE OF FINDINGS AND REPONSES FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2014-003 Expenditure/Revenue and Related Liability/Capital Asset Recognition.

Criteria: Generally, expenditures and related liabilities as well as revenues and related receivables should be recognized as soon as the liability or revenue is incurred or earned, regardless of the timing of the related cash flows.

Condition: Internal controls were not sufficient to detect certain misstatements in reporting of the City's expenditures/revenue and related balance sheet accounts as well as government-wide debt and capital assets as related to the City's governmental activities.

Context/Cause: During our testing of debt and capital assets, the follow adjustments were required:

- To record cash and loan proceeds in the General Fund for \$185,980 for loan proceeds received by the City prior to December 31, 2014. This entry was also required to record debt on the government wide statement of net position for the City's governmental activities.
- To record accounts payable for \$172,212 in the General Fund for capital purchases of vehicles which were received prior to December 31, 2014 but the City had not remitted payment as of December 31, 2014. This entry was also required to record capital asset on the government wide statement of net position for the City's governmental activities.
- To record loan proceeds and accounts receivable in the General Fund for \$101,173 for services rendered and paid for prior to year-end in which the City had not yet drawn down loan proceeds for reimbursement. This entry was also required to record debt and capital assets on the government wide statement of net position for the City's governmental activities.

Effect: Audit adjustments of \$459,365 were required to correct the reporting of long-term financing of capital projects for the year ended December 31, 2014.

Recommendation: We recommend the City review all expenditures and related liabilities as well as revenues are related receivables to ensure all necessary transactions (including debt and capital assets) are reported in the proper period in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will make efforts to ensure all transactions are reported in the proper period.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.