

CITY OF CLARKSTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018



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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Grant 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, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4-11, 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the schedule of projects constructed with special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, 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 and the schedule of projects constructed with special purpose local option sales tax proceeds (collectively the “supplementary information”) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Clarkston, Georgia’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clarkston, Georgia’s internal control over financial reporting and compliance.



Atlanta, Georgia
June 11, 2019

CITY OF CLARKSTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- ❖ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$7,878,722 (net position). Of this amount, \$366,895 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. \$5,757,094 of net position consisted of investments in capital assets, net of related debt. The remainder of net position consisted of amounts restricted by law, with \$1,302,680 restricted for capital construction, \$98,987 restricted for public works, and \$353,066 restricted for public safety.
- ❖ The City's total net position increased by \$2,808,523 in the year ended December 31, 2018. This is compared to a decrease of \$567,362 in the prior year, excluding the prior period adjustment. This increase in net position for 2018 resulted from an increase in restricted cash available for capital construction (SPLOST taxes) and cash restricted for public safety (Forfeitures receipts).
- ❖ As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,593,770. This compares to the prior year ending fund balances of \$3,069,084 showing a net increase of \$4,524,686 during the current year. The current year increase in fund balances was due, primarily, to the implementation of the Special Purpose Local Option Sales Tax and associated bond proceeds to fund transportation improvements, primarily streets and sidewalk improvements within the City.
- ❖ At the end of the current year, the total fund balance for the General Fund was \$1,780,727 or 30% of General Fund expenditures. Of this amount, \$1,593,010 was unassigned, \$131,774 was assigned for public safety vehicles, and \$55,943 was nonspendable. The total fund balance for the Urban Redevelopment Agency Fund decreased \$421,072 due to capital construction, of which 100% is committed for capital construction projects.
- ❖ At the end of the current year, the total fund balance for the SPLOST Fund was \$4,632,898 restricted to capital construction for transportation projects. The total fund balance for the Grant Fund was \$98,987 restricted to public works projects.
- ❖ At the close of the year, the assets of the City's Sanitation Fund exceeded its liabilities by \$98,599. This total net position was all unrestricted and available to meet the Sanitation Fund's on-going obligations to its customers.
- ❖ At the close of the year, the assets of the City's Stormwater Utility Fund exceeded its liabilities by \$1,542,264. Included in this total net position is \$1,023,260 invested in capital assets and a balance of \$519,004 of unrestricted net position available to meet the Stormwater Utility Fund's on-going obligations to its customers.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each major fund. The City's major funds are the General Fund, Grant Fund, Urban Redevelopment Agency Fund and the SPLOST Fund (created in the current year). Other nonmajor governmental funds include the Police Seizure Fund and the Homestead Option Sales Tax Fund.

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

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

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

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

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Clarkston, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,878,722 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	
	2018	2017 (Restated)	2018	2017	2018	2017 (Restated)
Assets:						
Current and other assets	\$ 8,409,580	\$ 4,034,620	\$ 654,243	\$ 436,926	\$ 9,063,823	\$ 4,471,546
Capital assets	10,237,291	7,157,320	1,023,260	1,040,131	11,260,551	8,197,451
Total assets	18,646,871	11,191,940	1,677,503	1,477,057	20,324,374	12,668,997
Deferred outflows of resources	421,300	172,176	-	-	\$ 421,300	\$ 172,176
Liabilities:						
Current liabilities	1,983,861	1,439,858	36,640	20,358	2,020,501	1,460,216
Long-term liabilities	10,641,011	6,245,018	-	-	10,641,011	6,245,018
Total liabilities	12,624,872	7,684,876	36,640	20,358	12,661,512	7,705,234
Deferred inflows of resources	205,440	65,690	-	-	205,440	65,690
Net position:						
Net investment						
in capital assets	4,733,834	3,805,346	1,023,260	1,040,131	5,757,094	4,845,477
Restricted	1,754,733	153,418	-	-	1,754,733	153,418
Unrestricted (deficit)	(250,708)	(345,264)	617,603	416,568	366,895	71,304
Total net position	\$ 6,237,859	\$ 3,613,500	\$ 1,640,863	\$ 1,456,699	\$ 7,878,722	\$ 5,070,199

A portion of the City's net position (\$5,757,094 or 73.1%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, equipment, and intangibles, less any related debt used to acquire those assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. \$1,754,733 (22.3%) of the City's net position is restricted for the public safety and public works activities and capital construction. The remaining portion of the City's net position (\$366,895 or 4.7%) is unrestricted. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position, for the City as a whole, however the unrestricted net position of the governmental activities increased by \$94,556 from the previous year to a deficit balance of \$250,708, primarily due to increased revenue in the current 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 years ended December 31, 2018 and 2017. The Governmental activities net position at the beginning of the year has been restated and decreased by \$328,346 to record sick leave liability as of December 31, 2017 (see Note 17. Restatement in Notes to Financial Statements). Governmental activities during the current year increased the City's net position by \$2,624,359 for the year ended December 31, 2018. Business-type activities increased the City's net position by \$184,164 for the year ended December 31, 2018.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017 Restated	2018	2017	2018	2017 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 1,561,312	\$ 1,318,323	\$ 521,732	\$ 412,787	\$ 2,083,044	\$ 1,731,110
Capital grants and contributions	2,379,106	267,211	-	-	2,379,106	267,211
General revenues:						
Property taxes	2,766,747	2,718,234	-	-	2,766,747	2,718,234
Franchise taxes	314,915	256,559	-	-	314,915	256,559
Insurance premium taxes	867,339	804,244	-	-	867,339	804,244
Business and occupational taxes	235,832	232,013	-	-	235,832	232,013
Alcoholic beverage taxes	113,423	105,212	-	-	113,423	105,212
Gain sale of capital assets	-	4,872	-	-	-	4,872
Interest earnings	84	88	31	19	115	107
Total revenues	8,238,758	5,706,756	521,763	412,806	8,760,521	6,119,562
Expenses:						
General government	1,208,356	1,342,777	-	-	1,208,356	1,342,777
Buildings and grounds	138,070	139,066	-	-	138,070	139,066
Public safety	1,972,221	2,621,151	-	-	1,972,221	2,621,151
Public works	908,923	1,020,358	-	-	908,923	1,020,358
Recreation and parks	162,773	136,918	-	-	162,773	136,918
Judicial/Municipal Court	561,317	616,388	-	-	561,317	616,388
Economic / Community Development	72,738	110,655	-	-	72,738	110,655
Planning & Zoning	267,427	260,756	-	-	267,427	260,756
Interest on long-term debt	322,574	144,559	-	-	322,574	144,559
Sanitation	-	-	195,370	192,651	195,370	192,651
Stormwater utility	-	-	142,229	101,645	142,229	101,645
Total expenses	5,614,399	6,392,628	337,599	294,296	5,951,998	6,686,924
Change in net position	2,624,359	(685,872)	184,164	118,510	2,808,523	(567,362)
Prior Period Adjustment	-	(328,346)	-	-	-	(328,346)
Net position - beginning of year	3,613,500	4,627,718	1,456,699	1,338,189	5,070,199	5,965,907
Net position - end of year	\$ 6,237,859	\$ 3,613,500	\$ 1,640,863	\$ 1,456,699	\$ 7,878,722	\$ 5,070,199

Governmental Activities

Revenue Charges for services of \$1,561,312 increased by \$242,989 primarily due to increased fines and forfeitures revenue and accounted for 18.6% of the City's total governmental revenue in 2018 compared to 23.1% in 2017. Capital Grants and Contributions of \$2,379,106 increased by \$2,111,895 due to the implementation of the Special Purpose Local Option Sales Tax (SPLOST) and Capital Grants restricted for Public Works capital construction projects. Capital grants and contributions comprises 28.9% of total governmental revenue in 2018 compared to 4.7% in 2017. Property taxes provided 33.6% of the City's total governmental revenue of year 2018 as compared with 47.6% in the year 2017. Overall, governmental revenues increased by \$2,532,002 or 44.4% while overall governmental expenses decreased by \$778,229 or 12.2%. The increase in revenues was primarily due to the implementation of the Special Purpose Local Option Sales Tax (SPLOST) and Capital Grants restricted for Public Works capital construction projects, as well as slight increases in all other sources of revenue. The decrease in expenses were due primarily due to decreased public safety expenses in 2018 compared to 2017.

Expenses The total expense for the governmental activities was \$5,614,399. Public safety accounts for the largest portion of governmental expenses. Total public safety expenses were \$1,972,221 or 35.1% of total governmental expenses and total general government expenses accounted for the second largest portion of governmental expenses and represented \$1,208,356 or 21.5% of total governmental expenses.

Business-type activities

Revenues Total revenues for the enterprise funds increased by \$108,957 from 2017. In the current year, the Sanitation Fund operating revenues were \$218,384, with a \$33,239 increase from 2017, and the Stormwater Utility Fund operating revenues were \$303,348, an increase of 33.3% over 2017. The increases are due to increased assessments rates for both Sanitation and Stormwater fees in 2018. The rates had not been increased in over ten years. The sanitation and the stormwater utility fees are billed on the DeKalb County annual property tax bills and then remitted to the City.

Expenses Total expenses for the Sanitation Fund were \$195,370 in the current year compared to \$192,651 in the prior year. Total expenses for the Stormwater Utility Fund were \$142,229 in the current year compared to \$101,645 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 \$7,593,770. Of this amount, \$1,593,010 or 21% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is made of \$656,898 of committed fund balance for capital construction (Friendship Forest redevelopment), another \$5,156,145 of restricted fund balance due to external limitations on its use, \$131,774 assigned fund balance and \$55,943 was nonspendable. These restricted uses include 1) capital projects funded by SPLOST and HOST funds (\$4,704,092), 2) capital projects funded by Grant fund (\$98,987), 3) public safety expenditures funded by the police seizure funds (\$353,066). The nonspendable fund balance portion of \$55,943 is for prepaid items.

General Fund - The General Fund is the central operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,780,727 of which \$1,593,010 was unassigned, \$131,774 was assigned and \$55,943 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 \$1,780,727 represents approximately 30% of total General Fund expenditures compared to 26.1% for the prior year while unassigned fund balance of \$1,593,010, represents approximately 26.8% of total General Fund expenditures compared to 25.2% of the prior year. Fund balance of the City's General Fund decreased by \$56,969 during the current year. This was due, primarily, to increases in general government expenditures.

Grant Fund – The Grant Fund increased fund balance by \$98,987 due to revenues exceeding expenditures. 100% of the fund balance is restricted by the grants.

URA Fund – The URA (Urban Redevelopment Agency) Fund was created in 2017. The total fund balance for the URA fund at year end 2018 was \$656,898 and is committed to capital construction to complete the Friendship Forest redevelopment project.

SPLOST Fund – The SPLOST Fund was created in 2018 and incurred its first year of operations. Fund balance of \$4,632,898 is restricted for capital construction.

Nonmajor Governmental Funds - Total fund balance for other nonmajor governmental funds at year end was \$424,260, with \$353,066 restricted for public safety and \$71,194 restricted for capital construction.

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

Stormwater Utility Fund - Stormwater fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Stormwater Utility Fund increased its net position by \$161,150 in 2018. This increase in net position is attributable to revenues in excess of expenses for the year.

Sanitation Fund - Sanitation fees are billed on the City property tax bills and are collected by DeKalb County and remitted by the County to the City. The Sanitation Fund increased its net position by \$23,014 in 2018. This increase in net position is attributable to revenues in excess of expenses for the year.

Table 3 below compares governmental fund revenues and expenditures for 2018 and 2017.

Governmental Revenues, Expenditures, and Changes in Fund Balances

	Governmental Funds	
	<u>2018</u>	<u>2017</u>
Revenues:		
Taxes	\$ 4,296,200	\$ 4,203,660
Licenses and permits	273,712	253,779
Intergovernmental	2,210,034	267,211
Fines and forfeitures	1,022,974	767,351
Charges for services	106,102	99,651
Interest income	5,956	88
Other revenues	<u>158,524</u>	<u>197,542</u>
Total Revenue	<u>8,073,502</u>	<u>5,789,282</u>
Expenditures:		
General government	1,236,956	988,418
Buildings and grounds	138,070	139,066
Public safety	1,929,868	1,924,580
Public works	845,656	772,420
Judicial/Municipal Court	567,175	516,073
Economic & Community Development	76,399	47,960
Planning & Zoning	267,427	260,756
Recreation and parks	125,059	94,734
Capital outlay	3,206,468	2,434,415
Debt service:		
Principal retirements	390,858	345,916
Interest	205,020	57,823
Issuance cost	<u>95,942</u>	<u>44,227</u>
Total Expenditures	<u>9,084,898</u>	<u>7,626,388</u>
Deficiency of revenues under expenditures	<u>(1,011,396)</u>	<u>(1,837,106)</u>
Other financing sources:		
Proceeds from issuance of bonds	5,150,000	1,350,000
Proceeds from issuance of capital leases	131,771	258,695
Proceeds from issuance of notes payable	254,311	1,418,277
Proceeds from sale of capital assets	-	11,808
Total other financing sources	<u>5,536,082</u>	<u>3,038,780</u>
Net change in fund balances	4,524,686	1,201,674
Fund balances, beginning of year	<u>3,069,084</u>	<u>1,867,410</u>
Fund balances, end of year	<u>\$ 7,593,770</u>	<u>\$ 3,069,084</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 \$411,144 less than budgeted mainly due to less than expected collection of fines and forfeitures revenues and tax revenues than what was budgeted and anticipated. Expenditures were \$212,326 less than budgeted due to expenditures for general government, public works and planning & zoning being less than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$11,260,551 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, buildings and improvements, machinery and equipment, park facilities, streets and sidewalks, and storm water infrastructure. Table 4 below summarizes capital assets of the City.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Construction in progress	\$ 5,338,796	\$ 2,729,865	\$ 11,790	\$ -	\$ 5,350,586	\$ 2,729,865
Land	585,808	422,608	-	-	585,808	422,608
Intangible asset	-	-	116,495	116,495	116,495	116,495
Buildings and improvements	3,271,582	3,245,124	-	-	3,271,582	3,245,124
Furniture and equipment	599,158	559,221	-	-	599,158	559,221
Vehicles	901,603	810,433	84,197	84,197	985,800	894,630
Infrastructure-Streets	2,111,358	1,681,136	-	-	2,111,358	1,681,136
Stormwater infrastructure	-	-	1,355,058	1,342,008	1,355,058	1,342,008
Less accumulated depreciation	<u>(2,571,014)</u>	<u>(2,291,067)</u>	<u>(544,280)</u>	<u>(502,569)</u>	<u>(3,115,294)</u>	<u>(2,793,636)</u>
Total	<u>\$ 10,237,291</u>	<u>\$ 7,157,320</u>	<u>\$ 1,023,260</u>	<u>\$ 1,040,131</u>	<u>\$ 11,260,551</u>	<u>\$ 8,197,451</u>

The City's total investment in capital assets increased from \$8,197,451 to \$11,260,551 in 2018. The City completed \$835,408 of additional construction in process (CIP) work on the Streetscape project, started in fiscal year 2014, bringing the 2018 cumulative balance in process to \$3,244,056. The City began the construction of the Friendship Forest redevelopment project in 2017 spending \$421,154 in CIP in 2018 bringing the cumulative balance to \$649,040 of the \$1.35 million project expected to be completed in 2019. During the current year, the City began construction of several street and sidewalk projects funded by the Special Purpose Local Option Sales Tax, at the end of fiscal year 2018, there was \$1,431,520 of construction projects in process.

During fiscal year 2018, the City purchased other machinery and equipment totaling \$49,687, buildings and improvements \$26,458, infrastructure \$268,672 and vehicles \$91,170. The City also recorded the transfer of land comprising 40 Oaks Nature Preserve at an acquisition value of \$163,200 donated to the City by DeKalb County. Depreciation on capital assets was \$289,697. The City disposed of \$9,750 of obsolete capital assets with accumulated depreciation of \$9,750 in 2018. Additional information on the City's capital assets can be found at Note 6 in the notes to the financial statements of this report.

Long Term Debt and Obligations. The City's long-term debt and obligations can be found in Note 7 in the notes to the financial statements of this report. The City completed a Special Purpose Local Options Sales Tax (SPLOST) bond issue in the amount of \$5.15 million in 2018 in order begin construction of various streets and sidewalk projects to be funded from the SPLOST. The net increase in net pension liability for 2018 was \$36,202. The Compensated Absences balance at the beginning of the year has been restated and increased by \$328,346 to record sick leave liability as of December 31, 2017 (see Note 17. Restatement in Notes to Financial Statements). The Compensated absences at the end of 2018 decreased from the beginning restated balance by \$111,260 due to benefit payouts in 2018 for retiring employees. The City's long-term debt is summarized in the table on the following page.

Table 5
Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2017		2017		2017	
	2018	Restated	2018	2017	2018	Restated
Bonds Payable	\$ 6,213,667	\$ 1,207,776	\$ -	\$ -	\$ 6,213,667	\$ 1,207,776
Capital Leases	320,507	289,627	-	-	320,507	289,627
Notes Payable	3,113,909	3,005,456	-	-	3,113,909	3,005,456
Net Pension Liability	1,892,993	1,856,791	-	-	1,892,993	1,856,791
Compensated Absences	341,884	453,144	-	-	341,884	453,144
Governmental Activities						
Long-term liabilities	<u>\$ 11,882,960</u>	<u>\$ 6,812,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,882,960</u>	<u>\$ 6,812,794</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 2019. The budget for 2019 reflects total revenues of \$15,039,207 and total expenditures of \$15,039,207. The major increases in the 2019 budget relate to SPLOST Fund with a total budget of \$4,265,251 for construction of streets and sidewalks and the debt service related to the SPLOST bond issued in 2018.

The City has been working on a Streetscape project with planning and design that began in 2014. Streetscape construction began in 2017 with completion of construction by the end of fiscal year 2019. A \$2 million dollar loan from the State Road and Tollway Authority (SRTA) was secured in June 2013 to partially fund the streetscape project. In 2017, the City secured an additional \$1.7 million loan from the State Road and Tollway Authority for the balance expected to fund this project in full and as of the end of 2018, had drawn down \$760,376 on this second loan. The City expects to draw down the balance of this second loan in 2019. These SRTA loans will represent the City's match toward a \$3.52 million dollar grant from the Federal Highway Administration. The City has also been awarded an additional \$1.373 million dollar grant the ARC Surface Transportation Program Urban Funding for this project.

In November of 2017, DeKalb County voters approved a referendum for a six year Special Purpose Local Option Sales Tax to be restricted for capital construction of streets and sidewalk improvements with the City estimated to receive \$11,353,392 over six years. To date the actual tax collected by the City is averaging 93% of the original estimate.

The tax digest valuation for the City is estimated to increase by approximately 24%.

Requests for Information

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

City Clerk
City of Clarkston
1055 Rowland Street
Clarkston, GA 30021

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 7,096,171	\$ 668,403	\$ 7,764,574
Taxes receivables, net of allowances	459,989	-	459,989
Intergovernmental receivable	567,513	-	567,513
Other receivables	187,735	-	187,735
Accounts receivables, net of allowances	-	23,898	23,898
Interfund balances	42,229	(42,229)	-
Prepaid items	55,943	4,171	60,114
Capital assets:			
Non-depreciable	5,924,604	128,285	6,052,889
Depreciable, net of accumulated depreciation	4,312,687	894,975	5,207,662
Total assets	18,646,871	1,677,503	20,324,374
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	421,300	-	421,300
Total deferred outflows of resources	421,300	-	421,300
LIABILITIES			
Accounts payable	498,947	36,640	535,587
Accrued liabilities	242,965	-	242,965
Compensated absences due within one year	77,557	-	77,557
Compensated absences due in more than one year	264,327	-	264,327
Net pension liability	1,892,993	-	1,892,993
Notes payable due within one year	159,879	-	159,879
Notes payable due in more than one year	2,954,030	-	2,954,030
Bonds payable due within one year	876,018	-	876,018
Bonds payable due in more than one year	5,337,649	-	5,337,649
Capital leases due within one year	128,495	-	128,495
Capital leases due in more than one year	192,012	-	192,012
Total liabilities	12,624,872	36,640	12,661,512
DEFERRED INFLOWS OF RESOURCES			
Pension related items	205,440	-	205,440
Total deferred inflows of resources	205,440	-	205,440
NET POSITION			
Net investment in capital assets	4,733,834	1,023,260	5,757,094
Restricted for public safety	353,066	-	353,066
Restricted for public works	98,987	-	98,987
Restricted for capital construction	1,302,680	-	1,302,680
Unrestricted (deficit)	(250,708)	617,603	366,895
Total net position	\$ 6,237,859	\$ 1,640,863	\$ 7,878,722

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 1,208,356	\$ 441,140	\$ 31,191	\$ (736,025)	\$ -	\$ (736,025)
Building and grounds	138,070	-	-	(138,070)	-	(138,070)
Public safety	1,972,221	1,072,243	80,000	(819,978)	-	(819,978)
Public works	908,923	-	2,064,715	1,155,792	-	1,155,792
Recreation and parks	162,773	47,929	203,200	88,356	-	88,356
Judicial/Municipal court	561,317	-	-	(561,317)	-	(561,317)
Economic and community development	72,738	-	-	(72,738)	-	(72,738)
Planning and zoning	267,427	-	-	(267,427)	-	(267,427)
Interest and fiscal charges	322,574	-	-	(322,574)	-	(322,574)
Total governmental activities	5,614,399	1,561,312	2,379,106	(1,673,981)	-	(1,673,981)
Business-type activities:						
Sanitation	195,370	218,384	-	-	23,014	23,014
Stormwater utility	142,229	303,348	-	-	161,119	161,119
Total business-type activities	337,599	521,732	-	-	184,133	184,133
Total primary government	\$ 5,951,998	\$ 2,083,044	\$ 2,379,106	\$ (1,673,981)	\$ 184,133	\$ (1,489,848)
General revenues:						
Property taxes				2,766,747	-	2,766,747
Franchise taxes				314,915	-	314,915
Insurance premium taxes				867,339	-	867,339
Business and occupational taxes				235,832	-	235,832
Alcoholic beverage taxes				113,423	-	113,423
Unrestricted investment earnings				84	31	115
Total general revenues				4,298,340	31	4,298,371
Change in net position				2,624,359	184,164	2,808,523
Net position, beginning of year (restated)				3,613,500	1,456,699	5,070,199
Net position, end of year				\$ 6,237,859	\$ 1,640,863	\$ 7,878,722

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

CITY OF CLARKSTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

ASSETS	General Fund	Grant Fund	URA Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,540,865	\$ -	\$ 743,215	\$ 4,459,025	\$ 353,066	\$ 7,096,171
Taxes receivables, net of allowance	459,989	-	-	-	-	459,989
Intergovernmental receivable	-	395,674	-	171,839	-	567,513
Other receivables	187,735	-	-	-	-	187,735
Prepaid items	55,943	-	-	-	-	55,943
Due from other funds	429,320	98,987	-	10,354	71,194	609,855
Total assets	\$ 2,673,852	\$ 494,661	\$ 743,215	\$ 4,641,218	\$ 424,260	\$ 8,977,206
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 404,310	\$ -	\$ 86,317	\$ 8,320	\$ -	\$ 498,947
Accrued liabilities	217,063	-	-	-	-	217,063
Due to other funds	171,952	395,674	-	-	-	567,626
Total liabilities	793,325	395,674	86,317	8,320	-	1,283,636
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	99,800	-	-	-	-	99,800
Total deferred inflows of resources	99,800	-	-	-	-	99,800
FUND BALANCES						
Fund balances:						
Nonspendable:						
Prepaid items	55,943	-	-	-	-	55,943
Restricted:						
Public safety	-	-	-	-	353,066	353,066
Public works	-	98,987	-	-	-	98,987
Capital construction	-	-	-	4,632,898	71,194	4,704,092
Committed:						
Capital construction	-	-	656,898	-	-	656,898
Assigned:						
Public safety	131,774	-	-	-	-	131,774
Unassigned	1,593,010	-	-	-	-	1,593,010
Total fund balances	1,780,727	98,987	656,898	4,632,898	424,260	7,593,770
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,673,852	\$ 494,661	\$ 743,215	\$ 4,641,218	\$ 424,260	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.						10,237,291
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds.						99,800
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.						(1,677,133)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds.						(10,015,869)
Net position of governmental activities						<u>\$ 6,237,859</u>

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

CITY OF CLARKSTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Grant Fund	URA Fund	SPLOST Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 4,296,200	\$ -	\$ -	\$ -	\$ -	\$ 4,296,200
Licenses and permits	273,712	-	-	-	-	273,712
Intergovernmental	12,600	846,664	-	1,332,179	18,591	2,210,034
Fines and forfeitures	645,421	-	-	-	377,553	1,022,974
Charges for services	106,102	-	-	-	-	106,102
Interest income	2	-	82	5,872	-	5,956
Other revenues	158,524	-	-	-	-	158,524
Total revenues	<u>5,492,561</u>	<u>846,664</u>	<u>82</u>	<u>1,338,051</u>	<u>396,144</u>	<u>8,073,502</u>
Expenditures						
Current:						
General government	1,236,956	-	-	-	-	1,236,956
Building and grounds	138,070	-	-	-	-	138,070
Public safety	1,889,178	-	-	-	40,690	1,929,868
Public works	823,501	22,155	-	-	-	845,656
Recreation and parks	99,928	25,131	-	-	-	125,059
Judicial/Municipal court	567,175	-	-	-	-	567,175
Economic and community development	76,399	-	-	-	-	76,399
Planning and zoning	267,427	-	-	-	-	267,427
Capital outlays	409,721	700,391	421,154	1,655,717	19,485	3,206,468
Debt service:						
Principal	329,983	-	-	-	60,875	390,858
Interest	97,274	-	-	103,494	4,252	205,020
Issuance cost	-	-	-	95,942	-	95,942
Total expenditures	<u>5,935,612</u>	<u>747,677</u>	<u>421,154</u>	<u>1,855,153</u>	<u>125,302</u>	<u>9,084,898</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(443,051)</u>	<u>98,987</u>	<u>(421,072)</u>	<u>(517,102)</u>	<u>270,842</u>	<u>(1,011,396)</u>
Other financing sources:						
Proceeds from bond issuance	-	-	-	5,150,000	-	5,150,000
Issuance of capital lease	131,771	-	-	-	-	131,771
Proceeds from issuance of notes payable	254,311	-	-	-	-	254,311
Total other financing sources	<u>386,082</u>	<u>-</u>	<u>-</u>	<u>5,150,000</u>	<u>-</u>	<u>5,536,082</u>
Net change in fund balances	(56,969)	98,987	(421,072)	4,632,898	270,842	4,524,686
Fund balances, beginning of year	<u>1,837,696</u>	<u>-</u>	<u>1,077,970</u>	<u>-</u>	<u>153,418</u>	<u>3,069,084</u>
Fund balances, end of year	<u>\$ 1,780,727</u>	<u>\$ 98,987</u>	<u>\$ 656,898</u>	<u>\$ 4,632,898</u>	<u>\$ 424,260</u>	<u>\$ 7,593,770</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, 2018**

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

Net change in fund balances - total governmental funds	\$	4,524,686
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		2,916,771
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,056
The effect of donated capital assets is to increase net position.		163,200
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Principal payment on capital leases		100,891
Principal payment on bonds payable		144,109
Principal payment on notes payable		145,858
Issuance of capital lease		(131,771)
Proceeds from bonds payable		(5,150,000)
Proceeds from notes payable		(254,311)
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.		162,870
Change in net position - governmental activities	\$	2,624,359

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, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,644,455	\$ 4,644,455	\$ 4,296,200	\$ (348,255)
Licenses and permits	215,350	215,350	273,712	58,362
Intergovernmental	7,200	7,200	12,600	5,400
Fines and forfeitures	800,000	800,000	645,421	(154,579)
Interest income	-	-	2	2
Charges for services	86,200	86,200	106,102	19,902
Other revenues	150,500	150,500	158,524	8,024
Total revenues	5,903,705	5,903,705	5,492,561	(411,144)
Expenditures				
Current:				
General government:				
City council	102,767	102,767	78,902	23,865
Mayor	14,998	15,998	22,132	(6,134)
General administration	995,670	1,156,082	1,135,922	20,160
Total general government	1,113,435	1,274,847	1,236,956	37,891
Building and grounds	136,610	141,610	138,070	3,540
Public safety:				
Police	2,114,502	1,904,502	1,889,178	15,324
Total public safety	2,114,502	1,904,502	1,889,178	15,324
Public works	863,774	863,774	823,501	40,273
Recreation and parks	99,400	103,400	99,928	3,472
Judicial/Municipal Court	593,065	593,065	567,175	25,890
Economic and community development	81,000	81,000	76,399	4,601
Planning and zoning	308,198	308,198	267,427	40,771
Capital outlay	126,600	393,530	409,721	(16,191)
Debt service:				
Principal	358,484	358,484	329,983	28,501
Interest	109,337	109,337	97,274	12,063
Total debt service	467,821	467,821	427,257	40,564
Total expenditures	5,904,405	6,131,747	5,935,612	212,326
Deficiency of revenues under expenditures	(700)	(228,042)	(443,051)	(198,818)
Other Financing Sources:				
Proceeds from sale of capital assets	700	700	-	(700)
Issuance of capital lease	-	-	131,771	131,771
Proceeds from issuance of notes payable	-	227,342	254,311	26,969
Total financing sources	700	228,042	386,082	158,040
Net change in fund balances	-	-	(56,969)	(40,778)
Fund balances, beginning of year	1,837,696	1,837,696	1,837,696	-
Fund balances, end of year	\$ 1,837,696	\$ 1,837,696	\$ 1,780,727	\$ (40,778)

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

CITY OF CLARKSTON, GEORGIA

**GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 160,000	\$ 776,156	\$ 846,664	\$ 70,508
Total revenues	160,000	776,156	846,664	70,508
EXPENDITURES				
Current:				
Public works	-	22,156	22,155	1
Recreation	-	-	25,131	(25,131)
Capital outlays	160,000	754,000	700,391	53,609
Total expenditures	160,000	776,156	747,677	28,479
Net change in fund balances	-	-	98,987	98,987
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,987</u>	<u>\$ 98,987</u>

The accompanying notes are an intergal part of these financial statements

CITY OF CLARKSTON, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018**

ASSETS	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
CURRENT ASSETS			
Cash and cash equivalents	\$ 147,273	\$ 521,130	\$ 668,403
Accounts receivables, net of allowances	9,483	14,415	23,898
Prepaid items	-	4,171	4,171
Due from other funds	1,202	569	1,771
Total current assets	157,958	540,285	698,243
NONCURRENT ASSETS			
Capital assets, non-depreciated	-	128,285	128,285
Capital assets, net of accumulated depreciation	-	894,975	894,975
Total noncurrent assets	-	1,023,260	1,023,260
Total assets	157,958	1,563,545	1,721,503
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	15,359	21,281	36,640
Due to other funds	44,000	-	44,000
Total current liabilities	59,359	21,281	80,640
Total liabilities	59,359	21,281	80,640
NET POSITION			
Investment in capital assets	-	1,023,260	1,023,260
Unrestricted	98,599	519,004	617,603
Total net position	\$ 98,599	\$ 1,542,264	\$ 1,640,863

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, 2018

	Business-Type Activities-Enterprise Funds		Total Business-Type Activities - Enterprise Funds
	Sanitation Fund	Stormwater Utility Fund	
	Sanitation Fund	Stormwater Utility Fund	
OPERATING REVENUE			
Stormwater fees	\$ -	\$ 303,348	\$ 303,348
Sanitation fees	218,384	-	218,384
Total operating revenues	218,384	303,348	521,732
OPERATING EXPENSES			
Contracted services - waste pickup	195,370	-	195,370
Repairs and maintenance	-	100,518	100,518
Depreciation	-	41,711	41,711
Total operating expenses	195,370	142,229	337,599
Operating income	23,014	161,119	184,133
NONOPERATING REVENUES			
Interest income	-	31	31
Total nonoperating revenues	-	31	31
Change in net position	23,014	161,150	184,164
Net position, beginning	75,585	1,381,114	1,456,699
Net position, ending	\$ 98,599	\$ 1,542,264	\$ 1,640,863

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, 2018

	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	\$ 227,733	\$ 299,236	\$ 526,969
Payments to vendors and suppliers	(197,029)	(83,778)	(280,807)
Net cash provided by operating activities	<u>30,704</u>	<u>215,458</u>	<u>246,162</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	-	31	31
Net cash provided by investing activities	<u>-</u>	<u>31</u>	<u>31</u>
Net increase in cash	30,704	190,649	221,353
Cash, beginning of year	116,569	330,481	447,050
Cash, end of year	<u>\$ 147,273</u>	<u>\$ 521,130</u>	<u>\$ 668,403</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 23,014	\$ 161,119	\$ 184,133
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	41,711	41,711
Change in assets and liabilities:			
Increase in accounts receivables	(651)	(3,548)	(4,199)
Increase in due from other funds	(1,202)	(564)	(1,766)
Increase in due to other funds	10,000	-	10,000
Increase (decrease) in accounts payable	(457)	16,740	16,283
Net cash provided by operating activities	<u>\$ 30,704</u>	<u>\$ 215,458</u>	<u>\$ 246,162</u>

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

CITY OF CLARKSTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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

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

The Urban Redevelopment Agency of the City of Clarkston was established as a legally separate entity on December 6, 2016. The five (5) members of the Urban Redevelopment Agency are appointed by the Mayor and City Council and they may also be removed by the Mayor and City Council. The Urban Redevelopment Agency provides a means to issue revenue bonds for development within the City. Although it is legally separate from the City, the Urban Redevelopment Agency is reported as if it were a part of the primary government because its sole purpose is to finance the City's acquisition of property within the City, and the City is repaying the debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City reports the following major governmental funds:

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

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

The **Urban Redevelopment Agency-URA (Blended Component Unit)** is used to provide financing for the City related to redevelopment of certain areas within the City and is reported as a capital projects fund.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

D. Budgets

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

E. Deposits and Investments

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Interfund Receivables and Payables

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

G. Capital Assets

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

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

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

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

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

J. Long-Term Obligations

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

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

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, and (3) Unassigned.

L. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the Fund Equity section. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflow/Inflows of Resources

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

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Management Estimates

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

O. Interfund Transactions

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

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Clarkston Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$10,015,869 difference are as follows:

Compensated absences	\$	(341,884)
Bonds payable		(6,213,667)
Capital leases		(320,507)
Accrued interest payable		(25,902)
Notes payable		(3,113,909)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(10,015,869)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$2,916,771 difference are as follows:

Capital outlays	\$	3,206,468
Depreciation expense		(289,697)
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>	\$	2,916,771

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 \$162,870 difference are as follows:

Compensated absences	\$ 111,260
Interest expense on long term debt	(21,612)
Change in net pension liability	(36,202)
Change in pension experience differences	74,532
Change in pension assumption changes	(68,824)
Change in pension investment earnings differences	(101,633)
Change in pension contributions subsequent to measurement date	<u>205,349</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 162,870</u></u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budget

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

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

Encumbrance accounting is not used by the City.

The following funds had departments with excess of actual expenditures over appropriations for the year ended December 31, 2018:

General Fund - Mator	\$	6,134
General Fund - Capital Outlay		16,191
Grant Fund - Recreation		25,131
Police Seizure Fund - Interest		476

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes and City policy require all deposits and investments (other than Federal or State government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2018, the City's bank balances were adequately collateralized as defined by State statutes.

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

Credit risk: State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of December 31, 2018, the City had no investments balances that were exposed to credit risk.

Fair value instruments: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. At December 31, 2018 the City has no investments and no hierarchy disclosure is presented.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1 and are based on property values as of January 1. Property taxes were levied on July 10, 2018 and are due and payable in two installments. The first installment was due on October 1, 2018 and the second installment was due on November 15, 2018. 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 October 1, 2018 and the second installment was due on November 15, 2018. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

Receivables at December 31, 2018, for the City's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Grant</u>	<u>SPLOST</u>	<u>Sanitation</u>	<u>Stormwater Utility</u>
Receivables:					
Taxes	\$ 475,989	\$ -	\$ -	\$ -	\$ -
Accounts	-	-	-	9,483	18,915
Intergovernmental	-	395,674	171,839	-	-
Other	187,735	-	-	-	-
Less allowance for uncollectible	(16,000)	-	-	-	(4,500)
Net total receivable	<u>\$ 647,724</u>	<u>\$ 395,674</u>	<u>\$ 171,839</u>	<u>\$ 9,483</u>	<u>\$ 14,415</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, is as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,729,865	\$ 2,770,481	\$ (161,550)	\$ 5,338,796
Land	422,608	163,200	-	585,808
Total	<u>3,152,473</u>	<u>2,933,681</u>	<u>(161,550)</u>	<u>5,924,604</u>
Capital assets, being depreciated:				
Buildings and improvements	3,245,124	26,458	-	3,271,582
Furniture and equipment	559,221	49,687	(9,750)	599,158
Infrastructure	1,681,136	268,672	161,550	2,111,358
Vehicles	810,433	91,170	-	901,603
Total	<u>6,295,914</u>	<u>435,987</u>	<u>151,800</u>	<u>6,883,701</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,253,174)	(82,988)	-	(1,336,162)
Furniture and equipment	(352,788)	(65,313)	9,750	(408,351)
Infrastructure	(112,932)	(50,698)	-	(163,630)
Vehicles	(572,173)	(90,698)	-	(662,871)
Total	<u>(2,291,067)</u>	<u>(289,697)</u>	<u>9,750</u>	<u>(2,571,014)</u>
Total capital assets, being depreciated, net	<u>4,004,847</u>	<u>146,290</u>	<u>161,550</u>	<u>4,312,687</u>
Governmental activities capital assets, net	<u>\$ 7,157,320</u>	<u>\$ 3,079,971</u>	<u>\$ -</u>	<u>\$ 10,237,291</u>
Business-type activities:				
Capital assets, not being depreciated:				
Easements (intangible asset)	\$ 116,495	\$ -	\$ -	\$ 116,495
Construction in Progress	-	11,790	-	11,790
Total	<u>116,495</u>	<u>11,790</u>	<u>-</u>	<u>128,285</u>
Capital assets, being depreciated:				
Infrastructure	1,042,263	-	-	1,042,263
Improvements	299,745	13,050	-	312,795
Vehicles	84,197	-	-	84,197
Total	<u>1,426,205</u>	<u>13,050</u>	<u>-</u>	<u>1,439,255</u>
Less accumulated depreciation for:				
Infrastructure	(358,909)	(27,210)	-	(386,119)
Improvements	(60,493)	(13,473)	-	(73,966)
Vehicles	(83,167)	(1,028)	-	(84,195)
Total	<u>(502,569)</u>	<u>(41,711)</u>	<u>-</u>	<u>(544,280)</u>
Total capital assets, being depreciated, net	<u>923,636</u>	<u>(28,661)</u>	<u>-</u>	<u>894,975</u>
Business-type activities Capital assets, net	<u>\$ 1,040,131</u>	<u>\$ (16,871)</u>	<u>\$ -</u>	<u>\$ 1,023,260</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	\$ 30,417
Public safety	122,900
Public works	92,673
Recreation and parks	<u>43,707</u>
Total depreciation expense - governmental activities	<u>\$ 289,697</u>
Business-type activities:	
Stormwater utility	<u>\$ 41,711</u>

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS

Long-term liability and obligations activity for the year ended December 31, 2018, was as follows:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 1,207,776	\$ 5,150,000	\$ (144,109)	\$ 6,213,667	\$ 876,018
Capital leases	289,627	131,771	(100,891)	320,507	128,495
Notes payable	3,005,456	254,311	(145,858)	3,113,909	159,879
Net pension liability	1,856,791	670,015	(633,813)	1,892,993	-
Compensated absences	453,144	206,063	(317,323)	341,884	77,557
Governmental activities					
Long-term liabilities	<u>\$ 6,812,794</u>	<u>\$ 6,412,160</u>	<u>\$ (1,341,994)</u>	<u>\$ 11,882,960</u>	<u>\$ 1,241,949</u>

The beginning notes payable balance was increased by \$64,194 for amounts classified as accrued interest payable at December 31, 2017. The beginning compensated absences was increased by \$328,346 as a result of a prior period adjustment. See footnote 17 for further discussion.

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

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 AND OBLIGATIONS (CONTINUED)

Capital Leases – Equipment (continued)

As of December 31, 2018, the cost, current year depreciation, and accumulated depreciation of vehicles acquired under capital leases are \$548,192, \$88,036, and \$223,565, respectively. The vehicles are pledged as collateral on the lease.

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

	Governmental Activities
Year Ending December 31,	
2019	\$ 138,673
2020	98,638
2021	46,561
2022	29,201
2023	29,208
Total minimum lease payments	342,281
Less amount representing interest	21,774
Present value of future minimum lease payments	\$ 320,507

Bonds Payable. The City's URA Fund issued bonds of \$1,350,000 on March 17, 2017 for the purpose of financing improvements to the Friendship Forest Wildlife Sanctuary. The bonds carry interest rate of 2.65% and mature on December 1, 2025. Semi-annual payments began on June 1, 2017.

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

	Principal	Interest	Total
Year ending December 31,			
2019	\$ 146,018	\$ 28,187	\$ 174,205
2020	147,953	24,318	172,271
2021	149,913	20,397	170,310
2022	151,900	16,424	168,324
2023	153,912	12,399	166,311
2024-2025	313,971	12,508	326,479
Total	\$ 1,063,667	\$ 114,233	\$ 1,177,900

NOTES TO FINANCIAL STATEMENTS

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

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

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 730,000	\$ 126,803	\$ 856,803
2020	750,000	107,193	857,193
2021	780,000	86,920	866,920
2022	938,000	64,157	1,002,157
2023	963,000	38,968	1,001,968
2024	989,000	13,104	1,002,104
Total	<u>\$ 5,150,000</u>	<u>\$ 437,145</u>	<u>\$ 5,587,145</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. Payments will commenced on April 1, 2018.

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>
2019	\$ 45,486	\$ 13,538	\$ 59,024
2020	46,969	12,056	59,025
2021	48,500	10,525	59,025
2022	50,080	8,944	59,024
2023	51,712	7,312	59,024
2024-2027	194,631	11,955	265,607
Total	<u>\$ 437,378</u>	<u>\$ 64,330</u>	<u>\$ 501,708</u>

The City entered into a note payable agreement with the Georgia State Road and Tollway Authority on June 20, 2013 for the financing a streetscape project. The note is for \$2,000,000 and carries an interest rate of 2.40%. The loan is payable over fifteen years with monthly principal and interest payments totaling \$13,242.

NOTES TO FINANCIAL STATEMENTS

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

Notes Payable (continued)

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

Year ending December 31,	Principal	Interest	Total
2019	\$ 114,393	\$ 44,737	\$ 159,130
2020	116,935	41,967	158,902
2021	119,773	39,130	158,903
2022	122,679	36,223	158,902
2023	125,656	33,246	158,902
2024-2028	675,523	118,987	794,510
2029-2033	641,196	33,909	675,105
Total	<u>\$ 1,916,155</u>	<u>\$ 348,199</u>	<u>\$ 2,264,354</u>

Notes Payable. The City entered into a note payable agreement with the Georgia State Road and Tollway Authority on October 20, 2017 for the financing a streetscape project. The note is for \$1,700,000 and carries an interest rate of 1.90%. The loan is currently in the draw phase and has not gone into repayment. As of December 31, 2018, the outstanding balance is \$760,376.

NOTE 8. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of \$650,000 at a local financial institution. The borrowing, with an interest rate of 2.97%, matured on December 31, 2018. As of December 31, 2018, all outstanding principal has been paid in full. Total short-term borrowings interest incurred and expensed for the year ended December 31, 2018, was \$10,832.

The following is a summary of the City's short-term borrowings for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ (650,000)</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2018, is as follows:

Due to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 44,000
General Fund	Grant Fund	385,320
Grant Fund	General Fund	98,987
Nonmajor Governmental Funds	General Fund	71,194
Sanitation Fund	General Fund	1,202
Stormwater Fund	General Fund	569
SPLOST Fund	Grant Fund	10,354
		<u>\$ 611,626</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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

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

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by the Mayor and City Council, the Plan provides pension benefits and death and disability benefits for Plan members and beneficiaries. All employees who work at least thirty (30) hours a week are eligible to participate after one (1) year. Elected officials have no waiting period for eligibility. Benefits vest after ten years of service. A City employee who retires at age 65 with five (5) years of service is entitled to benefits of 2.0% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he or she has a minimum of ten (10) years total credited service to receive full benefits. Elected officials are entitled to \$30 for each year of service after reaching normal retirement age not to exceed twenty (20) years. Employees of the City are not required to make contributions to this Plan.

At July 1, 2018, the date of the most recent actuarial valuation, there were 107 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants not yet receiving benefits	35
Active participants - vested	29
Active participants - nonvested	16
Total	<u>107</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For year 2018, the actuarially determined contribution rate was 21.46% of covered payroll. The City makes all contributions to the Plan. For year 2018, the City's contribution to the Plan was \$407,153.

Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

Actuarial assumptions. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25-8.25% including inflation
Investment rate of return	7.50%

Mortality rates for the July 1, 2018 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 2.75%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2018 are summarized in the table below:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic equity	45%	6.71%
International equity	20	7.71
Real estate	10	5.21
Global fixed income	5	3.36
Domestic fixed income	20	2.11
Cash	—	
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2018 were as follows:

Primary Government:	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/17	\$ 4,447,711	\$ 2,590,920	\$ 1,856,791
Changes for the year:			
Service cost	243,779	-	243,779
Interest	339,846	-	339,846
Differences between expected and actual experience	72,115	-	72,115
Assumption Changes	(103,236)	-	(103,236)
Contributions—employer	-	204,429	(204,429)
Net investment income	-	326,148	(326,148)
Benefit payments	(125,213)	(125,213)	-
Administrative expense	-	(14,275)	14,275
Net changes	427,291	391,089	36,202
Balances at 12/31/18	\$ 4,875,002	\$ 2,982,009	\$ 1,892,993

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's net pension liability	\$ 2,560,435	\$ 1,892,993	\$ 1,336,254

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (continued)

Changes in the Net Pension Liability of the City. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2018 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$336,556. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,076	\$ (30,707)
Change of assumptions		(68,824)
Net difference between projected and actual earnings on pension plan investments	-	(105,909)
City contributions subsequent to the measurement date	373,224	-
Total	\$ 421,300	\$ (205,440)

City contributions subsequent to the measurement date of \$373,224 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:

2019	\$ (62,283)
2020	(23,685)
2021	(46,829)
2022	(24,567)
Total	\$ (157,364)

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED CONTRIBUTION PLAN

The City of Clarkston's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by Nationwide Retirement Solutions for all full time employees. The Plan is funded through employer and employee contributions. Plan provisions and contribution requirements are established and may be amended by the City's Mayor and Council. At December 31, 2018, there were 15 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City's Mayor and Council have approved discretionary employer contributions for 1 employee. Total employer and employee contributions for the year ended December 31, 2018 were \$24,000 and \$51,205 respectively.

NOTE 12. JOINT VENTURE

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

NOTE 13. RELATED ORGANIZATIONS

The City of Clarkston Housing Authority was established to assist low-income individuals in obtaining housing at affordable rates. The Authority was not active as of December 31, 2018. The Authority is independent of the City.

NOTE 14. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (CONTINUED)

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

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

Settled claims have not exceeded the coverages in the last three years.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

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

Grant Contingencies:

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

Construction Commitments:

At December 31, 2018, the City has outstanding construction commitments of approximately \$657,000 for the Friendship Forest redevelopment project.

NOTES TO FINANCIAL STATEMENTS

NOTE 16. SUBSEQUENT EVENTS

The City is scheduled to close on a \$750,000 tax anticipation note on June 13, 2019 that will mature on December 31, 2019. The purpose of the short-term borrowing was for operating purposes. The short-term borrowing carries an interest rate of 3.20%.

On March 21, 2019, the City entered into a lease with the Georgia Municipal Association to purchase ten (10) Ford Police Interceptor Vehicles for a total cost of \$620,328. The lease term is 60 months with an interest rate of 3.17%. The first payment is due on June 14, 2019.

On April 2, 2019, the City entered into a lease with Motorola Solutions, Inc. to purchase twenty seven (27) portable and mobile police radios for a total cost of \$108,431. The lease term is 60 months with an interest rate of 5.22%. The first payment is due on June 15, 2019.

NOTE 17. RESTATEMENT

The City has determined the need to record a prior period adjustment to record sick leave liability as of December 31, 2017. The City adopted a new policy in 2017 requiring the payment of sick leave to employees who retire from the City in which case the liability under the new policy was not recorded in the December 31, 2017 financial report. Therefore, the following restatement of beginning net position for governmental activities was required:

	Governmental Activities
Net Position as previously reported	\$ 3,941,846
Prior Period Adjustment	(328,346)
Net Position as restated	<u>\$ 3,613,500</u>

CITY OF CLARKSTON, GEORGIA
Required Supplementary Information

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 243,779	\$ 177,308	\$ 145,312	\$ 164,013
Interest on total pension liability	339,846	229,382	210,131	191,727
Differences between expected and actual experience	72,115	(92,121)	12,753	96,448
Changes of assumptions	(103,236)	-	-	(92,313)
Benefit payments	(125,213)	(120,731)	(118,864)	(125,937)
Other	-	1,233,738	-	-
Net change in total pension liability	<u>427,291</u>	<u>1,427,576</u>	<u>249,332</u>	<u>233,938</u>
Total pension liability - beginning	<u>4,447,711</u>	<u>3,020,135</u>	<u>2,770,803</u>	<u>2,536,865</u>
Total pension liability - ending (a)	<u>\$ 4,875,002</u>	<u>\$ 4,447,711</u>	<u>\$ 3,020,135</u>	<u>\$ 2,770,803</u>
Plan fiduciary net position				
Contributions - employer	\$ 204,429	\$ 168,420	\$ 167,876	\$ 112,067
Net investment income	326,148	288,556	6,467	197,596
Benefit payments	(125,213)	(120,731)	(118,864)	(125,937)
Administrative expenses	(14,275)	(17,065)	(10,231)	(9,345)
Net change in plan fiduciary net position	<u>391,089</u>	<u>319,180</u>	<u>45,248</u>	<u>174,381</u>
Plan fiduciary net position - beginning	<u>2,590,920</u>	<u>2,271,740</u>	<u>2,226,492</u>	<u>2,052,111</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,982,009</u>	<u>\$ 2,590,920</u>	<u>2,271,740</u>	<u>2,226,492</u>
City's net pension liability - ending (a) - (b)	<u>\$ 1,892,993</u>	<u>\$ 1,856,791</u>	<u>\$ 748,395</u>	<u>\$ 544,311</u>
Plan fiduciary net position as a percentage of the total pension liability	61.2%	58.3%	75.2%	80.4%
Covered payroll	\$ 1,845,243	\$ 1,867,558	\$ 1,872,798	\$ 1,469,336
City's net pension liability as a percentage of - covered payroll	102.6%	99.4%	40.0%	37.0%

Notes to the Schedule

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

CITY OF CLARKSTON, GEORGIA
Required Supplementary Information

SCHEDULE OF CITY CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 407,153	\$ 204,600	\$ 175,594	\$ 165,303
Contributions in relation to the actuarially determined contribution	<u>407,153</u>	<u>204,600</u>	<u>175,594</u>	<u>165,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	1,897,265	1,903,256	1,493,146	1,469,336
Contributions as a percentage of Covered payroll	21.46%	10.75%	11.76%	11.25%

Notes to the Schedule

Valuation Date	July 1, 2017
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.50%
Projected Salary Increases	2.75% plus service base merit increases
Cost-of-living Adjustment	2.75%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 16 years

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Capital Projects Funds

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

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

CITY OF CLARKSTON, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Police Seizure Fund</u>	<u>Homestead Option Sales Tax Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 353,066	\$ -	\$ 353,066
Due from other funds	-	71,194	71,194
 Total assets	<u>\$ 353,066</u>	<u>\$ 71,194</u>	<u>\$ 424,260</u>
FUND BALANCES			
Restricted for:			
Public safety	\$ 353,066	\$ -	\$ 353,066
Capital construction	-	71,194	71,194
 Total fund balances	<u>\$ 353,066</u>	<u>\$ 71,194</u>	<u>\$ 424,260</u>

CITY OF CLARKSTON, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Police Seizure Fund</u>	<u>Homestead Option Sales Tax Fund</u>	
REVENUES			
Intergovernmental	\$ -	\$ 18,591	\$ 18,591
Fines and forfeitures	377,553	-	377,553
Total revenues	<u>377,553</u>	<u>18,591</u>	<u>396,144</u>
EXPENDITURES			
Current:			
Public safety	40,690	-	40,690
Capital outlays	19,485	-	19,485
Debt service:			
Principal	60,875	-	60,875
Interest	4,252	-	4,252
Total expenditures	<u>125,302</u>	<u>-</u>	<u>125,302</u>
Net change in fund balances	<u>252,251</u>	<u>18,591</u>	<u>270,842</u>
FUND BALANCES, beginning of year	<u>100,815</u>	<u>52,603</u>	<u>153,418</u>
FUND BALANCES, end of year	<u><u>\$ 353,066</u></u>	<u><u>\$ 71,194</u></u>	<u><u>\$ 424,260</u></u>

CITY OF CLARKSTON, GEORGIA

**POLICE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 72,892	\$ 130,652	\$ 377,553	\$ 246,901
Total revenues	72,892	130,652	377,553	246,901
Expenditures				
Current:				
Public safety	8,059	45,819	40,690	5,129
Capital outlay	-	20,000	19,485	515
Debt service:				
Principal	61,057	61,057	60,875	182
Interest	3,776	3,776	4,252	(476)
Total expenditures	72,892	130,652	125,302	5,350
Net change in fund balances	-	-	252,251	252,251
Fund balances, beginning of year	100,815	100,815	100,815	-
Fund balances, end of year	<u>\$ 100,815</u>	<u>\$ 100,815</u>	<u>\$ 353,066</u>	<u>\$ 252,251</u>

CITY OF CLARKSTON, GEORGIA

**SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

PROJECT	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENT COMPLETE
SPLOST:						
Roads Projects	\$ 6,202,053	\$ 6,202,053	\$ -	\$ 1,557,499	\$ 1,557,499	25.11 %
Transportation improvements	4,717,481	4,717,481	-	98,218	98,218	2.08
SPLOST bond closing fees	95,942	95,942	-	95,942	95,942	100.00
SPLOST bond interest	540,638	540,638	-	103,494	103,494	19.14
SPLOST bond principal	5,150,000	5,150,000	-	-	-	
Total SPLOST	<u>\$ 16,706,114</u>	<u>\$ 16,706,114</u>	<u>\$ -</u>	<u>\$ 1,855,153</u>	<u>\$ 1,855,153</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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 11, 2019.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001, that we consider to be a material weakness.

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*.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 11, 2019

CITY OF CLARKSTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs required as of December 31, 2018 due to the total amount expended for federal awards being less than \$750,000.

CITY OF CLARKSTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

Finding 2018-001 – Recording of Liabilities (Sick Leave) – Prior Period Adjustment

Criteria: Internal controls should be in place to ensure all liabilities are properly recorded in accordance with Generally Accepted Accounting Principles.

Condition: Internal controls did not detect a misstatement in the reporting of the City's sick leave liability in the prior period.

Context/Cause: During the year ended December 31, 2017, the City adopted a new policy in requiring the payment of sick leave to employees who retire from the City. This new policy was overlooked and a liability was not properly recorded for employee sick leave balances as of December 31, 2017.

Effects: As of the year ended December 31, 2017, the City's sick leave liability and governmental activities net position were understated by \$328,346. A prior period adjustment was required to restate beginning sick leave and net position of governmental activities.

Recommendation: We recommend the City review all new Mayor and Council approved policies to ensure any financial impact is properly recorded in the City's financial statements.

Auditee's Response: The City concurs with the finding and will ensure all new policies are properly reflected in the City's financial report.