CITY OF BROOKHAVEN, GEORGIA

FINANCIAL REPORT

FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

Prepared by:
Finance Department

CITY OF BROOKHAVEN, GEORGIA

FINANCIAL REPORT
FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

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FINANCIAL SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council of the
City of Brookhaven, 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 Brookhaven, Georgia**, as of and for the fifty four weeks ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Brookhaven, Georgia'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Brookhaven, Georgia as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the fifty four weeks 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 and General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis), as listed in the table of contents, 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 Brookhaven, Georgia's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, on our consideration of the City of Brookhaven, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brookhaven, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 15, 2014

CITY OF BROOKHAVEN, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Brookhaven (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fifty four weeks ended December 31, 2013 (the "fiscal period"). We encourage readers to consider the information presented in conjunction with the basic financial statements, notes, and supplementary information found in this report. This information taken collectively is designed to provide readers with an understanding of the City's finances.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal period by $73,205,965. Of this amount, unrestricted net position of $4,631,647 is available to meet the ongoing obligations of the government.
- The City's initial net position of $73,205,965 was due primarily to $68,795,255 being recorded as a donation of infrastructure assets at incorporation for roadways, sidewalks, culverts and signals.
- As of the close of the fiscal period, the City's governmental funds reported combined ending fund balances of $5,225,419.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between 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 fiscal period. 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes (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, judicial, public safety, public works, housing and development, recreation and community development.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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 governmental funds or 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 fiscal year. Such information may be useful in evaluating the City'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 two major governmental funds. The City's major governmental funds are the General and Homestead Option Sales Tax (H.O.S.T.) 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 these major funds.

The City adopts an annual appropriated budget for its general and special revenue funds. A project length budget is adopted for the capital project fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

Proprietary funds. The City maintains one 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 an enterprise fund to account for its stormwater fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 16 through 18 of this report.

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 to the financial statements can be found on pages 19 through 37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule for the general fund as presented on a generally accepted accounting principal basis in this section. This schedule is intended to demonstrate the City's compliance with the legally adopted and amended budget. Required supplementary information can be found on pages 38 and 39 of this report.

The combining fund financial statements are presented immediately following the required supplementary information. They can be found on pages 40 and 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Brookhaven's Net Position

City of Brookhaven, Georgia
Statement of Net Position

	Governmental Activities	Business-type Activities	Total
	2013	2013	2013
Assets:			
Current assets	$ 6,555,994	$ 1,079,849	$ 7,635,843
Capital assets, net	63,531,072	6,487,443	70,018,515
Total assets	70,087,066	7,567,292	77,654,358
Liabilities			
Current liabilities	1,288,632	-	1,288,632
Long-term liabilities, net	3,159,761	-	3,159,761
Total liabilities	4,448,393	-	4,448,393
Net Position			
Net investment in capital assets	60,658,099	6,487,443	67,145,542
Restricted	1,428,776	-	1,428,776
Unrestricted	3,551,798	1,079,849	4,631,647
Total net position	$ 65,638,673	$ 7,567,292	$ 73,205,965

Since this is the first period the City has presented statements under Governmental Accounting Standards Board Statement No. 34 (GASB 34), comparative information is not yet available. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2013, the City's assets exceeded liabilities by $73,205,965.

The largest portion of the City's net position reflects an investment in capital assets (e.g., roadways, sidewalks, culverts, equipment and signals); 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. $543,839 of the City's net position is restricted to H.O.S.T. funded capital projects. In addition, $377,994 is restricted for streetlights and $506,943 restricted for promotion of tourism.

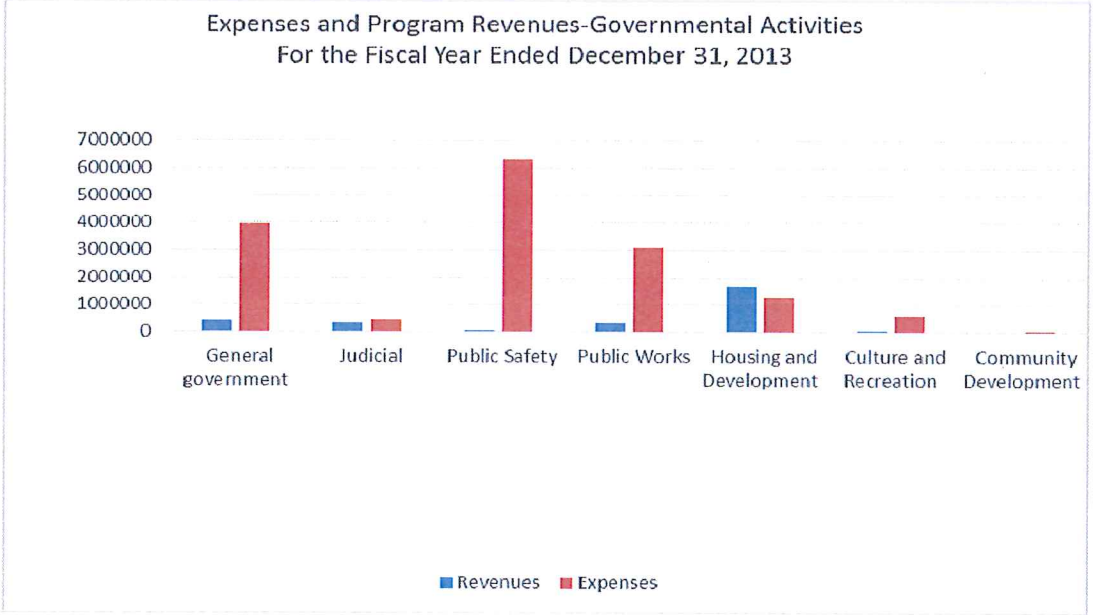
The remaining portion of the City's net position represents unrestricted net position of $4,631,647 which is available to meet ongoing obligations of the government.

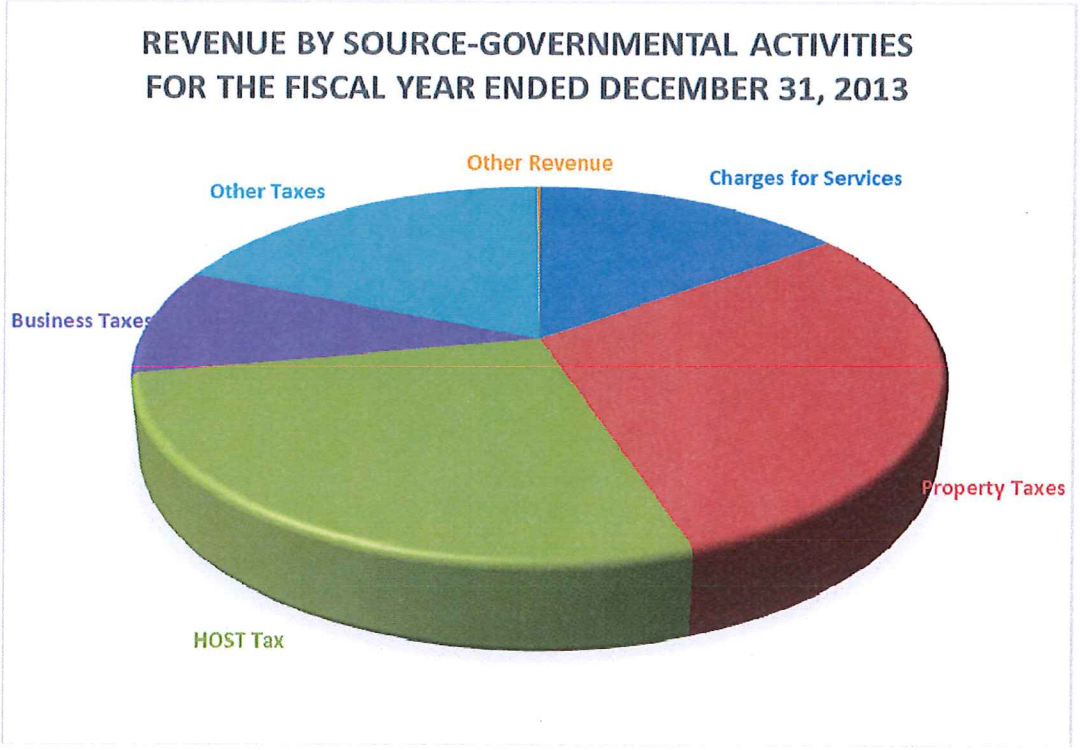
At the end of the current fiscal year, the City reported a positive balance in total net position as well as unrestricted net position.

City of Brookhaven's Changes in Net Position

City of Brookhaven, Georgia
Changes in Net Position

	Governmental Activities 2013	Business-type Activities 2013	Total 2013
Revenues:			
Program revenues:			
Charges for services	$ 2,841,172	$ 1,466,735	$ 4,307,907
General revenues:			
Property taxes	5,747,333	-	5,747,333
Sales taxes	5,201,601	-	5,201,601
Business tax	1,761,762	-	1,761,762
Hotel/Motel tax	1,296,841	-	1,296,841
Franchise taxes	1,472,669	-	1,472,669
Alcohol and excise taxes	741,592	-	741,592
Insurance premium tax	57,663	-	57,663
Unrestricted interest	2,607	-	2,607
Miscellaneous	30,986	-	30,986
Special item - donation of infrastructure at incorporation	62,252,906	6,542,349	68,795,255
Total revenues	81,407,132	8,009,084	89,416,216
Expenses:			
General government	3,942,196	-	3,942,196
Judicial	468,589	-	468,589
Public safety	6,324,863	-	6,324,863
Public works	3,070,672	-	3,070,672
Housing and development	1,272,777	-	1,272,777
Culture and recreation	595,935	-	595,935
Community development	11,794	-	11,794
Interest on long-term debt	81,633	-	81,633
Stormwater	-	441,792	441,792
Total expenses	15,768,459	441,792	16,210,251
Change in net position	65,638,673	7,567,292	73,205,965
Net position, beginning	-	-	-
Net position, ending	$ 65,638,673	$ 7,567,292	$ 73,205,965





Governmental activities. The donation of capital assets accounted for most of the growth in net position for 2013.

Donations of $62,252,906 reflecting transfers of infrastructure from DeKalb County were completed. Property taxes were $5,747,333. Business occupation taxes were $1,761,762. Our most apparent and sizable expenses during our first year were the $6,324,863 spent for the start-up of the Brookhaven Police Department.

Business-type activities. The donation of capital assets accounted for most the growth in net position for 2013.

Donations of $6,542,349 reflecting transfers of infrastructure from DeKalb County were completed. Stormwater assessment fees (computed based on a property's impervious surface area) were $1,466,735; representing 100% of the revenues. Depreciation on the capital assets accounted for 12% of the operating expenses as most activities were for start up and assessment of the stormwater system.

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 the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $5,225,419.

General Fund. The general fund is the primary operating fund of the City. At the end of the current fiscal period, unassigned fund balance was ($108,876) while total fund balance was $434,568.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City utilized a conservative approach based on a lack of historical information available. Emphasis was given to ensuring financial stability for the start-up period as well as long-term stability.

The city employs an annual mid-year budget process in order to re-align appropriations made during the annual budget process with significant unexpected trends. This ensures adjustments facilitating appropriations to be in alignment with expected resources. Differences between the original budget and the final amended budget are then resolved via official City Council action. Details of the original general fund budget and the amended budget are contained on pages 38 and 39 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2013 amounts to $70,018,515 (net of accumulated depreciation). This investment in capital assets includes land, structures, vehicles, as well as infrastructure assets such as streets, curbs, sidewalks, culverts and drainage ponds. These infrastructure assets were donated to the City from DeKalb County.

City of Brookhaven's Capital Assets (net of depreciation)

	2013 Capital Assets (Net of depreciation)		
	Governmental Activities	Business-type Activities	Total
	2013	2013	2013
Land	$ 94,813	$ -	$ 94,813
Improvements	22,563	-	22,563
Machinery and equipment	4,874,571	-	4,874,571
Infrastructure	58,539,125	-	58,539,125
Stormwater infrastructure	-	6,487,443	6,487,443
Total	$ 63,531,072	$ 6,487,443	$ 70,018,515

Additional information on the City's capital assets can be found in note 6 on pages 31 and 32 of this report.

Long-term debt. At December 31, 2013, the City's long-term debt amounted to $3,159,761. The debt consisted of capital leases used to acquire police equipment, computers and software, as well as accrued compensated absences.

Additional information on the City's long-term debt can be found in note 8 on pages 33 and 34 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's management and elected officials considered many factors when adopting the budget for the fiscal year ending December 31, 2014.

- Anticipated revenues are expected to be higher than previous periods due to new sources of revenue that were previously allocated to the County. Beginning in 2014, the City will be entitled to the annual insurance premium tax distribution, ad valorem taxes on vehicles, franchise fees from telecommunications and utility companies, intangible taxes on real estate transfers and energy excise taxes.

- The 2014 budget anticipates a relatively stable tax digest. Changes should be positive and will likely be the result of the County continuing to identify real and personal properties and making adjustments, as necessary, to the City's digest.
- The operating millage rate cap of 3.35 mills is statutorily set and cannot be changed without a referendum. The 2014 budget was prepared using the currently adopted rate of 2.795 mills, a decrease from the previous year's 2.85 mills.
- One area of potential increased cost is in employee benefits, primarily the cost of health care. Management intends to monitor these costs in the coming year and will assess the necessity of a budget amendment if the actual cost varies materially.
- The City sees the biggest challenge in the upcoming budget year as continuing to strive to provide excellent customer service to citizens by not reducing services or increasing their costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Brookhaven's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Brookhaven, 4362 Peachtree Road, Brookhaven, Georgia, 30319, or by calling (404)637-0500.

CITY OF BROOKHAVEN, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,683,393	$ -	$ 3,683,393
Accounts receivable	1,493,955	25,455	1,519,410
Property taxes receivable	118,708	-	118,708
Interfund balances	(1,054,394)	1,054,394	-
Due from other governments	2,148,882	-	2,148,882
Prepaids	165,450	-	165,450
Capital assets:			
Nondepreciable	94,813	-	94,813
Depreciable, net of accumulated depreciation	63,436,259	6,487,443	69,923,702
Total assets	70,087,066	7,567,292	77,654,358
LIABILITIES			
Accounts payable	984,384	-	984,384
Accrued liabilities	304,248	-	304,248
Compensated absences, due within one year	86,881	-	86,881
Compensated absences, due in more than one year	199,907	-	199,907
Capital lease payable, due within one year	679,100	-	679,100
Capital lease payable, due in more than one year	2,193,873	-	2,193,873
Total liabilities	4,448,393	-	4,448,393
NET POSITION			
Net investment in capital assets	60,658,099	6,487,443	67,145,542
Restricted for HOST capital projects	543,839	-	543,839
Restricted for streetlight service	377,994	-	377,994
Restricted for promotion of tourism	506,943	-	506,943
Unrestricted	3,551,798	1,079,849	4,631,647
Total net position	$ 65,638,673	$ 7,567,292	$ 73,205,965

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

CITY OF BROOKHAVEN, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
Primary government:					
Governmental activities:					
General government	$ 3,942,196	$ 438,665	$ (3,503,531)	$ -	$ (3,503,531)
Judicial	468,589	359,364	(109,225)	-	(109,225)
Public safety	6,324,863	1,700	(6,323,163)	-	(6,323,163)
Public works	3,070,672	362,219	(2,708,453)	-	(2,708,453)
Housing and development	1,272,777	1,652,368	379,591	-	379,591
Culture and recreation	595,935	26,856	(569,079)	-	(569,079)
Community development	11,794	-	(11,794)	-	(11,794)
Interest and fiscal charges	81,633	-	(81,633)	-	(81,633)
Total governmental activities	15,768,459	2,841,172	(12,927,287)	-	(12,927,287)
Business-type activities:					
Stormwater	441,792	1,466,735	-	1,024,943	1,024,943
Total primary government	$ 16,210,251	$ 4,307,907	(12,927,287)	1,024,943	(11,902,344)
General revenues:					
Property taxes			5,747,333	-	5,747,333
Sales taxes			5,201,601	-	5,201,601
Hotel/Motel taxes			1,296,841	-	1,296,841
Franchise taxes			1,472,669	-	1,472,669
Business taxes			1,761,762	-	1,761,762
Alcohol & excise taxes			741,592	-	741,592
Insurance premium			57,663	-	57,663
Unrestricted investment earnings			2,607	-	2,607
Miscellaneous revenues			30,986	-	30,986
Special Item-donation of infrastructure at incorporation			62,252,906	6,542,349	68,795,255
Total general revenues and special item			78,565,960	6,542,349	85,108,309
Change in net position			65,638,673	7,567,292	73,205,965
Net position, beginning of period			-	-	-
Net position, end of period			$ 65,638,673	$ 7,567,292	$ 73,205,965

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

CITY OF BROOKHAVEN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

ASSETS	General Fund	Homestead Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 59,726	$ 3,116,724	$ 506,943	$ 3,683,393
Accounts receivable, net of allowance	1,493,955	-	-	1,493,955
Property taxes receivable	118,708	-	-	118,708
Intergovernmental receivable	64,005	2,084,877	-	2,148,882
Due from other funds	917,693	-	-	917,693
Prepaids	165,450	-	-	165,450
Total assets	$ 2,819,537	$ 5,201,601	$ 506,943	$ 8,528,081
LIABILITIES				
Accounts payable	$ 984,384	$ -	$ -	$ 984,384
Accrued liabilities	281,334	-	-	281,334
Due to other funds	1,054,394	917,693	-	1,972,087
Total liabilities	2,320,112	917,693	-	3,237,805
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	64,857	-	-	64,857
Total deferred inflows of resources	64,857	-	-	64,857
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaids	165,450	-	-	165,450
Restricted:				
HOST capital projects	-	543,839	-	543,839
Streetlight service	377,994	-	-	377,994
Tourism	-	-	506,943	506,943
Assigned for HOST activities	-	3,740,069	-	3,740,069
Unassigned	(108,876)	-	-	(108,876)
Total fund balances	434,568	4,283,908	506,943	5,225,419
Total liabilities, deferred inflows of resources, and fund balances	$ 2,819,537	$ 5,201,601	$ 506,943	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				63,531,072
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(3,182,675)
Some revenues are not available in the current period and, therefore, are not reported in the funds.				64,857
Net position of governmental activities				$ 65,638,673

The accompanying notes are an integral part of these statements.

CITY OF BROOKHAVEN, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

	General Fund	Homestead Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 5,682,476	$ -	$ -	$ 5,682,476
Sales taxes	-	5,201,601	-	5,201,601
Hotel/Motel taxes	-	-	1,296,841	1,296,841
Franchise taxes	1,472,669	-	-	1,472,669
Alcohol excise taxes	741,592	-	-	741,592
Business taxes	1,761,762	-	-	1,761,762
Excise taxes	57,663	-	-	57,663
Licenses and permits	2,033,031	-	-	2,033,031
Charges for services	442,827	-	-	442,827
Fines and forfeitures	359,364	-	-	359,364
Interest earned	2,607	-	-	2,607
Miscellaneous	36,936	-	-	36,936
Total revenues	12,590,927	5,201,601	1,296,841	19,089,369
Expenditures:				
Current:				
General government	4,129,445	-	-	4,129,445
Judicial	478,426	-	-	478,426
Public safety	8,167,651	-	-	8,167,651
Public works	1,139,744	-	-	1,139,744
Recreation	595,935	-	-	595,935
Housing and development	1,259,431	-	-	1,259,431
Community development	-	-	11,794	11,794
Capital outlay	-	917,693	-	917,693
Debt service:				
Interest	31,590	-	4,250	35,840
Issuance costs	-	-	22,879	22,879
Total expenditures	15,802,222	917,693	38,923	16,758,838
Excess (deficiency) of revenues over expenditures	(3,211,295)	4,283,908	1,257,918	2,330,531
Other financing sources (uses):				
Proceeds from sale of capital assets	21,915	-	-	21,915
Issuance of capital lease	1,172,973	-	1,700,000	2,872,973
Transfers in	2,455,225	-	4,250	2,459,475
Transfers out	(4,250)	-	(2,455,225)	(2,459,475)
Total other financing sources (uses)	3,645,863	-	(750,975)	2,894,888
Net change in fund balances	434,568	4,283,908	506,943	5,225,419
Fund balances, beginning of period	-	-	-	-
Fund balances, end of period	$ 434,568	$ 4,283,908	$ 506,943	$ 5,225,419

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

CITY OF BROOKHAVEN, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	5,225,419
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.		1,312,943
The effect of disposals of capital assets.		(34,777)
The effect of donated capital assets is to increase net position.		62,252,906
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		64,857
The issuance of long-term debt provides current financial resources to governmental funds. This does not have any effect on net position.		(2,872,973)
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.		(309,702)
Change in net position - governmental activities	$	65,638,673

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

CITY OF BROOKHAVEN, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2013

ASSETS	Stormwater Fund
CURRENT ASSETS	
Accounts receivable, net of allowance	$ 25,455
Due from other funds	1,054,394
Total current assets	1,079,849
NONCURRENT ASSETS	
Capital assets, depreciable	6,542,349
Accumulated depreciation	(54,906)
Total capital assets	6,487,443
Total assets	$ 7,567,292
NET POSITION	
Investment in capital assets	$ 6,487,443
Unrestricted	1,079,849
Total net position	$ 7,567,292

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

CITY OF BROOKHAVEN, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

	Stormwater Fund
OPERATING REVENUE	
Stormwater fees	$ 1,466,735
Total operating revenues	1,466,735
OPERATING EXPENSES	
Cost of services	386,886
Depreciation	54,906
Total operating expenses	441,792
Operating income	1,024,943
Special item- donation of infrastructure at incorporation	6,542,349
Change in net position	7,567,292
Total net position, beginning	-
Total net position, ending	$ 7,567,292

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

CITY OF BROOKHAVEN, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

	Stormwater Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,441,280
Payments to suppliers	(386,886)
Net cash provided by operating activities	1,054,394
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITES	
Amounts paid to other funds	(1,054,394)
Net cash used in non-capital and related financing activities	(1,054,394)
Net change in cash	-
Cash, beginning of period	-
Cash, end of period	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,024,943
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	54,906
Change in assets and liabilities:	
Increase in accounts receivable	(25,455)
Net cash provided by operating activities	$ 1,054,394
NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	$ 6,542,349

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brookhaven, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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, which was incorporated in 2012, operates under a charter adopted December 17, 2012, as a municipal corporation governed by an elected mayor and a four-member council. The government provides such services as police protection, cultural and recreational activities, community development and public works. The City's first reporting period covers the fifty-four weeks (the "period") ending December 31, 2013.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable.

Blended Component Unit

The Brookhaven Government Finance Corporation (the "BGFC") has been included as a blended component unit in the accompanying financial statements. The City appoints the four member board. Although it is legally separate from the City, its sole purpose is to finance construction and acquisitions of the City. The debt and assets of the BGFC have been reported as a form of the City's debt and assets and all debt service activity is reported as debt service activity of the City. Separate financial statements for the BGFC are not prepared. The City reports the BGFC as a debt service fund.

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. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those 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 properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement 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 fiscal period. Expenditures generally are 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 revenue of the enterprise fund are charges to customers for services provided. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The City reports the following major proprietary fund:

The **Stormwater Fund** is used to account for the charges and expenses of maintaining the City's stormwater infrastructure.

Additionally, the City reports the following fund types:

The **Special Revenue Fund** is used to account for specific revenues, such as hotel/motel tax revenues, which are legally restricted to expenditures for particular purposes.

The **Debt Service Fund** is used to account for the resources accumulated and payments made for principal and interest on long term debt of the City.

D. Budgets

Formal budgetary accounting is employed as a management control device for the general fund, special revenue funds, and capital projects funds of the City. The governmental funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted for the General Fund and each Special Revenue Fund each fiscal year through passage of an annual budget ordinance and amended as required. The City adopts project length budgets for the Capital Projects Fund. During the fiscal period ended December 31, 2013, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All unencumbered budget appropriations lapse at the end of each year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. Capital Assets

Capital assets, which include improvements, machinery and equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 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. The City has reported all infrastructure that it currently owns and has a responsibility for maintaining. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Improvements	15-40 years
Machinery and equipment	3-20 years
Infrastructure	7-60 years

K. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, for the period ended December 31, 2013. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide 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.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures.

N. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources 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 purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed through a resolution of the City Council. Only the City Council may modify or rescind the commitment, also through a resolution.

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. The Fund Balance Policy, as adopted by the City Council, delegates the authority to the City's management to assign fund balance for particular purposes.

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.

The City's policy is to obtain and then maintain a minimum General Fund fund balance reserve equal to three months (25%) of current expenditures.

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

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

The City applies restricted resources first to fund outlays for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Use of 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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net 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 $3,182,675 difference are as follows:

Capital leases	$	(2,872,973)
Accrued interest payable		(22,914)
Compensated absences (i.e., vacation)		(286,788)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(3,182,675)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change 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 estimated useful lives and reported as depreciation expense." The details of this $1,312,943 difference are as follows:

Capital outlay	$ 3,609,109
Depreciation expense	(2,296,166)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$ 1,312,943

Another element of the reconciliation states 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 $309,702 difference are as follows:

Compensated absences	$ (286,788)
Accrued interest	(22,914)
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$ (309,702)

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the Finance Director. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget ordinance.

B. Excess Expenditures Over Appropriations

For the period ended December 31, 2013 expenditures of the city manager, city clerk, judicial, and public safety departments exceeded their appropriations by $46,423, $3,814, $98,174, and $2,427,451, respectively. The excess of expenditures over budget were primarily funded by other departments' expenditures being less than budgeted.

NOTE 4. DEPOSITS

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 require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2013, the City's bank balances were under collateralized by $1,186,685 as defined by state statues.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City contracts with DeKalb County to bill and collect City of Brookhaven property taxes. The taxes are levied by August 1 based on the assessed value of property as listed on the previous January 1 and are due on November 15 of each year, with a lien date of January 1 of the following year. Property taxes are recorded as receivables and unavailable revenues when assessed. Revenues are recognized when available.

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

	General	Homestead Option Sales Tax	Stormwater
Receivables:			
Accounts	$ 1,510,363	$ -	$ 57,309
Taxes	118,708	-	-
Intergovernmental	64,005	2,084,877	-
Total receivables	1,693,076	2,084,877	57,309
Less allowance for uncollectibles	(16,408)	-	(31,854)
Net total receivable	$ 1,676,668	$ 2,084,877	$ 25,455

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NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ -	$ 97,596	$ (2,783)	$ 94,813
Total	-	97,596	(2,783)	94,813
Capital assets, being depreciated:				
Improvements	-	34,491	-	34,491
Machinery and equipment	-	5,657,807	(31,994)	5,625,813
Infrastructure	-	60,072,121	-	60,072,121
Total	-	65,764,419	(31,994)	65,732,425
Less accumulated depreciation for:				
Improvements	-	(11,928)	-	(11,928)
Machinery and equipment	-	(751,242)	-	(751,242)
Infrastructure	-	(1,532,996)	-	(1,532,996)
Total	-	(2,296,166)	-	(2,296,166)
Capital assets, net depreciation	-	63,468,253	(31,994)	63,436,259
Governmental activities capital assets, net	$ -	$ 63,565,849	$ (34,777)	$ 63,531,072

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Infrastructure	$ -	$ 6,542,349	$ -	$ 6,542,349
Less accumulated depreciation for:				
Infrastructure	-	(54,906)	-	(54,906)
Business-type activities capital assets, net	$ -	$ 6,487,443	$ -	$ 6,487,443

Additions noted above include assets donated to the City from DeKalb County. Due to the relationship between DeKalb County and the City, these assets were added to the City's Statement of Net Position at estimated historical cost, less accumulated depreciation. The capital contribution of these assets is recognized in the City's Statement of Activities, as a special item. The governmental activities and business type activities infrastructure was assumed on January 1, 2013 and September 1, 2013 respectively.

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	$ 38,566
Public safety	298,390
Public works	1,945,970
Judicial	13,026
Community development	214
Total depreciation expense - governmental activities	$ 2,296,166
Business-type activities:	
Stormwater	$ 54,906

NOTE 7. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of $5,400,000 at a local financial institution. The borrowing, with an interest rate of 0.60%, matures on December 31, 2013. As of December 31, 2013, all outstanding principal has been paid in full. Subsequent to year end the City has drawn $3,075,000 on a new tax anticipation note that will mature on December 31, 2014.

Total short-term borrowings interest incurred and expensed for the period ended December 31, 2013, was $31,590.

The following is a summary of the City's short-term borrowings for the period ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ -	$ 5,400,000	$ (5,400,000)	$ -

NOTE 8. LONG-TERM DEBT

Capital Leases

On January 28, 2013, the City entered into a capital lease to purchase computers and software through the Georgia Municipal Association ("GMA") for $1,000,000. Annual payments of $211,482, including interest at a rate of 1.89% begin January 28, 2014 and will continue through January 28, 2018. The outstanding balance at December 31, 2013 is $1,000,000.

On June 28, 2013, the City entered into a capital lease to purchase police radios through Motorola for $172,973. Annual payments of $38,985, including interest at a rate of 4.108% begin July 1, 2014 and will continue through July 1, 2018. The outstanding balance at December 31, 2013 is $172,973.

On November 18, 2013, the City entered into a capital lease to purchase police vehicles through Brookhaven Bank for $1,700,000. Monthly payments of $45,124, including interest at prime less .25% begin January 18, 2014 and will continue through May 18, 2017. The outstanding balance at December 31, 2013 is $1,700,000.

As of December 31, 2013, the cost and accumulated depreciation on the assets acquired under capital leases are $2,872,973 and $294,960, respectively. The annual depreciation is included in the capital asset depreciation total in footnote 6.

The total debt service requirements to maturity for the City's capital leases are as follows:

Year Ending December 31,	GMA	Motorola	Brookhaven Bank	Total
2014	$ 211,482	$ 38,985	$ 500,662	$ 751,129
2015	211,482	38,985	541,487	791,954
2016	211,482	38,985	541,486	791,953
2017	211,482	38,985	209,709	460,176
2018	211,482	38,985	-	250,467
Total minimum lease payments	1,057,410	194,925	1,793,344	3,045,679
Less amounts representing interest	(57,410)	(21,952)	(93,344)	(172,706)
Present value of minimum lease payments	$ 1,000,000	$ 172,973	$ 1,700,000	$ 2,872,973

NOTE 8. LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

The following is a summary of long-term debt activity of the City for the period ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Captial leases	$ -	$ 2,872,973	$ -	$ 2,872,973	$ 679,100
Compensated absences	-	373,669	(86,881)	286,788	86,881
Governmental activity long-term liabilities	$ -	$ 3,246,642	$ (86,881)	$ 3,159,761	$ 765,981

For governmental activities, compensated absences are liquidated by the General Fund.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Due To	Due From	Amount
General Fund	Homestead Option Sales Tax Fund	$ 917,693
Stormwater Fund	General Fund	1,054,394
		$ 1,972,087

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.

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 2,455,225
Nonmajor governmental funds	General Fund	4,250
		$ 2,459,475

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

NOTE 10. OPERATING LEASES

The government leases the office facilities (police station, city hall, and municipal court) under non-cancelable operating leases. The City accrues rent expense in an amount such that the total rent expense under the lease is recognized ratably over the lease term. The lease expense on the city hall facility and the municipal court were $246,642 and $55,806 respectively for the period ended December 31, 2013.

The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Police Station	City Hall	Municipal Court	Total
2014	$ 205,953	$ 272,803	$ 64,685	$ 543,441
2015	211,159	-	-	211,159
2016	216,364	-	-	216,364
2017	221,733	-	-	221,733
2018	227,264	-	-	227,264
Total lease payments	$1,082,473	$272,803	$64,685	$1,419,961

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has entered several public/private contractual partnerships for outsourced services and operations. Through these contracts with private companies, an array of operational services are provided via outsourcing. These contracts are an operating contract for which the City is continually monitoring its outsourcing needs as compared to providing services in-house. Currently, these contracts are approximately $4.1 million annually. The contracts were bid for four annual service periods and run through the year ending December 31, 2016.

As of December 31, 2013, construction commitments on uncompleted contracts were $335,219.

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

The City of Brookhaven offers two Retirement Plans for City employees. The 401(a) and 457 plan are defined contribution plans established by Brookhaven for all full-time employees. City Council has the authority to establish and amend the plan provisions as well as the contribution for the plan. For the 457 plan, The City matches employee contributions at a two to one (2:1) rate up to a maximum of 10%. Employees are eligible on the first day of the month, following thirty days of employment and are fully vested after twelve months. At December 31, 2013 there were 61 employees participating in the plan with total contributions of $131,241.

The City also contributes the Social Security withholding amount (6.2% for 2013) to a social security replacement 401(a) plan for each eligible employee. All participants are fully vested in their social security replacement plan at all times. At December 31, 2013 there were 73 employees participating in the plan with total contributions of $116,873.

NOTE 13. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which DeKalb County has paid on behalf of the City of Brookhaven. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality 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 14. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-51 requires that all lodging taxes levied of 3% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the period ended December 31, 2013, the City received $1,296,841 in hotel/motel taxes. Of this amount, $11,794, or 1%, was used for the promotion of tourism, conventions, or trade shows.

NOTE 15. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the first year of incorporation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROOKHAVEN, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 5,750,000	$ 5,370,000	$ 5,682,476	$ 312,476
Franchise taxes	1,300,000	1,300,000	1,472,669	172,669
Alcohol excise taxes	500,000	700,000	741,592	41,592
Business taxes	1,860,000	1,860,000	1,761,762	(98,238)
Excise taxes	3,850,000	850,000	57,663	(792,337)
Licenses and permits	635,000	1,355,000	2,033,031	678,031
Charges for services	370,000	430,000	442,827	12,827
Fines and forfeitures	800,000	500,000	359,364	(140,636)
Interest earned	-	2,000	2,607	607
Miscellaneous	50,000	102,000	36,936	(65,064)
Total revenues	15,115,000	12,469,000	12,590,927	121,927
Expenditures:				
Current:				
General government:				
Mayor and council	197,867	201,867	199,613	2,254
City manager	355,937	347,667	394,090	(46,423)
City clerk	179,267	181,767	185,581	(3,814)
Finance	2,023,261	1,920,261	1,521,340	398,921
Law	443,400	425,400	399,866	25,534
Data processing	1,679,162	1,474,162	1,251,613	222,549
Public information	253,580	179,080	177,342	1,738
Contingency	4,342,520	1,000,000	-	1,000,000
Total general government	9,474,994	5,730,204	4,129,445	1,600,759
Judicial	629,972	380,252	478,426	(98,174)
Public safety	2,625,000	5,740,200	8,167,651	(2,427,451)
Public works	1,792,450	1,718,450	1,139,744	578,706
Recreation	348,134	708,134	595,935	112,199
Housing and development	1,429,450	1,429,450	1,259,431	170,019

Continued

CITY OF BROOKHAVEN, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FIFTY FOUR WEEKS ENDED DECEMBER 31, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
Debt service:				
Interest	75,000	50,000	31,590	18,410
Total debt service	75,000	50,000	31,590	18,410
Total expenditures	16,375,000	15,756,690	15,802,222	(45,532)
Deficiency of revenues over expenditures	(1,260,000)	(3,287,690)	(3,211,295)	76,395
Other financing sources (uses):				
Issuance of capital lease	1,340,000	1,000,000	1,172,973	172,973
Proceeds from sale of capital assets	-	25,000	21,915	(3,085)
Transfers in	-	2,342,690	2,455,225	112,535
Transfers out	(80,000)	(80,000)	(4,250)	75,750
Total other financing sources (uses)	1,260,000	3,287,690	3,645,863	358,173
Net change in fund balance	-	-	434,568	434,568
Fund balance, beginning of period	-	-	-	-
Fund balance, end of period	$ -	$ -	$ 434,568	$ 434,568

NONMAJOR GOVERNMENTAL FUNDS

Hotel Motel Tax Fund – To account for the 5% lodging tax levied in the City, which is restricted by State law.

Debt Service Fund – To account for the debt service expenditures of the City.

CITY OF BROOKHAVEN, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue Fund Hotel Motel Tax Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 506,943	$ -	$ 506,943
Total assets	$ 506,943	$ -	$ 506,943
FUND BALANCES			
Restricted:			
Tourism	$ 506,943	$ -	$ 506,943
Total fund balances	$ 506,943	$ -	$ 506,943

CITY OF BROOKHAVEN, GEORGIA

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

	Special Revenue Fund Hotel Motel Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Hotel/Motel Taxes	$ 1,296,841	$ -	$ 1,296,841
Total revenues	1,296,841	-	1,296,841
Expenditures			
Current:			
Community development	11,794	-	11,794
Debt Service			
Interest	-	4,250	4,250
Issuance cost	-	22,879	22,879
Total expenditures	11,794	27,129	38,923
Excess (deficiency) of revenues over (under) expenditures	1,285,047	(27,129)	1,257,918
Other Financing Sources (Uses)			
Issuance of capital lease	-	1,700,000	1,700,000
Transfers in	-	4,250	4,250
Transfers out	(778,104)	(1,677,121)	(2,455,225)
Total other financing sources (uses)	(778,104)	27,129	(750,975)
Net change in fund balances	506,943	-	506,943
Fund balances, beginning of period	-	-	-
Fund balances, end of period	$ 506,943	$ -	$ 506,943