CITY OF CLARKESVILLE
CLARKESVILLE, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2009

CITY OF CLARKESVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
December 31, 2009

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June 5, 2010

INDEPENDENT AUDITOR'S OPINION

To the Mayor and City Commission
City of Clarkesville
Clarkesville, Georgia

I have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Clarkesville, Georgia, as of and for the year ended December 31, 2009, which collectively comprise the city's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Clarkesville management. My responsibility is to express opinions on these basic financial statements based on the audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic 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 Clarkesville, Georgia as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 5, 2010 on my consideration of the City of Clarkesville internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our resting of internal control our financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis, on pages 2 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The budgetary comparison schedule identified as Exhibit 8 in the Financial Section of the accompanying table of contents is not part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Jack P. Green, Jr

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Clarkesville, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the city for the Year ended December 31, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government. Unless otherwise noted component units, related organization and joint ventures reported separately from the primary government are not included.

The City of Clarkesville (City), Georgia operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's assets exceeded it liabilities by $8,519,191 (net assets) for the Year reported. This compares to the previous year when assets exceeded liabilities by $8,314,478.

Total net assets are comprised of the following:

(1) Capital assets, net of related debt, of $5,675,784 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.

(2) Unrestricted net assets of $2,843,407 represent the portion available to maintain the City's obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of $2,584,422 this year. This compares to the prior year ending fund balance of $2,140,292 showing an increase of $444,130 during the current year. Unreserved fund balance of $2,583,313 for the Year 2009 shows a $444,128 increase from the prior year.

At the end of the Year, unreserved fund balance for the General Fund was $2,583,313 or 138.1% of total General Fund expenditures and 121.2% of total General Fund revenues.

Total liabilities of the City were increased by $1,379,275 to $4,207,381 during the Year. This increase is attributable to a change in accounting for prepaid property tax revenues which increased deferred revenue by $1,197,115 and the remainder of the construction loan for a water tank project.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level used a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets.* This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities with the difference reported as *net assets.* Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, recreation and public works. Business type activities include water and wastewater enterprises. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The City had no reportable component units. Other organizations such as related organizations and joint ventures are reported separately and are not included in the City's overall reporting entity.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliations to the government-wide statements to assist in understanding the difference between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for special revenue funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budgets.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds, enterprise funds and internal service funds. The City uses one proprietary fund, an enterprise fund to report the activities of its sanitation, water and wastewater systems. We report these activities in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City has no internal service funds.

Fiduciary funds such as employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. The City's only fiduciary funds are employee pension funds and financial statements are reported appropriately and separate from the City's financial statements.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statement.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. Other supplementary information includes details by fund for receivables, payables, transfers, and payments within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

The City implemented the new financial reporting model used in this report at the beginning of the year January 1, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at year-end are $8,519,191. This is a $204,713 increase over the beginning year's net assets of $8,314,478. The following table provides a summary of the City's net assets:

Summary of Net Assets
(dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total		
	2009	2008	2009	2008	2009	2008	Change
Current and other assets	$ 3,813	$ 2,163	$ 643	$ 1,062	$ 4,456	$ 3,225	$ 1,231
Capital assets	2,086	2,111	6,184	5,806	8,270	7,917	353
Total Assets	$ 5,899	$ 4,274	$ 6,827	$ 6,868	$ 12,726	$ 11,142	$ 1,584
Current and other liabilities	$ 9	$ 1	$ 2,130	$ 1,915	$ 2,139	$ 1,916	$ 223
Long-term liabilities	1,321	106	747	806	2,068	912	1,156
Total Liabilities	$ 1,330	$ 107	$ 2,877	$ 2,721	$ 4,207	$ 2,828	$ 1,379
Net Assets:							
Invested in capital assets net of related debt	$ 2,248	$ 2,027	$ 3,428	$ 3,187	$ 5,676	$ 5,214	$ 462
Unrestricted	2,321	2,140	522	960	2,843	3,100	(257)
Total Net Assets	$ 4,569	$ 4,167	$ 3,950	$ 4,147	$ 8,519	$ 8,314	$ 205

The City reported positive balances in net assets for governmental and business-type activities. The City's overall position improved during Year 2009.

Comparative data is accumulated and presented to assist in analysis. The following table provides a summary of the City's changes in net assets:

Summary of Changes in Net Assets
(dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	2009	2008	2009	2008	2009	2008		
Revenues								
Program Revenues:								
Charges for services	$ 164	$ 227	$ 1,516	$ 1,310	$ 1,680	$ 1,537	$ 143	9.30%
Operating Grants and contributions	138	5	-	84	138	89	49	55.06%
Capital Grants and contributions	153	246	-	168	153	414	(261)	-63.04%
General Revenues:								
Property Taxes	1,336	1,341	-	-	1,336	1,341	(5)	-0.37%
Intangible and Transfer Taxes	6	10	-	-	6	10	(4)	-40.00%
Franchise Taxes	212	197	-	-	212	197	15	7.61%
Alcoholic Beverage Taxes	132	140	-	-	132	140	(8)	-5.71%
Insurance Premium Taxes	69	70	-	-	69	70	(1)	-1.43%
Interest and Miscellaneous	77	89	17	37	94	126	(32)	-25.40%
Total Revenue	$ 2,287	$ 2,325	$ 1,533	$ 1,599	$ 3,820	$ 3,924	$ (104)	-2.65%
Expenses:								
General Government	$ 468	$ 552	$ 1,757	$ 1,688	$ 2,225	$ 2,240	$ (15)	-0.67%
Police and Courts	449	455	-	-	449	455	(6)	-1.32%
Streets & Roads	470	569	-	-	470	569	(99)	-17.40%
Fire	420	396	-	-	420	396	24	6.06%
Parks and Recreation	50	61	-	-	50	61	(11)	-18.03%
Interest	-	2	-	-	-	2	(2)	-100.00%
Total Expenses	$ 1,857	$ 2,035	$ 1,757	$ 1,688	$ 3,614	$ 3,723	$ (109)	-2.93%
Transfers	(27)	-	27	-	-	-	-	-
Increase (decrease) in net assets	$ 403	$ 290	$ (197)	$ (89)	$ 206	$ 201	$ 5	2.49%
Change in Net Assets	$ 403	$ 290	$ (197)	$ (89)	$ 206	$ 201	$ 5	2.49%
Beginning net assets	4,166	3,876	4,147	4,236	8,313	8,112	201	2.48%
Ending net assets	$ 4,569	$ 4,166	$ 3,950	$ 4,147	$ 8,519	$ 8,313	$ 206	2.48%

GOVERNMENTAL ACTIVITIES

Property taxes provide 58 percent and other taxes provide 18 percent of the City's revenues from governmental activities. Program revenues including capital grants covered 20 percent of governmental activities operating revenues. The City's other general revenues provide 4 percent of the government activities revenues. The City has a diverse income base which allows the City to cover all of its costs.

BUSINESS-TYPE ACTIVITIES

Charges for services of the City's business-type activities, sanitation, water and wastewater services, increased by 15.73 percent. Expenses increased by 4.1 percent. Although revenues from customer payments increased over 2008 it was not enough to cover the operating expenses. The City was able to cover maintenance and operations needs with reserves and continues to apply for grant funds for major capital improvements to the water system.

As discussed, governmental funds are reported in the fund statements with a short-term, inflows and outflows of spendable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $2,548,422. Of this year-end total, all is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of $408,130 from the prior year. This increase is primarily the result of events and programs described with the analysis of the City's governmental activities.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund was increased by $316,077. The largest factors contributing to the increase were the recording of 2009 property taxes billed in 2009 but due in 2010 as deferred revenue and the payment of expenses for other funds with cash from the General Fund.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The City has one proprietary fund, the Sanitation, Water and Wastewater enterprise fund. The enterprise fund reported ending net assets of $3,950,251 which was a $196,781 decrease from the prior year.

Revenues from sanitation, water, and wastewater increased $205,975 from the prior year. This increase was a result of reporting sanitation revenues in the enterprise fund which had previously been reported as a governmental fund and an increase in water and sewer fees mainly due to the reduction in watering restrictions from the drought.

General Fund Budgetary Highlights

The General Fund Budget as amended for the year 2009 was $2,225,747 a decrease of $543,426 from the previous year amended budget. The Council made several budget adjustments during the year which decreased their original appropriations by $5,100. These decreases from the previous year budget and from the original appropriations are as a result of the Council's commitment to their fiduciary responsibility to the citizens. The City was able to accomplish these decreases without using furlough days or layoffs of personnel.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets net of accumulated depreciation for governmental activities as of December 31, 2009 was $1,722,648. (See Note 3) The major capital asset additions during the year were the purchase of automobiles for the Police Department.

Long-term debt

At the end of the Year the City had total debt outstanding of $849,188. Of this amount, $146,543 was for capital leases and $702,645 was for debt related to the renovation of the wastewater treatment plan. See Notes 8 and 11.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Manager at P. O. Box 21, Clarkesville, Georgia 30523.

BASIC FINANCIAL STATEMENTS

CITY OF CLARKESVILLE
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

EXHIBIT 1

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash	$ 2,220,382	$ 622,683	$ 2,843,065
Accounts Rceivable - Net	1,375,329	216,172	1,591,501
Internal Balances	195,243	(195,243)	-
Prepaid Expenses	22,173	-	22,173
Capital Assets			
Land	363,572	24,000	387,572
Construction in Progress	-	250,250	250,250
Depreciable, Net	1,722,648	5,909,363	7,632,011
Total Assets	$ 5,899,347	$ 6,827,225	$ 12,726,572
LIABILITIES			
Accounts Payable	$ 8,793	$ 27,294	$ 36,087
Customer Deposits	-	93,760	93,760
Construction Loan	-	2,008,434	2,008,434
Long-Term Debt			
Due Within One Year	36,780	85,293	122,073
Due Beyond One Year	64,922	662,193	727,115
Deferred Revenue	1,219,912	-	1,219,912
Total Liabilities	$ 1,330,407	$ 2,876,974	$ 4,207,381
NET ASSETS			
Invested in Capital Assets Net of Related Debt	$ 2,248,091	$ 3,427,693	$ 5,675,784
Unrestricted Net Assets	2,320,849	522,558	2,843,407
Total Net Assets	$ 4,568,940	$ 3,950,251	$ 8,519,191

The accompanying notes are an integral part of this statement

CITY OF CLARKESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Government Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
PRIMARY GOVERNMENT							
Government Activities							
General Government	$ 467,912	$ 72,924	$ 2,209	$ 131,541	$ (261,238)	$ -	$ (261,238)
Police and Courts	449,496	30,767	-	5,400	(413,329)	-	(413,329)
Streets and Roads	469,919	-	61,202	10,800	(397,917)	-	(397,917)
Fire	420,594	45,280	-	5,400	(369,914)	-	(369,914)
Parks and Recreation	50,015	14,560	75,000	-	39,545	-	39,545
Total Government Activities	$ 1,857,936	$ 163,531	$ 138,411	$ 153,141	$ (1,402,853)	$ -	$ (1,402,853)
Business-Type Activities							
Water and Wastewater	1,757,280	1,516,195	-	-	-	(241,085)	(241,085)
Total Primary Government	$ 3,615,216	$ 1,679,726	$ 138,411	$ 153,141	$ (1,402,853)	$ (241,085)	$ (1,643,938)
General Revenues							
Taxes:							
Property					$ 1,336,108	$ -	$ 1,336,108
Intangible and trasfer					6,121	-	6,121
Franchise					211,590	-	211,590
Beer and Wine					131,968	-	131,968
Insurance Premium					69,193	-	69,193
Unrestricted investment earnings					76,861	15,488	92,349
Miscellaneous					242	1,080	1,322
Total General Revenues					$ 1,832,083	$ 16,568	$ 1,848,651
Transfers					$ (27,736)	$ 27,736	$ -
Change in Assets					$ 401,494	$ (196,781)	$ 204,713
Net Assets-Beginning					$ 4,167,446	$ 4,147,032	$ 8,314,478
Net Assets-End					$ 4,568,940	$ 3,950,251	$ 8,519,191

The accompanying notes are an integral part of this statement

CITY OF CLARKESVILLE
BALANCE SHEET
GOVERNMENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 3

	General Fund	Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash	$ 2,020,383	$ 198,890	$ 1,109	$ 2,220,382
Accounts Receivable	1,375,329	-	-	1,375,329
Due from Other Funds	195,243	-	-	195,243
Prepaid Expenses	22,173	-	-	22,173
TOTAL ASSETS	$ 3,613,128	$ 198,890	$ 1,109	$ 3,813,127
LIABILITIES				
Accounts Payable	$ 8,793	$ -	$ -	$ 8,793
Deferred Revenue	1,219,912	-	-	1,219,912
TOTAL LIABILITIES	$ 1,228,705	$ -	$ -	$ 1,228,705
FUND BALANCES				
Unreserved - General Fund	$ 2,384,423	$ 198,890	$ -	$ 2,583,313
Unreserved - Special Revenue	-	-	1,109	1,109
TOTAL FUND BALANCES	$ 2,384,423	$ 198,890	$ 1,109	$ 2,584,422
TOTAL LIABILITIES AND FUND BALANCE	$ 3,613,128	$ 198,890	$ 1,109	$ 3,813,127

Adjustments to the Statement of Net Assets

Fund Balance	$ 2,584,422
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	2,086,220
Long-Term liabilities are not due and payable in the period, and therefore, are not reported in current period.	(101,702)
Net Assets of Governmental Activities (Exhibit 1)	$ 4,568,940

The accompanying notes are an integral part of this statement

CITY OF CLARKESVILLE
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 4

	General Fund	SPLOST Capital Projects	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	$ 1,754,980	$ -	$ -	$ 1,754,980
Licenses and Permits	56,193	-	-	56,193
Intergovernmental Revenues	138,413	153,141	-	291,554
Charges for Services	76,571	-	-	76,571
Fines and Forfeitures	30,767	-	-	30,767
Miscellaneous	74,454	2,646	2	77,102
TOTAL REVENUES	$ 2,131,378	$ 155,787	$ 2	$ 2,287,167
EXPENDITURES				
CURRENT:				
General Government	$ 458,992	$ -	$ -	$ 458,992
Police and Courts	511,998	-	-	511,998
Streets and Roads	439,394	-	-	439,394
Parks and Recreation	44,585	-	-	44,585
Fire	415,782	-	-	415,782
TOTAL EXPENDITURES	1,870,751	-	-	1,870,751
REVENUES OVER EXPENDITURES	$ 260,627	$ 155,787	$ 2	$ 416,416
OTHER FINANCING SOURCES				
Transfer	-	(27,736)	-	(27,736)
Capital Lease	55,450	-	-	55,450
NET CHANGES IN FUND BALANCE	$ 316,077	$ 128,051	$ 2	$ 444,130
FUND BALANCE, JANUARY 1, 2009	2,068,346	70,839	1,107	2,140,292
FUND BALANCE, DECEMBER 31, 2009	$ 2,384,423	$ 198,890	$ 1,109	$ 2,584,422

CITY OF CLARKESVILLE
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 4

Net Change in Fund Balance	$	444,130
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost those assets allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Depreciation ($105 249) exceed Capital Outlay ($ 80 727)		(24,522)
Long-term debt proceeds provide current financial resourses to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds ($55 450) exceed payments ($37 336).		(18,114)
Change in assets of governmental activities (Exhibit 2)	$	401,494

The accompanying notes are an integral part of this statement

CITY OF CLARKESVILLE
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 5

	Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash on Hand and in Bank	$ 622,683
Accounts Receivable - Net	216,172
Total Current Assets	$ 838,855
CAPITAL ASSETS	
Land	$ 24,000
Construction in Progress	250,250
Depreciable Assets, Net	5,909,363
Total Capital Assets	$ 6,183,613
TOTAL ASSETS	$ 7,022,468
LIABILITIES AND FUND EQUITY	
CURRENT LIABILITIES	
Accounts Payable	$ 27,294
Customer Deposits	93,760
Construction Loan	2,008,434
Due to Other Funds	195,243
Long Term Debt - Due Within One Year	85,293
Total Current Liabilities	$ 2,410,024
NON CURRENT LIABILITIES	
Capital Lease	$ 9,372
Notes Payable	652,821
Total Non Current Liabilities	$ 662,193
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 3,427,693
Unrestricted Assets	522,558
Total Net Assets	$ 3,950,251
TOTAL LIABILITIES AND NET ASSETS	$ 7,022,468

The accompanying notes are an integral part of this statement

CITY OF CLARKESVILLE
STATEMENT OF REVENUES, EXPENSES, AND NET FUND ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 6

	Enterprise Fund
OPERATING REVENUES:	
Water and Sewer Fees	$ 1,341,300
Garbage Collection Fees	153,701
Meter Installation	15,694
Sewer Tap-On	5,500
Total Operating Revenues	$ 1,516,195
OPERATING EXPENSES:	
General Expenses	$ 178,726
Water Treatment Plant	463,736
Sewer Treatment Plant	246,444
Distribution and Lines	346,120
Wastewater Collection	152,946
Garbage Collection	85,465
Depreciation	252,705
Total Operating Expenses	$ 1,726,142
OPERATING INCOME (LOSS)	$ (209,947)
NON OPERATING REVENUES (EXPENSES)	
Interest Income	$ 15,488
Other	1,080
Bond Interest Expense	(31,138)
NET NON OPERATING REVENUES	$ (14,570)
TRANSFERS IN	$ 27,736
CHANGE IN NET ASSETS	(196,781)
TOTAL NET ASSETS BEGINNING	4,147,032
TOTAL NET ASSETS ENDING	$ 3,950,251

The accompanying notes are an integral part of this statement

CITY OF CLARKESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2009

EXHIBIT 7

	Water and Wastewater Enterprise Fund
CASH FLOWS FOR OPERATING ACTIVITIES	
Receipts from Customer	$ 1,425,274
Payments to Suppliers	(801,813)
Payments to Employees	(644,680)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	$ (21,219)
CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITES	
Transfers In	$ 27,736
Loans from Other Funds	443,744
NET CASH PROVIDED FOR NONCAPITAL FINANCING ACTIVITIES	$ 471,480
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid	$ (31,138)
Principal Paid on Notes	(47,761)
Decrease in Captial Leases	(61,414)
Purchased Capital Assets	(580,166)
Construction Loan	195,545
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	$ (524,934)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	$ 15,488
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (59,185)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	681,868
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 622,683
Reconciliation of Operating Income (Loss) to Net Cash Provided For Operating Activities	
Operating Income (Loss)	$ (209,947)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	$ 252,705
Increase in Accounts Payable	26,944
Decrease in Customer Deposits	(7,700)
Increase in Accounts Receivable	(84,301)
Other Income	1,080
TOTAL ADJUSTMENTS	$ 188,728
NET CASH FLOWS PROVIDED FOR OPERATING ACTIVITIES	$ (21,219)

The accompanying notes are an integral part of this statement

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Clarkesville operates under a mayor-council form of Government. The city's combined financial statements include the accounts of all the city operations.

The financial statements of the City of Clarkesville have been prepared in conformity with generally accepted accounting principles (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.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, includes whether:

-the organization is legally separate
-the City holds the corporate powers of the organization
-the City appoints a voting majority of the organization's board
-the City is able to impose its will on the organization
-the organization has the potential to impose a financial benefit/burden on the City
-there is a fiscal dependency by the organization on the City

Related Organizations

The Housing Authority of the City of Clarkesville administers federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the governing board are appointed by the City Commission. The City has no significant influence over the management, budget, or policies of the Clarkesville Housing Authority. The Authority reports independently.

The City of Clarkesville has elected to treat the Downtown Development Authority as a discreetly presented component unit. The Authority did not adopt an annual budget in 2009 and was essentially dormant for the year. Additional financial information on the Authority can be obtained from the City.

B. Basis of Presentation – Fund Accounting

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* The statement, known as the "Reporting Model" statement, affects the way the City prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets

for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction. The government-wide Statement of Activities reflects both the gross and net cost per functional category (recreation, public safety, streets and sanitation, etc.) which is otherwise being supported by general government revenues (property, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, recreation, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental funds are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

The focus of the revised model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and other capital assets, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Schedule of Net Assets – The Schedule of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Schedule of Net Assets and will report depreciation expense-the cost of "using up" capital assets-in the Schedule of Activities. The net assets of a government will be broken down into three categories 1) invested in capital assets, net of related debt: 2) restricted: and 3) unrestricted.

Schedule of Program Activities – The new government-side statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objective in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds
   Governmental Funds are those through which most governmental functions typically are financed.

   General Fund
   The General Fund is the primary operating fund of the City and is always classified as a major fund. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

   Capital Project Funds
   The Capital Project Fund accounts for the funds from the City's portion of the Habersham County Special Purpose Local Option Sales Tax.

2. Proprietary Funds
   Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, equities, revenues, expense, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Subsidies and grants to proprietary funds which finance either capital or current operations are recorded as non-operating revenue when earned. Operating expenses include cost of service as well as, materials, contracts, personnel, and depreciation. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

   Enterprise Fund or Business Funds
   The Enterprise Fund accounts for operations that are financed in a manner similar to private business enterprise, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Enterprise Fund accounts for the operations of the City's water and wastewater system and garbage collection and is a major fund. Garbage collection had been reported in the General Fund in prior years.

3. Policy of Using Restricted Resources
   The City first applies restricted resources when an expense for purposes for which both restricted and unrestricted net assets are available.

C. Basis of Accounting
   The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus, only current assets and current liabilities generally are include on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

   The government-wide statements of net assets and statements of activities, all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings components.

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General Fund and the Special Revenues Fund are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The statements of net assets, statements of activities, and financial statements of the Proprietary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

D. Budgets and Budgetary Accounting

The City Commission annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. On November 3, 2008, the City Commission adopted the budget.

Expenditures may not legally exceed appropriations at the department level. Transfers within departments may be approved by the City Clerk. Transfers between departments may be approved by the City Commission. A supplementary budget appropriation would be necessary to support expenditures in excess of the annual appropriated budget.

The budgets are integrated into the accounting system, and the budgetary, as presented in financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion other applicable appropriation is not utilized by the City of Clarkesville.

E. Cash and Investments

Cash includes amounts in demand deposits. State statutes include certificates of deposit and bank money market accounts within its definition of investments and this is the manner in which they are presented on the balance sheet. State statutes authorize the City to invest only in obligations of the United States and of its agencies and instrumentalities, or bonds or certificates of indebtedness of the State of Georgia and of its agencies and instrumentalities, or certificates of deposit of banks which have deposits insured by the FDIC with any uninsured cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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. Estimated unbilled revenues from the Proprietary Funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the year.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Inventories

It is the City's policy to expense parts as they are purchased. No inventory is recorded due to lack of materiality.

I. Prepaid Expenses

Prepaid expenses are recognized as expenses during the benefiting period in proprietary funds.

J. Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent of the City's capitalization threshold is met. The City capitalizes asset purchase valued at $5,000 or more. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at their estimated fair market value on the date donated.

The estimated useful lives are as follows:

Buildings	20-40 years
Utility Plant and System	30-35 years
Equipments	5-7 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sales or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

K. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the Government-wide Statement of Net Assets. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in both the government-wide and fund financial statements.

L. Fund Equity/Net Assets

In the Government-wide Financial Statements, net assets are classified in the following categories: Invested Capital Assets, Net of Related Debt - This category groups all capital assets into one component of net assets, accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category. Restricted Net Assets – This category presents external restrictions imposed by bond ordinances. Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

M. Internal Activity

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

N. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

P. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

State statutes include certificates of deposit and bank money market accounts within its definition of investments and this is the manner in which they are presented on the balance sheet. To conform to GASB Statement No. 3 definitions of deposits and investments, however, these certificates of deposit and money market accounts have been reclassified from investments to deposits for the data presented below.

At December 31, 2009, the carrying amount of the City's deposits was $ 2,843,065 and the bank balances were $ 2,933,045. All bank balances of deposits as of December 31, 2009 are entirely insured or collateralized with securities held by the City or by its agent in the City's name.

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in the governmental activities during the fiscal year:

	Balance 1/01/09	Additions	Deletions	Balance 12/31/09
Non-Depreciable Assets-Land	$ 363,572	$ -	$ -	$ 363,572
Other Capital Assets				
Buildings	$ 1,696,288	$ 83,906	$ -	$ 1,780,194
Machinery and Equipment	1,525,644	-	(3,179)	1,522,465
Total Depreciable Assets	$ 3,221,932	$ 83,906	$ (3,179)	$ 3,302,659
Less: Accumulated Depreciation for:				
Buildings	(319,221)	(42,329)	-	(361,550)
Machinery and Equipment	(1,155,542)	(62,919)	-	(1,218,461)
Net Depreciable Assets	$ 1,747,169	$ (21,342)	$ (3,179)	$ 1,722,648

Depreciation was charged to governmental functions as follows:	
General Government Administration	$ 8,920
Police and Courts	30,284
Streets	55,802
Fire	4,812
Parks and Recreation	5,430
Total	$ 105,248

The following is a summary of proprietary fund-type fixed assets at December 31, 2009:

	Balance 1/01/09	Additions	Deletions	Balance 12/31/09
Non-Depreciable Assets				
Land and Improvements	$ 24,000	$ -	$ -	$ 24,000
Construction in Progress	$ -	$ 250,250	$ -	$ 250,250
Other Capital Assets				
Water System	$ 5,040,819	$ 311,238	$ -	$ 5,352,057
Sewer System	2,231,899	-	-	2,231,899
Machinery & Equipment	584,488	68,782	-	653,270
Auto and Trucks	71,032	-	-	71,032
Total Depreciable Assets	$ 7,928,238	$ 380,020	$ -	$ 8,308,258
Less: Accumulated Depreciation for:				
Water System	$ (1,067,039)	$ (136,974)	$ -	$ (1,204,013)
Sewer System	(797,377)	(68,449)	-	(865,826)
Machinery and Equipment	(242,924)	(37,959)	-	(280,883)
Auto and Trucks	(38,849)	(9,324)	-	(48,173)
Net Depreciable Assets	$ 5,782,049	$ 127,314	$ -	$ 5,909,363

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

During normal operations, the City will occasionally pay for goods and services or transfer monies between the General and Water and Wastewater Funds. During 2009 the General Fund advanced monies to the Water and Wastewater Fund to pay for construction projects and other Capital Assets. As of December 31, 2009, the Water and Wastewater Fund owed the General Fund $ 195,243. There have been no eliminations between or within fund types.

Also during 2009 the Capital Projects Fund transferred $ 27,736 to the Water and Wastewater Fund to be spent for Capital Assets.

NOTE 5 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft 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 Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

Pursuant to Title 34, Chapter 9, Article 5 of the official code of Georgia Annotated, the City of Clarkesville became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Clarkesville) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

As a part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and 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 of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim against the Government within the scope of loss protection furnished by the fund.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expense incurred for investigation, negotiation or defense.

There have been no insurance settlements exceeding coverage within the past three years.

NOTE 6. EMPLOYEE RETIREMENT SYSTEM

A. PLAN DESCRIPTION

The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for cities in the municipalities in Georgia. The City is assigned the authority to establish and amend benefit provisions of the Plan. The Plan provides retirement and disability Benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Section 47-20-10 of the Georgia Code sets forth the funding standards for state and local government pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Clarkesville retirement plan. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling 404-688-0472.

Funding Policy
City employees are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 9.02 % of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the Georgia Municipal Employees Benefit System Board of Trustees.

Annual Pension Cost
For 2009, the City's annual pension cost of $ 108,440 to GMEBS was equal to the City's required and actual contributions. The last actuarial valuation date was October 1, 2009. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The

recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are open for this plan year.

To minimize the effect of random variations in financial market values on the recommended contribution, the Board of Trustees adopted an asset valuation method for use in the calculation. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

Fiscal Year Ending	Annual Pension	Percentage of APC Contributed	Net Pension Obligation
9/30/2007	$ 44,649	100.00%	0
9/30/2008	62,826	100.00%	0
9/30/2009	83,892	100.00%	0

Funding Status:

Actuarial Valuation Date Sept. 1	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	Unfunded AAL AS Percentage Of Covered Payroll
2007	$ 1,068,712	$ 1,146,290	93.23%	$ 77,578	$ 1,065,428	7.28%
2008	1,135,107	1,322,303	85.84%	187,196	1,090,430	17.17%
2009	1,049,899	1,398,359	75.08%	348,460	1,202,474	28.98%

Effect of plan changes on the actuarial accrued liability of any current year changes in assumption or benefit provisions is:

The plan provision valued and the actuarial assumptions are the same as those used in the preceding valuation. The actuarial assumptions have been changed since the preceding year and the effect will be provided upon request.

The effect on the recommended contributions of any current year changes in actuarial assumptions, benefit provisions or actuarial funding method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year and the effect will be provided upon request.

Actuarial Assumptions and methods:

Economic Assumptions		
Interest Rate		8.0%
Annual Rates of Increase in:		
Salaries: Inflation		5.0
Merit		0.5
Future Social Security Wage Bases		5.5
Cost of Living Adjustment		N/A

Demographic Assumptions		
Mortality	1983 GAM Table	
Termination	Age	Rate
	20	.2580
	30	.1560
	40	.0945
	50	.0585
	60	-
Disability	50% of 1975 SSA Study	
Retirement	Employees: 65 with 5 years of service	
Form of Payment	Life annuity	
Administrative Expenses	$5,000 plus $50 per participant, plus 0.05% of the market value of the assets.	

Changes in Assumptions: There have been no changes in actuarial assumptions since the last valuation.

NOTE 7. CONTINGENT LIABILITIES - GRANT PROGRAMS

The City participated in state and Federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

NOTE 8. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment for the General Fund. These lease agreements qualify as capital leases for accounting purposes (bargain purchase option) and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

In 2009, the City leased two police cars, a truck, and a backhoe, at a cost of $ 105,553.. The minimum payments and present value of the lease payments and the minimum lease payments are as follows:

	General Fund	Water Fund
2010	$ 40,253	$ 37,010
2011	40,253	9,682
2012	27,471	-
Less: Interest Portion	(6,275)	(1,851)
Present Value of Future Payments	$ 101,702	$ 44,841

NOTE 9. PROPERTY TAX CALENDAR

The City levies property tax in the fall of each year. The 2008 millage was set on October 2008 the due date was February 15, 2009, liens on uncollected taxes were filed on May 1. Taxes are collected throughout the year. Receivables are recorded when the taxes are levied. The 2008 Digest was recognized as revenue for 2009.

The net 2008 property assessment was $ 186,790,391 of real and personal property. The 2008 property is taxed at 6.35 mills and the tax due after exemptions and adjustments was $ 1,185,546. and was recognized in 2009.

NOTE 10. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Development Center (RDC). Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC 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 an RDC. Separate financial statements may be obtained from:

Georgia Mountains Regional Development Center
P.O. Box 1720
Gainesville, Georgia 30503

NOTE 11. NOTES PAYABLE

On December 20, 2000 the City borrowed $ 1,059,406 to pay on the renovation of the wastewater treatment plant. Principal and interest are due in quarterly payments of $ 19,725 including interest at 4% per annum beginning April 1, 2001 as follows:

Year Ended December 31	Principal	Interest
2010	$ 49,824	$ 29,075
2011	51,975	26,924
2012	54,219	24,680
2013	56,561	22,338
2014	59,003	19,896
2015	61,551	17,348
2016	64,209	14,690
2017	66,982	11,917
2018	69,874	9,025
2019	72,891	6,008
2020	76,039	2,860
2021	19,517	390
	$ 702,645	$ 185,151

The City has a construction loan with the Georgia Environmental Facilities Authority to improve the Water Treatment Plant and construction water tanks. The work is complete and the loan of $ 2,008,433.92 will be closed in 2010 to a long term loan with monthly installments of $ 12,255.55 bearing interest at 4.08 % per annum.

NOTE 12. CONSTRUCTION IN PROGRESS

The City has begun a project to improve and upgrade the Wastewater Treatment Plant. This project is estimated to cost $ 1.76 million, and will be paid for by grants totaling $ 1.2 million, and a loan.

As of December 31, 2009, $ 250,250 has been spent on the project.

NOTE 13. HOTEL-MOTEL TAX

The City did not collect any Hotel-Motel Tax during 2009.

NOTE 14. LITIGATION AND CONTINGENT LIABILITIES

The City is not aware of any litigation or other contingent liabilities either in effect or pending against itself.

NOTE 15. LONG TERM DEBT

Changes in Long Term Debt:

Governmental Activities	Balance 1-1-09	Additions	Reductions	Balance 12-31-09	Due Within One Year
Capital Leases	$ 83,587	$ 55,450	$ 37,335	$ 101,702	$ 36,780
Business Type Activities					
GEFA Loans	$ 750,406	$ -	$ 47,761	$ 702,645	$ 49,824
Capital Leases	56,152	50,103	61,414	$ 44,841	35,469
	$ 806,558	$ 50,103	$ 109,175	$ 747,486	$ 85,293

CITY OF CLARKESVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 8

	Original Budget	Budget as Amended	Actual	Variance From Amended
REVENUES				
Taxes	$ 1,654,200	$ 1,654,200	$ 1,754,980	$ 100,780
Licenses and Permits	72,200	72,200	56,193	(16,007)
Intergovernmental Revenues	38,400	38,400	138,413	100,013
Charges for Services	51,200	51,200	76,571	25,371
Fines and Forfeitures	36,000	36,000	30,767	(5,233)
Miscellaneous	58,800	48,800	74,454	25,654
TOTAL REVENUES	$ 1,910,800	$ 1,900,800	$ 2,131,378	$ 230,578
EXPENDITURES				
CURRENT				
General Government	$ 517,039	$ 525,039	$ 458,992	$ 66,047
Police and Courts	554,855	562,056	511,998	50,058
Streets and Roads	605,407	583,907	439,394	144,513
Parks and Recreation	55,426	56,625	44,585	12,040
Fire	498,120	498,120	415,782	82,338
TOTAL EXPENDITURES	$ 2,230,847	$ 2,225,747	$ 1,870,751	$ 354,996
REVENUES OVER EXPENDITURES	$ (320,047)	$ (324,947)	$ 260,627	$ (124,418)
Transfer Out	(87,000)	(87,000)	-	87,000
Capital Lease	-	55,450	55,450	-
NET CHANGES IN FUND BALANCE	$ (407,047)	$ (356,497)	$ 316,077	$ (37,418)

CITY OF CLARKESVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 – BUDGETARY DATA

The city is required by law to adopt a budget. The procedures in establishing the budgetary data reflected in the financial statements are as follows:

1. Prior to January 1, the City Clerk submits to the City Commission a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to January 1, the Commission approves the budget.
4. The City Clerk is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the City Commission.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

The Budgetary Comparison Schedule presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended.

Expenditures may not legally exceed budgeted appropriations at the departmental level in the general fund. The Enterprise Funds adopt a budget at the fund level. No eliminations have been made between funds.

Jack P. Green, Jr.

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June 11, 2010

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Mayor and Council
City of Clarkesville
Clarkesville, Georgia

I have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Clarkesville, Georgia for the year ended December 31, 2009. This Schedule is the responsibility of the City of Clarkesville, Georgia's management. My responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation on the Schedule of Special Purpose Local Option Sales Tax. I believe that my audit provides a reasonable basis for my opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax is prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of the City of Clarkesville, Georgia's revenues and expenditures.

In my opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project of the City of Clarkesville, Georgia for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Jack P Green, Jr

CITY OF CLARKESVILLE
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 9

Project SPLOST #4	Estimated Costs Original	Expenditures Prior Years	Current Year	Total	Estimated Percentage of Completion
Water Development	$ 390,489	$ 350,000	$ 27,736	$ 377,736	97%
Roads and Bridges	157,719	152,516	-	152,516	97%
Public Safety					
Fire Equipment	129,173	129,170	-	129,170	100%
Police	23,500	23,500	-	23,500	100%
	$ 700,881	$ 655,186	$ 27,736	$ 682,922	
Project SPLOST #5					
Water Development	$ 549,523	$ -	$ -	$ -	0%
Sewer	400,000	-	-	-	0%
Roads and Bridges	120,000	-	-	-	0%
Public Safety	120,000	-	-	-	0%
Public Facilities	120,000	-	-	-	0%
	$ 1,309,523	$ -	$ -	$ -	

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June 11, 2010

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

To the Mayor and City Council
City of Clarkesville, Georgia

I have audited the financial statements of the governmental activities, business-type activities, and each major fund and the aggregate remaining fund information of the City of Clarkesville, as of and for the year ended December 31, 2009, which collectively comprise the City of Clarkesville, Georgia's basic financial statements and have issued my report thereon dated June 11, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Clarkesville, Georgia's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarkesville, Georgia's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Clarkesville, Georgia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the City of Clarkesville, Georgia's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Clarkesville, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Clarkesville, Georgia's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Clarkesville, Georgia's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the City of Clarkesville's financial statements are free of material misstatement, I 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 such and opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

This report is intended for the information and use of management, the audit committee, City council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jack P Green Jr

June 23, 2010

Mr. Jack P. Green, CPA
P.O. Box 342
Toccoa, Georgia 30577

We are providing this letter in connection with your audit of the financial statements of the City of Clarkesville as of December 31, 2009, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the City of Clarkesville and the results of its operations and the cash flows of its proprietary and similar trust fund types in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

2. We have made available to you all --

    a. Financial records and data.

    b. Minutes of meetings with the City Council, or summaries of actions of recent meetings for which minutes have not yet been prepared.

Jack P. Green, Jr.

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January 1, 2010

City of Clarkesville
P.O. Box 21
Clarkesville, Georgia

In the past our firm has performed non-attest services to you. However, as a result of changes in professional standards for CPA's, our firm must now determine, before such services are performed in 2010, that requirements of the new standards are met.

We would like to outline your responsibility when we perform non-attest services:

1. You will make all management decisions and perform all management functions related to the non-attest services we provide to you.

2. You have designated a competent employee, Barbara Kesler, within senior management, to oversee the non-attest services.

3. You will evaluate the adequacy and results of the non-attest services we perform.

4. You will accept ultimate responsibility for the results of the non-attest services which include but are not limited to preparation of draft financial statements, consulting on budget and compliance issues, bank reconciliations, depreciation calculations, adjusting journal entries and various reports for state and local governments.

5. You have established and continue to maintain internal controls and you monitor on-going activities.

By performing the requested non-attest services, we are satisfied you are able to meet all of these criteria and can make an informed decision on the results of the non-attest services we provide to you.

Our firm will not perform management functions or make management decisions on your behalf. However, we will provide advice and recommendations to assist management in performing its functions and making decisions.

When you designate an employee (see 2. above), that person should sufficiently understand the services provided so he can oversee these appropriately.

We always appreciate the opportunity to be of service to you and if you have any questions concerning any of the services we provide for you please give us a call.

Very truly yours,

Jack P Green

Jack P. Green