CITY OF CLARKESVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2014

CITY OF CLARKESVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Government Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) – General Fund	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Notes to Financial Statements	22-37
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	38
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds	39
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	40-41

HABERSHAM COUNTY LOCATION
854 WASHINGTON STREET, SUITE 200
CLARKESVILLE, GEORGIA 30523
TELEPHONE: 706-754-1040
FACSIMILE: 706-754-0403

MIXON & ASSOCIATES
A Professional Corporation
WWW.MIXONCPA.COM
MICHAEL MIXON, CPA
JOELY MIXON, CPA

WHITE COUNTY LOCATION
545D HELEN HIGHWAY
CLEVELAND, GEORGIA 30528
TELEPHONE: 706-865-7200
FACSIMILE: 706-865-7400

Independent Auditors' Report

Honorable Mayor, Members of the
City Council and City Manager
Of the City of Clarkesville, Georgia
Clarkesville, 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 remaining fund information of City of Clarkesville, Georgia (the "City") as of December 31, 2014, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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.

Auditors' 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 remaining fund information of City of Clarkesville, Georgia as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary

comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 11 and the Schedule of Funding Progress on page 37, 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 evidence sufficient to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax proceeds (as required by the Official Code of Georgia Annotated 48-8-121) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated September 30, 2014 on our consideration of the City's internal control over financial reporting and 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 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 considered in assessing the results of our audit.

Mixon & Associates, CPAs, PC
Clarkesville Georgia
June 29, 2015

As management of the City of Clarkesville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2014. This narrative is intended to assist the reader in understanding significant issues and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider this information presented herein, in conjunction with the additional information furnished in the financial statements, and the notes to the financial statements.

FINANCIAL IMPACT OF MAJOR EVENTS

In March of 2014, Downtown Clarkesville suffered a devastating fire that destroyed or severely damaged five buildings. Four of the buildings that were damaged by the fire were part of a row of seven historic buildings directly facing the historic Downtown Square, Clarkesville's main business district. Prior to the fire, these four buildings housed seven small businesses, five of which were long time thriving businesses and two of which that were in transition. The five active businesses employed 48 people immediately prior to the fire. In addition, two of the buildings provided downtown residential living units. After the fire, three of these buildings were rendered useless until they could be renovated or rebuilt. The owners of these three buildings found that they were underinsured and could not afford to do the rebuilding or renovations needed to bring the buildings back onto the commercial business market. The fourth building remained intact after the fire; however, due to a lengthy period of neglect, this building also required substantial renovation, including complete replacement of the roof structure, to provide competitive commercial space. The owner was uncertain that he could make the investment needed to renovate the building. The City of Clarkesville waited several months to see if the private sector would absorb these buildings and make the renovations. This did not occur, so in October of 2014, the City of Clarkesville purchased three of the four buildings and was donated the fourth building located on the Downtown Square in early 2015. The City then began planning for the buildings renovations.

Historically, the value of the Clarkesville Business District has been approximately 13% of the total commercial real property values in Habersham County and 31% of the total Clarkesville real property values. With the loss of value of the five buildings damaged or destroyed by the fire, the resulting decrease in property values of not only the damaged properties but the neighboring properties as well, would be significant. This decline in property values would be in addition to the 19.64% decrease in property values the City has experienced since 2009. In addition, the personal property tax values in this district have been approximately $14,000,000 annually. The future negative economic impact to the City from the loss of these properties could be substantial.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2014 by $9,607,571 (net position), of this amount, $2,330,405 (unrestricted net position) may be used to meet the City's

ongoing obligations to its citizens and creditors. The City's total net position decreased by $148,686 during the year ended December 31, 2014.

- The City's governmental funds reported combined ending fund balances of $2,018,682, a decrease of $1,011,456 in comparison with the prior year. This decrease is mainly attributable to the purchase of downtown commercial properties damaged in fire that occurred in March and the purchase of a new Fire Pumper Truck.
- The unrestricted fund balance for the General Fund at December 31, 2014 was $1,790,740 which was 61% of total General Fund expenditures for the year in comparison to the prior year of 156.7%. The unrestricted General Fund balance at December 31, 2013 was $2,856,219. In comparison to 2013, the General Fund balance decreased by $1,065,479. This decrease is mainly attributable the purchase of the properties referred to above, the purchase of the Fire Pumper Truck and decrease of long term debt.
- The City's total long term debt experienced a net decrease of $174,926 during 2014 even with additional borrowings for two patrol cars. This decrease was due to principal payments at scheduled maturity dates throughout the year. The City did not incur debt with the purchase of the properties damaged by the fire referred to above.

Overview of the Financial Statements

The annual financial statements consist of a series of financial statements. This narrative is intended to serve as an introduction to the basic financial statements. The City's basic financial statements comprise three components:

- Government Wide Financial Statements
- Fund Financial Statements
- 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. They are prepared using the accrual basis of accounting, which is the accounting method used in most private sector companies. There are two government wide statements, the statement of net position and the statement of activities, which are described below:

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

2. The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. 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).

Both of the government wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. Business-type activities include water, sewer, and sanitation services.

The government wide financial statements can be found on pages 13-14 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. Fund financial statements focus on the most significant funds, reporting on the City's operations in greater detail than the government wide statements. All of the City's funds can be divided into two categories: governmental and proprietary.

Governmental Funds: Most of the basic services provided by the City are financed through governmental funds and are 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 the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements assist the reader in determining whether there are adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is short-term and the focus of the government wide financial statements is both short-term and long-term, 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds, the General Fund, the SPLOST Capital Projects fund, and the Clarkesville Downtown Development Authority fund (DDA). The DDA fund is considered a non-major governmental fund and has been financially dormant for all of 2014.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds: The City maintains one type of proprietary funds, enterprise funds. Enterprise funds charge a fee for services to outside customers. The City uses one enterprise fund to account for its water, sewer, and sanitation activities. The City's enterprise fund statements are the same as the business-type activities reported in the government wide financial statements, but provide more detail.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential for the reader in order to obtain 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 22-37 of this report.

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

The required supplementary information can be found on page 38 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $ 9,607,571 and $ 9,756,257 at December 31, 2014 and 2013 respectively. The following is a condensed version of the government wide statement of net position.

City of Clarkesville - Summary of Net Position
(dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and Other Assets	$ 2,969	$ 4,032	$ 668	$ 522	$ 3,637	$ 4,554
Capital Assets	2,548	1,679	7,022	7,348	9,570	9,027
Total Assets	5,517	5,711	7,690	7,870	13,207	13,581
Liabilities:						
Current and Other Liabilities	93	14	295	356	388	370
Long-Term Liabilities	250	350	2,018	2,117	2,268	2,467
Unearned Property Tax Revenue	943	988	-	-	943	988
Total Liabilities	1,286	1,352	2,313	2,473	3,599	3,825
Net Position:						
Net Investment in Capital Assets	2,212	1,329	4,838	5,002	7,050	6,331
Restricted for Capital Projects	227	173	-	-	227	173
Unrestricted	1,792	2,857	539	395	2,331	3,252
Total Net Position	$ 4,231	$ 4,359	$ 5,377	$ 5,397	$ 9,608	$ 9,756

The largest portion of the City's net position (73%) reflects its investment in capital assets such as land, buildings, utility systems, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. These capital assets are used by the City to provide services to citizens. 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.

The restricted net position of $226,830 is restricted by contracts or agreements with outside parties, by law, or by enabling legislation to be used for capital projects.

The remaining balance of unrestricted net position $2,330,405 may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities: Governmental activities decreased the City's net position by $127,733 and business-type activities decreased the City's net position by $20,953. In 2014, governmental activities had a decrease of $32,174 in property tax revenues and expenses continued to be more than revenues

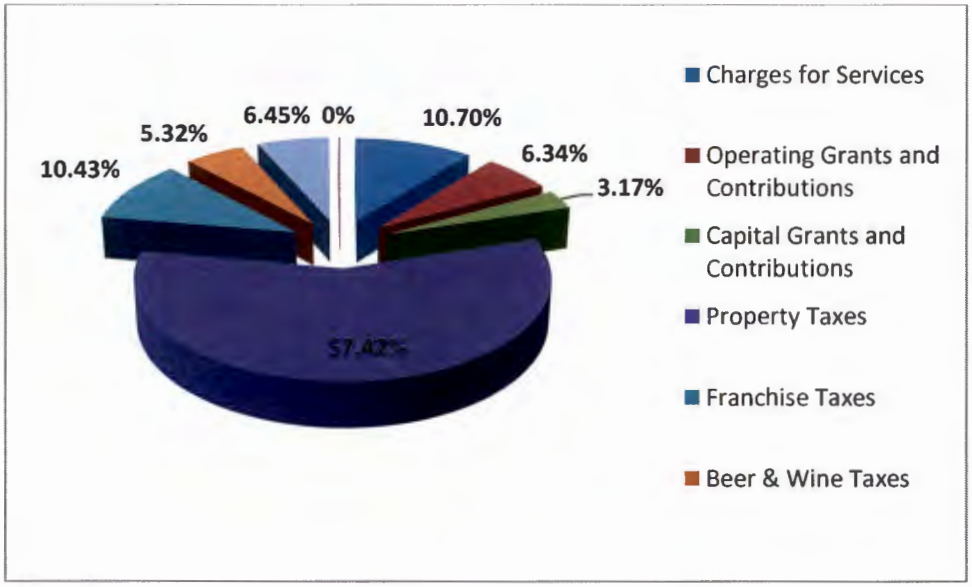
in the water, sewer, and sanitation fund; however that margin decreased in 2014 from 2013. These activities along with continued careful and conservative spending in operating expenditures resulted in only a $148,686 decrease in net position. This decrease was realized in the value of the capital assets and did not result in a cash decrease.

The following condensed financial information was derived from the government wide statement of activities and summarizes changes in net position for the year ended December 31, 2014 and 2013. The following chart illustrates revenues of the governmental activities for the fiscal year:

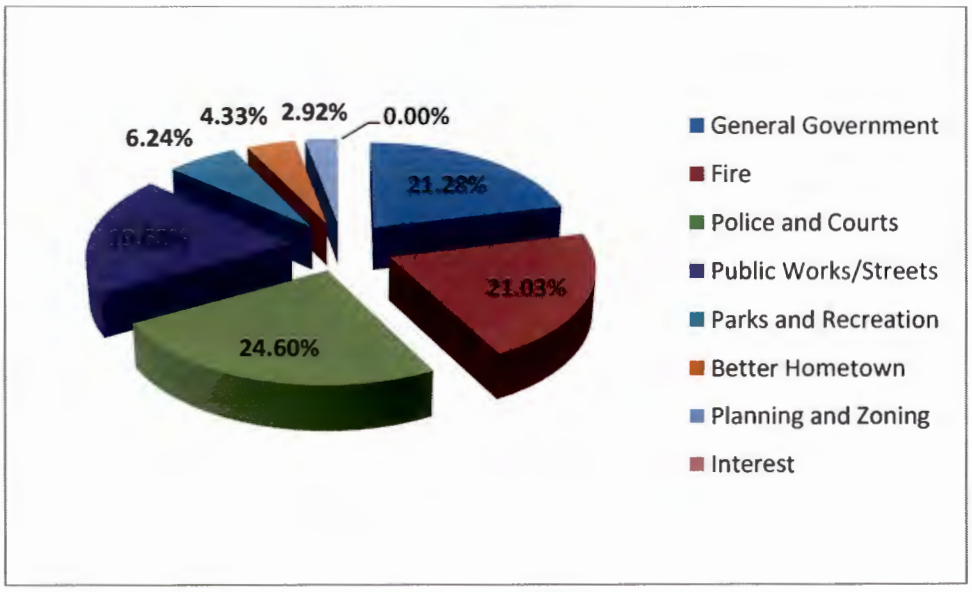
City of Clarkesville - Summary of Changes in Net Position
(dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	$ 199	$ 189	$ 1,827	$ 1,723	$ 2,026	$ 1,912
Operating Grants and Contributions	118	33	-	-	118	33
Capital Grants and Contributions	59	126	13	-	72	126
General Revenues:						
Property Taxes	1,068	1,100	-	-	1,068	1,100
Intangible and Transfer Taxes	3	4	-	-	3	4
Franchise Taxes	194	208	-	-	194	208
Beer & Wine Taxes	99	87	-	-	99	87
Insurance Premium Taxes	94	89	-	-	94	89
Other Taxes	23	29	-	-	23	29
Interest and Miscellaneous	3	5	1	1	4	6
Total Revenues	1,860	1,870	1,841	1,724	3,701	3,594
Expenses						
General Government	423	390	-	-	423	390
Fire	418	392	-	-	418	392
Police and Courts	489	480	-	-	489	480
Public Works/Streets	390	373	-	-	390	373
Parks and Recreation	124	121	-	-	124	121
Better Hometown	86	85	-	-	86	85
Planning and Zoning	58	53	-	-	58	53
Interest	-	-	-	-	-	-
Water, Sewer & Sanitation	-	-	1,862	1,937	1,862	1,937
Total Expenses	1,988	1,894	1,862	1,937	3,850	3,831
Transfers In(Out)	-	(227)	-	227	-	-
Change in Net Position	(128)	(251)	(21)	14	(149)	(237)
Beginning Net Position	4,359	4,610	5,397	5,383	9,756	9,993
Ending Net Position	$ 4,231	$ 4,359	$ 5,376	$ 5,397	$ 9,607	$ 9,756

The following chart illustrates revenues in percentages of governmental activities for the fiscal year:



The following chart illustrates the expenses in percentages of governmental activities for the fiscal year:



Governmental activities revenues totaled approximately $1,859,768 for fiscal year 2014. Property tax revenues make up the largest portion of these revenues accounting for 57% of total revenues. In 2014, the gross property tax digests decreased by 2.57% in comparison to 2013.

Governmental activities expenses totaled approximately $1,987,501 for fiscal year 2014. Of the expenses, 46% is related to public safety, with fire and police and courts making up 21% and 25% respectively. In addition, general government and public works accounted for 21% and 20% of total governmental expenses for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to insure and demonstrate compliance with financial related legal requirements.

Governmental Funds: As previously mentioned, 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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $2,018,682. This total was a 33% decrease from the prior year. Of this amount, $1,790,740 is available for spending in future years without restrictions. The remaining fund balance of $226,830 is restricted for spending on capital projects under the SPLOST program and $1,112 is assigned to a special revenue fund for the City of Clarkesville Downtown Development Authority.

Proprietary Funds: The proprietary fund statements share the same focus as the government wide statements, reporting both short-term and long-term information about the funds.

At year end, the Water, Sewer, and Sanitation Fund had an unrestricted net position of $538,553. Overall, the net position of this fund decreased by $20,953 due to expenses exceeding revenues. Operating revenues for this fund in 2014 were $1,827,381.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, several budget amendments were adopted by the City Council. These adjustments are included in the final budget column totals in the budgetary statement.

In 2014, General Fund revenues were slightly more than budgetary projections; however actual expenditures were less than budgetary estimates. Although a loss was projected for the year, the City was able to minimize this loss in the fund balance. Actual revenues were $39,476 more than estimates

due to an increase in intergovernmental grants and licenses and permit fees. Expenditures were less than budgetary appropriations by $259,840 as a result of careful monitoring of expenditures.

CAPITAL ASSETS AND DEBT ADMINSTRATION

Capital Assets: The City's investment in capital assets for its governmental activities as of December 31, 2014, amounted to $ 2,547,971, net of depreciation. The investment includes land, plant and buildings, machinery, equipment and fixtures, and streets. The balance represents an $869,217 increase from the prior year. There were additions in 2014 in the amount of $1,001,345 in which $572,106 was used to acquire land and buildings associated with the fire. The remaining $429,239 was used for the purchase of a new fire truck and police cars. The City disposed of an older fire truck that it had for 38 years by donating it to the Oglethorpe County. This disposal decreased the capital assets by $33,734. The business-type activities had net capital assets of $7,022,287, net of depreciation as of December 31, 2014. This balance represents a $325,234 decrease from the prior year due to depreciation. Overall an additional $19,199 was added to the capital assets of the business-type activities sanitation and sewer equipment.

Capital assets held by the City at the end of the 2014 are summarized as follows:

City of Clarkesville - Summary of Capital Assets, net of accumulated depreciation
(dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Assets:						
Land and Improvements	$ 540	$ 259	$ 24	$ 24	$ 564	$ 283
Buildings	2,024	1,731	-	-	2,024	1,731
Machinery/Equipment	1,983	1,588	1,106	1,087	3,089	2,675
Infrastructure	115	115	-	-	115	115
Utility Systems	-	-	9,789	9,789	9,789	9,789
Construction in Progress	-	1	-	-	-	1
Total Capital Assets	4,662	3,694	10,919	10,900	15,581	14,594
Accumulated Depreciation	(2,114)	(2,016)	(3,897)	(3,552)	(6,011)	(5,568)
Net Capital Assets	$ 2,548	$ 1,678	$ 7,022	$ 7,348	$ 9,570	$ 9,026

Additional information on the City's capital assets can be found in Note 5, found on pages 31-32, of these financial statements.

Long-term Debt: At December 31, 2014, the City had $2,519,922 in total debt outstanding. The total debt outstanding is mainly debt related to the construction of the waste water treatment plant and the

water tanks addition; however, additional debt was incurred in 2014 for the purchase of two police cars.

Additional information on the City's long-term debt can be found in Note 7, found on pages 32-34, of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Although we are hopeful for signs of improvement in the economy, the City's budget for 2015 remains very conservative. Operating costs are expected to be at or below what was required for 2014 and capital outlays planned for 2015 have been financed so that repayments for these outlays will begin in 2015. The City plans to move forward with the reconstruction of the fire damaged downtown commercial properties that were purchased in October of 2014. In February of 2015, the City completed a comprehensive Master Plan for the next 20+ years that it intends to implement to stimulate economic growth and development. In addition the Downtown Development Authority was reactivated and is meeting regularly to find tenants and/or buyers for the reconstructed buildings. The City also hired historic redevelopment experts, 4PM to manage the funding, design, and construction of the buildings. Phase I, which represents two of the four buildings, is expected to be completed by late 2015 or early 2016. Phase II, which is the remaining two buildings, is expected to be completed by late 2016 or early 2017. Because of the strength of the City's financial position, there are many advantageous funding options available for the reconstruction. Rental rates sufficient to cover debt obligations associated with the project are comparable to current local rental rates.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Clarkesville's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties. Questions concerning any of this information should be addressed to the City Manager at P.O. Box 21, Clarkesville, Georgia 30523.

BASIC FINANCIAL STATEMENTS

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
ASSETS	**Governmental Activities**	**Business-Type Activities**	**Total**
Cash and Cash Equivalents	$ 1,402,658	$ 511,819	$ 1,914,477
Receivables, net			
Accounts	87,250	383,821	471,071
Interest	71,501	-	71,501
Taxes	650,125	-	650,125
Internal Balances	316,298	(316,298)	-
Prepaid Expenses	-	1,208	1,208
Investments	440,608	87,641	528,249
Capital Assets:			
Land, Improvements, and Construction in Progress	539,919	24,000	563,919
Other Capital Assets, net of Depreciation	2,008,052	6,998,287	9,006,339
Total Assets	5,516,411	7,690,478	13,206,889
LIABILITIES			
Accounts Payable	6,927	-	6,927
Accrued Liabilities	215	11,224	11,439
Unearned Property Tax Revenue	942,616	-	942,616
Customer Deposits Payable	-	118,414	118,414
Construction Loan	-	-	-
Capital Leases:			
Due Within One Year	85,648	24,035	109,683
Due Beyond One Year	249,846	74,965	324,811
Notes Payable:			
Due Within One Year	-	142,628	142,628
Due Beyond One Year		1,942,800	1,942,800
Total Liabilities	1,285,252	2,314,066	3,599,318
NET POSITION			
Net Invested in Capital Assets	2,212,477	4,837,859	7,050,336
Restricted for Capital Projects	226,830	-	226,830
Unrestricted Net Position	1,791,852	538,553	2,330,405
Total Net Position	$ 4,231,159	$ 5,376,412	$ 9,607,571

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

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

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 Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities							
General Government	$ 423,011	$ 80,017	$ 87,350	$ 52,976	$ (202,668)	$ -	$ (202,668)
Public Safety:							
Fire	417,528	32,040	-	-	(385,488)	-	(385,488)
Police and Courts	489,188	74,584	256	6,253	(408,095)	-	(408,095)
Public Works/Streets	389,715	-	17,257	-	(372,458)	-	(372,458)
Parks and Recreation	124,399	-	-	-	(124,399)	-	(124,399)
Community Development:							
Better Hometown	85,735	300	12,743	-	(72,692)	-	(72,692)
Planning and Zoning	57,724	12,441	-	-	(45,283)	-	(45,283)
Interest on Long-Term Debt	201	-	-	-	(201)	-	(201)
Total Governmental Activities	1,987,501	199,382	117,606	59,229	(1,611,284)	-	(1,611,284)
Business-Type Activities							
Water and Sewer	1,752,725	1,663,321	-	12,753	-	(76,651)	(76,651)
Sanitation	109,744	164,060	-	-	-	54,316	54,316
Total Business-Type Activities	1,862,469	1,827,381	-	12,753	-	(22,335)	(22,335)
Total Primary Government	$ 3,849,970	$ 2,026,763	$ 117,606	$ 71,982	(1,611,284)	(22,335)	(1,633,619)
General Revenues							
Taxes:							
Property					1,068,106	-	1,068,106
Intangible and Transfer					3,319	-	3,319
Franchise					194,258	-	194,258
Beer and Wine					98,426	-	98,426
Insurance Premium					93,469	-	93,469
Business Taxes					23,066	-	23,066
Unrestricted Investment Earnings					1,936	1,382	3,318
Miscellaneous					971	-	971
Transfers					-	-	-
Total General Revenues and Transfers					1,483,551	1,382	1,484,933
Change in Net Position					(127,733)	(20,953)	(148,686)
Net Position - Beginning					4,358,892	5,397,365	9,756,257
Net Position - Ending					$ 4,231,159	$ 5,376,412	$ 9,607,571

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

CITY OF CLARKESVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	SPLOST Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 1,174,716	$ 226,830	$ 1,112	$ 1,402,658
Receivables, net	808,876	-	-	808,876
Due From Other Funds	316,298	-	-	316,298
Investments	440,608	-	-	440,608
Prepaid Expenses	-	-	-	-
TOTAL ASSETS	$ 2,740,498	$ 226,830	$ 1,112	$ 2,968,440
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 6,927	$ -	$ -	$ 6,927
Accrued Liabilities	215	-	-	215
Unearned Property Tax Revenue	942,616	-	-	942,616
TOTAL LIABILITIES	949,758	-	-	949,758
FUND BALANCES				
Non-Spendable	-	-	-	-
Restricted for Capital Projects	-	226,830	-	226,830
Assigned to:				
Downtown Development Authority	-	-	1,112	1,112
Unassigned Reported in:				
General Fund	1,790,740	-	-	1,790,740
TOTAL FUND BALANCES	1,790,740	226,830	1,112	2,018,682
TOTAL LIABILITIES AND FUND BALANCES	$ 2,740,498	$ 226,830	$ 1,112	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	2,547,971
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(335,494)
Net Position of Governmental Activities	$ 4,231,159

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

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

	Major Governmental Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	SPLOST Capital Projects Fund		
REVENUES				
Taxes:				
Property	$ 1,068,106	$ -	$ -	$ 1,068,106
Intangible and Transfer	3,319	-	-	3,319
Franchise	194,258	-	-	194,258
Beer and Wine	98,426	-	-	98,426
Insurance Premiums	93,469	-	-	93,469
Business Taxes	23,066	-	-	23,066
Licenses and Permits	70,764	-	-	70,764
Intergovernmental	117,606	58,471	-	176,077
Charges for Services	54,064	-	-	54,064
Fines and Forfeitures	74,554	-	-	74,554
Investment Earnings	1,936	758	-	2,694
Miscellaneous	971	-	-	971
TOTAL REVENUES	1,800,539	59,229	-	1,859,768
EXPENDITURES				
Current:				
General Government	960,533	-	-	960,533
Police and Courts	534,901	-	-	534,901
Fire	732,504	-	-	732,504
Public Works/Streets	358,258	-	-	358,258
Parks and Recreation	121,162	-	-	121,162
Better Hometown	84,575	-	-	84,575
Planning and Zoning	57,724	-	-	57,724
Debt Service:				
Principal	85,912	-	-	85,912
Interest	7,061	-	-	7,061
TOTAL EXPENDITURES	2,942,630	-	-	2,942,630
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,142,091)	59,229	-	(1,082,862)
OTHER FINANCING SOURCES AND USES				
Proceeds From Capital Lease	71,406	-	-	71,406
Transfers In	5,206	-	-	5,206
Transfers Out	-	(5,206)	-	(5,206)
TOTAL OTHER FINANCING SOURCES AND USES	76,612	(5,206)	-	71,406
NET CHANGES IN FUND BALANCES	(1,065,479)	54,023	-	(1,011,456)
FUND BALANCES - BEGINNING	2,856,219	172,807	1,112	3,030,138
FUND BALANCES - ENDING	$ 1,790,740	$ 226,830	$ 1,112	$ 2,018,682

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

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

Net Change in Fund Balances - Total Governmental Funds	$	(1,011,456)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government 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 ($1,001,345) exceeded depreciation ($132,128) in the current period.		869,217
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which payments ($85,912) exceed proceeds ($71,406).		14,506
Change in Net Position of Governmental Activities	$	(127,733)

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

CITY OF CLARKESVILLE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	$ 1,061,763	$ 1,061,763	$ 1,068,106	$ 6,343
Intangible and Transfer	5,500	5,500	3,319	(2,181)
Franchise	205,000	205,000	194,258	(10,742)
Beer and Wine	110,000	110,000	98,426	(11,574)
Insurance Premium	82,000	82,000	93,469	11,469
Business Taxes	25,000	25,000	23,066	(1,934)
Licenses and Permits	43,400	43,400	70,764	27,364
Intergovernmental	32,500	32,500	117,606	85,106
Charges for Services	106,000	106,000	54,064	(51,936)
Fines and Forfeitures	65,000	65,000	74,554	9,554
Investment Earnings	10,000	10,000	1,936	(8,064)
Other Revenues	14,900	14,900	971	(13,929)
TOTAL REVENUES	1,761,063	1,761,063	1,800,539	39,476
EXPENDITURES				
Current:				
General Government	478,647	967,047	960,533	6,514
Police and Courts	535,460	642,166	534,901	107,265
Fire	423,762	778,742	732,504	46,238
Public Works/Streets	411,018	411,018	358,258	52,760
Parks and Recreation	125,814	125,814	121,162	4,652
Better Hometown	99,740	99,740	84,575	15,165
Planning and Zoning	54,073	58,693	57,724	969
Debt Service:				
Principal	109,553	109,553	85,912	23,641
Interest	15,697	9,697	7,061	2,636
TOTAL EXPENDITURES	2,253,764	3,202,470	2,942,630	259,840
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(492,701)	(1,441,407)	(1,142,091)	299,316
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Lease	-	-	71,406	71,406
Transfers In		-	5,206	5,206
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	76,612	76,612
NET CHANGE IN FUND BALANCES	(492,701)	(1,441,407)	(1,065,479)	375,928
FUND BALANCES - BEGINNING	1,963,397	1,865,371	2,856,219	990,848
FUND BALANCES - ENDING	$ 1,470,696	$ 423,964	$ 1,790,740	$ 1,366,776

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

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds Water, Sewer, & Sanitation
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 511,819
Accounts Receivable, net	383,821
Prepaid Expenses	1,208
Investments	87,641
TOTAL CURRENT ASSETS	984,489
NONCURRENT ASSETS	
Capital Assets:	
Land and Improvement	24,000
Construction In Progress	-
Depreciable Assets, net of Accumulated Depreciation	6,998,287
TOTAL NONCURRENT ASSETS	7,022,287
TOTAL ASSETS	8,006,776
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	-
Accrued Liabilities	11,224
Due to Other Funds	316,298
Customer Deposits Payble	118,414
Construction Loan	-
Capital Leases Payable	24,035
Notes Payable	142,628
TOTAL CURRENT LIABILITIES	612,599
NONCURRENT LIABILITIES	
Capital Leases	74,965
Notes Payable	1,942,800
TOTAL NONCURRENT LIABILITIES	2,017,765
TOTAL LIABILITIES	2,630,364
NET POSITION	
Net Invested in Capital Assets	4,837,859
Restricted for Capital Projects	-
Unrestricted	538,553
TOTAL NET POSITION	$ 5,376,412

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

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds
	Water, Sewer, & Sanitation
OPERATING REVENUES	
Water Fees	$ 1,209,929
Sewer Fees	453,392
Sanitation Fees	164,060
TOTAL OPERATING REVENUES	1,827,381
OPERATING EXPENSES	
General	175,476
Water Treatment Plant	386,193
Sewer Treatment Plant	266,215
Water Distribution	301,924
Waste Water Collection	206,876
Sanitation	89,831
Depreciation	344,432
TOTAL OPERATING EXPENSES	1,770,947
OPERATING INCOME (LOSS)	56,434
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	12,753
Interest and Investment Revenue	1,382
Miscellaneous Revenue (Expenses)	-
Interest Expense	(91,522)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(77,387)
INCOME (LOSS) BEFORE TRANSFERS	(20,953)
Transfers In	-
Transfers Out	-
CHANGE IN NET POSITION	(20,953)
NET POSITION - BEGINNING	5,397,365
NET POSITION - ENDING	$ 5,376,412

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

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 1,898,888
Payments to Suppliers	(561,228)
Payments to or on Behalf of Employees	(865,950)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	471,710
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers From Other Funds	-
Transfers to Other Funds	-
Loans to Other Funds	(433,231)
Loans from Other Funds	-
NET CASH PROVIDED FOR NON-CAPITAL FINANCING ACTIVITIES	(433,231)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant Received for Capital Purchases	-
Transfers In From Other Funds	12,753
Proceeds from Notes Payable	-
Principal Payments on Note Payables	(160,420)
Principal Payments on Capital Lease Payables	-
Purchases of Capital Assets	(19,199)
Interest Paid	(91,522)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(258,388)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments Redeemed	171,660
Interest Earned	1,382
NET CASH USED FOR INVESTING ACTIVITIES	173,042
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(46,867)
CASH AND CASH EQUIVALENTS - BEGINNING	558,686
CASH AND CASH EQUIVALENTS - ENDING	$ 511,819
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 56,434
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	344,432
Changes in Assets and Liabilities:	
Receivables, net	70,094
Prepaid Expenses	(1,208)
Accounts Payables	(10,703)
Accrued Liabilities	10,872
Customer Deposit Payables	1,789
Net Cash Provided by Operating Activities	$ 471,710

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Clarkesville, Georgia (the "City") was incorporated, under the laws of the State of Georgia, in 1823 and operates under an elected Mayor-Council form of government. The City provides such services as police protection, fire services, economic development services, parks and recreation amenities, planning and building inspection, municipal court services, public works, water and sewer services, sanitation services, and general and administrative services.

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component units, an entity for which the government is considered to be financially accountable. Based on these criteria, the Clarkesville Downtown Development Authority ("DDA") is a component unit of the City; however the DDA did not adopt an annual budget in 2014 and was dormant for the year financially. Additional financial information on the DDA may be obtained from the City.

The Clarkesville Housing Authority 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 Council; however the City has no significant influence over the management, budget or policies of the Authority. As a result, the Authority is not a component unit of the City, but is considered a related organization and reports independently.

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 City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

> The ***General Fund*** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.
>
> The ***SPLOST V Capital Projects Fund*** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program V of the City, in an agreement with Habersham County.

The City reports its nonmajor governmental fund in a single column in the fund financial statements.

The City reports the following major enterprise funds:

> The ***Water, Sewer, and Sanitation Fund*** accounts for the operation of the water and sewerage system and the activities associated with the collection of residential and commercial garbage. Activity is rendered on a user charge basis and the fund includes all revenues from sources applicable to the system's operations and all expenses of the operation.

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 propriety fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. Grants and

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, business taxes, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

D. BUDGETS

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

E. DEPOSITS AND INVESTMENTS

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of 3 months or less are considered to be cash equivalents. Investments are reported at fair value based on quoted market prices.

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of 3 months or less from the date of acquisition.

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 enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year end.

G. INTERFUND RECEIVABLES AND PAYABLES

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

H. INVENTORY

The City's policy is to expense parts as they are purchased; therefore, no inventory is recorded.

I. PREPAID EXPENSES

Prepaid expenses are recognized as expenses during the benefitting period in governmental funds.

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset classes of the City. The City reported general infrastructure assets placed into service after January 1, 1986.

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized, but charged to operations when incurred. Upon sale or retirement of capital assets, 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 operation.

In 2013, the City amended its Capital asset policy to include a change in the useful life of machinery and equipment from 5 – 7 years to 7 – 15 years. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	20-40
Utility plant and system	30-35
Machinery and equipment	7-15
Infrastructure and urban parks	15-40

K. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation benefits up to a maximum of 360 hours which will be paid to the employees upon separation from service with the City. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Accumulated, unpaid vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the propriety fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or propriety fund statement of net position.

M. FUND EQUITY AND NET POSITION

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

In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources such as creditors, laws of other governments, or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Clarkesville's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds or capital project funds not otherwise classified as non-spendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Additionally, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use of assets either through enabling legislation adopted by the City Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other amounts reported under net position are reported as unrestricted.

N. MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 31, the City Manager submits to the City Council 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 December 31, the City Council approves the budget.
4. The City Manager 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 Council.

Expenditures may not legally exceed budgeted appropriations at the department level in the General Fund. The enterprise fund adopts a budget at the fund level for management purposes. During the year, the supplementary budgetary appropriations made were not material.

NOTE 3 – DEPOSITS AND INVESTMENTS

At December 31, 2014, the City had deposits with financial institutions, including certificates of deposits with maturity dates greater than three months. The amounts classified as investments at December 31, 2014 were as follows:

	Investment	Fair Value	Interest Rate Risk
Governmental Activities:	Certificates of Deposit	$ 440,608	Maturity - November 2015
Business-Type Activities:	Certificates of Deposit	87,641	Maturity - December 2015
Total Investments		$ 528,249	

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The City has not formally adopted an investment policy to address interest rate risk.

Credit Risk – Georgia law and the City's investment policy allow investments in obligation of the State of Georgia and other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

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 securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government's deposits. At December 31, 2014, all of the deposits of the City were fully collateralized in accordance with state statutes.

NOTE 4 – RECEIVABLES

The City receives property tax assessments from Habersham County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers on October 7th, and were due and payable on or before January 28th. After that date, both penalty and interest are accrued until the taxes are collected. Property taxes attach an enforceable lien on property as of February 28th. Property taxes are recorded as receivables and deferred revenues when assessed.

Receivables as of year end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water, Sewer, & Sanitation
Receivables:		
Taxes	$ 786,141	$ -
Accounts	87,250	383,821
Less allowance for Uncollectible	(64,515)	-
Net Total Receivables	$ 808,876	$ 383,821

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and Improvements	$ 260,096	$ 279,823	$ -	$ 539,919
Total assets, not being depreciated	260,096	279,823	-	539,919
Capital assets, being depreciated:				
Buildings	1,731,366	292,283	-	2,023,649
Machinery & Equipment	1,588,039	429,239	(33,734)	1,983,544
Infrastructure	115,000	-	-	115,000
Total assets, being depreciated	3,434,405	721,522	(33,734)	4,122,193
Less accumulated depreciation for:				
Buildings	(513,443)	(42,590)	-	(556,033)
Machinery & Equipment	(1,387,304)	(89,538)	33,734	(1,443,108)
Infrastructure	(115,000)	-	-	(115,000)
Total accumulated depreciation	(2,015,747)	(132,128)	33,734	(2,114,141)
Total assets, being depreciated, net	1,418,658	589,394	-	2,008,052
Governmental Activities				
Capital Assets, net	$ 1,678,754	$ 869,217	$ -	$ 2,547,971

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land and Improvements	$ 24,000	$ -	$ -	$ 24,000
Construction in Progress	-	-	-	-
Total assets, not being depreciated	24,000	-	-	24,000
Capital assets, being depreciated:				
Utility Systems	9,789,237	-	-	9,789,237
Machinery & Equipment	1,086,853	19,199	-	1,106,052
Total assets, being depreciated	10,876,090	19,199	-	10,895,289
Less accumulated depreciation for:				
Utility Systems	(2,998,720)	(268,023)	-	(3,266,743)
Machinery & Equipment	(553,848)	(76,411)	-	(630,259)
Total accumulated depreciation	(3,552,568)	(344,434)	-	(3,897,002)
Total assets, being depreciated, net	7,323,522	(325,235)	-	6,998,287
Business-Type Activities				
Capital Assets, net	$ 7,347,522	$ (325,235)	$ -	$ 7,022,287

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

Governmental Activities:

General Government	$ 41,884
Public Safety:	
Fire	28,330
Police	26,060
Public Works/Streets	31,457
Parks & Recreation	3,237
Better Hometown	1,160
Total Depreciation Expense, Governmental Activities	$ 132,128

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANFERS

During normal operations, the City will occasionally pay for goods and services or transfer monies between the general and enterprise fund (water, sewer, and sanitation). All interfund balances are the result of a time lag between 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. As of December 31, 2014, the enterprise fund owed the general fund $ 316,298.

NOTE 7 – LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	$ 350,000	$ 71,406	$ (85,912)	$ 335,494	$ 85,648
Business-Type Activities:					
Capital Leases	$ 122,575	$ -	$ (23,575)	$ 99,000	$ 24,035
Notes Payable	2,222,273	-	(136,845)	2,085,428	142,628
Business-Type Activities Long-term Liabilities	$ 2,344,848	$ -	$ (160,420)	$ 2,184,428	$ 166,663

Governmental Activities

The City has entered into two lease agreements as lessee. One lease, obtained in 2013, is for financing the acquisition of a fire truck in the original amount $350,000, and the second lease, obtained in 2014, is for financing the acquisition of two patrol cars in the original amount of $71,406. Both lease agreements qualify as capital leases for accounting purposes and therefore,

have been recorded at the present value of the future minimum lease payments as of the date of inception.

The assets acquired through these capital leases are as follows:

Date	Type	Rate	Amount	Less Accumulated Depreciation	Total
8/19/2014	Fire Truck	1.96%	$ 350,165	$ (16,675)	$ 333,490
3/27/2014	2 Patrol Cars	3.38%	71,773	(7,690)	64,083
Total			$ 421,938	$ (24,365)	$ 397,573

The City's balance of the capital lease payables outstanding as of December 31, 2014 is shown below:

Lease	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
BB&T	1.96%	4/1/2018	$ 350,000	$ -	$ (67,309)	$ 282,691
BB&T	3.38%	2/21/2017	-	71,406	(18,603)	52,803
Total Capital Lease Payable			$ 350,000	$ 71,406	$ (85,912)	$ 335,494

The future annual requirements to amortize these capital lease obligations as of December 31, 2014 are as follows:

Year Ending December 31	Principal	Interest	Total
2015	$ 85,648	$ 7,326	$ 92,974
2016	87,569	5,405	92,974
2017	89,534	3,439	92,973
2018	72,743	1,426	74,169
Total	$ 335,494	$ 17,596	$ 353,090

Business-Type Activities

The City has entered into a lease agreement as lessee, original amount $122,575, for the financing of a sanitation truck. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The asset acquired through this capital lease is as follows:

Date	Type	Rate	Amount	Less Accumulated Depreciation	Total
9/23/2013	Equipment	1.96%	$ 122,575	$ (21,888)	$ 100,687
Total			$ 122,575	$ (21,888)	$ 100,687

The City's balance of the capital lease payable outstanding as of December 31, 2014 is shown below.

Lease	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
BB&T	1.96%	4/1/2018	$ 122,575	$ -	$ (23,575)	$ 99,000
Total Capital Lease Payable			$ 122,575	$ -	$ (23,575)	$ 99,000

The future annual requirements to amortize the capital lease obligation as of December 31, 2014 are as follows:

Year Ending December 31	Principal	Interest	Total
2015	$ 24,035	$ 1,940	$ 25,975
2016	24,505	1,469	25,974
2017	24,986	989	25,975
2018	25,474	499	25,973
Total	$ 99,000	$ 4,897	$ 103,897

Note Payables

The City's water, sewer, and sanitation fund has several Georgia Environmental Finance Authority (GEFA) loans for the construction of various water and sewer system projects. Note payables outstanding as of December 31, 2014 are as follows:

Loan	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
99L17WQ	4.25%	1/1/2021	$ 490,067	$ -	$ (59,004)	$ 431,063
2004L23WS	4.08%	1/1/2030	1,732,206	-	(77,841)	1,654,365
Total Notes Payable			$ 2,222,273	$ -	$ (136,845)	$ 2,085,428

Annual debt service requirements to maturity for the note payables are as follows:

Year Ending December 31	Principal	Interest	Total
2015	$ 142,628	$ 83,338	$ 225,966
2016	148,637	77,329	225,966
2017	154,954	71,012	225,966
2018	161,488	64,477	225,965
2019	168,314	57,652	225,966
2020-2024	635,557	198,400	833,957
2025-2029	661,994	73,339	735,333
2030	11,856	41	11,897
Total	$ 2,085,428	$ 625,588	$ 2,711,016

NOTE 8 – PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Clarkesville Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The City Council has the governing authority to establish and amend from time to time, the contribution rates of the employer and its plan members. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404)688-0472.

As of July 1, 2014, the date the most recent actuarial valuation, there were 79 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	14
Terminated vested participants not yet receiving benefits	26
Active employees	39
Total	79

Funding Policy

The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For fiscal year 2014, the actuarially determined contribution rate was 8.55% of covered payroll. For fiscal year 2015, based on July 1, 2014 actuarial valuation, the recommended contribution rate will be 6.36%.

Actuarial Information

For 2014, the City's actual contribution, which equaled the required contribution, was $125,478. The recommended contribution was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% (all due to inflation). 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 provision and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The

actuarial value of the plan assets was determined using techniques that smooth the effects of the short-term volatility in the market value of investments over a five year period.

The information presented below is based on the annual actuarial valuation as of July 1, 2014 .

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	$ 1,533,931	$ 1,708,897	$ 174,966	89.76%	$ 1,495,725	11.70%

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

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

Annual Pension Cost

The chart below shows the annual pension cost for the current year and prior two years along with the percentage actually contributed by the City.

Year Ended December 31	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	$ 125,478	$ 125,478	100%	$ -
2013	109,241	109,241	100%	-
2012	99,642	99,642	100%	-

NOTE 9 – JOINT VENTURE

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 Commission (GMRC) and is required to pay annual dues thereto. During the year ended December 31, 2014, the City paid $1,907 in such dues. Membership in a GMRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a regional commission. GMRC 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 GMRC. Separate financial statements may be obtained from the Georgia Mountains Regional Commission, P.O. Box 1720, Gainesville, Georgia 30503.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia 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 common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTE 11 – CONTINGENT LIABILITIES

Litigation

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grant Contingencies

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

NOTE 12 – HOTEL/MOTEL OCCUPANCY TAX

The City did not collect any hotel/motel tax during 2014.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLARKESVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

Schedule of Funding Progress – Pension

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2014	$ 1,533,931	$ 1,708,897	$ 174,966	89.76%	$ 1,495,725	11.70%
7/1/2013	1,464,300	1,839,507	375,207	79.60%	1,442,686	26.01%
7/1/2012	1,408,170	1,705,844	297,674	82.55%	1,298,603	22.92%

Note: See assumptions used for the Schedule of Funding Progress in Note 8 to the financial statements on pages 34-36.

SUPPLEMENTARY INFORMATION

CITY OF CLARKESVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
SPLOST V						
Water Development	$ 549,523	$ 549,523	$ -	$ -	$ -	0%
Sewer	400,000	400,000	400,000	-	400,000	100%
Roads and Bridges	120,000	120,000	120,000	-	120,000	100%
Public Safety	120,000	120,000	112,426	-	112,426	94%
Public Facilities	120,000	120,000	-	-	-	0%
TOTAL SPLOST V	$ 1,309,523	$ 1,309,523	$ 632,426	$ -	$ 632,426	

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
SPLOST IV						
Water Development	$ 390,489	$ 390,489	$ 390,489	$ -	$ 390,489	100%
Roads and Bridges	157,719	157,719	152,516	-	152,516	97%
Public Safety						
Fire	129,173	129,173	129,170	-	129,170	100%
Police	23,500	23,500	23,500	-	23,500	100%
TOTAL SPLOST IV	$ 700,881	$ 700,881	$ 695,675	$ -	$ 695,675	

COMPLIANCE SECTION

HABERSHAM COUNTY LOCATION
854 WASHINGTON STREET, SUITE 200
CLARKESVILLE, GEORGIA 30523
TELEPHONE: 706-754-1040
FACSIMILE: 706-754-0403

MIXON & ASSOCIATES
A Professional Corporation
WWW.MIXONCPA.COM
MICHAEL MIXON, CPA
JOELY MIXON, CPA

WHITE COUNTY LOCATION
545D HELEN HIGHWAY
CLEVELAND, GEORGIA 30528
TELEPHONE: 706-865-7200
FACSIMILE: 706-865-7400

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Honorable Mayor, Members of the
City Council and City Manager
Of the City of Clarkesville, Georgia
Clarkesville, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of City of Clarkesville, Georgia (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Mixon & Associates, CPAs, PC
Clarkesville, Georgia
June 29, 2015