CITY OF CLARKESVILLE, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2015

CITY OF CLARKESVILLE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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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 the City of Clarkesville, Georgia (the "City") as of and for the year ended December 31, 2015, 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 the City of Clarkesville, Georgia as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Notes 8 and 13, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 – 13, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 44, and the Schedule of City Contributions on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Clarkesville, Georgia'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.

The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of City of Clarkesville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mixon & Associates, CPAs
Clarkesville, Georgia
June 28, 2016

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, 2015. 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 September and October of 2014, the City of Clarkesville purchased and/or was donated four downtown business district properties that had been severely damaged by fire in March of 2014. Planning for the historic rebuilding and preservation of these important commercial properties as well as planning for improvements to the historic business district began by partnering with the Carl Vinson Institute of Government to develop a Master Plan. The City also hired Public Private Partnership Project Management (4PM) to specifically address the redevelopment of the burned properties. During 2015, the Master Plan was completed and implementation of the plan began. Initially, the burned buildings underwent a preliminary clean-up and stabilization to prevent further deterioration. With the guidance of 4PM, the City considered numerous options for rebuilding the burned properties. Upon choosing the most economically feasible option, the City solicited bids through and RFQ/RFP process for a design/build team to develop a design to restore the properties to their historic character. A design/build team was subsequently hired and architectural project design was approved by the Council. The City paid $195,000 for the preliminary clean-up and stabilization, consulting fees, Master Plan fees, and architectural design services during 2015. A financing strategy for the complete project was developed which included bank financing for the construction phase, permanent financing from a combination of bank loans, DDRLF loan, Georgia Cities foundation loan, City loan, grant funds, and historic tax credits. Funds that the City advanced for purchase, clean-up and preconstruction expenses will be repaid to the City by the Clarkesville DDA from lease income once the properties are completed and rented.

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. The future negative economic impact to the City from the loss of these properties could be substantial.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2015 by $9,123,561 (net position), of this amount, $1,650,847 (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 $126,564 during the year ended December 31, 2015; with an increase from business-type activities of $162,995 and a decrease in governmental activities of $289,559. Also, note that the City restated its beginning net position due to the implementation of GASB No's 68 and 71. See notes 8 and 13 for further information.
- The City's governmental funds reported combined ending fund balances of $1,628,971, a decrease of $389,711 in comparison with the prior year. This decrease is mainly attributable to the preconstruction expenses related to the redevelopment of downtown commercial properties damaged in a fire that occurred in March of 2014 and the implementation of Master Plan items.
- The unrestricted fund balance for the General Fund at December 31, 2015 was $1,299,308 which was 61% of total General Fund expenditures for the year in comparison to the prior year, which was also 61%. The unrestricted General Fund balance at December 31, 2014 was $1,790,740. In comparison to 2014, the General Fund balance decreased by $491,432. This decrease is mainly attributable the reconstruction of the properties referred to above, the purchase of equipment and improvements made to city parking lots and parks along with a decrease of long term debt.
- The City's total long term debt experienced a net decrease of $21,480 during 2015. 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 14-15 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 four individual governmental funds, the General Fund, the SPLOST V Capital Projects fund, the SPLOST VI 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 2015.

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 16-19 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 20-22 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 23-43 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 net pension liability and related ratios as well as a schedule of the City's contributions made to the pension plan in 2015.

The required supplementary information can be found on pages 44-45 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 and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $ 9,123,561 and $ 9,250,125 at December 31, 2015 and 2014 respectively. The following is a condensed version of the government wide statement of net position. As noted earlier, 2014 has been restated to reflect the implementation of GASB No's 68 and 71.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets & Deferred Outflows of Resources						
Assets:						
Current and Other Assets	$ 2,584	$ 2,969	$ 843	$ 668	$ 3,427	$ 3,637
Capital Assets	2,632	2,548	6,780	7,022	9,412	9,570
Total Assets	5,216	5,517	7,623	7,690	12,839	13,207
Deferred Outflows of Resources	53	68	53	68	106	136
Total Assets & Deferred Outflows of Resources	5,269	5,585	7,676	7,758	12,945	13,343
Liabilities & Deferred Inflows of Resources						
Liabilities:						
Current and Other Liabilities	134	93	284	295	418	388
Long-Term Liabilities	428	483	2,021	2,251	2,449	2,734
Unearned Property Tax Revenue	933	943	-	-	933	943
Total Liabilities	1,495	1,519	2,305	2,546	3,800	4,065
Deferred Inflows of Resources	11	14	11	14	22	28
Total Liabilities & Deferred Inflows of Resources	1,506	1,533	2,316	2,560	3,822	4,093
Net Position:						
Net Investment in Capital Assets	2,318	2,212	4,826	4,838	7,144	7,050
Restricted for Capital Projects	329	227	-	-	329	227
Unrestricted	1,116	1,613	534	360	1,650	1,973
Total Net Position	$ 3,763	$ 4,052	$ 5,360	$ 5,198	$ 9,123	$ 9,250

The largest portion of the City's net position (78%) 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 $328,551 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 $1,650,847 may be used to meet the City's ongoing obligations to citizens and creditors.

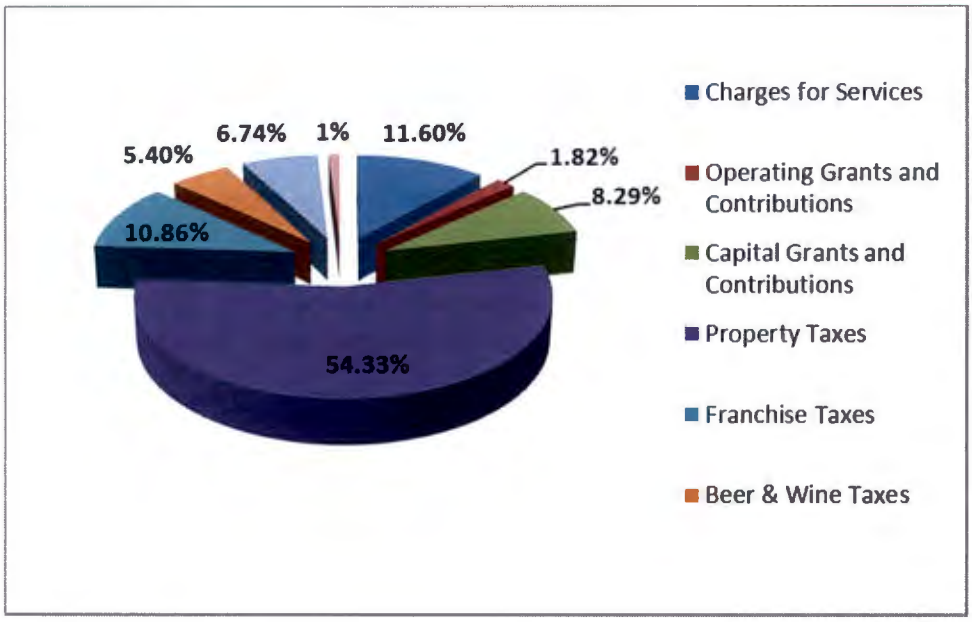
Governmental Activities: Governmental activities decreased the City's net position by $289,559 and business-type activities increased the City's net position by $162,995. In 2015, governmental activities had a decrease of $52,174 in property tax revenues; however, in the water, sewer, and sanitation fund, operating revenues exceeded operating expenses by $105,440 for the first time in several years. These activities along with continued careful and conservative spending in operating expenditures resulted in only a $126,564 decrease in net position. Much of this decrease came from the depreciation of capital assets.

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, 2015 and 2014. The following chart illustrates revenues of the governmental activities for the fiscal year:

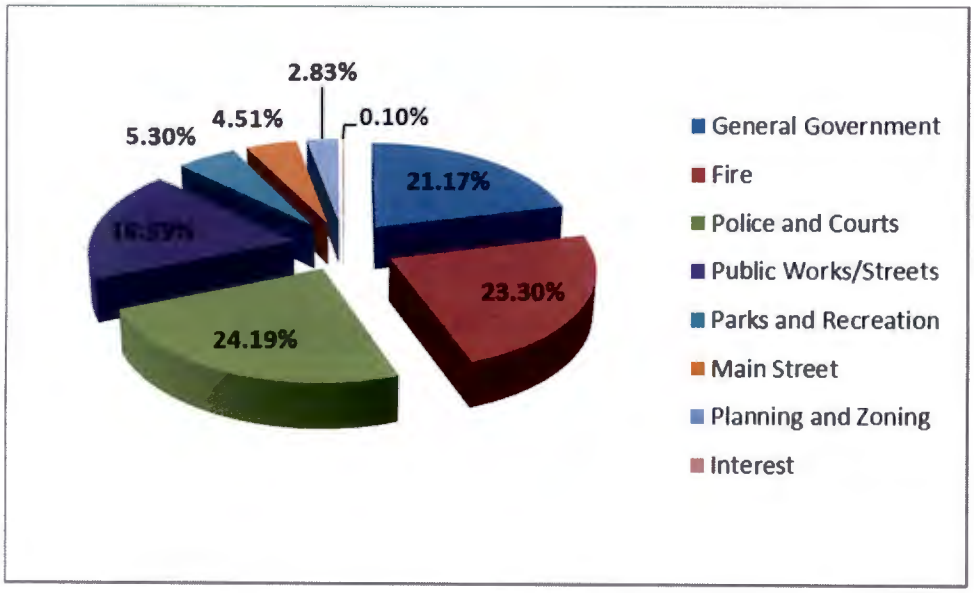
City of Clarkesville - Summary of Changes in Net Position
(dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	$ 217	$ 199	$ 1,821	$ 1,827	$ 2,038	$ 2,026
Operating Grants and Contributions	34	118	-	-	34	118
Capital Grants and Contributions	155	59	-	13	155	72
General Revenues:						
Property Taxes	1,016	1,068	-	-	1,016	1,068
Intangible and Transfer Taxes	3	3	-	-	3	3
Franchise Taxes	203	194	-	-	203	194
Beer & Wine Taxes	101	99	-	-	101	99
Insurance Premium Taxes	100	94	-	-	100	94
Other Taxes	23	23	-	-	23	23
Interest and Miscellaneous	18	3	1	1	19	4
Total Revenues	1,870	1,860	1,822	1,841	3,692	3,701
Expenses						
General Government	427	423	-	-	427	423
Fire	470	418	-	-	470	418
Police and Courts	488	489	-	-	488	489
Public Works/Streets	375	390	-	-	375	390
Parks and Recreation	107	124	-	-	107	124
Main Street	91	86	-	-	91	86
Planning and Zoning	57	58	-	-	57	58
Interest	2	-	-	-	2	-
Water, Sewer & Sanitation	-	-	1,802	1,862	1,802	1,862
Total Expenses	2,017	1,988	1,802	1,862	3,819	3,850
Transfers In(Out)	(142)	-	142	-	-	-
Change in Net Position	(289)	(128)	162	(21)	(127)	(149)
Beginning Net Position, Restated	4,052	4,359	5,198	5,397	9,250	9,756
Impact of Restatement		(179)		(178)	-	(357)
Ending Net Position	$ 3,763	$ 4,052	$ 5,360	$ 5,198	$ 9,123	$ 9,250

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 $1,870,165 for fiscal year 2015. Property tax revenues make up the largest portion of these revenues accounting for 54% of total revenues. However, in 2015, the gross property tax digests decreased by 5.02% in comparison to 2014.

Governmental activities expenses totaled approximately $2,017,631 for fiscal year 2015. Of the expenses, 47% is related to public safety, with fire and police and courts making up 23% and 24% respectively. In addition, general government and public works accounted for 21% and 19% 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 $1,628,971. This total was a 19% decrease from the prior year. Of this amount, $1,299,308 is available for spending in future years without restrictions. The remaining fund balance of $328,551 is restricted for spending on capital projects under the SPLOST V and VI 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 $534,513. Overall, the net position of this fund increased by $162,995. This increase was due to revenues exceeding expenses as well as transfers from the General Fund that covered the capital lease payment of the Sanitation truck. Operating revenues for this fund in 2015 were $1,821,157.

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 2015, General Fund revenues were slightly less than budgetary projections; however actual expenditures were also 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 $3,232 less than estimates due to the continual decrease in property taxes. Expenditures were less than budgetary appropriations by $362,648 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, 2015, amounted to $ 2,632,006, net of depreciation. The investment includes land, plant and buildings, machinery, equipment and fixtures, and streets. The balance represents a $84,035 increase from the prior year. There were additions in 2015 in the amount of $244,695 in which $195,005 was used to begin reconstruction of the buildings associated with the fire. The remaining $49,690 was used for the purchase of a new administrative vehicle, a tractor, and for improvements to the city's parks and parking lot. The City traded an older tractor that it had for 7 years for a new one. This disposal decreased the capital assets by $39,612. The business-type activities had net capital assets of $6,779,769, net of depreciation as of December 31, 2015. This balance represents a $242,518 decrease from the prior year due to depreciation. Overall an additional $97,273 was added to the capital assets of the business-type activities for land and a Sodium Bisulfite building.

Capital assets held by the City at the end of the 2015 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	
	2015	2014	2015	2014	2015	2014
Capital Assets:						
Land and Improvements	$ 551	$ 540	$ 50	$ 240	$ 601	$ 780
Buildings	2,029	2,024	-	-	2,029	2,024
Machinery/Equipment	1,977	1,983	1,106	1,106	3,083	3,089
Infrastructure	115	115	-	-	115	115
Utility Systems	-	-	9,835	9,789	9,835	9,789
Construction in Progress	195	-	25	-	220	-
Total Capital Assets	4,867	4,662	11,016	11,135	15,883	15,797
Accumulated Depreciation	(2,235)	(2,114)	(4,237)	(3,897)	(6,472)	(6,011)
Net Capital Assets	$ 2,632	$ 2,548	$ 6,779	$ 7,238	$ 9,411	$ 9,786

Additional information on the City's capital assets can be found in Note 5, found on pages 33-34, of these financial statements.

Long-term Debt: At December 31, 2015, the City had $2,267,612 in total debt outstanding from capital leases and notes payable. 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 35-37, 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 2016 remains conservative. 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. The Downtown Development Authority has been reactivated for 2016 and has hired the Norton Agency to market the proposed development to prospective tenants. The entire redevelopment project is scheduled to be completed by the spring of 2017. Construction and permanent financing has been finalized and 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, 2015

	Primary Government		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**Governmental Activities**	**Business-Type Activities**	**Total**
Assets			
Cash and Cash Equivalents	$ 1,312,074	$ 512,144	$ 1,824,218
Receivables, net			
Accounts	50,479	359,167	409,646
Interest	43,666	-	43,666
Taxes	619,637	-	619,637
Internal Balances	116,642	(116,642)	-
Prepaid Expenses	-	1,208	1,208
Investments	441,049	87,728	528,777
Capital Assets:			
Land, Improvements, and Construction in Progress	746,320	74,965	821,285
Other Capital Assets, net of Depreciation	1,885,686	6,704,804	8,590,490
Total Assets	5,215,553	7,623,374	12,838,927
Deferred Outflows of Resources			
Pension Related Items	53,488	53,488	106,976
Total Assets and Deferred Outflows of Resources	5,269,041	7,676,862	12,945,903
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities			
Accounts Payable	7,407	1,081	8,488
Accrued Liabilities	13,895	566	14,461
Unearned Property Tax Revenue	933,274	-	933,274
Customer Deposits Payable	-	123,359	123,359
Construction Loan	-	-	-
Capital Leases:			
Due Within One Year	112,285	10,798	123,083
Due Beyond One Year	201,729	-	201,729
Notes Payable:			
Due Within One Year	-	148,636	148,636
Due Beyond One Year	-	1,794,164	1,794,164
Net Pension Liability, Due Beyond One Year	226,522	226,522	453,044
Total Liabilities	1,495,112	2,305,126	3,800,238
Deferred Inflows of Resources			
Pension Related Items	11,052	11,052	22,104
Total Liabilities and Deferred Inflows of Resources	1,506,164	2,316,178	3,822,342
NET POSITION			
Net Invested in Capital Assets	2,317,992	4,826,171	7,144,163
Restricted for Capital Projects	328,551	-	328,551
Unrestricted Net Position	1,116,334	534,513	1,650,847
Total Net Position	$ 3,762,877	$ 5,360,684	$ 9,123,561

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

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

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	$ 426,722	$ 75,118	$ 5,000	$ 155,126	$ (191,478)	$ -	$ (191,478)
Public Safety:							
Fire	469,741	28,225	118	-	(441,398)	-	(441,398)
Police and Courts	488,544	96,795	118	-	(391,631)	-	(391,631)
Public Works/Streets	375,511	3,000	18,349	-	(354,162)	-	(354,162)
Parks and Recreation	107,046	-	-	-	(107,046)	-	(107,046)
Community Development:							
Main Street	91,217	-	10,763	-	(80,454)	-	(80,454)
Planning and Zoning	57,066	13,293	-	-	(43,773)	-	(43,773)
Interest on Long-Term Debt	1,784	-	-	-	(1,784)	-	(1,784)
Total Governmental Activities	2,017,631	216,431	34,348	155,126	(1,611,726)	-	(1,611,726)
Business-Type Activities							
Water and Sewer	1,696,299	1,654,838	-	-	-	(41,461)	(41,461)
Sanitation	104,695	166,319	-	-	-	61,624	61,624
Total Business-Type Activities	1,800,994	1,821,157	-	-	-	20,163	20,163
Total Primary Government	$ 3,818,625	$ 2,037,588	$ 34,348	$ 155,126	(1,611,726)	20,163	(1,591,563)
General Revenues							
Taxes:							
Property					1,016,250	-	1,016,250
Intangible and Transfer					3,352	-	3,352
Franchise					202,798	-	202,798
Beer and Wine					101,404	-	101,404
Insurance Premium					99,856	-	99,856
Business Taxes					22,860	-	22,860
Unrestricted Investment Earnings					3,027	739	3,766
Miscellaneous					220	-	220
Gain on Sale of Assets					14,493	-	14,493
Transfers					(142,093)	142,093	-
Total General Revenues and Transfers					1,322,167	142,832	1,464,999
Change in Net Position					(289,559)	162,995	(126,564)
Net Position - Beginning, Restated					4,052,436	5,197,689	9,250,125
Net Position - Ending					$ 3,762,877	$ 5,360,684	$ 9,123,561

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

CITY OF CLARKESVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Major Governmental Funds				
	General Fund	SPLOST V Capital Projects Fund	SPLOST VI Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 982,411	$ 174,002	$ 154,549	$ 1,112	$ 1,312,074
Receivables, net	713,782	-	-	-	713,782
Due From Other Funds	116,642	-	-	-	116,642
Investments	441,049	-	-	-	441,049
Prepaid Items	-	-	-	-	-
TOTAL ASSETS	$ 2,253,884	$ 174,002	$ 154,549	$ 1,112	$ 2,583,547
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 7,407	$ -	$ -	$ -	$ 7,407
Accrued Liabilities	13,895	-	-	-	13,895
Unearned Property Tax Revenue	933,274	-	-	-	933,274
TOTAL LIABILITIES	954,576	-	-	-	954,576
FUND BALANCES					
Non-Spendable	-	-	-	-	-
Restricted for Capital Projects	-	174,002	154,549	-	328,551
Assigned to:					
Downtown Development Authority	-	-	-	1,112	1,112
Unassigned Reported in:					
General Fund	1,299,308	-	-	-	1,299,308
TOTAL FUND BALANCES	1,299,308	174,002	154,549	1,112	1,628,971
TOTAL LIABILITIES AND FUND BALANCES	$ 2,253,884	$ 174,002	$ 154,549	$ 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.	2,632,006
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Capital Leases	(314,014)
Net Pension Liability	(226,522)
The deferred outflows of resources and deferred inflows of resources related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds:	
Deferred Outflows of Resources	53,488
Deferred Inflows of Resources	(11,052)
Net Position of Governmental Activities	$ 3,762,877

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, 2015

	Major Governmental Funds				
	General Fund	SPLOST V Capital Projects Fund	SPLOST VI Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 1,016,250	$ -	$ -	$ -	$ 1,016,250
Intangible and Transfer	3,352	-	-	-	3,352
Franchise	202,798	-	-	-	202,798
Beer and Wine	101,404	-	-	-	101,404
Insurance Premiums	99,856	-	-	-	99,856
Business Taxes	22,860	-	-	-	22,860
Licenses and Permits	66,183	-	-	-	66,183
Intergovernmental	34,348	-	154,549	-	188,897
Charges for Services	53,453	-	-	-	53,453
Fines and Forfeitures	96,795	-	-	-	96,795
Investment Earnings	3,027	577	-	-	3,604
Miscellaneous	220	-	-	-	220
TOTAL REVENUES	1,700,546	577	154,549	-	1,855,672
EXPENDITURES					
Current:					
General Government	583,334	-	-	-	583,334
Police and Courts	470,087	-	-	-	470,087
Fire	402,522	-	-	-	402,522
Public Works/Streets	365,729	-	-	-	365,729
Parks and Recreation	120,183	-	-	-	120,183
Main Street	90,057	-	-	-	90,057
Planning and Zoning	57,066	-	-	-	57,066
Debt Service:					
Principal	21,480	-	-	-	21,480
Interest	7,325	-	-	-	7,325
TOTAL EXPENDITURES	2,117,783	-	-	-	2,117,783
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(417,237)	577	154,549	-	(262,111)
OTHER FINANCING SOURCES AND USES					
Proceeds From Sale of Assets	14,493	-	-	-	14,493
Transfers In	53,405	-	-	-	53,405
Transfers Out	(142,093)	(53,405)	-	-	(195,498)
TOTAL OTHER FINANCING SOURCES AND USES	(74,195)	(53,405)	-	-	(127,600)
NET CHANGES IN FUND BALANCES	(491,432)	(52,828)	154,549	-	(389,711)
FUND BALANCES - BEGINNING	1,790,740	226,830	-	1,112	2,018,682
FUND BALANCES - ENDING	$ 1,299,308	$ 174,002	$ 154,549	$ 1,112	$ 1,628,971

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, 2015

Net Change in Fund Balances - Total Governmental Funds	$	(389,711)
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 ($244,694) exceeded depreciation ($159,244) in the current period.		85,450
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. This is the amount of net book value of assets sold and/or traded in during the current period.		(1,415)
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 ($21,480) exceed proceeds ($0).		21,480
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions is reported as pension expense. This is the amount by which cost of benefits earned, net of employee contributions ($53,760) exceeded pension contributions ($48,397)		(5,363)
Change in Net Position of Governmental Activities	$	(289,559)

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, 2015

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	$ 1,057,533	$ 1,057,533	$ 1,016,250	$ (41,283)
Intangible and Transfer	5,000	5,000	3,352	(1,648)
Franchise	201,000	201,000	202,798	1,798
Beer and Wine	101,000	101,000	101,404	404
Insurance Premium	86,000	86,000	99,856	13,856
Business Taxes	21,000	21,000	22,860	1,860
Licenses and Permits	47,700	47,700	66,183	18,483
Intergovernmental	36,745	36,745	34,348	(2,397)
Charges for Services	84,400	84,400	53,453	(30,947)
Fines and Forfeitures	59,000	59,000	96,795	37,795
Investment Earnings	3,400	3,400	3,027	(373)
Other Revenues	1,000	1,000	220	(780)
TOTAL REVENUES	1,703,778	1,703,778	1,700,546	(3,232)
EXPENDITURES				
Current:				
General Government	403,100	639,600	583,334	56,266
Police and Courts	542,586	542,586	470,087	72,499
Fire	458,354	458,354	402,522	55,832
Public Works/Streets	420,093	420,093	365,729	54,364
Parks and Recreation	134,920	139,720	120,183	19,537
Main Street	101,320	101,320	90,057	11,263
Planning and Zoning	59,773	59,773	57,066	2,707
Debt Service:				
Principal	109,685	109,685	21,480	88,205
Interest	9,300	9,300	7,325	1,975
TOTAL EXPENDITURES	2,239,131	2,480,431	2,117,783	362,648
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(535,353)	(776,653)	(417,237)	359,416
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	-	-	14,493	14,493
Transfers In	535,353	776,653	53,405	(723,248)
Transfers Out	-	-	(142,093)	(142,093)
TOTAL OTHER FINANCING SOURCES (USES)	535,353	776,653	(74,195)	(850,848)
NET CHANGE IN FUND BALANCES	-	-	(491,432)	(491,432)
FUND BALANCES - BEGINNING	1,790,740	1,790,740	1,790,740	-
FUND BALANCES - ENDING	$ 1,790,740	$ 1,790,740	$ 1,299,308	$ (491,432)

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

CITY OF CLARKESVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds Water, Sewer, & Sanitation
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 512,144
Accounts Receivable, net	359,167
Prepaid Expenses	1,208
Investments	87,728
TOTAL CURRENT ASSETS	960,247
NONCURRENT ASSETS	
Capital Assets:	
Land and Improvement	74,965
Construction In Progress	-
Depreciable Assets, net of Accumulated Depreciation	6,704,804
TOTAL NONCURRENT ASSETS	6,779,769
TOTAL ASSETS	7,740,016
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Items	53,488
TOTAL DEFERRED OUTFLOWS OF RESOURCES	53,488
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,081
Accrued Liabilities	566
Due to Other Funds	116,642
Customer Deposits Payble	123,359
Construction Loan	-
Capital Leases Payable	10,798
Notes Payable	148,636
TOTAL CURRENT LIABILITIES	401,082
NONCURRENT LIABILITIES	
Capital Leases	-
Notes Payable	1,794,164
Net Pension Liability	226,522
TOTAL NONCURRENT LIABILITIES	2,020,686
TOTAL LIABILITIES	2,421,768
DEFERRED INFLOWS OF RESOURCES	
Pension Related Items	11,052
TOTAL DEFERRED INFLOWS OF RESOURCES	11,052
NET POSITION	
Net Invested in Capital Assets	4,826,171
Restricted for Capital Projects	-
Unrestricted	534,513
TOTAL NET POSITION	$ 5,360,684

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, 2015

	Business-Type Activities - Enterprise Funds
	Water, Sewer, & Sanitation
OPERATING REVENUES	
Water Fees	$ 1,172,298
Sewer Fees	482,540
Sanitation Fees	166,319
TOTAL OPERATING REVENUES	1,821,157
OPERATING EXPENSES	
General	174,564
Water Treatment Plant	410,187
Sewer Treatment Plant	231,956
Water Distribution	288,099
Waste Water Collection	185,877
Sanitation	85,244
Depreciation	339,790
TOTAL OPERATING EXPENSES	1,715,717
OPERATING INCOME (LOSS)	105,440
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	-
Interest and Investment Revenue	739
Miscellaneous Revenue (Expenses)	-
Interest Expense	(85,277)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(84,538)
INCOME (LOSS) BEFORE TRANSFERS	20,902
Transfers In	142,093
Transfers Out	-
CHANGE IN NET POSITION	162,995
NET POSITION - BEGINNING	5,197,689
NET POSITION - ENDING	$ 5,360,684

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, 2015

	Business-Type Activities - Enterprise Funds Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 1,852,035
Payments to Suppliers	(545,475)
Payments to or on Behalf of Employees	(835,945)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	470,615
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers From Other Funds	142,093
Transfers to Other Funds	-
Loans to Other Funds	(199,656)
Loans from Other Funds	-
NET CASH PROVIDED FOR NON-CAPITAL FINANCING ACTIVITIES	(57,563)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant Received for Capital Purchases	-
Transfers In From Other Funds	-
Proceeds from Notes Payable	-
Principal Payments on Note Payables	(230,830)
Principal Payments on Capital Lease Payables	-
Purchases of Capital Assets	(97,272)
Interest Paid	(85,277)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(413,379)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments Redeemed	(87)
Interest Earned	739
NET CASH USED FOR INVESTING ACTIVITIES	652
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	325
CASH AND CASH EQUIVALENTS - BEGINNING	511,819
CASH AND CASH EQUIVALENTS - ENDING	$ 512,144
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 105,440
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	339,790
Changes in Assets and Liabilities:	
Receivables, net	24,654
Prepaid Expenses	-
Deferred Outflows for Pension Items	15,055
Accounts Payables	1,081
Accrued Liabilities	(10,658)
Customer Deposit Payables	4,945
Net Pension Liability	(2,763)
Deferred Inflows for Pension Items	(6,929)
Net Cash Provided by Operating Activities	$ 470,615

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 2015 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 ***SPLOST VI Capital Projects Fund*** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program VI 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 ITEMS

Prepaid items are recognized as expenditures 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 deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. 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. 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.

N. DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The deferred outflow of resources relates to pensions. These amounts are described more fully below.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflows of resources which arise under the accrual basis of accounting that relates to pensions and is described below.

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

O. 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, 2015, 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, 2015 were as follows:

	Investment	Fair Value	Interest Rate Risk
Governmental Activities:	Certificates of Deposit	$ 441,049	Maturity - November 2016
Business-Type Activities:	Certificates of Deposit	87,728	Maturity - December 2016
Total Investments		$ 528,777	

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, 2015, 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	$ 727,583	$ -
Accounts	50,714	359,167
Less allowance for Uncollectible	(64,515)	-
Net Total Receivables	$ 713,782	$ 359,167

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and Improvements	$ 539,919	$ 11,396	$ -	$ 551,315
Construction in Progress	-	195,005		195,005
Total assets, not being depreciated	539,919	206,401	-	746,320
Capital assets, being depreciated:				
Buildings	2,023,649	5,062	-	2,028,711
Machinery & Equipment	1,983,544	33,232	(39,612)	1,977,164
Infrastructure	115,000	-	-	115,000
Total assets, being depreciated	4,122,193	38,294	(39,612)	4,120,875
Less accumulated depreciation for:				
Buildings	(556,033)	(47,545)	-	(603,578)
Machinery & Equipment	(1,443,108)	(111,700)	38,197	(1,516,611)
Infrastructure	(115,000)	-	-	(115,000)
Total accumulated depreciation	(2,114,141)	(159,245)	38,197	(2,235,189)
Total assets, being depreciated, net	2,008,052	(120,951)	(1,415)	1,885,686
Governmental Activities Capital Assets, net	$ 2,547,971	$ 85,450	$ (1,415)	$ 2,632,006

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land and Improvements	$ 24,000	$ 25,965	$ -	$ 49,965
Construction in Progress	-	25,000	-	25,000
Total assets, not being depreciated	24,000	50,965	-	74,965
Capital assets, being depreciated:				
Utility Systems	9,789,237	46,308	-	9,835,545
Machinery & Equipment	1,106,052	-	-	1,106,052
Total assets, being depreciated	10,895,289	46,308	-	10,941,597
Less accumulated depreciation for:				
Utility Systems	(3,266,743)	(272,077)	-	(3,538,820)
Machinery & Equipment	(630,259)	(67,714)	-	(697,973)
Total accumulated depreciation	(3,897,002)	(339,791)	-	(4,236,793)
Total assets, being depreciated, net	6,998,287	(293,483)	-	6,704,804
Business-Type Activities Capital Assets, net	$ 7,022,287	$ (242,518)	$ -	$ 6,779,769

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

Governmental Activities:

General Government	$ 47,853
Public Safety:	
Fire	61,678
Police	18,457
Public Works/Streets	26,775
Parks & Recreation	3,321
Better Hometown	1,160
Total Depreciation Expense, Governmental Activities	$ 159,244

Business-type Activities:

Water & Sewer	$ 322,280
Sanitation	17,511
Total Depreciation Expense, Business-type Activities	$ 339,791

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, 2015, the enterprise fund owed the general fund $ 116,642.

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government wide financial statements if the interfund transfer is within the governmental fund group or business-type group.

In 2015, the interfund transfers from the general fund to the enterprise fund totaled $142,093, and consisted of monies paid from the general fund for the capital lease on the sanitation truck and for SPLOST proceeds used for the construction of a sodium bisulfate building.

The interfund transfers for the year ended December 31, 2015 were as follows:

	(Transfers Out)		
Transfers In	General Fund	SPLOST V	Water, Sewer, & Sanitation Fund
General Fund	$ 53,405	$ (53,405)	$ -
Water, Sewer, & Sanitation Fund	(142,093)	-	142,093
	$ (88,688)	$ (53,405)	$ 142,093

NOTE 7 – LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	$ 335,494	$ -	$ (21,480)	$ 314,014	$ 112,285
Net Pension Liability	233,451	125,940	(132,869)	226,522	-
Governmental Activities Long-term Liabilities	$ 568,945	$ 125,940	$ (154,349)	$ 540,536	$ 112,285
Business-Type Activities:					
Capital Leases	$ 99,000	$ -	$ (88,202)	$ 10,798	$ 10,798
Notes Payable	2,085,428	-	(142,628)	1,942,800	148,636
Net Pension Liability	233,451	125,941	(132,870)	226,522	-
Business-Type Activities Long-term Liabilities	$ 2,417,879	$ 125,941	$ (363,700)	$ 2,180,120	$ 159,434

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. Amortization expenses on the capital leases are included in depreciation expense.

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	$ (66,698)	$ 283,467
3/27/2014	2 Patrol Cars	3.38%	71,773	(17,943)	53,830
Total			$ 421,938	$ (84,641)	$ 337,297

The City's balance of the capital lease payables outstanding as of December 31, 2015 is shown below:

Lease	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
BB&T	1.96%	4/1/2018	$ 282,691	$ -	$ (4,460)	$ 278,231
BB&T	3.38%	2/21/2017	52,803	-	(17,020)	35,783
Total Capital Lease Payable			$ 335,494	$ -	$ (21,480)	$ 314,014

The future annual requirements to amortize these capital lease obligations as of December 31, 2015 are as follows:

Year Ending December 31	Principal	Interest	Total
2016	$ 112,285	$ 6,663	$ 118,948
2017	114,736	4,212	118,948
2018	86,993	1,705	88,698
Total	$ 314,014	$ 12,580	$ 326,594

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. Amortization expense on the capital lease is included in depreciation expense.

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	$ (39,399)	$ 83,176
Total			$ 122,575	$ (39,399)	$ 83,176

The City's balance of the capital lease payable outstanding as of December 31, 2015 is shown below.

Lease	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
BB&T	1.96%	4/1/2018	$ 99,000	$ -	$ (88,202)	$ 10,798
Total Capital Lease Payable			$ 99,000	$ -	$ (88,202)	$ 10,798

The future annual requirements to amortize the capital lease obligation as of December 31, 2015 are as follows:

Year Ending December 31	Principal	Interest	Total
2016	$ 10,798	$ 212	$ 11,010
Total	$ 10,798	$ 212	$ 11,010

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, 2015 are as follows:

Loan	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
99L17WQ	4.25%	1/1/2021	$ 431,063	$ -	$ (61,551)	$ 369,512
2004L23WS	4.08%	1/1/2030	1,654,365	-	(81,077)	1,573,288
Total Notes Payable			$ 2,085,428	$ -	$ (142,628)	$ 1,942,800

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

Year Ending December 31	Principal	Interest	Total
2016	$ 148,636	$ 77,329	$ 225,965
2017	154,954	71,012	225,966
2018	161,488	64,477	225,965
2019	168,314	57,652	225,966
2020	175,412	50,554	225,966
2021-2025	581,990	173,067	755,057
2026-2030	552,006	48,159	600,165
Total	$ 1,942,800	$ 542,250	$ 2,485,050

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. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or 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.

The City Council, in its role as Plan Sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. All employees, excluding elected officials, who work

thirty hours or more per week are eligible to participate in the Plan immediately upon hiring, but will not be vested until 5 years of service. Benefits are provided by the Plan whereby retirees receive between 1.25% and 2.00% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. Disability benefits are paid out at 20% of an employee's current salary. Death benefits are calculated using an actuarial reserve.

As of July 1, 2015, the date the most recent actuarial valuation, there were 80 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	14
Terminated vested participants not yet receiving benefits	26
Active employees - Vested	23
Active employees – Nonvested	17
Total	80

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, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For fiscal year 2015, the actuarially determined contribution rate was 6.36% of covered payroll. City contributions to the Plan were $96,794 for the year ended December 31, 2015. Employees of the City do not contribute to the plan. For fiscal year 2016, based on July 1, 2015 actuarial valuation, the recommended contribution rate will be 5.95%.

Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

At December 31, 2015, the City reported a liability of $453,044 for its net pension liability. The City's net pension liability was measured as of July 1, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of July 1, 2015.

The changes in the components of the net pension liability of the City for the year ended December 31, 2015 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	$ 1,877,877	$ 1,410,975	$ 466,902
Changes for the Year:			
Service Cost	59,407	-	59,407
Interest	140,878	-	140,878
Differences Between Expected and Actual Experience	25,078	-	25,078
Contributions - Employer	-	128,763	(128,763)
Net Investment Income	-	136,976	(136,976)
Benefit Payments (Including Refunds of Employee Contributions)	(120,200)	(120,200)	-
Adminstrative Expense	-	(8,621)	8,621
Other	17,897	-	17,897
Net Changes	123,060	136,918	(13,858)
Balances at December 31, 2015	$ 2,000,937	$ 1,547,893	$ 453,044

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits. As a result of this change, all employees are now included in the valuation. This change has minimal impact on the Plan's liability.

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

For the year ended December 31, 2015, the City recognized pension expense of $107,520. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 20,064	$ -
Changes of Assumptions	14,316	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(22,104)
City Contributions Subsequent to the Measurement Date	72,596	-
Total	$ 106,976	$ (22,104)

City contributions subsequent to the measurement date of $72,596 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	
2016	$ 3,069
2017	3,069
2018	3,069
2019	3,069
Total	$ 12,276

Actuarial Assumptions

The total pension liability in the March 31, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases	3.75% - 8.00%, including inflation
Investment Rate of Return	7.75%, net of penion plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

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

class included in the pension plan's target asset allocation as of March 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	50%	5.95%
International Equity	15%	6.45%
Fixed Income	25%	1.55%
Real Estate	10%	3.75%
Cash	0%	
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.75%) and 1 percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	$ 722,719	$ 453,044	$ 231,055

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, 2015 and the current sharing pattern of costs between employer and employee.

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

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, 2015, the City paid $1,912 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 2015.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 8 above, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. This new statement significantly changed the City's accounting for pension amounts as it established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. As a result of this change in accounting principle, the City was required to restate beginning net position for governmental activities and business type activities for the Water, Sewer, & Sanitation Fund as shown below:

	Governmental Activities	Business Type Activities (Water, Sewer, & Sanitation Fund)
Net Position as Previously Reported	$ 4,231,159	$ 5,376,412
Net Pension Liability, Beginning Balance	(233,451)	(233,451)
Total Deferred Outflows, Beginning Balance:		
Demographic & Assumption Changes	21,487	21,488
Contributions Subsequent to the Measurement Date	47,055	47,054
Deferred Inflows, Beginning Balance	(13,814)	(13,814)
Net Position as Restated	$ 4,052,436	$ 5,197,689

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLARKESVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	$ 59,407									
Interest	140,878									
Differences Between Expected and Actual Experience	25,078									
Changes of Assumptions	17,897		(Historical information prior to implemenation of GASB 67/68 is not required)							
Changes of Benefit Terms	-									
Benefit Payments, Including Refunds of Employee Contributions	(120,200)									
Net Change in Total Pension Liability	123,060									
Total Pension Liability, Beginning	1,877,877									
Total Pension Liability, Ending (a)	$ 2,000,937									
Plan Fiduciary Net Position										
Contributions - Employer	$ 128,763									
Net Investment Income	136,976									
Benefit Payments, Including Refunds of Employee Contributions	(120,200)		(Historical information prior to implemenation of GASB 67/68 is not required)							
Administrative Expense	(8,621)									
Other	-									
Net Change in Plan Fiduciary Net Position	136,918									
Plan Fiduciary Net Position, Beginning	1,410,975									
Plan Fiduciary Net Position, Ending (b)	$ 1,547,893									
City's Net Pension Liability, Ending (a) - (b)	$ 453,044									
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.36%									
Covered-Employee Payroll	$ 1,560,737		(Historical information prior to implemenation of GASB 67/68 is not required)							
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	29.03%									

CITY OF CLARKESVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	$ 96,794									
Contributions in Relation ot the Actuarially Determined Contribution	96,794		(Historical information prior to implemenation of GASB 67/68 is not required)							
Contribution Deficiency (Excess)	$ -									
Covered-Employee Payroll	$ 1,495,725									
Contributions as a Percentage of Covered-Employee Payroll	6.36%									

CITY OF CLARKESVILLE, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1

Significant methods and assumptions used in calculating the actuarially determined calculations are as follows:

Methods and assumptions used to determine contribution rates:

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

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	65
Mortality Rates	
Healthy	RP-2000 Combined Health Mortality Table with sex distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - unisex rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

No significant factors changed that significantly affected trends in the amounts reported such as changes in benefit terms, the size or composition of the population covered by the benefit terms, or assumptions used

SUPPLEMENTARY INFORMATION

CITY OF CLARKESVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
SPLOST VI						
Water & Sewer	$ 600,831	$ 600,831	$ -	$ -	$ -	0%
Economic Development	500,000	500,000	-	-	-	0%
Public Safety Facilities	500,000	500,000	-	-	-	0%
Recreation Projects	200,000	200,000	-	-	-	0%
TOTAL SPLOST VI	$ 1,800,831	$ 1,800,831	$ -	$ -	$ -	

	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	$ -	$ 53,405	$ 53,405	10%
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	$ 53,405	$ 685,831	

	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	157,722	-	157,722	100%
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	$ 700,881	$ -	$ 700,881	

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, 2015, 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 28, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

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. 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
Clarkesville, Georgia
June 28, 2016