

**CITY OF FLOWERY BRANCH, GEORGIA**  
**FINANCIAL STATEMENTS**

**For the fiscal year ended June 30, 2016**

**WALKER, PIERCE & TUCK, CPA'S, PC**

**CITY OF FLOWERY BRANCH, GEORGIA  
FISCAL YEAR ENDED JUNE 30, 2016  
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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Flowery Branch, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison information and the schedule of changes in net pension liability and contributions are presented, as required by accounting principles generally accepted in the United States of America, on pages 30-34 to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowery Branch, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of Flowery Branch, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Flowery Branch, Georgia's internal control over financial reporting and compliance.

*Walker, Pierce & Tuck, CPA's, P.C.*

Walker, Pierce and Tuck, CPA's, P.C.  
Gainesville, Georgia  
December 15, 2016



# CITY OF FLOWERY BRANCH, GEORGIA

## Statement of Net Position

June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Development Authority
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,686,990	\$ 2,889,643	\$ 6,576,633	\$ -
Restricted cash	96,331	446,869	543,200	-
Receivables (net)	173,151	156,462	329,613	-
Intergovernmental receivable	253,463	8,777	262,240	-
Prepaid expenditures	102,186	-	102,186	-
Accrued revenue	-	74,880	74,880	-
Interfund balances	(35,042)	35,042	-	-
<b>Total Current Assets</b>	<u>4,277,079</u>	<u>3,611,673</u>	<u>7,888,752</u>	<u>-</u>
<b>Noncurrent Assets</b>				
Capital assets				
Nondepreciable	1,562,940	633,595	2,196,535	-
Depreciable, net	10,062,894	10,670,696	20,733,590	-
<b>Total Noncurrent Assets</b>	<u>11,625,834</u>	<u>11,304,291</u>	<u>22,930,125</u>	<u>-</u>
<b>Total Assets</b>	<u>15,902,913</u>	<u>14,915,964</u>	<u>30,818,877</u>	<u>-</u>
<b>Deferred Outflows of Resources</b>	<u>78,783</u>	<u>82,263</u>	<u>161,046</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>15,981,696</u>	<u>14,998,227</u>	<u>30,979,923</u>	<u>-</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	106,660	234,581	341,241	-
Accrued expenses	9,700	21,293	30,993	-
Retainage Payable	29,200	-	29,200	-
Notes payable	171,264	-	171,264	-
Revenue bond payable	-	247,000	247,000	-
Intergovernmental loan	-	65,452	65,452	-
Amounts held in trust	1,500	134,101	135,601	-
Unearned revenue	34,827	-	34,827	-
<b>Total Current Liabilities</b>	<u>353,151</u>	<u>702,427</u>	<u>1,055,578</u>	<u>-</u>
<b>Long-term Liabilities</b>				
Net pension liability	455,281	159,963	615,244	-
Notes payable	778,736	-	778,736	-
Revenue bonds payable	-	2,510,000	2,510,000	-
Intergovernmental loan	-	1,434,548	1,434,548	-
Compensated absences	66,721	23,730	90,451	-
Unearned revenue	-	1,072,495	1,072,495	-
<b>Total Long-term Liabilities</b>	<u>1,300,738</u>	<u>5,200,736</u>	<u>6,501,474</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,653,889</u>	<u>5,903,163</u>	<u>7,557,052</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>1,653,889</u>	<u>5,903,163</u>	<u>7,557,052</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	10,675,834	7,047,291	17,723,125	-
Restricted for:				
Capital projects	557,565	-	557,565	-
Public safety	32,413	-	32,413	-
Tourism	50	-	50	-
Housing and development	135,879	-	135,879	-
Unrestricted	2,926,066	2,047,773	4,973,839	-
<b>Total Net Position</b>	<u>\$ 14,327,807</u>	<u>\$ 9,095,064</u>	<u>\$ 23,422,871</u>	<u>\$ -</u>

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

# CITY OF FLOWERY BRANCH, GEORGIA

## Statement of Activities

For the Year Ended June 30, 2016

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Unit Development Authority</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 1,384,903	\$ 74,928	\$ 51,723	\$ 799,872	\$ (458,380)	\$ -	\$ (458,380)	\$ -
Judicial	121,978	322,495	-	-	200,517	-	200,517	-
Public safety	941,489	16,669	9,659	-	(915,161)	-	(915,161)	-
Public works	498,312	-	-	603,322	105,010	-	105,010	-
Recreation and culture	33,924	4,100	-	-	(29,824)	-	(29,824)	-
Housing and development	414,052	254,797	-	-	(159,255)	-	(159,255)	-
Interest on Debt	3,455	-	-	-	(3,455)	-	(3,455)	-
<b>Total Governmental Activities</b>	<b>3,398,113</b>	<b>672,989</b>	<b>61,382</b>	<b>1,403,194</b>	<b>(1,260,548)</b>	<b>-</b>	<b>(1,260,548)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water and sewer	1,760,301	2,468,653	-	-	-	708,352	708,352	-
<b>Total Business-type Activities</b>	<b>1,760,301</b>	<b>2,468,653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708,352</b>	<b>708,352</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 5,158,414</b>	<b>\$ 3,141,642</b>	<b>\$ 61,382</b>	<b>\$ 1,403,194</b>	<b>(1,260,548)</b>	<b>708,352</b>	<b>(552,196)</b>	<b>-</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purposes					1,039,099	-	1,039,099	-
Franchise fees					422,845	-	422,845	-
Excise taxes					342,194	-	342,194	-
Business tax					433,476	-	433,476	-
Sales tax					871,229	-	871,229	-
Hotel/Motel tax					120,873	-	120,873	-
Other taxes					94,874	-	94,874	-
Interest and investment earnings					6,367	8,290	14,657	-
Miscellaneous					66,737	11	66,748	-
Gain on disposition of assets					375	-	375	-
Transfers					(115,658)	115,658	-	-
<b>Total General Revenues and Transfers</b>					<b>3,282,411</b>	<b>123,959</b>	<b>3,406,370</b>	<b>-</b>
<b>Change in Net Position</b>					<b>2,021,863</b>	<b>832,311</b>	<b>2,854,174</b>	<b>-</b>
<b>Net Position Beginning of Year</b>					<b>12,305,944</b>	<b>8,262,753</b>	<b>20,568,697</b>	<b>-</b>
<b>Ending Net Position</b>					<b>\$ 14,327,807</b>	<b>\$ 9,095,064</b>	<b>\$ 23,422,871</b>	<b>\$ -</b>

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

**CITY OF FLOWERY BRANCH, GEORGIA**

Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	Capital Projects Fund	Tax Allocation District Fund	Local Resources Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 2,720,606	\$ 477,546	\$ -	\$ 488,614	\$ 224	\$ 3,686,990
Restricted cash	96,331	-	-	-	-	96,331
Intergovernmental receivable	115,789	137,674	-	-	-	253,463
Receivables (net)	168,606	-	-	-	4,545	173,151
Prepaid expenditures	102,186	-	-	-	-	102,186
Due from other funds	16,100	-	150,078	-	-	166,178
<b>Total Assets</b>	<b>3,219,618</b>	<b>615,220</b>	<b>150,078</b>	<b>488,614</b>	<b>4,769</b>	<b>4,478,299</b>
<b>Deferred Outflows of Resources</b>	<b>78,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,783</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$3,298,401</u></b>	<b><u>\$ 615,220</u></b>	<b><u>\$ 150,078</u></b>	<b><u>\$ 488,614</u></b>	<b><u>\$ 4,769</u></b>	<b><u>\$ 4,557,082</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 51,951	\$ 20,712	\$ -	\$ 29,452	\$ 4,545	\$ 106,660
Retainage payable	29,200	-	-	-	-	29,200
Accrued expenses	9,700	-	-	-	-	9,700
Due to other funds	150,078	36,943	14,199	-	-	201,220
Amounts held in trust	1,500	-	-	-	-	1,500
Unearned revenue	34,827	-	-	-	-	34,827
<b>Total Liabilities</b>	<b>277,256</b>	<b>57,655</b>	<b>14,199</b>	<b>29,452</b>	<b>4,545</b>	<b>383,107</b>
<b>Deferred Inflows of Resources</b>	<b>47,483</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,483</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>324,739</b>	<b>57,655</b>	<b>14,199</b>	<b>29,452</b>	<b>4,545</b>	<b>430,590</b>
<b>Fund Balances</b>						
Nonspendable:						
Prepaid expenditures	102,186	-	-	-	-	102,186
Restricted for:						
Capital projects	-	557,565	-	-	-	557,565
Law enforcement	32,239	-	-	-	174	32,413
Tourism	-	-	-	-	50	50
Housing and development	-	-	135,879	-	-	135,879
Committed for:						
Capital outlay	-	-	-	459,162	-	459,162
Unassigned	2,760,454	-	-	-	-	2,760,454
<b>Total Fund Balances</b>	<b>2,894,879</b>	<b>557,565</b>	<b>135,879</b>	<b>459,162</b>	<b>224</b>	<b>4,047,709</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 3,219,618</u></b>	<b><u>\$ 615,220</u></b>	<b><u>\$ 150,078</u></b>	<b><u>\$ 488,614</u></b>	<b><u>\$ 4,769</u></b>	<b><u>\$ 4,478,299</u></b>

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

**CITY OF FLOWERY BRANCH, GEORGIA**

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Position

June 30, 2016

**Total Governmental Fund Balances** \$ 4,047,709

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	13,900,779	
Less: Accumulated depreciation	<u>(2,274,945)</u>	
Total capital assets		11,625,834

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued compensated absences not reported in governmental funds	(66,721)
Notes payable	(950,000)

Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 47,483

Pension items not included in fund financial statements.

Deferred outflows of resources	78,783
Net pension liability	<u>(455,281)</u>

**Net Position of Governmental Activities** \$ 14,327,807

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



**CITY OF FLOWERY BRANCH, GEORGIA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Tax Allocation District Fund	Local Resources Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property tax	\$ 1,039,853	\$ -	\$ -	\$ -	\$ -	\$ 1,039,853
Sales tax	871,229	-	-	-	-	871,229
Business tax	433,476	-	-	-	-	433,476
Franchise tax	422,845	-	-	-	-	422,845
Excise tax	342,194	-	-	-	-	342,194
Hotel/Motel tax	72,524	-	-	-	48,349	120,873
Other taxes	-	-	94,874	-	-	94,874
Intergovernmental	603	799,272	-	654,442	-	1,454,317
Licenses and permits	320,569	-	-	-	-	320,569
Fines and forfeitures	331,359	-	-	-	-	331,359
Charges for services	29,925	-	-	-	-	29,925
Contributions	9,659	-	-	-	-	9,659
Interest	6,137	600	-	230	-	6,967
Miscellaneous	66,737	-	-	-	-	66,737
<b>Total Revenue</b>	<b>3,947,110</b>	<b>799,872</b>	<b>94,874</b>	<b>654,672</b>	<b>48,349</b>	<b>5,544,877</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	883,657	-	-	-	-	883,657
Judicial	129,164	-	-	-	-	129,164
Public safety	953,916	-	-	-	-	953,916
Public works	402,662	-	-	-	-	402,662
Recreation and culture	13,198	-	-	-	-	13,198
Housing and development	387,729	-	-	-	48,349	436,078
<b>Debt Service:</b>						
Interest Expenditure	-	-	-	3,455	-	3,455
Capital Outlay	-	163,568	-	1,689,998	-	1,853,566
<b>Total Expenditures</b>	<b>2,770,326</b>	<b>163,568</b>	<b>-</b>	<b>1,693,453</b>	<b>48,349</b>	<b>4,675,696</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,176,784</b>	<b>636,304</b>	<b>94,874</b>	<b>(1,038,781)</b>	<b>-</b>	<b>869,181</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	55,204	499,075	-	554,279
Transfers out	(554,279)	(115,658)	-	-	-	(669,937)
Proceeds from sale of assets	375	-	-	-	-	375
Proceeds from the issuance of long term debt	-	-	-	724,421	-	724,421
<b>Total Other Financing Sources (Uses)</b>	<b>(553,904)</b>	<b>(115,658)</b>	<b>55,204</b>	<b>1,223,496</b>	<b>-</b>	<b>609,138</b>
<b>Net Change in Fund Balances</b>	<b>622,880</b>	<b>520,646</b>	<b>150,078</b>	<b>184,715</b>	<b>-</b>	<b>1,478,319</b>
<b>Fund Balances Beginning of Year</b>	<b>2,271,999</b>	<b>36,919</b>	<b>(14,199)</b>	<b>274,447</b>	<b>224</b>	<b>2,569,390</b>
<b>Fund Balances End of Year</b>	<b>\$ 2,894,879</b>	<b>\$ 557,565</b>	<b>\$ 135,879</b>	<b>\$ 459,162</b>	<b>\$ 224</b>	<b>\$ 4,047,709</b>

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

**CITY OF FLOWERY BRANCH, 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 June 30, 2016

**Net Changes in Fund Balances-Total Governmental Funds** \$ 1,478,319

**Amounts reported as governmental activities in the Statement of Activities are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:**

Capital outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital outlay	1,907,598	
Less: Current year depreciation	(249,821)	
	1,657,777	1,657,777

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments. (724,421)

Net pension liability is not available during the current period and therefore is not reported in the funds

End of Year	(455,281)	
Beginning of Year	-	
	(455,281)	(455,281)

Contributions made after pension measurement date, changes in assumptions, and differences in expected and actual results of the defined benefit pension plan are reported as deferred outflows and not reported in the funds.

End of Year	78,783	
Beginning of Year	-	
	78,783	78,783

Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absence liability at June 30, 2015	63,025	
Compensated absence liability at June 30, 2016	(66,721)	
	(3,696)	(3,696)

Because some revenues will not be collected for several months after the City's fiscal year end, they are considered "available" revenues and are deferred in the governmental funds.

Deferred revenue at June 30, 2015	(57,101)	
Deferred revenue at June 30, 2016	47,483	
	(9,618)	(9,618)

**Change in Net Position of Governmental Activities** \$ 2,021,863

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

**CITY OF FLOWERY BRANCH, GEORGIA**

Statement of Net Position

Proprietary Funds

June 30, 2016

	<u>Water and Sewer</u>	
<b>Current Assets</b>		
Cash and cash equivalents	\$	2,889,643
Restricted cash and cash equivalents		446,869
Accounts receivable (net)		156,462
Due from other governments		8,777
Accrued revenue		74,880
Due from other funds		36,943
<b>Total Current Assets</b>		<u>3,613,574</u>
<b>Noncurrent Assets</b>		
Capital assets		
Non-depreciable		633,595
Depreciable, net		10,670,696
<b>Total Noncurrent Assets</b>		<u>11,304,291</u>
<b>Total Assets</b>		<u>14,917,865</u>
<b>Deferred Outflows of Resources</b>		<u>82,263</u>
<b>Total Assets and Deferred Outflows of Resources</b>		<u>15,000,128</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable		234,581
Accrued expenses		21,293
Due to other funds		1,901
Customer deposits		134,101
Intergovernmental loan		65,452
Revenue bonds payable		247,000
<b>Total Current Liabilities</b>		<u>704,328</u>
<b>Long-term Liabilities</b>		
Net pension liability		159,963
Intergovernmental loan		1,434,548
Revenue bonds payable		2,510,000
Compensated absences		23,730
Unearned revenue		1,072,495
<b>Total Long-term Liabilities</b>		<u>5,200,736</u>
<b>Total Liabilities</b>		<u>5,905,064</u>
<b>Deferred Inflows of Resources</b>		<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>		<u>5,905,064</u>
<b>Net Position</b>		
Net investment in capital assets		7,047,291
Unrestricted		2,047,773
<b>Total Net Position</b>	\$	<u>9,095,064</u>

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

**CITY OF FLOWERY BRANCH, GEORGIA**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2016

	<u>Water and Sewer</u>
<b>Operating Revenue</b>	
Charges for services	\$ 1,751,998
Tap-on fees	716,655
Miscellaneous income	11
<b>Total Operating Revenue</b>	<b>2,468,664</b>
<b>Operating Expenses</b>	
Personnel services:	
Salaries and wages	459,488
Employment Taxes	35,240
Benefits	260,463
<b>Total Personnel Services</b>	<b>755,191</b>
Purchased / contracted services:	
Professional and technical	8,395
Other purchased services	5,534
<b>Total Purchased / contracted services</b>	<b>13,929</b>
Other operating expenses:	
Purchased water	999
Supplies	197,980
Repairs and maintenance	137,248
Utilities	232,317
Engineering, lab fees and training	32,316
Depreciation	278,245
Bad debts	36,178
Miscellaneous	1,401
<b>Total Other Operating Expenses</b>	<b>916,684</b>
<b>Total Operating Expenses</b>	<b>1,685,804</b>
<b>Operating Income (Loss)</b>	<b>782,860</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	8,290
Interest expense	(74,497)
<b>Total Nonoperating Revenues and (Expenses)</b>	<b>(66,207)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>716,653</b>
Transfer in	115,658
Transfer (out)	-
<b>Change in Net Position</b>	<b>832,311</b>
<b>Net Position Beginning of Year</b>	<b>8,262,753</b>
<b>Net Position End of Year</b>	<b>\$ 9,095,064</b>

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

**CITY OF FLOWERY BRANCH, GEORGIA**

Statement of Cash Flows

Proprietary Funds

For The Year Ended June 30, 2016

	<u>Water and Sewer</u>	
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$	1,874,794
Payments to suppliers		(694,281)
Payments to employees		(616,074)
Net cash provided (used) by operating activities		<u>564,439</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfer from other funds		36,943
Net cash provided (used) by noncapital financing activities		<u>36,943</u>
<b>Cash flows from capital and related financing activities:</b>		
Transfer from other funds		78,715
Acquisition and construction of capital assets		(1,002,937)
Proceeds from debt issue		335,082
Debt payments, principal and interest		(307,497)
Net cash provided (used) by capital and related financing activities		<u>(896,637)</u>
<b>Cash flows from investing activities:</b>		
Interest income		8,290
Net cash provided (used) by investing activities		<u>8,290</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(286,965)</u>
Cash and cash equivalents, June 30, 2015		3,623,477
Cash and cash equivalents, June 30, 2016	\$	<u><u>3,336,512</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$	782,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		278,245
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and accrued revenue		(5,011)
(Increase) decrease in deferred outflows of resources		(21,936)
(Increase) decrease in due from other funds		(35,001)
Increase (decrease) in due to other funds		1,901
Increase (decrease) in accounts and retainage payable		(79,992)
Increase (decrease) in accrued expenses		(2,471)
Increase (decrease) in compensated absences		3,561
Increase (decrease) in deferred revenue		(523,155)
Increase (decrease) in customer deposits		5,475
Increase (decrease) in net pension liability		159,963
Net cash provided (used) by operating activities	\$	<u><u>564,439</u></u>

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

**CITY OF FLOWERY BRANCH, GEORGIA**

Notes to Financial Statements

June 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Flowery Branch, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

**1-A The Reporting Entity**

The City of Flowery Branch, Georgia is a municipal corporation governed by a five member City Council, a Mayor and a full time City Manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

**Discretely Presented Component Units.** The Flowery Branch Development Authority is governed by a separate board and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Flowery Branch for the purpose of revitalizing and developing the central business district of Flowery Branch, Georgia.

The above component unit's financial statements are reflected on the City's Financial Statements under the Discretely Presented Component Unit caption. The Authority does not issue separate statements.

**1-B Basis of Presentation, Basis of Accounting**

**Basis of Presentation - Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Major individual governmental funds and major individual proprietary fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

**CITY OF FLOWERY BRANCH, GEORGIA**

Notes to Financial Statements

June 30, 2016

*Capital Projects Fund.* This fund accounts for *Special Purpose Local Option Sales Tax* financial resources expended for capital purposes approved by referendum.

*Local Resource Fund.* This fund is used for capital purchases purposes, as approved by the City Council.

*Tax Allocation District (TAD) Fund.* This is a special revenue fund which accounts for the tax allocation district revenue and expenses.

The City reports the following nonmajor governmental funds:

*Grant Fund.* This is a special revenue fund which accounts for the receipt and expenditure of grant revenue.

*Hotel/Motel Tax Fund.* This is a special revenue fund which accounts for the collection and expenditure of these special tax collections.

The City reports the following major proprietary fund:

*Water and Sewer Fund.* This fund accounts for the operations of the City's water and sewer services.

**1-C Fund Equity**

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

**Fund Balance -** Generally fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

**Committed -** Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

**Assigned -** Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City manager to assign fund balances.

**Unassigned -** Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balances only in the general fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

Committed  
Assigned  
Unassigned

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

Net position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Enterprise fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

#### **Basis of Accounting - Measurement Focus**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the flow of economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and eliminated on the Statement of Position.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*Budgets.* Formal budgetary accounting is employed as a management control device for the General Fund and Special Revenue Funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principle basis. Budgets for the Capital Project Funds are adopted on a project basis, spanning more than one fiscal year. The City Council must approve any amendments to the budget.

All annual appropriations lapse at the end of each fiscal year.

#### **1-D Assets, Liabilities, and Equity**

##### **Cash and Cash Equivalents**

The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents. Only investments with original maturities of three months or less meet this definition.



# CITY OF FLOWERY BRANCH, GEORGIA

## Notes to Financial Statements

June 30, 2016

### Investments

The City does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the City had no investments nor were any authorized.

### Restricted Assets

These assets are held in the capital projects and special revenue funds for specific purposes defined by statute, referendum, or grant contract and are not generally available for general government operations.

### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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.) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables, including those for the City of Flowery Branch, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of water and sewer services. Balances due in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was \$160,623 at June 30, 2016. The collection rate for property taxes in the General Fund is in excess of 99%, consequently the City has chosen to estimate the uncollectible property tax accounts based on specific accounts that it deems to be uncollectible as of June 30, 2016.

### Property Tax Calendar

The City set its millage rate for the 2015/2016 fiscal year on June 18, 2015 at 3.337 mills. Property tax bills were mailed on October 1, 2015 and were due December 31, 2015. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed no earlier than March 1, 2016.

### Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### 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. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. 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.

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	Governmental Activities	Business-type Activities
<u>Assets</u>	<u>Years</u>	<u>Years</u>
Buildings and improvements	20-50	20-50
Public domain infrastructure	14-40	14-40
Machinery & Equipment	5-20	5-20
Vehicles	5	5

**Estimates**

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

**Compensated Absences**

General leave for the City includes both vacation and sick pay. General leave is based on an employee’s length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours outlined in the employee policy manual.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section of 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. Currently, the City has one resource that qualifies as deferred outflows in its governmental activities. This resource is its defined benefit pension plan. The City has two resources that qualify as deferred outflows in its proprietary funds. These resources are its defined benefit pension plan and a deferred charge on refunding.

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. Currently the City has two resources that qualify as deferred inflows in the governmental funds, due to availability. They are property taxes and fines.

**NOTE 2. DEPOSITS**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities.

The City’s custodial credit risk policy is to require all banks to collateralize the City’s deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk.

At June 30, 2016, all bank deposits were insured or fully collateralized.

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

**NOTE 3. LITIGATION**

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

**NOTE 4. RECEIVABLES**

The following is a summary of amounts due from others at June 30, 2016:

**Governmental Funds:**

Property taxes receivable - net	\$	14,070	
Hotel Motel taxes receivable		4,545	
Fines receivables - net		44,187	
Due from other government - SPLOST		137,674	
Due from other government - LOST		115,789	
Other receivables - net		110,349	Franchise tax, excise tax, property tax for tax allocation district
<b>Total Governmental Receivables:</b>	<b>\$</b>	<b>426,614</b>	

**Business-type Funds:**

Accounts receivable - net	\$	156,462
Due from other governments - rebates		8,777
<b>Total Business-type Receivables:</b>	<b>\$</b>	<b>165,239</b>

**NOTE 5. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance as of June 30, 2015	Additions	Reductions	Balance as of June 30, 2016	Due Within One Year
<b>Governmental Activities:</b>					
Note Payable	\$ 225,579	\$ 724,421	\$ -	\$ 950,000	\$ 171,264
Compensated Absences	63,025	3,696	-	66,721	-
Net Pension Liability	-	455,281	-	455,281	-
<b>Total governmental activities</b>	<b>\$ 288,604</b>	<b>\$ 1,183,398</b>	<b>\$ -</b>	<b>\$ 1,472,002</b>	<b>\$ 171,264</b>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 2,990,000	\$ -	\$ (233,000)	\$ 2,757,000	\$ 247,000
Intergovernmental loan	1,164,918	335,082	-	1,500,000	65,452
Unearned Revenue	1,595,650	-	(523,155)	1,072,495	-
Compensated Absences	20,169	3,561	-	23,730	-
Net Pension Liability	-	159,964	-	159,964	-
<b>Total business-type activities</b>	<b>\$ 5,770,737</b>	<b>\$ 498,607</b>	<b>\$ (756,155)</b>	<b>\$ 5,513,189</b>	<b>\$ 312,452</b>

Deferred amounts on the City's bond refunding (which are reported as deferred outflows of resources), at June 30, 2016 are summarized as follows:

	Balance as of June 30, 2015	Additions	Reductions	Balance as of June 30, 2016
<b>Proprietary Funds</b>				
<i>Water and Sewer Fund</i>				
Deferred Charge on refunding	\$ 60,327	\$ -	\$ (5,745)	\$ 54,582

Compensated absences and net pension obligation obligations are generally liquidated by the general fund.

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

**GOVERNMENTAL ACTIVITIES**

**Note Payable**

In November 2015, the City entered into a loan agreement with Georgia Transportation Infrastructure Bank (GTIB), by and through the State Road and Tollway Authority. These funds were used to finance the Lights Ferry Road transportation project. Interest in the amount of \$532 was included in interest expense during 2016. The project was completed as of June 30, 2016.

As of June 30, 2016, the total outstanding debt was \$950,000 in principal. The loan bears an interest rate of 0.82% amortized monthly, with payments of \$16,166 beginning August 1, 2016, with a maturity date of July 1, 2021.

The annual requirements to amortize note payable for governmental activities outstanding as of June 30, 2016 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 171,264	\$ 6,556
2018	188,308	5,679
2019	189,857	4,129
2020	191,420	2,566
2021	192,996	991
2022-2026	16,155	12
	<u>\$ 950,000</u>	<u>\$ 19,933</u>

**BUSINESS-TYPE ACTIVITIES**

**Revenue Bond, Series 2014 (Water & Sewer Fund)**

In October 2014, the City funded the repayment of \$2,860,078 of its Series 2004 Water and Sewer Revenue Bonds with the issuance of \$2,990,000 of Series 2014 Water and Sewerage Revenue Bond. The reacquisition price exceeded the net carrying amount of the old debt in the amount of \$63,200 which is included in deferred outflows of resources and is amortized over the term of the new bond using the straight-line method. During 2016, \$5,745 was amortized and include in interest expense. The initial proceeds of \$5,060,000 from the issuance of the 2004 Bonds were for additions to and improvements of the water and sewerage system which has an historical cost of \$4,303,813 and accumulated depreciation of \$1,102,852. The refunding was undertaken to reduce the interest rate. The Series 2014 Water and Sewerage Revenue Bonds carry an interest rate of 2.38%.

The annual requirements to amortize the revenue bonds for business-type activities are estimated as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 247,000	\$ 61,208
2018	253,000	55,222
2019	259,000	49,093
2020	266,000	42,804
2021	272,000	36,366
2022-2026	1,460,000	79,849
	<u>\$ 2,757,000</u>	<u>\$ 324,542</u>

**Intergovernmental Loan**

In August 2014, the Enterprise Funds of the City entered into \$1,500,000 loan agreement with the Georgia Environmental Facilities Authority (GEFA). These funds were to be drawn down as needed to finance the diversion of sewerage flows from the Cinnamon Cove complex to the City's existing wastewater treatment plant. Interest in the amount of \$1,750 was included in interest expense during 2016. The project was completed as of June 30, 2016.

As of June 30, 2016, the total outstanding debt was \$1,500,000 in principal. The loan bears an interest rate of 1.4% amortized monthly, with payments of \$7,169 beginning on July 1, 2016, with a maturity date of June 1, 2036.

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

The annual requirements to amortize the note payable for business-type activities are estimated as follows:

June 30	Principal	Interest
2017	\$ 65,452	\$ 20,576
2018	66,374	19,654
2019	67,309	18,719
2020	68,257	17,771
2021	69,220	16,808
2022-2026	361,004	69,136
2027-2031	387,164	42,976
2032-2036	415,220	14,920
	\$ 1,500,000	\$ 220,560

**NOTE 6. RISK MANAGEMENT**

The City purchased general liability insurance from One Beacon Insurance Company. The City's policy starts May 1st and ends April 30th of each year. The premium for the year ending June 30, 2016 was \$80,782. The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self-Insurance Fund. The City's policy year starts on January 1<sup>st</sup> and ends on December 31<sup>st</sup> of each year. The premium for the City's fiscal year of 2016 was \$64,126. As part of this risk pool, the Government is obligated to pay all contributions and assessments as prescribed by the pool, 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 Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the fund. The fund is to defend and protect the members of the fund 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 costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss.

**NOTE 7. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES**

As of June 30, 2016, deferred inflows of resources and unearned revenue consisted of the following:

**Governmental Fund Financial Statements:**

Deferred inflows of resources

Fines	\$	31,030	Non-exchange transaction resource collected
Property Taxes		16,453	beyond the City's period of availability.
Total deferred inflows of resources		\$ 47,483	

Unearned Revenue

Business License	\$	34,827	An exchange transaction fees collected in advance
Total unearned revenue		\$ 34,827	of the period to which they apply.

**Government-wide and Proprietary Fund Financial Statements:**

Unearned revenue - Deposits to reserve sewage plant capacity	\$	1,072,495	An exchange-like transaction to be considered as revenue upon the actual sale of connection permits.
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**Government-wide and Governmental Fund Financial Statements:**

Unearned revenue - Business Licenses	\$	34,827	An exchange transaction fees collected in advance of the period to which they apply.
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**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

**NOTE 8. DEFERRED OUTFLOWS OF RESOURCES**

As of June 30, 2016, deferred outflows of resources consisted of the following:

<b>Governmental Activities:</b>		
Deferred outflows of resources		
Defined benefit retirement plan - See Note 15	\$	78,783
Total deferred outflows of resources - governmental activities	\$	78,783
<b>Business-type Activities</b>		
Deferred outflows of resources		
Deferred charge on refunding - See Note 5	\$	54,582
Defined benefit retirement plan - See Note 15		27,681
Total deferred outflows of resources - business-type activities	\$	82,263
<b>Total Deferred Outflows of Resources - Government-wide</b>		<b>\$ 161,046</b>

**NOTE 9. BUDGETS**

The following are Governmental Funds for which budgets were legally adopted:

Department	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Variance with Final Budget Over (Under)
<b>General Fund</b>			
General Government	\$ 1,050,120	\$ 883,657	\$ (166,463)
Judicial	\$ 144,413	\$ 129,164	\$ (15,249)
Public Safety	\$ 979,427	\$ 953,916	\$ (25,511)
Public Works	\$ 416,379	\$ 402,662	\$ (13,717)
Recreation & Culture	\$ 20,800	\$ 13,198	\$ (7,602)
Housing & development	\$ 387,729	\$ 387,729	\$ -
Transfers Out	\$ 554,511	\$ 554,279	\$ (232)
Tax Allocation District Fund	\$ 84,700	\$ -	\$ (84,700)
Local Resources Fund	\$ 1,693,689	\$ 1,693,453	\$ (236)
Hotel/Motel Tax Fund	\$ 49,000	\$ 48,349	\$ (651)

The legal level of control for this government is at the department level, which is the basis for the Budgetary Comparison Schedule. The City did not approve a formal budget for the grant fund, and there were no expenditures for this fund.

**NOTE 10. HOTEL/MOTEL TAX**

In the fiscal year ending June 30, 2016, the City was levying a hotel/motel tax at the rate of 5%. During the year ending June 30, 2016, the City collected \$48,349 in taxes and has contractually committed to the Lake Lanier Convention and Visitors Bureau for the expenditure of \$48,349 which brings the City into full compliance with state law.

**NOTE 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF FLOWERY BRANCH, GEORGIA**  
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The composition of the interfund balances as of June 30, 2016 is as follows:

<u>Due To:</u>	<u>Due From:</u>				Total
	General Fund	Capital Projects Fund	Tax Allocation District Fund	Water and Sewer	
General Fund	\$ -	\$ -	\$ 14,199	\$ 1,901	\$ 16,100
Tax Allocation District Fund	150,078	-	-	-	150,078
Water and Sewer	-	36,943	-	-	36,943
	<u>\$ 150,078</u>	<u>\$ 36,943</u>	<u>\$ 14,199</u>	<u>\$ 1,901</u>	<u>\$ 203,121</u>

This government reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled *All Others*. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. These transfers have been eliminated from the government- wide financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2016 are as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>		
	General Fund	Capital Projects Fund	Total
Tax Allocation District Fund	\$ 55,204	\$ -	\$ 55,204
Local Resources Fund	499,075	-	499,075
Water and Sewer	-	115,658	115,658
	<u>\$ 554,279</u>	<u>\$ 115,658</u>	<u>\$ 669,937</u>

**NOTE 12. JOINT VENTURES**

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. During the fiscal year ended June 30, 2016, the City paid \$6,760 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The Commission’s Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission  
1310 W. Ridge Road  
Gainesville, GA 30501

**NOTE 13. SERIES 2014 REVENUE BOND COVENANTS**

The terms and conditions of the Series 2014 bond resolution have been examined for the fiscal year ending June 30, 2016. The City is in compliance with all covenants.

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

**NOTE 14. CAPITAL ASSETS**

	Beginning Balance 7/1/2015	Additions	Retirements	Reclassifications	Ending Balance 6/30/2016
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 1,236,450	\$ -	\$ -	\$ -	\$ 1,236,450
Construction in Progress	1,069,857	1,842,093	-	(2,585,460)	326,490
<b>Total non-depreciable capital assets</b>	<b>2,306,307</b>	<b>1,842,093</b>	<b>-</b>	<b>(2,585,460)</b>	<b>1,562,940</b>
<b>Depreciable Assets:</b>					
Buildings & Improvements	1,143,979	-	-	-	1,143,979
Machinery & Equipment	810,432	65,505	-	-	875,937
Infrastructure	7,732,463	-	-	2,585,460	10,317,923
<b>Total depreciable capital assets</b>	<b>9,686,874</b>	<b>65,505</b>	<b>-</b>	<b>2,585,460</b>	<b>12,337,839</b>
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	407,182	18,994	-	-	426,176
Machinery & Equipment	608,556	76,178	-	-	684,734
Infrastructure	1,009,386	154,649	-	-	1,164,035
<b>Total accumulated depreciation</b>	<b>2,025,124</b>	<b>249,821</b>	<b>-</b>	<b>-</b>	<b>2,274,945</b>
<b>Total depreciable capital assets, net</b>	<b>7,661,750</b>	<b>(184,316)</b>	<b>-</b>	<b>2,585,460</b>	<b>10,062,894</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 9,968,057</b>	<b>\$ 1,657,777</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,625,834</b>
<b>Business-type Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 553,200	\$ -	\$ -	\$ -	\$ 553,200
Construction in Progress	1,504,784	80,394	-	(1,504,783)	80,395
<b>Total non-depreciable capital assets</b>	<b>2,057,984</b>	<b>80,394</b>	<b>-</b>	<b>(1,504,783)</b>	<b>633,595</b>
<b>Depreciable Assets:</b>					
Buildings & Improvements	3,472,010	-	-	-	3,472,010
Machinery & Equipment	5,547,067	-	-	-	5,547,067
Infrastructure	3,649,474	922,543	-	1,504,783	6,076,800
<b>Total depreciable capital assets</b>	<b>12,668,551</b>	<b>922,543</b>	<b>-</b>	<b>1,504,783</b>	<b>15,095,877</b>
<b>Accumulated Depreciation:</b>					
Buildings & Improvements	1,208,613	69,679	-	-	1,278,292
Machinery & Equipment	1,868,891	125,987	-	-	1,994,878
Infrastructure	1,069,432	82,579	-	-	1,152,011
<b>Total accumulated depreciation</b>	<b>4,146,936</b>	<b>278,245</b>	<b>-</b>	<b>-</b>	<b>4,425,181</b>
<b>Total depreciable capital assets, net</b>	<b>8,521,615</b>	<b>644,298</b>	<b>-</b>	<b>1,504,783</b>	<b>10,670,696</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 10,579,599</b>	<b>\$ 724,692</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,304,291</b>



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Depreciation expense was charged for the following functions:

<b>Governmental Activities:</b>	
General Government	\$ 12,393
Public Safety	65,178
Public Works	167,803
Health & Welfare	3,912
Housing & Development	535
<b>Total depreciation expense - governmental activities</b>	<b>\$ 249,821</b>
<b>Business-type Activities:</b>	
Water and Sewer	\$ 278,245
<b>Total depreciation expense - business-type activities</b>	<b>\$ 278,245</b>

**NOTE 15. RETIREMENT PLAN**

*Deferred Compensation Plan*

The City has an agreement with the City Manager to contribute 8% of his annual salary into a Deferred Compensation Plan, a defined contribution plan sponsored by the City. The plan holds its assets in a separate trust invested in annuity contracts in the name of the participant and consequently is not reported on the City's financial statements. As sponsor of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2016, the employer contributed \$7,962.

*Defined Benefit Retirement Plan*

**Plan Description**

Beginning on November 1, 2015, the Georgia Municipal Employees Benefit System (GMEBS) administers an agent multiple-employer defined benefit pension plan, the City of Flowery Branch Retirement Plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Under the GMEBS Retirement Fund, the contributions made by the City of Flowery Branch, Georgia are commingled with contributions made by other participants of the GMEBS Retirement Fund for investment purposes. The plan was effective on November 1, 2014.

The Board of Trustees of the Georgia Municipal Employees Benefit System (GMEBS) is authorized to amend the "Plan" documents pursuant to a formally adopted resolution. The adoption agreements, executed by the City Council, establish the specific benefit provisions of the Defined Benefit Plan and may be amended by a formally adopted resolution by the City Council and approved by the Plan Board of Trustees. The Plan provides for benefits upon retirement, death, disablement, and termination of employment. The pension plan's financial report is included in the report of the Georgia Municipal Employees Benefit System.

A copy of the Pension Plan financial reports can be obtained from:

Georgia Municipal Association  
201 Pryor Street, NW  
Atlanta, Ga. 30303-3606

Employee membership data related to the Plan, as of June 30, 2016 was as follows:

Active employees 37

**Funding Policy**

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The Contribution amount is determined using actuarial methods and assumptions provided for by the adoption agreement and intended to satisfy the minimum contribution requirements set forth in controlling State of Georgia statutes. The City's retirement plan is subject to minimum funding

**CITY OF FLOWERY BRANCH, GEORGIA**  
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standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards \$137,195. The minimum contribution amount is determined as the sum of the normal cost (including administrative expenses), the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization surplus, and interest on these amounts from the valuation date to the date contributions are paid. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contributions to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

**Recommended Contribution**

	<u>Year Beginning</u>	
	<u>January 1, 2016</u>	<u>January 1, 2015</u>
Total Benefit Normal Cost	\$ 101,417	\$ -
Administrative Expenses	\$ 5,843	\$ -
Expected Employee Contributions	\$ -	\$ -
Employer Normal Cost	\$ 107,260	\$ -
Actuarial Accrued Liability at Valuation Date	\$ 527,110	\$ -
Actuarial Value of Assets at Valuation Date	\$ 112,310	\$ -
Underfunded/(Surplus) Actuarial Accrued Liability	\$ 414,800	\$ -
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	\$ 34,662	\$ -
Full Funding Credit	\$ -	\$ -
Recommended Mid-Year Contribution at Valuation Date	\$ 141,922	\$ -
Adjustment to Fiscal Year (Begins July 1, 2016)	\$ 5,397	\$ -
Total Recommended Mid-Year Contribution, For Fiscal Year	\$ 147,319	\$ -
Recommended Contribution As A Percentage Of Expected Payroll	9.26%	0.00%

**Summary of Plan Provisions**

Employer	City of Flowery Branch
Social Security	No
Participant Contribution	No
Original Effective Date	11/1/2014
Eligibility Requirements	Employees: No waiting period (must not exceed 40 hours) Officials: Not participating
Normal Retirement Age	65+5
Early Retirement	55+10
Benefit Formula	2.00%
Official's Benefits	None
Vesting	5 years
Death Benefits	Automatic Option A – immediate participation Term vest Auto A death benefit
Disability Minimum	None
Cost-of-Living	None
Other	Participants who are employed as of 11-1-14 will be entitled to receive up to 5 years of credit at no cost, which will be counted for all purposes. 3-Year Final Average Earnings

The following chart shows the historical funding information. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Financial Statements  
June 30, 2016

**Funding History**

Actuarial Valuation Date	January 1, 2016
Actuarial Value of Assets (a)	\$ 112,310
Actuarial Accrued Liability (b)	\$ 527,110
Underfunded/(Surplus) (b) - (a)	\$ 414,800
Funded Ratio (a) / (b)	21.31%
Covered Payroll	\$ 1,566,019
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	26.49%

*Actuarial Cost Method.* Projected Unit Credit.

*Amortization Method.* Closed level dollar for remaining underfunded liability.

*Asset Valuation Method.* Sum of actuarial value at the beginning of the 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 the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

*Actuarial assumptions.* The total pension liability in the January 1, 2016 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Net Investment Rate of Return	7.75% (on-going basis)
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%

The mortality and economic actuarial assumptions used in the January 1, 2016 valuation were approved by the Board in December, 214 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 conducted by Segal. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be review periodically and updated if necessary.

**Mortality Rates**

Healthy:	RP-2000 Combined Health Mortality Table with sex-distinct rates, set forward two years for male and one year for females
Disabled:	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table

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.

**CITY OF FLOWERY BRANCH, GEORGIA**  
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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic Equity	50%	5.95%	9.20%
International Equity	15%	6.45%	9.70%
Fixed Income	25%	1.55%	4.80%
Real Estate	10%	3.75%	7.00%
Cash	0%		
Total	<u>100%</u>		

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that City contributions will be made at equal rates to the difference between actuarially determined contribution rates and the employee 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

**Net Pension Liability.** The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. At June 30, 2016, the City reported a net pension liability. The amount recognized by the City were as follows:

City's Net Pension Liability:	
Governmental activities	\$ 455,281
Business-type activities	<u>159,963</u>
Total Net Pension Liability	<u>\$ 615,244</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	6.75%	\$738,984
Current Discount Rate	7.75%	\$615,244
1% Increase	8.75%	\$514,142

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

**CITY OF FLOWERY BRANCH, GEORGIA**  
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Changes in the City's net pension liability for the year ended September 30, 2015 were as follows:

**Changes in the Net Pension Liability**

	Total Pension Liability (TPL) (a)	Plan Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
<b>Balances at October 30, 2014</b>	-	-	-
<b>Changes for the Year:</b>			
Service Cost	\$ -	\$ -	\$ -
Interest Expense	-	-	-
Benefit Changes (Changes of benefit terms)	-	-	-
Experience Losses (gains)	-	-	-
(Amortized over avg remain svc period of actives & inactives)			
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	121,000	(121,000)
Contributions - Employee	-	-	-
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	(4,794)	4,794
Expected Return on Plan Investments	-	-	-
Amortized Portion of Current-period	-	-	-
Differences between Actual and Expected Returns on Plan Investments	-	-	-
Refunds of Contributions	-	-	-
Benefits Paid	-	-	-
Plan Administrative Expenses	-	(3,896)	3,896
Contributions for Specific Liabilities	-	-	-
Other Changes	727,554	-	727,554
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
<b>NET CHANGES:</b>	<b>\$ 727,554</b>	<b>\$ 112,310</b>	<b>\$ 615,244</b>
<b>Balances at September 30, 2015</b>	<b>\$ 727,554</b>	<b>\$ 112,310</b>	<b>\$ 615,244</b>

**CITY OF FLOWERY BRANCH, GEORGIA**  
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**Pension Expense for the Year Ended June 30, 2016**

Service Cost	\$ -
Interest on TPL	-
Employee Contributions	-
Administrative Expenses	3,896
Expected Return on Assets	(4,538)
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL	-
Expensed Portion of Current Year Period Assumption Changes	-
Current Year Plan Changes (Establishment of New Plan)	727,554
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings	1,868
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	-
Total Pension Expense	<u>\$ 728,780</u>

For the year ended June 30, 2016, the City of Flowery Branch recognized pension expense of \$728,780.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows/Inflows of Resources Related to Pensions**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,464	-
City Contributions Subsequent to the Measurement Date	99,000	-
Total	<u>\$ 106,464</u>	<u>\$ -</u>

The \$99,000 of deferred outflow of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The deferred outflow of resources are reported on the Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities	Total
Difference Between Projected & Actual Earnings on Pension Plan Investments	\$ 5,523	\$ 1,941	\$ 7,464
Difference Between Expected & Actual Experience	\$ -	\$ -	\$ -
Employer Contributions Oct 1, 2015 - June 30, 2016	\$ 73,260	\$ 25,740	\$ 99,000

**CITY OF FLOWERY BRANCH, GEORGIA**

Notes to Financial Statements

June 30, 2016

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the pension expense as follows:

**Projected Recognition of Deferred Outflows/ (Inflows)**

	Year Established	Outstanding	Amount recognized	Outstanding	Deferred Outflows/(Inflows) Recognized in Future Years					
		Balance at July 1, 2015	During FYE June 30, 2016	Balance at June 30, 2016	2017	2018	2019	2020	2021	2022 and thereafter
<b>Fiscal Year Outflows</b>										
Investment	2016	9,332	1,868	7,464	1,866	1,866	1,866	1,866	-	-
<b>Total Outflows</b>		<b>\$ 9,332</b>	<b>\$ 1,868</b>	<b>\$ 7,464</b>	<b>\$ 1,866</b>	<b>\$ 1,866</b>	<b>\$ 1,866</b>	<b>\$ 1,866</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fiscal Year Inflows</b>										
<b>Total Inflows</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 15, 2016.

**CITY OF FLOWERY BRANCH, GEORGIA**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget
<b>Revenues</b>						
Property tax	\$ 982,464	\$ 982,464	\$ 1,039,853	\$ -	\$ 1,039,853	\$ 57,389
Sales tax	810,000	835,000	871,229	-	871,229	36,229
Business tax	401,622	401,622	433,476	-	433,476	31,854
Franchise tax	354,218	354,218	422,845	-	422,845	68,627
Excise tax	260,737	260,737	342,194	-	342,194	81,457
Hotel/Motel tax	50,000	50,000	72,524	-	72,524	22,524
Intergovernmental	11,100	11,100	603	-	603	(10,497)
Licenses and permits	145,250	145,250	320,569	-	320,569	175,319
Fines and forfeitures	305,000	305,000	331,359	-	331,359	26,359
Charges for services	16,988	16,988	29,925	-	29,925	12,937
Investment earnings	2,200	2,200	6,137	-	6,137	3,937
Contributions and donations	6,100	6,100	9,659	-	9,659	3,559
Miscellaneous	32,700	32,700	66,737	-	66,737	34,037
<b>Total Revenues</b>	<b>3,378,379</b>	<b>3,403,379</b>	<b>3,947,110</b>	<b>-</b>	<b>3,947,110</b>	<b>543,731</b>
<b>Expenditures</b>						
<b>Current Operating:</b>						
General government	1,050,120	1,050,120	883,657	-	883,657	(166,463)
Judicial	144,413	144,413	129,164	-	129,164	(15,249)
Public safety	1,000,814	979,427	953,916	-	953,916	(25,511)
Public works	416,379	416,379	402,662	-	402,662	(13,717)
Recreation and culture	20,800	20,800	13,198	-	13,198	(7,602)
Housing and development	366,342	387,729	387,729	-	387,729	-
<b>Total Expenditures</b>	<b>2,998,868</b>	<b>2,998,868</b>	<b>2,770,326</b>	<b>-</b>	<b>2,770,326</b>	<b>(228,542)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>379,511</b>	<b>404,511</b>	<b>1,176,784</b>	<b>-</b>	<b>1,176,784</b>	<b>772,273</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	150,000	150,000	-	-	-	(150,000)
Transfers out	(529,511)	(554,511)	(554,279)	-	(554,279)	232
Proceeds from sale of assets	-	-	375	-	375	375
<b>Total Other Financing Sources (Uses)</b>	<b>(379,511)</b>	<b>(404,511)</b>	<b>(553,904)</b>	<b>-</b>	<b>(553,904)</b>	<b>(149,393)</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>622,880</b>	<b>\$ -</b>	<b>622,880</b>	<b>\$ 622,880</b>
<b>Fund Balance Beginning of Year</b>			<b>2,271,999</b>		<b>2,271,999</b>	
<b>Fund Balance End of Year</b>			<b>\$ 2,894,879</b>		<b>\$ 2,894,879</b>	



**CITY OF FLOWERY BRANCH, GEORGIA**  
**Budgetary Comparison Schedule**  
**Tax Allocation District Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts <u>Budgetary Basis</u>	Budget to GAAP	Actual Amounts <u>GAAP Basis</u>	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		Differences <u>Over / (Under)</u>		
<b>Revenues</b>						
Other taxes	\$ 84,700	\$ 84,700	\$ 94,874	\$ -	\$ 94,874	10,174
<b>Total Revenues</b>	<b>84,700</b>	<b>84,700</b>	<b>94,874</b>	<b>-</b>	<b>94,874</b>	<b>10,174</b>
<b>Expenditures</b>						
<b>Current Operating:</b>						
Housing and development	84,700	84,700	-	-	-	(84,700)
<b>Total Expenditures</b>	<b>84,700</b>	<b>84,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(84,700)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>94,874</b>	<b>-</b>	<b>94,874</b>	<b>94,874</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	55,204	-	55,204	55,204
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>55,204</b>	<b>-</b>	<b>55,204</b>	<b>55,204</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>150,078</b>	<b>\$ -</b>	<b>150,078</b>	<b>\$ 150,078</b>
<b>Fund Balance Beginning of Year</b>			(14,199)		(14,199)	
<b>Fund Balance End of Year</b>			<u><u>\$ 135,879</u></u>		<u><u>\$ 135,879</u></u>	

**CITY OF FLOWERY BRANCH, GEORGIA**  
Notes to Required Supplementary Information  
on Budgetary Accounting and Control  
Year Ended June 30, 2016

**BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

- (a). Prior to June 1, the City Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (b). Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.
- (c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

**Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**BUDGET AMENDMENTS**

Amendments to the original budget appropriations were properly approved by the City Council.

<u>Department</u>	<u>Original Budget</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Revised Appropriations</u>
General Fund				
Public Safety	1,000,814	-	21,387	979,427
Public Works	416,379	-	-	416,379
Recreation & Culture	20,800	-	-	20,800
Housing & development	366,342	21,387	-	387,729
Transfers Out	529,511	25,000	-	554,511
	<u>\$ 3,383,966</u>	<u>\$ 46,387</u>	<u>\$ 21,387</u>	<u>\$ 3,408,966</u>

**CITY OF FLOWERY BRANCH, GEORGIA**  
**Required Supplementary Information**  
**Defined Benefit Retirement Plan**  
**June 30, 2016**

**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**City of Flowery Branch Retirement Plan**  
**Last 10 Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service cost	\$ -	\$ -								
Interest	-	-								
Differences between expected and actual experience	-	-								
Changes of assumptions	-	-								
Changes of benefit terms	727,554	-								
Benefit payments, including refunds of employee contributions	-	-								
Net change in Total Pension Liability	727,554	-								
Total Pension Liability - Beginning	-	-								
Total Pension Liability - Ending (a)	<u>\$ 727,554</u>	<u>\$ -</u>								
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 121,000	\$ -								
Contributions - Employee	-	-								
Net investment income	(4,794)	-								
Benefit payments, including refunds of employee contributions	-	-								
Administrative expense	(3,896)	-								
Other	-	-								
Net change in Fiduciary Net Position	112,310	-								
Plan Fiduciary Net Position - Beginning	-	-								
Plan Fiduciary Net Position - Ending (b)	<u>\$ 112,310</u>	<u>\$ -</u>								
Net Pension Liability - Ending: (a)-(b)	<u>\$ 615,244</u>	<u>\$ -</u>								
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	15.44%	0.00%								
Covered-employee payroll	\$ 1,566,019	\$ -								
Net Pension Liability as a percentage of covered-employee payroll	39.29%	0.00%								

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF FLOWERY BRANCH, GEORGIA**  
 Required Supplementary Information  
 Defined Benefit Retirement Plan  
 June 30, 2016

**Schedule of Contributions**  
**City of Flowery Branch Retirement Plan**  
**Last 10 Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ -									
Contributions in relation to the actuarially determined contribution	-									
Contribution deficiency (excess)	-									
Covered-employee payroll	-									
Contributions as a percentage of covered-employee payroll	\$ -									

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. 2016 information will be determined after fiscal year end and will be in the 2017 valuation report.

***Changes of Assumptions***

There have been no change in assumptions.

***Benefit Changes***

There have been no plan changes.

**CITY OF FLOWERY BRANCH, GEORGIA**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

	-	Grant Fund	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$	174	\$ 50	\$ 224
Accounts receivable (net)		-	4,545	4,545
<b>Total Assets</b>		<u>174</u>	<u>4,595</u>	<u>4,769</u>
<b>Deferred Outflows of Resources</b>				
		-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>				
		<u>174</u>	<u>4,595</u>	<u>4,769</u>
<b>Liabilities</b>				
Accounts payable	\$	-	\$ 4,545	\$ 4,545
<b>Total Liabilities</b>		<u>-</u>	<u>4,545</u>	<u>4,545</u>
<b>Deferred Inflows of Resources</b>				
		-	-	-
<b>Total Liabilities and Deferred Inflows of Resources</b>				
		<u>-</u>	<u>4,545</u>	<u>4,545</u>
<b>Fund Balance</b>				
Restricted for:				
Law Enforcement		174	-	174
Tourism		-	50	50
<b>Total Fund Balance</b>		<u>174</u>	<u>50</u>	<u>224</u>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>				
	\$	<u>174</u>	\$ <u>4,595</u>	\$ <u>4,769</u>

**CITY OF FLOWERY BRANCH, GEORGIA**  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2016

	Grant Fund	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Hotel/Motel tax	\$ -	48,349	\$ 48,349
<b>Total Revenue</b>	<b>-</b>	<b>48,349</b>	<b>48,349</b>
<b>Expenditures</b>			
Current:			
Housing and development	-	48,349	48,349
<b>Total Expenditures</b>	<b>-</b>	<b>48,349</b>	<b>48,349</b>
<b>Other Financing Sources (Uses)</b>			
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances Beginning of Year</b>	<b>174</b>	<b>50</b>	<b>224</b>
<b>Fund Balances End of Year</b>	<b>\$ 174</b>	<b>\$ 50</b>	<b>\$ 224</b>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council  
City of Flowery Branch, Georgia

We have audited, in accordance with the 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Flowery Branch, Georgia's basic financial statements, and have issued our report thereon dated December 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Flowery Branch, Georgia'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 of Flowery Branch, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Flowery Branch, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 of Flowery Branch, Georgia'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.

*Walker, Pierce & Tuck, CPA's P.C.*

Walker, Pierce & Tuck CPA's P.C.  
Gainesville, Georgia  
December 15, 2016





**CITY OF FLOWERY BRANCH, GEORGIA**  
 Schedule of Special Purpose Local Option Sales Tax  
 Estimated Cost and Expenditure Summary  
 For the Year Ended June 30, 2016

<u>Project Description</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
<b>SPLOST VI</b>					
Sewer system facilities	\$ 1,300,000	\$ 1,300,000	\$ 723,414	\$ 36,919	\$ 760,333
Police vehicles and equipment	200,000	200,000	121,803	-	121,803
Roads and sidewalks	500,000	500,000	305,423	-	305,423
Administrative buildings	500,000	500,000	508,201	-	508,201
Total:	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 1,658,841</u>	<u>\$ 36,919</u>	<u>\$ 1,695,760</u>
<b>SPLOST VII</b>					
Sewer system facilities	\$ 1,308,000	\$ 1,308,000	- \$	\$ 91,934	\$ 91,934
Police vehicles and equipment	231,000	231,000	-	31,423	31,423
Roads and sidewalks	1,113,935	1,113,935	-	22,500	22,500
Administrative buildings	1,616,652	1,616,652	-	96,450	96,450
Total:	<u>\$ 4,269,587</u>	<u>\$ 4,269,587</u>	<u>- \$</u>	<u>\$ 242,307</u>	<u>\$ 242,307</u>