

CITY OF FLOWERY BRANCH, GEORGIA
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

WALKER & ASSOCIATES, CPA'S, PC

**CITY OF FLOWERY BRANCH, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2012
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Independent Auditor's Report

To the 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flowery Branch, Georgia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013, 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* and should be considered in assessing the results of our audit.

The City of Flowery Branch, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budget comparison information on pages 24 through 26 are not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management about the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowery Branch, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales taxes, 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 of the City of Flowery Branch, Georgia.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales taxes has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

Walker & Associates

Walker & Associates
Certified Public Accountants
January 18, 2013

City of Flowery Branch, Georgia

Statement of Net Position

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,491,458	\$ 3,062,092	\$ 4,553,550	\$ -
Receivables (net)	394,957	137,842	532,799	-
Accrued Revenue	-	60,385	60,385	-
Prepaid Expenses	136,155	-	136,155	-
Deferred charge	-	36,399	36,399	-
Nondepreciable capital assets	345,700	1,233,028	1,578,728	-
Depreciable capital assets, net	<u>6,401,588</u>	<u>8,939,445</u>	<u>15,341,033</u>	-
Total assets	<u>8,769,858</u>	<u>13,469,191</u>	<u>22,239,049</u>	-
Deferred outflows of resources	-	-	-	-
Liabilities				
Accounts payable and other liabilities	251,917	171,718	423,635	-
Deferred revenue	60,021	-	60,021	-
Internal balances	(335,032)	335,032	-	-
Accrued balances	-	154,652	154,652	-
Noncurrent liabilities:				
Due within one year	-	210,000	210,000	-
Due in more than one year	<u>50,113</u>	<u>5,211,187</u>	<u>5,261,300</u>	-
Total liabilities	<u>27,019</u>	<u>6,082,589</u>	<u>6,109,608</u>	-
Deferred inflows of resources	-	-	-	-
Net Position				
Net investment in capital assets	6,747,288	6,362,473	13,109,761	-
Restricted for:				
Law enforcement	25,549	-	25,549	-
Tax allocation district	178,620	-	178,620	-
Tourism	50	-	50	-
Capital projects	307,744	-	307,744	-
Unrestricted	<u>1,483,588</u>	<u>1,024,129</u>	<u>2,507,717</u>	-
Total Net Position	<u>\$ 8,742,839</u>	<u>\$ 7,386,602</u>	<u>\$ 16,129,441</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, 2012

	Program Revenues				Governmental Activities	Business-Type Activities	Total	Net (Expenses) Revenues and Changes in Net Position Primary Government	Component Unit
	Expenses	Charges for Services	Operating						
			Grants and Contributions	Capital Grants Contributions					
Primary government:									
Governmental activities									
General government	\$ 928,595	\$ 234,029	\$ 39,374	\$ 304,844	\$ (350,348)		\$ (350,348)		
Judicial	126,863	347,534	-	-	220,671		220,671		
Public safety	862,027	-	2,148	-	(859,879)		(859,879)		
Highways and streets	453,103	-	-	218,536	(234,567)		(234,567)		
Health and welfare	17,025	-	-	-	(17,025)		(17,025)		
Housing and development	305,577	71,142	-	-	(234,435)		(234,435)		
Total governmental activities	<u>2,693,190</u>	<u>652,705</u>	<u>41,522</u>	<u>523,380</u>	<u>(1,475,583)</u>		<u>(1,475,583)</u>		
Business-type activities									
Water and Sewer	1,681,945	1,517,684	-	-	\$ (164,261)		\$ (164,261)		
Sanitation	-	(12,227)	-	-	(12,227)		(12,227)		
Total business-type activities	<u>1,681,945</u>	<u>1,505,457</u>	<u>-</u>	<u>-</u>	<u>(176,488)</u>		<u>(176,488)</u>		
Total primary government	<u>\$ 4,375,135</u>	<u>\$ 2,158,162</u>	<u>\$ 41,522</u>	<u>\$ 523,380</u>			<u>(1,652,071)</u>		
Component units:									
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -			\$ -		
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>		
General revenues:									
Taxes:									
Property taxes, levied for general purposes					901,922		901,922		
Franchise tax					621,922		621,922		
Sales taxes					374,457		374,457		
Alcoholic Beverage Tax					354,360		354,360		
Interest and investment earnings					2,889	13,184	16,073		
Miscellaneous					3,702	8,941	12,643		
Gain on disposition of miscellaneous assets					-	-	-		
Transfers					(38,484)	38,484	-		
Total general revenues and transfers					<u>2,220,768</u>	<u>60,609</u>	<u>2,281,377</u>		
Change in net assets					745,185	(115,879)	629,306		
Beginning net position					7,997,654	7,502,481	15,500,135		
Ending net position					<u>\$ 8,742,839</u>	<u>\$ 7,386,602</u>	<u>\$ 16,129,441</u>		

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

City of Flowery Branch, Georgia
Balance Sheet
Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,207,918	\$ 257,464	\$ 883	\$ 50	\$ 1,466,315
Due from other governments	70,254	50,280	24,840	-	145,374
Receivables (net)	249,583	-	-	-	249,583
Prepaid expenditures	136,155	-	-	-	136,155
Due from other funds	335,206	-	-	178,620	513,826
Restricted cash	25,143	-	-	-	25,143
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	2,024,259	307,744	25,723	178,670	2,536,396
Deferred outflows of resources	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows	<u>\$ 2,024,259</u>	<u>\$ 307,744</u>	<u>\$ 25,723</u>	<u>\$ 178,670</u>	<u>\$ 2,536,396</u>
Liabilities					
Accounts payable	\$ 251,917	\$ -	\$ -	\$ -	\$ 251,917
Due to other funds	178,620	-	174	-	178,794
Deferred revenue	144,896	-	-	-	144,896
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	575,433	-	174	-	575,607
Deferred inflows of resources	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows	575,433	-	174	-	575,607
Fund balances					
Nonspendable:					
Prepaid expenditures	136,155	-	-	-	136,155
Restricted for:					
Capital projects	-	307,744	-	-	307,744
Tax allocation district	-	-	-	178,620	178,620
Tourism	-	-	-	50	50
Law enforcement	23,788	-	25,549	-	49,337
Unassigned	1,288,883	-	-	-	1,288,883
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	1,448,826	307,744	25,549	178,670	1,960,789
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,024,259</u>	<u>\$ 307,744</u>	<u>\$ 25,723</u>	<u>\$ 178,670</u>	<u>\$ 2,536,396</u>

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

City of Flowery Branch, Georgia

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2012

Total fund balances - governmental funds	\$ 1,960,789
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	8,487,312
Less: Accumulated depreciation	(1,740,024)
Accrued expenses not reported in the governmental funds:	
Accrued personal leave not reported in governmental funds	(50,113)
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.	<u>84,875</u>
Net position of governmental activities	<u>\$ 8,742,839</u>

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, 2012

	General	Capital	Grant	Other	Total
Revenues	<u>Fund</u>	<u>Projects</u>	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
Taxes:					
Property Taxes	\$ 722,756	\$ -	\$ -	\$ -	\$ 722,756
Sales Taxes	374,457	-	-	-	374,457
Franchise Tax	601,191	-	-	-	601,191
Other Taxes	341,188	-	-	140,954	482,142
Intergovernmental	44,518	304,325	257,910	-	606,753
Licenses and permits	170,382	-	-	-	170,382
Fines and Forfeitures	345,416	-	-	-	345,416
Charges for services	76,886	-	-	-	76,886
Interest	2,889	519	-	-	3,408
Miscellaneous	21,215	-	-	-	21,215
Total Revenue	<u>2,700,898</u>	<u>304,844</u>	<u>257,910</u>	<u>140,954</u>	<u>3,404,606</u>
Expenditures					
Current					
General government	703,863	-	810	34,471	739,144
Judicial	126,298	-	-	-	126,298
Public safety	810,174	-	78,037	-	888,211
Highways and streets	451,684	-	225,045	-	676,729
Health and welfare	17,025	-	-	-	17,025
Housing and development	304,774	-	-	-	304,774
Debt service	-	120,072	-	-	120,072
Capital Outlay	-	120,072	-	-	120,072
Total Expenditures	<u>2,413,818</u>	<u>120,072</u>	<u>303,892</u>	<u>34,471</u>	<u>2,872,253</u>
Excess revenues over (under) expenditures	287,080	184,772	(45,982)	106,483	532,353
Other financing sources (uses)					
Transfers In	-	-	67,183	-	67,183
Transfers Out	(67,183)	-	-	(38,484)	(105,667)
Total other financing sources and (uses)	<u>(67,183)</u>	<u>-</u>	<u>67,183</u>	<u>(38,484)</u>	<u>(38,484)</u>
Net change in fund balance	219,897	184,772	21,201	67,999	493,869
Beginning Fund Balance	<u>1,228,929</u>	<u>122,972</u>	<u>4,348</u>	<u>110,671</u>	<u>1,466,920</u>
Ending Fund Balance	<u>\$ 1,448,826</u>	<u>\$ 307,744</u>	<u>\$ 25,549</u>	<u>\$ 178,670</u>	<u>\$ 1,960,789</u>

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, 2012

Net change in fund balances-total governmental funds	\$ 493,869
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$373,248)exceeded depreciation (\$215,322).	157,926
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	72,253
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures Change in accrued personal leave	<u>21,137</u>
Net change in net position of governmental activities	<u>\$ 745,185</u>

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

City of Flowery Branch, Georgia
Statement of Net Position
Proprietary Funds

June 30, 2012

	Business-type Activities-Enterprise Funds		
	Water and Sewer	(nonmajor) Sanitation	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 599,830	\$ -	\$ 599,830
Accounts receivable (net)	137,842	-	137,842
Restricted cash and cash equivalents	941,626	-	941,626
Accrued revenue	60,385	-	60,385
Total current assets	1,739,683	-	1,739,683
Noncurrent assets:			
Restricted cash and cash equivalents	1,520,636	-	1,520,636
Deferred charge	36,399	-	36,399
Capital assets			
Land	553,200	-	553,200
Buildings	3,255,958	-	3,255,958
Improvements other than buildings	3,355,253	-	3,355,253
Machinery and equipment	5,561,193	-	5,561,193
Construction in progress	679,828	-	679,828
Less accumulated depreciation	(3,232,959)	-	(3,232,959)
Total capital assets (net of accumulated depreciation)	10,172,473	-	10,172,473
Total noncurrent assets	11,729,508	-	11,729,508
Total assets	13,469,191	-	13,469,191
Deferred outflows of resources	-	-	-
Liabilities			
Current Liabilities:			
Accounts payable	57,928	-	57,928
Accrued expenses	154,652	-	154,652
Due to other funds	335,032	-	335,032
Notes payable - current	210,000	-	210,000
Total current liabilities	757,612	-	757,612
Noncurrent liabilities:			
Compensated absences	15,537	-	15,537
Customer deposits	113,790	-	113,790
Deferred revenue	1,595,650	-	1,595,650
Notes payable	3,600,000	-	3,600,000
Total noncurrent liabilities	5,324,977	-	5,324,977
Total liabilities	6,082,589	-	6,082,589
Deferred inflows of resources	-	-	-
Net Position			
Net invested in capital assets	6,362,473	-	6,362,473
Unrestricted	1,024,129	-	1,024,129
Total net position	\$ 7,386,602	\$ -	\$ 7,386,602

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, 2012

	Business-type Activities-Enterprise Funds		
	Water and Sewer	(nonmajor) Sanitation	Totals
Operating revenue:			
Charges for Service	\$1,476,925	\$ (12,227)	\$ 1,464,698
Connection Fees	33,488	-	33,488
Miscellaneous Income	8,941	-	8,941
Total operating revenue	1,519,354	(12,227)	1,507,127
Operating expenses:			
Personal services			
Compensation	404,295	-	404,295
Employment Taxes	31,199	-	31,199
Benefits	57,422	-	57,422
Total Personal Services	492,916	-	492,916
Cost of sales			
Water/vendor contracts	411	-	411
Supplies	160,715	-	160,715
Repairs and Maintenance	131,811	-	131,811
Utilities	273,892	-	273,892
Professional Services	31,221	-	31,221
Miscellaneous	47,948	-	47,948
Depreciation	310,749	-	310,749
Engineering, Lab Fees and Training	72,937	-	72,937
Total cost of sales	1,029,684	-	1,029,684
Total Operating Expenses	1,522,600	-	1,522,600
Operating Income(loss)	(3,246)	(12,227)	(15,473)
Nonoperating revenues (expenses)			
Intergovernmental revenue	7,271	-	7,271
Interest Income	13,184	-	13,184
Interest Expense on Loans	(159,345)	-	(159,345)
Total nonoperating revenues and (expenses)	(138,890)	-	(138,890)
Transfer In	67,957	-	67,957
Transfer (Out)	-	(29,473)	(29,473)
Change in net position	(74,179)	(41,700)	(115,879)
Total net position - beginning	7,460,781	41,700	7,502,481
Total net position - ending	\$7,386,602	\$ -	\$ 7,386,602

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, 2012

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>(nonmajor) Sanitation</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers	\$ 1,482,620	\$ -	\$1,482,620
Payments to suppliers	(718,935)	-	(718,935)
Payments to employees	<u>(492,916)</u>	<u>-</u>	<u>(492,916)</u>
Net cash provided (used) by operating activities	270,769	-	270,769
Cash flows from noncapital financing activities:			
Transfer from other funds	67,957	-	67,957
Transfer to other funds	-	(29,473)	(29,473)
Advances from other funds	335,032	-	335,032
Non operating receivable reduction	<u>-</u>	<u>29,473</u>	<u>29,473</u>
Net cash provided (used) by noncapital financing activities	402,989	-	402,989
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(90,804)	-	(90,804)
Capital Grant	7,271	-	7,271
Debt payments, principal and interest	<u>(354,017)</u>	<u>-</u>	<u>(354,017)</u>
Net cash provided (used) by capital and related financing activities	(437,550)	-	(437,550)
Cash flows from investing activities:			
Interest income	<u>13,184</u>	<u>-</u>	<u>13,184</u>
Net cash provided by investing activities	<u>13,184</u>	<u>-</u>	<u>13,184</u>
Net increase (decrease) in cash and cash equivalents	249,392	-	249,392
Cash and cash equivalents, July 1, 2011	<u>2,812,700</u>	<u>-</u>	<u>2,812,700</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 3,062,092</u>	<u>\$ -</u>	<u>\$3,062,092</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (3,246)	\$ (12,227)	\$ (15,473)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	310,749	-	310,749
Changes in assets and liabilities:			
Receivables and accrued revenue	(30,901)	12,227	(18,674)
Accounts and accrued expenses payable	(12,002)	-	(12,002)
Customer deposits	<u>6,169</u>	<u>-</u>	<u>6,169</u>
Net cash provided by operating activities	<u>\$ 270,769</u>	<u>\$ -</u>	<u>\$ 270,769</u>

Debt issuance cost of \$5,328 was amortized and recorded as additional interest expense.

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

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

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 enterprise funds are reported as separate columns in the fund financial statements.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of significant accounting policies (continued)

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

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.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of significant accounting policies (continued)

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.

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

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

The City reports the following nonmajor governmental funds:

TAD Fund. This is a special revenue fund which accounts for the tax allocation district revenue and expenses.

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 enterprise fund:

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

The City reports the following nonmajor enterprise fund:

Sanitation Fund. This fund accounts for the collection and disposal of garbage. The City has outsourced the garbage collection service and has discontinued use of this fund.

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.

Measurement Focus, Basis of Accounting

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.

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 thirty days after year-end except for property taxes for which sixty days after year end applies. 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.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of significant accounting policies (continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursements 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.

All business-type activities and enterprise funds of the City follow FASB Statements and interpretations issued after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

1-D Assets, Liabilities, and Equity [Primary government]

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.

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, 2012, the City had no investments.

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.) All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of significant accounting policies (continued)

Receivables and Payables (continued)

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 enterprise funds resulting from the sale of water, sewer and sanitation services. Balances due in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was \$13,915 at June 30, 2012. The collection rate for property taxes in the General Fund is in excess of 99%, consequently the City has chosen not to make an estimate for uncollectible property tax accounts as of June 30, 2012.

Property Tax Calendar

The City set its millage rate for the 2011/2012 fiscal year on August 16, 2011 at 2.837 mills. Property tax bills were mailed on October 1, 2011 and were due December 31, 2011. 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 2, 2012.

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.

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:

<u>Assets</u>	Governmental Activities <u>Years</u>	Business-Type Activities <u>Years</u>
Buildings and improvements	20-50	20-50
Public domain infrastructure	14-40	14-40
Machinery and equipment	5-20	5-20
Vehicles	7	7

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of significant accounting policies (continued)

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.

Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The City does not have any SCAs and therefore the adoption of GASBS No. 60 does not have any impact on the City's financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. GASBS No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently the City does not have any items that qualify for reporting in this category.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of significant accounting policies (continued)

Retirement Plans

The City sponsors the Deferred Compensation Plan of the City of Flowery Branch, a defined contribution plan for the benefit of its employees. At June 30, 2012, there were 13 employees participating in the plan. Contributions to the plan are funded on a monthly basis. The City is required to match one half of the amount the employee elects to contribute up to a maximum of 2% of an employee 4% deferral. All employees who work a minimum of 32 hours a week are eligible to participate in the plan. Employees can begin to participate in the plan the following month after employment begins. The City also has an agreement with the City Manager to contribute 8% of his annual salary into the plan. The plan holds its assets in a separate trust invested in annuity contracts in the name of each 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, 2012, the employees contributed \$14,717 to the plan, and the employer contributed \$14,436.

NOTE 2. Deposits [Primary government]

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, 2012, all bank deposits were insured or fully collateralized.

NOTE 3. Litigation [Primary government]

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. Deferred charge [Primary government]

Debt issuance cost in the proprietary fund is capitalized as a deferred charge on the balance sheet and is amortized over the life of the bonded indebtedness. The amount reported on the balance sheet is net of amortization of \$36,399.

NOTE 5. Receivables [Primary government]

The following is a summary of amounts due from others at June 30, 2012.

Receivable from:

Governmental Funds:

Due from other governments	\$ 145,374	Sales taxes, property tax for tax allocation district
Taxes receivable, net	13,915	Property tax and hotel/motel tax
Other receivables, net	235,668	Fines/forfeitures and excise taxes

Total governmental receivables	<u>\$ 394,957</u>
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Business-Type Funds:

Accounts receivable, net	<u>\$ 137,842</u>	Water and Sewer accounts
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Total business-type receivables	<u>\$ 137,842</u>
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City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 6. Long-term debt [Primary government]

Revenue Bond, Series 2004 (Water & Sewer Fund)

In 2004, the City issued Series 2004 Water and Sewer Revenue Bonds in the amount of \$5,060,000. The proceeds from the issuance of the Bonds were for additions to and improvements of the water and sewerage system. The City funded an expansion of the sewerage treatment plant which has an historical cost of \$4,303,813 and accumulated depreciation of \$672,471 with the bond proceeds.

As of June 30, 2012, the total outstanding debt was \$3,810,000 principal due in annual installments of \$170,000 to \$345,000 through October 2025. The annual interest rate of 3.99% is due April 1 and October 1 each year. Interest in the amount of \$159,345 was paid in the year ended June 30, 2012.

Business -Type Activities

Year Ending	Total Payments	Principal	Interest
2013	\$ 357,829	\$ 210,000	\$ 147,829
2014	354,351	215,000	139,351
2015	355,573	225,000	130,573
2016	356,396	235,000	121,396
2017	356,820	245,000	111,820
2018-2022	1,776,494	1,375,000	401,494
2023-2025	1,411,832	1,305,000	106,832
Totals	\$ 4,969,295	\$ 3,810,000	\$ 1,159,295

Changes in long-term debt:

	July 1, 2011	Additions	Reductions	June 30, 2012	Due within 1 year
Business-type activity					
Revenue bonds	\$ 4,010,000	\$ -	\$ 200,000	\$ 3,810,000	\$ 210,000
Compensated Absenses	15,433	104	-	15,537	-
	<u>\$ 4,025,433</u>	<u>\$ 104</u>	<u>\$ 200,000</u>	<u>\$ 3,825,537</u>	<u>\$ 210,000</u>
Governmental activity					
Compensated Absenses	\$ 71,250	\$ -	\$ 21,137	\$ 50,113	\$ -

NOTE 7. Risk management [Primary government]

The City also purchases 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, 2012 was \$80,476. 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 1st and ends on December 31st of each year. The premium for the City's fiscal year of 2012 was \$88,884. 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.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

Note 8. Deferred revenue (Primary Government)

Deferred revenue in the:

Governmental fund financial statements

Business License	\$ 60,021	Taxes not earned in the current year.
Property tax revenues	9,910	Taxes earned in the current year but received beyond the City's period of availability.
Fines receivable	<u>74,965</u>	Fines earned in the current year but received beyond the City's period of availability.
Total governmental Deferred Revenue	<u>\$ 144,896</u>	

Government wide financial statements

Business License	<u>\$ 60,021</u>	Taxes not earned in the current year.
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Enterprise Funds

Water and Sewer Tap Fees	<u>\$1,595,650</u>	Developer fees paid to reserve future water and sewerage capacity.
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NOTE 9. Budgets (Primary government)

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

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund			
General government	\$ 813,178	\$ 703,863	\$ -
Judicial	\$ 139,861	\$ 126,298	\$ -
Public Safety	\$ 861,392	\$ 810,174	\$ -
Highways and streets	\$ 469,057	\$ 451,684	\$ -
Health and welfare	\$ 18,800	\$ 17,025	\$ -
Housing and development	\$ 330,660	\$ 304,774	\$ -
Transfers Out	\$ 67,183	\$ 67,183	\$ -
Hotel/Motel Fund	\$ 78,000	\$ 34,471	\$ -
Grant Fund	\$ 338,200	\$ 303,892	\$ -
Tax Allocation District Fund	\$ 112,072	\$ 38,484	\$ -

The legal level of control for this government is at the department level, which is the basis for the Budgetary Comparison Schedule.

NOTE 10. Hotel/Motel Tax

In the fiscal year ending June 30, 2012, the City began levying a hotel/motel tax at the rate of 5%. During the year the City collected \$34,521 in taxes and has contractually committed to the Lake Lanier Convention and Visitors Bureau for the expenditure of \$34,471 which brings the City into full compliance with state law.

City of Flowery Branch, Georgia

Notes to Financial Statements

June 30, 2012

NOTE 11. Interfund receivables, payables and transfers

These 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.

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 balances:

<u>Due From:</u>	<u>Due to:</u>			<u>Total</u>
	<u>Tax</u> <u>Allocation</u> <u>Fund</u>	<u>General</u> <u>Fund</u>		
General Fund	\$ 178,620	\$ -	\$	178,620
Water & Sewer	-	335,032		335,032
Grant	-	174		174
Totals	\$ 178,620	\$ 335,206	\$	513,826

Transfers:

<u>Transfer From:</u>	<u>Transfer To:</u>			<u>Total</u>
	<u>Grant</u> <u>Fund</u>	<u>Water & Sewer</u> <u>Fund</u>		
General Fund	\$ 67,183	\$ -	\$	67,183
Sanitation Fund	-	29,473		29,473
Tax Allocation District Fund	-	38,484		38,484
	\$ 67,183	\$ 67,957	\$	135,140

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 12. Capital assets [Primary government]

Depreciation expense was charged to the following functions:

Governmental activities:		Business -type activities:	
General government	\$ 19,146	Water and sewer	<u>\$ 310,749</u>
Public safety	63,543		
Highways and streets	128,186		
Health and welfare	3,912		
Housing and development	<u>535</u>		
	<u>\$ 215,322</u>		

NOTE 13. 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. 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 14. Series 2004 Revenue Bond Covenants

- A. The City of Flowery Branch has approximately 1353 water and sewer customers at June 30, 2012.
- B. The following is a list of insurance policies and fidelity bonds paid for and in force at June 30, 2012.

<u>Items Covered</u>	<u>Insurance Company</u>	<u>Limits</u>
General Liability	One Beacon Insurance Company	\$1,000,000
Building & Contents	One Beacon Insurance Company	\$13,402,150
Vehicles	One Beacon Insurance Company	\$1,000,000
Water Plan Equipment	One Beacon Insurance Company	\$13,402,150
Workmans Comp.	GMA Worker's Compensation Self-Insurance Fund	\$1,000,000

C. Auditor's Statement

The terms and conditions of the Series 2004 bond resolution have been examined for the fiscal year ending 6/30/12. The City is not in compliance with all bond covenants.

NOTE 15. COMPLIANCE

At June 30, 2012, the City was not in compliance with their 2004 bond covenants.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2012

NOTE 16. Capital assets [Primary government]

Primary Government

	Beginning Balances			Ending Balances	
	7/1/2011	Increases	Decreases	6/30/2012	
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 345,700	\$ -	\$ -	\$ 345,700	
Construction in progress	24,000	-	24,000	-	
Total capital assets not being depreciated	<u>369,700</u>	<u>-</u>	<u>24,000</u>	<u>345,700</u>	
Capital assets being depreciated:					
Buildings	1,317,527	-	-	1,317,527	
Machinery and equipment	830,224	148,203	-	978,427	
Infrastructure	5,596,613	249,045	-	5,845,658	
Total capital assets being depreciated	<u>7,744,364</u>	<u>397,248</u>	<u>-</u>	<u>8,141,612</u>	
Accumulated depreciation:					
Buildings	336,572	24,366	-	360,938	
Machinery and equipment	720,205	74,043	-	794,248	
Infrastructure	467,925	116,913	-	584,838	
Total accumulated depreciation	<u>1,524,702</u>	<u>215,322</u>	<u>-</u>	<u>1,740,024</u>	
Total governmental capital assets being depreciated, net	<u>6,219,662</u>	<u>181,926</u>	<u>-</u>	<u>6,401,588</u>	
Total governmental capital assets	<u>\$ 6,589,362</u>	<u>\$ 181,926</u>	<u>\$ 24,000</u>	<u>\$ 6,747,288</u>	
	Beginning			Ending	
	Balances			Balances	
	7/1/2011	Increases	Decreases	6/30/2012	
Business-type activities:					
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 553,200	\$ -	\$ -	\$ 553,200	
Construction in progress	622,650	57,178	-	679,828	
Total capital assets not being depreciated	<u>1,175,850</u>	<u>57,178</u>	<u>-</u>	<u>1,233,028</u>	
Capital assets being depreciated:					
Buildings	3,255,958	-	-	3,255,958	
Machinery and equipment	5,545,937	15,256	-	5,561,193	
Infrastructure	3,336,883	18,370	-	3,355,253	
Total capital assets being depreciated	<u>12,138,778</u>	<u>33,626</u>	<u>-</u>	<u>12,172,404</u>	
Accumulated depreciation:					
Buildings	938,543	65,357	-	1,003,900	
Machinery and equipment	1,228,696	170,741	-	1,399,437	
Infrastructure	754,971	74,651	-	829,622	
Total accumulated depreciation	<u>2,922,210</u>	<u>310,749</u>	<u>-</u>	<u>3,232,959</u>	
Total capital assets being depreciated, net	<u>9,216,568</u>	<u>(277,123)</u>	<u>-</u>	<u>8,939,445</u>	
Business-type activity assets, net	<u>\$10,392,418</u>	<u>\$ (219,945)</u>	<u>\$ -</u>	<u>\$10,172,473</u>	

City of Flowery Branch, Georgia
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts		Budget to GAAP		Variance with	
	Original	Final	Budgetary Basis	GAAP Basis	Over/(Under)	GAAP Basis	Final Budget	Over/(Under)
Revenues								
Property taxes	\$ 679,130	\$ 679,130	\$ 722,756	\$ 722,756	-	\$ 722,756	\$ 43,626	
Sales taxes	340,000	340,000	374,457	374,457	-	374,457	34,457	
Franchise taxes	403,150	403,150	601,191	601,191	-	601,191	198,041	
Other taxes	271,000	271,000	341,188	341,188	-	341,188	70,188	
Intergovernmental	35,100	35,100	44,518	44,518	-	44,518	9,418	
License and permits	197,830	197,830	170,382	170,382	-	170,382	(27,448)	
Fines and forfeitures	457,000	457,000	345,416	345,416	-	345,416	(111,584)	
Charges for services	55,070	55,070	76,886	76,886	-	76,886	21,816	
Interest	700	700	2,889	2,889	-	2,889	2,189	
Transfers In	198,930	198,930	-	-	-	-	(198,930)	
Miscellaneous	18,038	18,038	21,215	21,215	-	21,215	3,177	
Total Revenues	2,655,948	2,655,948	2,700,898	2,700,898	-	2,700,898	44,950	
Expenditures								
Current Operating:								
General government	813,178	768,978	703,863	703,863	-	703,863	(65,115)	
Judicial	139,861	139,861	126,298	126,298	-	126,298	(13,563)	
Public safety	861,392	861,392	810,174	810,174	-	810,174	(51,218)	
Highways and streets	469,057	469,057	451,684	451,684	-	451,684	(17,373)	
Health and welfare	18,800	18,800	17,025	17,025	-	17,025	(1,775)	
Housing and development	330,660	330,660	304,774	304,774	-	304,774	(25,886)	
Transfers Out	23,000	67,200	67,183	67,183	-	67,183	(17)	
Total Expenditures	2,655,948	2,655,948	2,481,001	2,481,001	-	2,481,001	(174,947)	
Other Financing Sources (Uses)								
Excess (Deficiency) of Revenues	\$ -	\$ -	219,897	219,897	-	219,897	\$ 219,897	
Over (Under) Expenditures			1,228,929	1,228,929		1,228,929		
Fund Balance - Beginning								
Fund Balance - Ending			\$ 1,448,826	\$ 1,448,826		\$ 1,448,826		

City of Flowery Branch, Georgia
Budgetary Comparison Schedule
Grant Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts		Budget to GAAP		Variance with	
	Original	Final	Budgetary Basis	Actual Amounts	Over / (Under)	GAAP Basis	Final Budget	Over / (Under)
Revenues								
Transfer in	\$ 26,200	\$ 26,200	\$ 67,183	\$ 67,183	-	\$ 67,183	\$ 40,983	
Intergovernmental	312,000	312,000	257,910	257,910	-	257,910	(54,090)	
Total Revenues	<u>338,200</u>	<u>338,200</u>	<u>325,093</u>	<u>325,093</u>	-	<u>325,093</u>	<u>(13,107)</u>	
Expenditures								
Current Operating:								
General government	12,000	12,000	810	810	-	810	(11,190)	
Public safety	79,200	79,200	78,037	78,037	-	78,037	(1,163)	
Highways and streets	247,000	247,000	225,045	225,045	-	225,045	(21,955)	
Total Expenditures	<u>338,200</u>	<u>338,200</u>	<u>303,892</u>	<u>303,892</u>	-	<u>303,892</u>	<u>(34,308)</u>	
Other Financing Sources (Uses)								
Excess (Deficiency) of Revenues	\$ -	\$ -	21,201	21,201	\$ -	21,201	\$ 21,201	
Over (Under) Expenditures			4,348	4,348		4,348		
Fund Balance - Beginning			\$ 25,549	\$ 25,549		\$ 25,549		
Fund Balance - Ending								

City of Flowery Branch, Georgia
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2012

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 REQUIREMENTS

An amendment to the original budget appropriations were properly approved by the City Council. The amendment reclassified original budgeted expenditures between departments, but did not increase or decrease the overall appropriations to the General fund.

<u>Fund Type</u>	<u>Original Budget</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Revised Appropriations</u>
General Fund	\$ 2,655,948	\$ -	\$ -	\$ 2,655,948
	<u>\$ 2,655,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,655,948</u>

City of Flowery Branch, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Tax Allocation District	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 50	\$ 50
Due from other funds	<u>178,620</u>	<u>-</u>	<u>178,620</u>
Total assets	178,620	50	178,670
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 178,620</u>	<u>\$ 50</u>	<u>\$ 178,670</u>
Liabilities			
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Restricted for:			
Law enforcement	-	-	-
Tax Allocation District	178,620	-	178,620
Tourism	<u>-</u>	<u>50</u>	<u>50</u>
Total Fund balances	<u>178,620</u>	<u>50</u>	<u>178,670</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 178,620</u>	<u>\$ 50</u>	<u>\$ 178,670</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, 2012

	Tax Allocation District	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	<u>\$ 106,433</u>	<u>\$ 34,521</u>	<u>\$ 140,954</u>
Total Revenues	<u>106,433</u>	<u>34,521</u>	<u>140,954</u>
Expenditures			
Current			
General Government	<u>-</u>	<u>34,471</u>	<u>34,471</u>
Total Expenditures	<u>-</u>	<u>34,471</u>	<u>34,471</u>
Excess (deficiency) of revenues over (under) expenditures	106,433	50	106,483
Other financing sources and (uses)			
Transfer out	<u>(38,484)</u>	<u>-</u>	<u>(38,484)</u>
Total other financing sources and (uses)	<u>(38,484)</u>	<u>-</u>	<u>(38,484)</u>
Net change in fund balances	67,949	50	67,999
Fund balance-beginning	<u>110,671</u>	<u>-</u>	<u>110,671</u>
Fund balance-ending	<u><u>\$ 178,620</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 178,670</u></u>



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
Flowery Branch, Georgia

We have audited the 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, 2012, which collectively comprise the City of Flowery Branch, Georgia's basic financial statements and have issued our report thereon dated January 18, 2013. 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.

Internal Control Over Financial Reporting

Management of the City of Flowery Branch, Georgia, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Flowery Branch, Georgia's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Flowery Branch, Georgia's internal control over financial reporting.

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 combination of significant 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Flowery Branch, Georgia's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2012-1.

We noted certain matters that we reported to management of the City of Flowery Branch, Georgia in a separate letter dated January 18, 2013.

To the Mayor and City Council
City of Flowery Branch, Georgia
Page 2

The City of Flowery Branch, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Flowery Branch, Georgia's response and, accordingly, we express no opinion on it.

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

Walker & Associates

Walker & Associates
Certified Public Accountants
January 18, 2013

City of Flowery Branch, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2012

Findings – Financial Statement Audit

Internal Control

none

Compliance

2012-1

Condition: The City is in violation of 2004 Water & Sewer Fund Bond Covenants.

Criteria: The City is required to maintain water rates to produce annual net revenues equal to at least the sum of 1.15 times the amount required to be paid into the sinking fund to pay annual principal and interest payments per 2004 Bond Covenants.

Cause: The City's Water & Sewer fund did not produce net revenues equal to at least 1.15 the amount required to be paid into the sinking fund to pay annual principal and interest payments.

Effect: The City is in violation of the 2004 Bond Covenants.

Recommendation: The City should implement a water and sewer rate structure sufficient to provide operating income sufficient to comply with debt covenants.

Response: The City agrees with the finding.

City of Flowery Branch, Georgia

Schedule of Special Purpose Local Option Sales Tax
 Estimated Cost and Expenditure Summary
 For the Year Ended June 30, 2012

<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>	
SPLOST V:					
Road projects	\$ 112,390	\$ 262,713	\$ 279,273	\$ -	\$ 279,273
Other SPLOST projects	477,659	327,336	-	120,072	120,072
Recreational facilities	-	-	-	-	-
Public safety facilities	-	-	163,355	-	163,355
Water system improvements	-	-	-	-	-
Sewer system improvements	-	-	-	-	-
Additional road improvements	-	-	-	-	-
Capital outlay projects	-	-	-	-	-
Totals	<u>\$ 590,049</u>	<u>\$ 590,049</u>	<u>\$ 442,628</u>	<u>\$ 120,072</u>	<u>\$ 562,700</u>
SPLOST VI					
Sewer system facilities	\$1,300,000	\$1,300,000	\$ -	\$ -	\$ -
Police vehicles and equipment	200,000	200,000	-	-	-
Roads and sidewalks	500,000	500,000	-	-	-
Administrative buildings	500,000	500,000	508,201	-	508,201
Totals	<u>\$2,500,000</u>	<u>\$2,500,000</u>	<u>\$ 508,201</u>	<u>\$ -</u>	<u>\$ 508,201</u>