

CITY OF FLOWERY BRANCH, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

WALKER & ASSOCIATES, CPA'S, PC

**CITY OF FLOWERY BRANCH, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2013
TABLE OF CONTENTS**

FINANCIAL SECTION

Independent Auditor's Report.....	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	3
Statement of Activities.....	4
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities....	8
Proprietary Fund Financial Statements	
Statement of Net Position.....	9
Statement of Revenues, Expenses, and Changes in Net Position.....	10
Statement of Cash Flows.....	11
Notes to Financial Statements.....	12
Required Supplementary Information (other than MD&A)	
Budgetary Comparison Schedules	
General Fund.....	24
Local Resource Fund.....	25
Notes to Required Supplementary Information on Budgetary Accounting and Control.....	26
Combining and Individual Funds Statements	
Combining Balance Sheet-Nonmajor Governmental Funds.....	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds.....	28
COMPLIANCE SECTION	
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.....	29
Schedule of Special Purpose Local Option Sales Tax Estimated Cost and Expenditure Summary.....	31



Independent Auditor's Report

To the City Council
City of Flowery Branch, Georgia

Report on the Financial Statements

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, 2013, 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 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, 2013, 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.

Other Matters

Required Supplementary Information

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. However, accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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.

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

Other Reporting Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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* in considering the City of Flowery Branch's internal control over financial reporting and compliance.

Walker & Associates

Walker & Associates
Certified Public Accountants
December 20, 2013

City of Flowery Branch, Georgia

Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,485,483	\$ 3,274,386	\$ 4,759,869	\$ -
Receivables (net)	308,976	131,516	440,492	-
Accrued Revenue	-	56,786	56,786	-
Prepaid Expenses	120,858	-	120,858	-
Deferred charge	-	31,072	31,072	-
Nondepreciable capital assets	788,057	1,247,298	2,035,355	-
Depreciable capital assets, net	<u>6,934,837</u>	<u>8,633,499</u>	<u>15,568,336</u>	-
Total assets	<u>9,638,211</u>	<u>13,374,557</u>	<u>23,012,768</u>	-
Deferred outflows of resources	-	-	-	-
Liabilities				
Accounts payable and other liabilities	113,776	160,701	274,477	-
Deferred revenue	29,706	-	29,706	-
Internal balances	(463,599)	463,599	-	-
Accrued balances	-	164,629	164,629	-
Noncurrent liabilities:				
Due within one year	-	215,000	215,000	-
Due in more than one year	<u>57,227</u>	<u>5,003,754</u>	<u>5,060,981</u>	-
Total liabilities	<u>(262,890)</u>	<u>6,007,683</u>	<u>5,744,793</u>	-
Deferred inflows of resources	-	-	-	-
Net Position				
Net investment in capital assets	7,722,894	6,280,797	14,003,691	-
Restricted for:				
Law enforcement	174	-	174	-
Tourism	50	-	50	-
Capital projects	606,848	-	606,848	-
Unrestricted	<u>1,571,135</u>	<u>1,086,077</u>	<u>2,657,212</u>	-
Total Net Position	<u>\$ 9,901,101</u>	<u>\$ 7,366,874</u>	<u>\$ 17,267,975</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, 2013

	<u>Program Revenues</u>				<u>Governmental Activities</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants Contributions</u>		<u>Business-Type Activities</u>	<u>Primary Government Total</u>	
Primary government:								
Governmental activities								
General government	\$ 961,590	\$ 175,473	\$ -	\$ 279,080	\$ (507,037)		\$ (507,037)	
Judicial	101,593	464,713	-	-	363,120		363,120	
Public safety	894,501	-	5,991	-	(888,510)		(888,510)	
Highways and streets	550,814	-	-	928,476	377,662		377,662	
Health and welfare	17,275	-	-	-	(17,275)		(17,275)	
Housing and development	<u>489,242</u>	<u>96,948</u>	<u>-</u>	<u>128,313</u>	<u>(263,981)</u>		<u>(263,981)</u>	
Total governmental activities	<u>3,015,015</u>	<u>737,134</u>	<u>5,991</u>	<u>1,335,869</u>	<u>(936,021)</u>		<u>(936,021)</u>	
Business-type activities								
Water and Sewer	<u>1,621,349</u>	<u>1,571,451</u>	<u>-</u>	<u>-</u>		\$ (49,898)	<u>(49,898)</u>	
Total business-type activities	<u>1,621,349</u>	<u>1,571,451</u>	<u>-</u>	<u>-</u>		<u>(49,898)</u>	<u>(49,898)</u>	
Total primary government	<u>\$ 4,636,364</u>	<u>\$ 2,308,585</u>	<u>\$ 5,991</u>	<u>\$ 1,335,869</u>			<u>(985,919)</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					714,624	-	714,624	
Franchise tax					659,861	-	659,861	
Sales taxes					369,944	-	369,944	
Alcoholic Beverage Tax					351,978	-	351,978	
Interest and investment earnings					2,746	8,819	11,565	
Miscellaneous					-	16,481	16,481	
Transfers					<u>(4,870)</u>	<u>4,870</u>	<u>-</u>	
Total general revenues and transfers					<u>2,094,283</u>	<u>30,170</u>	<u>2,124,453</u>	
Change in net assets					1,158,262	(19,728)	1,138,534	
Beginning net position					<u>8,742,839</u>	<u>7,386,602</u>	<u>16,129,441</u>	<u>-</u>
Ending net position					<u>\$ 9,901,101</u>	<u>\$ 7,366,874</u>	<u>\$17,267,975</u>	<u>\$ -</u>

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

City of Flowery Branch, Georgia
Balance Sheet
Governmental Funds

June 30, 2013

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Local Resource <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets					
Cash and cash equivalents	\$ 904,496	\$ 540,686	\$ -	\$ 224	\$ 1,445,406
Due from other governments	69,161	45,190	-	19,975	134,326
Receivables (net)	171,201	-	-	3,449	174,650
Prepaid expenditures	120,858	-	-	-	120,858
Due from other funds	865,105	-	325,909	-	1,191,014
Restricted cash	40,077	-	-	-	40,077
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	2,170,898	585,876	325,909	23,648	3,106,331
Deferred outflows of resources	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows	<u>\$ 2,170,898</u>	<u>\$ 585,876</u>	<u>\$ 325,909</u>	<u>\$ 23,648</u>	<u>\$ 3,106,331</u>
Liabilities					
Accounts payable	\$ 109,133	\$ 1,194	\$ -	\$ 3,449	\$ 113,776
Due to other funds	325,909	299,951	3,792	97,763	727,415
Deferred revenue	100,413	-	-	-	100,413
Total liabilities	<hr/> 535,455	<hr/> 301,145	<hr/> 3,792	<hr/> 101,212	<hr/> 941,604
Deferred inflows of resources	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows	535,455	301,145	3,792	101,212	941,604
Fund balances					
Nonspendable:					
Prepaid expenditures	120,858	-	-	-	120,858
Restricted for:					
Capital projects	-	284,731	322,117	-	606,848
Tourism	-	-	-	50	50
Law enforcement	-	-	-	174	174
Unassigned	<hr/> 1,514,585	<hr/> -	<hr/> -	<hr/> (77,788)	<hr/> 1,436,797
Total fund balances	<hr/> 1,635,443	<hr/> 284,731	<hr/> 322,117	<hr/> (77,564)	<hr/> 2,164,727
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,170,898</u>	<u>\$ 585,876</u>	<u>\$ 325,909</u>	<u>\$ 23,648</u>	<u>\$ 3,106,331</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, 2013

Total fund balances - governmental funds	\$ 2,164,727
 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	9,397,250
Less: Accumulated depreciation	(1,674,356)
 Accrued expenses not reported in the governmental funds:	
Accrued personal leave not reported in governmental funds	(57,227)
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>70,707</u>
Net position of governmental activities	<u>\$ 9,901,101</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, 2013

	General Fund	Capital Projects Fund	Local Resource Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property Taxes	\$ 725,069	\$ -	\$ -	\$ 63,150	\$ 788,219
Sales Taxes	369,944	-	-	-	369,944
Franchise Tax	629,611	-	-	-	629,611
Other Taxes	339,963	-	-	41,731	381,694
Intergovernmental	6,241	278,113	39,067	128,313	451,734
Licenses and permits	213,421	-	-	-	213,421
Fines and Forfeitures	403,687	-	-	-	403,687
Charges for services	44,542	-	-	-	44,542
Interest	2,746	967	-	-	3,713
Contributions and donations	895,400	-	-	-	895,400
Miscellaneous	10,350	-	-	-	10,350
Total Revenues	<u>3,640,974</u>	<u>279,080</u>	<u>39,067</u>	<u>233,194</u>	<u>4,192,315</u>
Expenditures					
Current					
General government	737,684	-	-	41,731	779,415
Judicial	100,361	-	-	-	100,361
Public safety	885,753	-	-	709	886,462
Highways and streets	1,137,617	297,223	-	128,313	1,563,153
Health and welfare	17,275	-	-	-	17,275
Housing and development	236,868	-	-	348,223	585,091
Debt service	-	-	51,750	-	51,750
Capital Outlay	-	-	51,750	-	51,750
Total Expenditures	<u>3,115,558</u>	<u>297,223</u>	<u>51,750</u>	<u>518,976</u>	<u>3,983,507</u>
Excess revenues over (under) expenditures	525,416	(18,143)	(12,683)	(285,782)	208,808
Other financing sources (uses)					
Transfers In	24,666	-	334,800	28,665	388,131
Transfers Out	(363,465)	(4,870)	-	(24,666)	(393,001)
Total other financing sources and (uses)	<u>(338,799)</u>	<u>(4,870)</u>	<u>334,800</u>	<u>3,999</u>	<u>(4,870)</u>
Net change in fund balance	186,617	(23,013)	322,117	(281,783)	203,938
Beginning Fund Balance	1,448,826	307,744	-	204,219	1,960,789
Ending Fund Balance	<u>\$1,635,443</u>	<u>\$ 284,731</u>	<u>\$ 322,117</u>	<u>\$ (77,564)</u>	<u>\$ 2,164,727</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, 2013

Net change in fund balances-total governmental funds \$ 203,938

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 (\$1,157,218) exceeded depreciation (\$181,612).

975,606

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(14,168)

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

(7,114)

Net change in net position of governmental activities

\$ 1,158,262

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

City of Flowery Branch, Georgia

Statement of Net Position

Proprietary Funds

June 30, 2013

	Water and Sewer
Assets	
Current assets	
Cash and cash equivalents	\$ 751,913
Accounts receivable (net)	131,516
Restricted cash and cash equivalents	997,896
Accrued revenue	<u>56,786</u>
Total current assets	1,938,111
Noncurrent assets:	
Restricted cash and cash equivalents	1,524,577
Deferred charge	31,072
Capital assets	
Land	553,200
Buildings	3,255,958
Improvements other than buildings	3,355,253
Machinery and equipment	5,529,169
Construction in progress	694,098
Less accumulated depreciation	<u>(3,506,881)</u>
Total capital assets (net of accumulated depreciation)	<u>9,880,797</u>
Total noncurrent assets	<u>11,436,446</u>
Total assets	<u>13,374,557</u>
Deferred outflows of resources	<u>-</u>
Liabilities	
Current Liabilities:	
Accounts payable	42,711
Accrued expenses	164,629
Due to other funds	463,599
Notes payable - current	<u>215,000</u>
Total current liabilities	885,939
Noncurrent liabilities:	
Compensated absences	23,104
Customer deposits	117,990
Deferred revenue	1,595,650
Notes payable	<u>3,385,000</u>
Total noncurrent liabilities	<u>5,121,744</u>
Total liabilities	<u>6,007,683</u>
Deferred inflows of resources	<u>-</u>
Net Position	
Net invested in capital assets	6,280,797
Unrestricted	<u>1,086,077</u>
Total net position	<u>\$ 7,366,874</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, 2013

	<u>Water and Sewer</u>
Operating revenue:	
Charges for Service	\$1,527,952
Connection Fees	43,499
Miscellaneous Income	<u>16,481</u>
 Total operating revenue	 1,587,932
Operating expenses:	
Personal services	
Compensation	411,377
Employment Taxes	30,361
Benefits	<u>61,717</u>
Total Personal Services	503,455
Cost of sales	
Water/vendor contracts	929
Supplies	189,128
Repairs and Maintenance	137,753
Utilities	234,154
Professional Services	6,290
Miscellaneous	46,429
Depreciation	305,946
Engineering, Lab Fees and Training	<u>48,348</u>
Total cost of sales	<u>968,977</u>
 Total Operating Expenses	 <u>1,472,432</u>
Operating Income(loss)	<u>115,500</u>
Nonoperating revenues (expenses)	
Interest Income	8,819
Interest Expense on Loans	<u>(148,917)</u>
 Total nonoperating revenues and (expenses)	 <u>(140,098)</u>
Transfer In	<u>4,870</u>
 Change in net position	 (19,728)
Total net position - beginning	<u>7,386,602</u>
Total net position - ending	<u><u>\$7,366,874</u></u>

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, 2013

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 1,593,845
Payments to suppliers	(663,031)
Payments to employees	<u>(492,916)</u>
Net cash provided (used) by operating activities	437,898
Cash flows from noncapital financing activities:	
Transfer from other funds	4,870
Advances from other funds	<u>128,567</u>
Net cash provided (used) by noncapital financing activities	133,437
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(14,270)
Debt payments, principal and interest	<u>(353,590)</u>
Net cash provided (used) by capital and related financing activities	(367,860)
Cash flows from investing activities:	
Interest income	<u>8,819</u>
Net cash provided by investing activities	<u>8,819</u>
Net increase (decrease) in cash and cash equivalents	212,294
Cash and cash equivalents, July 1, 2012	<u>3,062,092</u>
Cash and cash equivalents, June 30, 2013	<u><u>\$ 3,274,386</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 115,500
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	305,946
Changes in assets and liabilities:	
Receivables and accrued revenue	9,925
Accounts and accrued expenses payable	2,327
Customer deposits	<u>4,200</u>
Net cash provided by operating activities	<u><u>\$ 437,898</u></u>

Debt issuance cost of \$5,327 was amortized and recorded as additional interest expense.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

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 is reported as separate columns in the fund financial statements.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

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:

Nondisposable - Fund balances are reported as nondisposable 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, 2013

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.

Local Resource Fund. This is used for capital purchases purposes.

The City reports the following nonmajor governmental funds:

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

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.

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, 2013

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-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 [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, 2013, 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.) 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, 2013

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 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 \$13,915 at June 30, 2013. 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, 2013.

Property Tax Calendar

The City set its millage rate for the 2012/2013 fiscal year on August 16, 2012 at 2.837 mills. Property tax bills were mailed on October 1, 2012 and were due December 31, 2012. Penalties and interest are due on all accounts not paid by the due date. Fines on delinquent tax accounts could be filed no earlier than March 4, 2013.

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, 2013

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.

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.

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, 2013, there were 14 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, 2013, the employees contributed \$20,049 to the plan, and the employer contributed \$17,100.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

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, 2013, 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 \$48,830.

NOTE 5. Receivables [Primary government]

The following is a summary of amounts due from others at June 30, 2013.

Receivable from:

Governmental Funds:

Due from other governments	\$ 134,326	Sales taxes, property tax for tax allocation district
Taxes receivable, net	17,345	Property tax and hotel/motel tax
Other receivables, net	157,305	Fines/forfeitures and excise taxes

Total governmental receivables	\$ 308,976
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Business-Type Funds:

Accounts receivable, net	\$ 131,516	Water and Sewer accounts
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Total business-type receivables	\$ 131,516
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City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

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, 2013, the total outstanding debt was \$3,600,000 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 \$143,590 was paid in the year ended June 30, 2013.

Business -Type Activities

Year Ending	Total Payments	Principal	Interest
2014	\$ 358,640	\$ 215,000	\$ 143,640
2015	360,062	225,000	135,062
2016	361,084	235,000	126,084
2017	361,708	245,000	116,708
2018	361,932	255,000	106,932
2019-2023	1,799,063	1,425,000	374,063
2024-2026	1,080,798	1,000,000	80,798
Totals	<u>\$ 4,683,287</u>	<u>\$ 3,600,000</u>	<u>\$ 1,083,287</u>

Changes in long-term debt:

	July 1, 2012	Additions	Reductions	June 30, 2013	Due within 1 year
Business-type activity					
Revenue bonds	\$ 3,810,000	\$ -	\$ 210,000	\$ 3,600,000	\$ 215,000
Compensated Absences	15,537	7,567	-	23,104	
	<u>\$ 3,825,537</u>	<u>\$ 7,567</u>	<u>\$ 210,000</u>	<u>\$ 3,623,104</u>	<u>\$ 215,000</u>
Governmental activity					
Compensated Absences	\$ 50,113	\$ 7,114	\$ -	\$ 57,227	\$ -

NOTE 7. Risk management [Primary government]

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, 2013 was \$86,214. 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 2013 was \$98,027. 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, 2013

Note 8. Deferred revenue (Primary Government)

Deferred revenue in the:

Governmental fund financial statements

Business License	\$ 29,706	Taxes not earned in the current year.
Property tax revenues	11,280	Taxes earned in the current year but received beyond the City's period of availability.
Fines receivable	<u>59,427</u>	Fines earned in the current year but received beyond the City's period of availability.
Total governmental Deferred Revenue	<u>\$ 100,413</u>	

Government-wide financial statements

Business License	<u>\$ 29,706</u>	Taxes not earned in the current year.
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Proprietary Fund

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:

	<u>Budgeted Expenditures and other Financing Uses</u>	<u>Actual Expenditures and Other Financing Uses</u>	<u>Actual in Excess of Appropriations</u>
General Fund			
General government	\$ 774,522	\$ 737,684	\$ -
Judicial	\$ 137,818	\$ 100,361	\$ -
Public Safety	\$ 885,772	\$ 885,753	\$ -
Highways and streets	\$ 1,258,871	\$ 1,137,617	\$ -
Health and welfare	\$ 18,100	\$ 17,275	\$ -
Housing and development	\$ 288,011	\$ 236,868	\$ -
Transfers Out	\$ 377,800	\$ 363,465	\$ -
Tax Allocation District Fund	\$ 348,223	\$ 348,223	\$ -
Local Resource Fund	\$ 309,800	\$ 51,750	\$ -
Hotel/Motel Fund	\$ 82,500	\$ 41,731	\$ -
Grant Fund	\$ 188,314	\$ 153,688	\$ -

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, 2013, the City began levying a hotel/motel tax at the rate of 5%. During the year ending June 30, 2013, the City collected \$41,731 in taxes and has contractually committed to the Lake Lanier Convention and Visitors Bureau for the expenditure of \$41,731 which brings the City into full compliance with state law.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

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>Local Resource Fund</u>	<u>General Fund</u>	
General Fund	\$ 325,909	\$ -	\$ 325,909
Water & Sewer	-	463,599	463,599
TAD Fund	-	97,763	97,763
Local Resource Fund	-	3,792	3,792
Capital Projects Fund	-	299,951	299,951
Totals	\$ 325,909	\$ 865,105	\$ 1,191,014

Transfers:

<u>Transfer From:</u>	<u>Transfer To:</u>				<u>Total</u>
	<u>Water & Sewer Fund</u>	<u>Tax Allocation Fund</u>	<u>General Fund</u>	<u>Local Resource Fund</u>	
General Fund	\$ -	\$ 28,665	\$ -	\$ 334,800	\$ 363,465
Grant Fund	-	-	24,666	-	24,666
Capital Projects Fund	4,870	-	-	-	4,870
	\$ 4,870	\$ 28,665	\$ 24,666	\$ 334,800	\$ 393,001

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

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. 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 2004 Revenue Bond Covenants

- A. The City of Flowery Branch has approximately 1,371 water and sewer customers at June 30, 2013.
- B. The following is a list of insurance policies and fidelity bonds paid for and in force at June 30, 2013.

<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
Workman's 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 6/30/13. The City is in compliance with all covenants.

NOTE 14. Deficit Fund Balance

The non-major Tax Allocation District Fund has a deficit fund balance of \$77,788 due to an inter fund loan from the General Fund as of 06/30/13.

NOTE 15. Capital assets [Primary government]

Depreciation expense was charged to the following functions:

Governmental activities:

Business -type activities:

General government	\$ 13,256	Water and sewer	<u>\$ 305,946</u>
Public safety	48,260		
Highways and streets	115,649		
Health and welfare	3,912		
Housing and development	535		
	<u>\$ 181,612</u>		

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2013

NOTE 15. Capital assets [continued]

Primary Government

	Beginning Balances			Ending Balances
	7/1/2012	Increases	Decreases	6/30/2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 345,700	\$ 415,111	\$ -	\$ 760,811
Construction in progress	-	27,246	-	27,246
Total capital assets not being depreciated	345,700	442,357	-	788,057
Capital assets being depreciated:				
Buildings	1,317,527	-	173,548	1,143,979
Machinery and equipment	978,427	-	247,280	731,147
Infrastructure	5,845,658	888,409	-	6,734,067
Total capital assets being depreciated	8,141,612	888,409	420,828	8,609,193
Accumulated depreciation:				
Buildings	360,938	8,254	-	369,192
Machinery and equipment	794,248	56,444	247,280	603,412
Infrastructure	584,838	116,914	-	701,752
Total accumulated depreciation	1,740,024	181,612	247,280	1,674,356
Total governmental capital assets being depreciated, net	6,401,588	706,797	173,548	6,934,837
Total governmental capital assets, net	\$ 6,747,288	\$ 1,149,154	\$ 173,548	\$ 7,722,894
	Beginning Balances			Ending Balances
	7/1/2012	Increases	Decreases	6/30/2013
Business-type activities:				
Water and Sewer				
Capital assets not being depreciated:				
Land	\$ 553,200	\$ -	\$ -	\$ 553,200
Construction in progress	679,828	14,270	-	694,098
Total capital assets not being depreciated	1,233,028	14,270	-	1,247,298
Capital assets being depreciated:				
Buildings	3,255,958	-	-	3,255,958
Machinery and equipment	5,561,193	-	32,024	5,529,169
Infrastructure	3,355,253	-	-	3,355,253
Total capital assets being depreciated	12,172,404	-	32,024	12,140,380
Accumulated depreciation:				
Buildings	1,003,900	65,356	-	1,069,256
Machinery and equipment	1,399,437	165,940	32,024	1,533,353
Infrastructure	829,622	74,650	-	904,272
Total accumulated depreciation	3,232,959	305,946	32,024	3,506,881
Total capital assets being depreciated, net	8,939,445	(305,946)	-	8,633,499
Business-type activity assets, net	\$ 10,172,473	\$ (291,676)	\$ -	\$ 9,880,797

City of Flowery Branch, Georgia
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget Over / (Under)
Revenues						
Property taxes	\$ 689,105	\$ 689,105	\$ 725,069	\$ -	\$ 725,069	\$ 35,964
Sales taxes	347,000	494,300	369,944	-	369,944	(124,356)
Franchise taxes	556,650	556,650	629,611	-	629,611	72,961
Other taxes	289,000	289,000	339,963	-	339,963	50,963
Intergovernmental	38,100	38,100	6,241	-	6,241	(31,859)
License and permits	175,560	175,560	213,421	-	213,421	37,861
Fines and forfeitures	355,000	355,000	403,687	-	403,687	48,687
Charges for services	50,120	50,120	44,542	-	44,542	(5,578)
Interest	1,000	1,000	2,746	-	2,746	1,746
Prior year fund balance	187,500	187,500	-	-	-	(187,500)
Transfers In	-	-	24,666	-	24,666	24,666
Contributions and donations	2,100	891,509	895,400	-	895,400	(3,891)
Miscellaneous	13,050	13,050	10,350	-	10,350	(2,700)
Total Revenues	<u>2,704,185</u>	<u>3,740,894</u>	<u>3,665,640</u>	<u>-</u>	<u>3,665,640</u>	<u>(83,036)</u>
Expenditures						
Current Operating:						
General Government	774,522	774,522	737,684	-	737,684	(36,838)
Judicial	137,818	137,818	100,361	-	100,361	(37,457)
Public safety	885,772	885,772	885,753	-	885,753	(19)
Highways and streets	369,462	1,258,871	1,137,617	-	1,137,617	(121,254)
Health and welfare	18,100	18,100	17,275	-	17,275	(825)
Housing and development	288,011	288,011	236,868	-	236,868	(51,143)
Transfers Out	230,500	377,800	363,465	-	363,465	(14,335)
Total Expenditures	<u>2,704,185</u>	<u>3,740,894</u>	<u>3,479,023</u>	<u>-</u>	<u>3,479,023</u>	<u>(261,871)</u>
Other Financing Sources (Uses)						
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	\$ -	\$ -	186,617	\$ -	186,617	\$ 178,835
Fund Balance - Beginning			1,448,826		1,448,826	
Fund Balance - Ending			<u>\$ 1,635,443</u>		<u>\$ 1,635,443</u>	

City of Flowery Branch, Georgia
Budgetary Comparison Schedule
Local Resource Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP	Actual Amounts GAAP Basis	Variance with
	Original	Final		Differences Over / (Under)		Final Budget Over / (Under)
Revenues						
Intergovernmental	\$ -	\$ -	\$ 39,067	\$ -	\$ 39,067	\$ 39,067
Transfers In	309,800	309,800	334,800	-	334,800	25,000
Total Revenues	<u>309,800</u>	<u>309,800</u>	<u>373,867</u>	<u>-</u>	<u>373,867</u>	<u>64,067</u>
Expenditures						
Current Operating:						
Contingency	187,500	187,500	-	-	-	(187,500)
Capital outlay	122,300	122,300	51,750	-	51,750	(70,550)
Total Expenditures	<u>309,800</u>	<u>309,800</u>	<u>51,750</u>	<u>-</u>	<u>51,750</u>	<u>(258,050)</u>
Other Financing Sources (Uses)						
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	322,117	<u>\$ -</u>	322,117	<u>\$ 322,117</u>
Fund Balance - Beginning			-		-	
Fund Balance - Ending			<u>\$ 322,117</u>		<u>\$ 322,117</u>	

City of Flowery Branch, Georgia
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2013

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.

<u>Fund Type</u>	<u>Original Budget</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Revised Appropriations</u>
General Fund	\$ 2,704,185	\$ 1,036,709	\$ -	\$ 3,740,894
TAD Fund	\$ 103,000	\$ 245,223	\$ -	\$ 348,223
Grant Fund	\$ 60,000	\$ 128,314	\$ -	\$ 188,314
	<u>\$ 2,867,185</u>	<u>\$ 1,410,246</u>	<u>\$ -</u>	<u>\$ 4,277,431</u>

City of Flowery Branch, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Grant Fund</u>	<u>Tax Anticipation District Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 174	\$ -	\$ 50	\$ 224
Accounts receivable, net	-	-	3,449	3,449
Due from other governments	-	19,975	-	19,975
Total assets	<u>174</u>	<u>19,975</u>	<u>3,499</u>	<u>23,648</u>
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows	<u>\$ 174</u>	<u>\$ 19,975</u>	<u>\$ 3,499</u>	<u>\$ 23,648</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 3,449	\$ 3,449
Due to other funds	\$ -	\$ 97,763	\$ -	\$ 97,763
Total liabilities	-	97,763	3,449	101,212
Deferred inflows of resources	-	-	-	-
Total liabilities and deferred inflows	-	97,763	3,449	101,212
Fund balances				
Restricted for:				
Law enforcement	174	-	-	174
Tourism	-	-	50	50
Unassigned	-	(77,788)	-	(77,788)
Total Fund balances	<u>174</u>	<u>(77,788)</u>	<u>50</u>	<u>(77,564)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 174</u>	<u>\$ 19,975</u>	<u>\$ 3,499</u>	<u>\$ 23,648</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, 2013

	Grant <u>Fund</u>	Tax Anticipation <u>District Fund</u>	Hotel/Motel <u>Tax Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues				
Taxes	\$ -	\$ 63,150	\$ 41,731	\$ 104,881
Intergovernmental	<u>128,313</u>	<u>-</u>	<u>-</u>	<u>128,313</u>
Total Revenues	<u>128,313</u>	<u>63,150</u>	<u>41,731</u>	<u>233,194</u>
Expenditures				
Current				
General Government	-	-	41,731	41,731
Public safety	709	-	-	709
Highways and Streets	128,313	-	-	128,313
Housing and development	<u>-</u>	<u>348,223</u>	<u>-</u>	<u>348,223</u>
Total Expenditures	<u>129,022</u>	<u>348,223</u>	<u>41,731</u>	<u>518,976</u>
Excess (deficiency) of revenues over (under) expenditures	(709)	(285,073)	-	(285,782)
Other financing sources and (uses)				
Transfer in	-	28,665	-	28,665
Transfer out	<u>(24,666)</u>	<u>-</u>	<u>-</u>	<u>(24,666)</u>
Total other financing sources and (uses)	<u>(24,666)</u>	<u>28,665</u>	<u>-</u>	<u>3,999</u>
Net change in fund balances	(25,375)	(256,408)	-	(281,783)
Fund balance-beginning	<u>25,549</u>	<u>178,620</u>	<u>50</u>	<u>204,219</u>
Fund balance-ending	<u>\$ 174</u>	<u>\$ (77,788)</u>	<u>\$ 50</u>	<u>\$ (77,564)</u>



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
Flowery Branch, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Flowery Branch as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Flowery Branch's basic financial statements, and have issued our report thereon dated December 20, 2013.

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'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 we have not 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 *Governmental Auditing Standards*.

City of Flowery Branch
Flowery Branch, Georgia
Page 2

We noted certain matters that we reported to management of the City of Flowery Branch, Georgia in a separate letter dated December 20, 2013.

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 result 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 & Associates

Walker & Associates, CPA's, PC
Gainesville, Georgia
December 20, 2013

City of Flowery Branch, Georgia

**Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2013**

<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	-	-	-
Recreational facilities	-	-	-	-	-
Public safety facilities	-	-	283,427	-	283,427
Water system improvements	-	-	-	-	-
Sewer system improvements	-	-	-	-	-
Additional road improvements	-	-	-	-	-
Capital outlay projects	-	-	-	-	-
Totals	<u>\$ 590,049</u>	<u>\$ 590,049</u>	<u>\$ 562,700</u>	<u>\$ -</u>	<u>\$ 562,700</u>
SPLOST VI					
Sewer system facilities	\$1,300,000	\$1,300,000	\$ -	\$ 4,870	\$ 4,870
Police vehicles and equipment	200,000	200,000	-	-	-
Roads and sidewalks	500,000	500,000	-	297,223	297,223
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>\$ 302,093</u>	<u>\$ 810,294</u>