

CITY OF FLOWERY BRANCH, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

WALKER, PIERCE & TUCK, CPA'S, PC

**CITY OF FLOWERY BRANCH, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2014
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INDEPENDENT AUDITOR'S REPORT

To the City Council
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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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, the budgetary comparison information is presented on pages 23-26 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 Non-major Fund Financial Statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the City of Flowery Branch, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Flowery Branch, Georgia's internal control over financial reporting and compliance.

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

Walker, Pierce and Tuck, CPA's, P.C.
Gainesville, Georgia
December 19, 2014

City of Flowery Branch, Georgia

Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 2,664,730	\$ 2,965,256	\$ 5,629,986	\$ -
Receivables (net)	319,950	139,773	459,723	-
Accrued Revenue	-	67,860	67,860	-
Prepaid Expenses	123,686	-	123,686	-
Total current assets	3,108,366	3,172,889	6,281,255	-
Non-current assets				
Nondepreciable capital assets	1,008,349	745,861	1,754,210	-
Depreciable capital assets, net	7,775,029	8,842,489	16,617,518	-
Total non-current assets	8,783,378	9,588,350	18,371,728	-
Total assets	11,891,744	12,761,239	24,652,983	-
Liabilities				
Current Liabilities				
Accounts payable and other liabilities	109,893	202,494	312,387	-
Unearned revenue	43,682	-	43,682	-
Internal balances	(255)	255	-	-
Accrued balances	-	176,294	176,294	-
Notes payable	-	225,000	225,000	-
Total current liabilities	153,320	604,043	757,363	-
Long-term liabilities				
Unearned revenue	-	1,595,650	1,595,650	-
Compensated absences	56,102	21,084	77,186	-
Notes payable	-	3,160,000	3,160,000	-
Total long term liabilities	56,102	4,776,734	4,832,836	-
Total liabilities	209,422	5,380,777	5,590,199	-
Net Position				
Net investment in capital assets	8,783,378	6,203,350	14,986,728	-
Restricted for:				
Law enforcement	174	-	174	-
Tourism	50	-	50	-
Capital projects	543,279	-	543,279	-
Unrestricted	2,355,441	1,177,112	3,532,553	-
Total Net Position	\$ 11,682,322	\$ 7,380,462	\$ 19,062,784	\$ -

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, 2014

	<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	\$ 1,143,845	\$ 229,001	\$ -	\$ 297,776	\$ (617,068)		\$ (617,068)	
Judicial	118,047	342,980	-	-	224,933		224,933	
Public safety	890,625	-	13,390	-	(877,235)		(877,235)	
Highways and streets	347,218	-	-	1,038,316	691,098		691,098	
Health and welfare	14,053	-	-	8,000	(6,053)		(6,053)	
Housing and development	344,808	123,995	-	-	(220,813)		(220,813)	
Total governmental activities	<u>2,858,596</u>	<u>695,976</u>	<u>13,390</u>	<u>1,344,092</u>	<u>(805,138)</u>		<u>(805,138)</u>	
Business-type activities								
Water and Sewer	<u>1,592,875</u>	<u>1,563,355</u>	<u>-</u>	<u>-</u>		\$ (29,520)	<u>(29,520)</u>	
Total business-type activities	<u>1,592,875</u>	<u>1,563,355</u>	<u>-</u>	<u>-</u>		<u>(29,520)</u>	<u>(29,520)</u>	
Total primary government	<u>\$ 4,451,471</u>	<u>\$ 2,259,331</u>	<u>\$ 13,390</u>	<u>\$ 1,344,092</u>			<u>(834,658)</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					873,427	-	873,427	
Franchise tax					693,213	-	693,213	
Sales taxes					652,518	-	652,518	
Alcoholic Beverage Tax					373,690	-	373,690	
Interest and investment earnings					2,347	7,976	10,323	
Miscellaneous					-	26,296	26,296	
Transfers					(8,836)	8,836	-	
Total general revenues and transfers					<u>2,586,359</u>	<u>43,108</u>	<u>2,629,467</u>	
Change in net position					1,781,221	13,588	1,794,809	
Beginning net position					<u>9,901,101</u>	<u>7,366,874</u>	<u>17,267,975</u>	-
Ending net position					<u>\$ 11,682,322</u>	<u>\$ 7,380,462</u>	<u>\$19,062,784</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, 2014

	General Fund	Capital Projects Fund	Tax Allocation District Fund	Local Resource Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,694,994	\$ 493,289	\$ -	\$ 434,875	\$ 224	\$ 2,623,382
Due from other governments	109,341	49,990	-	-	-	159,331
Receivables (net)	156,795	-	-	-	3,824	160,619
Prepaid expenditures	123,686	-	-	-	-	123,686
Due from other funds	137,001	-	26,441	-	-	163,442
Restricted cash	41,348	-	-	-	-	41,348
Total assets	2,263,165	543,279	26,441	434,875	4,048	3,271,808
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 2,263,165</u>	<u>\$ 543,279</u>	<u>\$ 26,441</u>	<u>\$ 434,875</u>	<u>\$ 4,048</u>	<u>\$ 3,271,808</u>
Liabilities						
Accounts payable	\$ 106,069	\$ -	\$ -	\$ -	\$ 3,824	\$ 109,893
Due to other funds	26,441	-	124,598	12,148	-	163,187
Unearned revenue	43,682	-	-	-	-	43,682
Total liabilities	176,192	-	124,598	12,148	3,824	316,762
Deferred inflows of resources	66,854	-	-	-	-	66,854
Total liabilities and deferred inflows	243,046	-	124,598	12,148	3,824	383,616
Fund balances						
Nonspendable:						
Prepaid expenditures	123,686	-	-	-	-	123,686
Restricted for:						
Capital projects	-	543,279	-	-	-	543,279
Tourism	-	-	-	-	50	50
Law enforcement	-	-	-	-	174	174
Committed for:						
Capital projects	-	-	-	422,727	-	422,727
Unassigned	1,896,433	-	(98,157)	-	-	1,798,276
Total fund balances	<u>2,020,119</u>	<u>543,279</u>	<u>(98,157)</u>	<u>422,727</u>	<u>224</u>	<u>2,888,192</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,263,165</u>	<u>\$ 543,279</u>	<u>\$ 26,441</u>	<u>\$ 434,875</u>	<u>\$ 4,048</u>	<u>\$ 3,271,808</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, 2014

Total fund balances - governmental funds \$ 2,888,192

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	10,659,088
Less: Accumulated depreciation	(1,875,710)

Accrued personal leave not reported in governmental funds	(56,102)
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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 reported as deferred inflows of resources in the funds.

Property tax	14,685
Fines	<u>52,169</u>
Total deferred inflows of resources	<u>66,854</u>

Net position of governmental activities	<u>\$ 11,682,322</u>
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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, 2014

	General	Capital	Tax	Local	Other	Total
	Fund	Projects	Allocation	Resource	Governmental	Governmental
Revenues	<u>Fund</u>	<u>Fund</u>	<u>District</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Taxes:						
Property Taxes	\$ 811,711	\$ -	\$ -	\$ -	\$ -	\$ 811,711
Sales Taxes	652,518	-	-	-	-	652,518
Franchise Tax	693,213	-	-	-	-	693,213
Other Taxes	369,774	-	58,251	-	43,375	471,400
Intergovernmental	44,259	296,138	-	39,920	-	380,317
Licenses and permits	202,526	-	-	-	-	202,526
Fines and Forfeitures	347,706	-	-	-	-	347,706
Charges for services	51,861	-	-	-	-	51,861
Interest	2,347	1,638	-	-	-	3,985
Contributions and donations	1,011,786	-	-	-	-	1,011,786
Miscellaneous	25,483	-	-	-	-	25,483
Total Revenues	<u>4,213,184</u>	<u>297,776</u>	<u>58,251</u>	<u>39,920</u>	<u>43,375</u>	<u>4,652,506</u>
Expenditures						
Current						
General government	885,114	-	-	-	43,375	928,489
Judicial	117,562	-	-	-	-	117,562
Public safety	909,234	-	-	-	-	909,234
Highways and streets	1,351,135	-	-	1,518	-	1,352,653
Health and welfare	14,053	-	-	-	-	14,053
Housing and development	242,469	-	105,061	-	-	347,530
Debt service						
Capital Outlay	-	30,392	-	220,292	-	250,684
Total Expenditures	<u>3,519,567</u>	<u>30,392</u>	<u>105,061</u>	<u>221,810</u>	<u>43,375</u>	<u>3,920,205</u>
Excess revenues over (under) expenditures	693,617	267,384	(46,810)	(181,890)	-	732,301
Other financing sources (uses)						
Transfers In	-	-	26,441	282,500	-	308,941
Transfers Out	(308,941)	(8,836)	-	-	-	(317,777)
Total other financing sources and (uses)	<u>(308,941)</u>	<u>(8,836)</u>	<u>26,441</u>	<u>282,500</u>	<u>-</u>	<u>(8,836)</u>
Net change in fund balance	384,676	258,548	(20,369)	100,610	-	723,465
Beginning Fund Balance	<u>1,635,443</u>	<u>284,731</u>	<u>(77,788)</u>	<u>322,117</u>	<u>224</u>	<u>2,164,727</u>
Ending Fund Balance	<u>\$2,020,119</u>	<u>\$ 543,279</u>	<u>\$ (98,157)</u>	<u>\$ 422,727</u>	<u>\$ 224</u>	<u>\$ 2,888,192</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, 2014

Net change in fund balances-total governmental funds	\$ 723,465
 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 (\$1,274,943) exceeded depreciation (\$214,459).	
	1,060,484
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds due to availability.	 (3,853)
 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>1,125</u>
 Net change in net position of governmental activities	 <u>\$ 1,781,221</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, 2014

	Water and Sewer
Assets	
Current assets	
Cash and cash equivalents	\$ 1,039,576
Accounts receivable (net)	139,773
Restricted cash and cash equivalents	915,879
Accrued revenue	<u>67,860</u>
Total current assets	2,163,088
Noncurrent assets:	
Restricted cash and cash equivalents	1,009,801
Capital assets	
Land	553,200
Buildings	3,472,010
Improvements other than buildings	3,649,474
Machinery and equipment	5,548,420
Construction in progress	192,661
Less accumulated depreciation	<u>(3,827,415)</u>
Total capital assets (net of accumulated depreciation)	<u>9,588,350</u>
Total noncurrent assets	<u>10,598,151</u>
Total assets	<u>12,761,239</u>
Deferred outflows of resources	<u>-</u>
Liabilities	
Current Liabilities:	
Accounts payable	80,843
Accrued expenses	176,294
Due to other funds	255
Notes payable - current	<u>225,000</u>
Total current liabilities	482,392
Noncurrent liabilities:	
Compensated absences	21,084
Customer deposits	121,651
Unearned revenue	1,595,650
Notes payable	<u>3,160,000</u>
Total noncurrent liabilities	<u>4,898,385</u>
Total liabilities	<u>5,380,777</u>
Deferred inflows of resources	<u>-</u>
Net Position	
Net invested in capital assets	6,203,350
Unrestricted	<u>1,177,112</u>
Total net position	<u>\$ 7,380,462</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, 2014

	<u>Water and Sewer</u>
Operating revenue:	
Charges for Service	\$1,515,990
Connection Fees	47,365
Miscellaneous Income	<u>26,296</u>
Total operating revenue	1,589,651
Operating expenses:	
Personal services	
Compensation	379,052
Employment Taxes	24,507
Benefits	<u>59,983</u>
Total Personal Services	463,542
Cost of sales	
Water/vendor contracts	440
Supplies	172,804
Repairs and Maintenance	125,122
Utilities	253,329
Professional Services	28,542
Miscellaneous	20,190
Depreciation	320,534
Engineering, Lab Fees and Training	<u>37,949</u>
Total cost of sales	<u>958,910</u>
Total Operating Expenses	<u>1,422,452</u>
Operating Income(loss)	<u>167,199</u>
Nonoperating revenues (expenses)	
Interest Income	7,976
Interest Expense on Loans	<u>(170,423)</u>
Total nonoperating revenues and (expenses)	<u>(162,447)</u>
Transfer In	<u>8,836</u>
Change in net position	13,588
Total net position - beginning	<u>7,366,874</u>
Total net position - ending	<u>\$7,380,462</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, 2014

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 1,570,319
Payments to suppliers	(586,937)
Payments to employees	<u>(463,542)</u>
Net cash provided (used) by operating activities	519,840
Cash flows from noncapital financing activities:	
Decrease in due to other funds	<u>(463,344)</u>
Net cash provided (used) by noncapital financing activities	(463,344)
Cash flows from capital and related financing activities:	
Transfer from other funds	8,836
Purchase of capital assets	(19,251)
Acquisition and construction of capital assets	(8,836)
Debt payments, principal and interest	<u>(354,351)</u>
Net cash provided (used) by capital and related financing activities	(373,602)
Cash flows from investing activities:	
Interest income	<u>7,976</u>
Net cash provided by investing activities	<u>7,976</u>
Net increase (decrease) in cash and cash equivalents	(309,130)
Cash and cash equivalents, July 1, 2013	<u>3,274,386</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 2,965,256</u>

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

Operating income (loss)	\$ 167,199
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	320,534
Changes in assets and liabilities:	
Receivables and accrued revenue	(19,331)
Accounts payable	38,132
Accrued expenses	11,665
Compensated absences	(2,020)
Customer deposits	<u>3,661</u>
Net cash provided by operating activities	<u>\$ 519,840</u>

Debt issuance cost of \$31,072 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, 2014

NOTE 1. Summary of significant accounting policies

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

1-A The Reporting Entity

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

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

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

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

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

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation-Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

The City reports the following major governmental funds:

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

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

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, as approved by the City Council.

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

The City reports the following nonmajor governmental funds:

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

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

The City reports the following major proprietary fund:

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

1-C Fund Equity

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

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

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

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

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

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

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

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

Committed
Assigned
Unassigned

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

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

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

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

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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and eliminated on the Statement of Position.

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

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

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

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

1-D Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

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, 2014, the City had no investments nor were any authorized.

Restricted Assets

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

Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans.)

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

All trade and property tax receivables, including those for the City of Flowery Branch, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the proprietary fund resulting from the sale of water and sewer services. Balances due in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was \$109,566 at June 30, 2014. 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, 2014.

Property Tax Calendar

The City set its millage rate for the 2013/2014 fiscal year on August 15, 2013 at 2.837 mills. Property tax bills were mailed on October 1, 2013 and were due December 31, 2013. Penalties and interest are due on all accounts not paid by the due date. Filing of delinquent tax accounts could be filed no earlier than March 3, 2014.

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:

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

<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

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

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, 2014, 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, 2014, the employees contributed \$20,102 to the plan, and the employer contributed \$17,257.

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.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

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, 2014, 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. Receivables [Primary Government]

The following is a summary of amounts due from others at June 30, 2014.
 Receivable from:

Governmental Funds:

Due from other governments	\$ 159,331	Sales taxes, property tax for tax allocation district
Taxes receivable, net	18,509	Property tax and hotel/motel tax
Other receivables, net	142,110	Fines/forfeitures and excise taxes

Total governmental receivables	\$ 319,950
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Business-Type Funds:

Accounts receivable, net	\$ 139,773	Water and Sewer accounts
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Total business-type receivables	\$ 139,773
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NOTE 5. 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 \$887,661, with the bond proceeds.

As of June 30, 2014, the total outstanding debt was \$3,385,000 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 \$139,351 was paid in the year ended June 30, 2014.

Business -Type Activities

Year Ending	Total Payments	Principal	Interest
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	\$ 361,758	265,000	96,758
2020-2024	\$ 1,797,205	1,480,000	317,205
2025-2026	\$ 720,898	680,000	40,898
Totals	\$ 4,324,647	\$ 3,385,000	\$ 939,647

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

Changes in long-term debt:

	July 1, 2013	Additions	Reductions	June 30, 2014	Due within 1 year
Business-type activity					
Revenue bonds	\$ 3,600,000	\$ -	\$ 215,000	\$ 3,385,000	\$ 225,000
Compensated Absences	23,104	-	2,020	21,084	-
	<u>\$ 3,623,104</u>	<u>\$ -</u>	<u>\$ 217,020</u>	<u>\$ 3,406,084</u>	<u>\$ 225,000</u>
Governmental activity					
Compensated Absences	\$ 57,227	\$ -	\$ 1,125	\$ 56,102	-

In prior years the general fund has normally been used to liquidate the long term liability for compensated absences.

NOTE 6. 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, 2014 was \$88,231. 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 2014 was \$96,407. As part of this risk pool, the Government is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the fund. The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss.

Note 7. Deferred inflows and Unearned Revenue (Primary Government)

Governmental Funds Financial Statements

Unearned revenue			
Business License	\$ 43,682	An exchange transaction-fees collected in advance of the period to which they apply.	
Deferred inflows			
Property taxes	\$ 14,685		
Fines	<u>52,169</u>		
	\$ 66,854	Non-exchange transaction resource collected beyond the City's period of availability.	

Government-Wide and Proprietary Fund Financial Statements

Unearned revenue			
Governmental Activities			
Business License	\$ 43,682	An exchange transaction-fees collected in advance of the period to which they apply.	
Business-type activities and Proprietary Fund Financial Statements			
Deposits to reserve			
sewage plant capacity	\$ 1,595,650	An exchange-like transaction to be considered as revenue upon the actual sale of connection permits.	

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

NOTE 8. 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	\$ 885,555	\$ 885,114	\$ -
Judicial	\$ 117,632	\$ 117,562	\$ -
Public Safety	\$ 909,302	\$ 909,234	\$ -
Highways and streets	\$ 1,379,507	\$ 1,351,135	\$ -
Health and welfare	\$ 15,600	\$ 14,053	\$ -
Housing and development	\$ 275,297	\$ 242,469	\$ -
Transfers Out	\$ 311,500	\$ 308,941	\$ -
Tax Allocation District Fund	\$ 105,125	\$ 105,061	\$ -
Local Resource Fund	\$ 282,500	\$ 221,810	\$ -
Hotel/Motel Fund	\$ 85,000	\$ 43,375	\$ -
Grant Fund	\$ -	\$ -	\$ -

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

NOTE 9. Hotel/Motel Tax (Primary Government)

In the fiscal year ending June 30, 2014, the City was levying a hotel/motel tax at the rate of 5%. During the year ending June 30, 2014, the City collected \$43,375 in taxes and has contractually committed to the Lake Lanier Convention and Visitors Bureau for the expenditure of \$43,375 which brings the City into full compliance with state law.

NOTE 10. Interfund receivables, payables and transfers (Primary Government)

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.

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

Interfund balances:

<u>Due From:</u>	Due To:		
	<u>General Fund</u>	<u>TAD Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 26,441	\$ 26,441
Water & Sewer Fund	255	-	255
TAD Fund	124,598	-	124,598
Local Resource Fund	12,148	-	12,148
Totals	\$ 137,001	\$ 26,441	\$ 163,442

Transfer From:	Transfer To:			
	<u>Water & Sewer Fund</u>	<u>TAD Fund</u>	<u>Local Resource Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 26,441	\$ 282,500	\$ 308,941
Capital Projects Fund	8,836	-	-	8,836
Totals	\$ 8,836	\$ 26,441	\$ 282,500	\$ 317,777

NOTE 11. 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

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

NOTE 12. Series 2004 Revenue Bond Covenants

- A. The City of Flowery Branch has approximately 1,166 water customers and 1364 sewer customers at June 30, 2014.
- B. The following is a list of insurance policies and fidelity bonds paid for and in force at June 30, 2014.

<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 June 30, 2014. The City is in compliance with all covenants.

NOTE 13. Deficit Fund Balance

The non-major Tax Allocation District Fund has a deficit fund balance of \$98,157 due to an inter-fund loan from the General Fund as of June 30, 2014.

NOTE 14. Subsequent Events

Subsequent events have been evaluated through December 10, 2014.

NOTE 15. Capital Assets [Primary government]

Depreciation expense was charged to the following functions:

<u>Governmental activities:</u>		<u>Business -type activities:</u>	
General government	\$ 12,395	Water and sewer	<u>\$ 320,534</u>
Public safety	35,585		
Highways and streets	162,032		
Health and welfare	3,912		
Housing and development	535		
	<u>\$ 214,459</u>		

City of Flowery Branch, Georgia
Notes to Financial Statements
June 30, 2014

NOTE 15. Capital Assets [Primary government](continued)

	Beginning Balances 7/1/2013	Increases	Decreases	Ending Balances 6/30/2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 760,811	\$ -	\$ -	\$ 760,811
Construction in progress	27,246	220,292	-	247,538
Total capital assets not being depreciated	788,057	220,292	-	1,008,349
Capital assets being depreciated:				
Buildings	1,143,979	-	-	1,143,979
Machinery and equipment	731,147	56,255	13,105	774,297
Infrastructure	6,734,067	998,396	-	7,732,463
Total capital assets being depreciated	8,609,193	1,054,651	13,105	9,650,739
Accumulated depreciation:				
Buildings	369,192	18,995	-	388,187
Machinery and equipment	603,412	42,479	13,105	632,786
Infrastructure	701,752	152,985	-	854,737
Total accumulated depreciation	1,674,356	214,459	13,105	1,875,710
Total governmental capital assets being depreciated, net	6,934,837	840,192	-	7,775,029
Total governmental capital assets, net	\$ 7,722,894	\$ 1,060,484	\$ -	\$ 8,783,378
Business-type activities:				
Water and Sewer				
Capital assets not being depreciated:				
Land	\$ 553,200	\$ -	\$ -	\$ 553,200
Construction in progress	694,098	8,836	510,273	192,661
Total capital assets not being depreciated	1,247,298	8,836	510,273	745,861
Capital assets being depreciated:				
Buildings	3,255,958	216,052	-	3,472,010
Machinery and equipment	5,529,169	19,251	-	5,548,420
Infrastructure	3,355,253	294,221	-	3,649,474
Total capital assets being depreciated	12,140,380	529,524	-	12,669,904
Accumulated depreciation:				
Buildings	1,069,256	69,678	-	1,138,934
Machinery and equipment	1,533,353	168,275	-	1,701,628
Infrastructure	904,272	82,581	-	986,853
Total accumulated depreciation	3,506,881	320,534	-	3,827,415
Total capital assets being depreciated, net	8,633,499	208,990	-	8,842,489
Business-type activity assets, net	\$ 9,880,797	\$ 217,826	\$ 510,273	\$ 9,588,350

City of Flowery Branch, Georgia
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	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	\$ 696,630	\$ 696,630	\$ 811,711	\$ -	\$ 811,711	\$ 115,081
Sales taxes	597,000	597,000	652,518	-	652,518	55,518
Franchise taxes	603,750	603,750	693,213	-	693,213	89,463
Other taxes	290,000	290,000	369,774	-	369,774	79,774
Intergovernmental	40,600	40,600	44,259	-	44,259	3,659
License and permits	148,947	148,947	202,526	-	202,526	53,579
Fines and forfeitures	355,000	355,000	347,706	-	347,706	(7,294)
Charges for services	49,820	49,820	51,861	-	51,861	2,041
Interest	1,250	1,250	2,347	-	2,347	1,097
Transfers In	95,000	95,000	-	-	-	(95,000)
Contributions and donations	3,500	1,001,896	1,011,786	-	1,011,786	9,890
Miscellaneous	14,500	14,500	25,483	-	25,483	10,983
Total Revenues	<u>2,895,997</u>	<u>3,894,393</u>	<u>4,213,184</u>	<u>-</u>	<u>4,213,184</u>	<u>318,791</u>
Expenditures						
Current Operating:						
General Government	859,555	885,555	885,114	-	885,114	(441)
Judicial	127,232	117,632	117,562	-	117,562	(70)
Public safety	899,702	909,302	909,234	-	909,234	(68)
Highways and streets	381,111	1,379,507	1,351,135	-	1,351,135	(28,372)
Health and welfare	15,600	15,600	14,053	-	14,053	(1,547)
Housing and development	301,297	275,297	242,469	-	242,469	(32,828)
Transfers Out	311,500	311,500	308,941	-	308,941	(2,559)
Total Expenditures	<u>2,895,997</u>	<u>3,894,393</u>	<u>3,828,508</u>	<u>-</u>	<u>3,828,508</u>	<u>(65,885)</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	384,676	<u>\$ -</u>	384,676	<u>\$ 384,676</u>
Fund Balance - Beginning			1,635,443		1,635,443	
Fund Balance - Ending			<u>\$ 2,020,119</u>		<u>\$ 2,020,119</u>	

City of Flowery Branch, Georgia
Budgetary Comparison Schedule
Tax Allocation District Fund
For the Year Ended June 30, 2014

	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	\$ 61,625	\$ 76,125	\$ 58,251	\$ -	\$ 58,251	\$ (17,874)
Transfers In	29,000	29,000	26,441	-	26,441	(2,559)
Total Revenues	<u>90,625</u>	<u>105,125</u>	<u>84,692</u>	<u>-</u>	<u>84,692</u>	<u>(20,433)</u>
Expenditures						
Current Operating:						
Housing and development	90,625	105,125	105,061	-	105,061	(64)
Total Expenditures	<u>90,625</u>	<u>105,125</u>	<u>105,061</u>	<u>-</u>	<u>105,061</u>	<u>(64)</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	(20,369)	<u>\$ -</u>	(20,369)	<u>\$ (20,369)</u>
Fund Balance - Beginning			(77,788)		(77,788)	
Fund Balance - Ending			<u>\$ (98,157)</u>		<u>\$ (98,157)</u>	

City of Flowery Branch, Georgia
Notes to Required Supplementary Information
on Budgetary Accounting and Control
Year Ended June 30, 2014

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

<u>Major Fund Type</u>	Original <u>Budget</u>	Supplemental <u>Appropriations</u>	Supplemental <u>Decreases</u>	Revised <u>Appropriations</u>
General Fund	\$ 2,895,997	\$ 998,396	\$ -	\$ 3,894,393
TAD Fund	90,625	14,500	-	105,125
	<u>\$ 2,986,622</u>	<u>\$ 1,012,896</u>	<u>\$ -</u>	<u>\$ 3,999,518</u>

City of Flowery Branch, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Grant 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	<u>-</u>	<u>3,824</u>	<u>3,824</u>
Total assets	174	3,874	4,048
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 174</u>	<u>\$ 3,874</u>	<u>\$ 4,048</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ 3,824</u>	<u>\$ 3,824</u>
Total liabilities	-	3,824	3,824
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows	-	3,824	3,824
Fund balances			
Restricted for:			
Law enforcement	174	-	174
Tourism	<u>-</u>	<u>50</u>	<u>50</u>
Total Fund balances	<u>174</u>	<u>50</u>	<u>224</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 174</u>	<u>\$ 3,874</u>	<u>\$ 4,048</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, 2014

	<u>Grant Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	<u>\$ -</u>	<u>\$ 43,375</u>	<u>\$ 43,375</u>
Total Revenues	<u>-</u>	<u>43,375</u>	<u>43,375</u>
Expenditures			
Current			
General Government	<u>-</u>	<u>43,375</u>	<u>43,375</u>
Total Expenditures	<u>-</u>	<u>43,375</u>	<u>43,375</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other financing sources and (uses)			
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balance-beginning	<u>174</u>	<u>50</u>	<u>224</u>
Fund balance-ending	<u><u>\$ 174</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 224</u></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, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2014, and the related notes to the financial statements, which collectively comprise City of Flowery Branch, Georgia's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Flowery Branch, Georgia's financial statements are free 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Walker, Pierce & Tuck, CPA's, PC

Walker, Pierce & Tuck, CPA's, PC
Gainesville, Georgia
December 19, 2014



City of Flowery Branch, Georgia

**Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2014**

<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 VI					
Sewer system facilities	\$1,300,000	\$1,300,000	\$ 4,870	\$ 8,836	\$ 13,706
Police vehicles and equipment	200,000	200,000	-	30,392	30,392
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>\$ 810,294</u>	<u>\$ 39,228</u>	<u>\$ 849,522</u>

SPLOST V was completed at the end of June 30, 2013.