

**CITY OF FLOWERY BRANCH, GEORGIA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**City of Flowery Branch, Georgia**  
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**Fiscal Year Ended June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Flowery Branch, Georgia'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Other Matters*

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 25-27 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the schedule of special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, 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, & Tuck, CPA's, P.C.

Gainesville, Georgia  
December 31, 2015



## City of Flowery Branch, Georgia

### Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 2,391,884	\$ 3,350,856	\$ 5,742,740	\$ -
Restricted Cash	49,631	272,621	322,252	-
Receivables (net)	345,219	571,501	916,720	-
Accrued Revenue	-	72,242	72,242	-
Prepaid Expenses	121,608	-	121,608	-
<b>Total current assets</b>	<b>2,908,342</b>	<b>4,267,220</b>	<b>7,175,562</b>	<b>-</b>
<b>Non-current assets</b>				
Nondepreciable capital assets	2,306,307	2,057,984	4,364,291	-
Depreciable capital assets, net	7,661,750	8,521,615	16,183,365	-
<b>Total non-current assets</b>	<b>9,968,057</b>	<b>10,579,599</b>	<b>20,547,656</b>	<b>-</b>
<b>Total assets</b>	<b>12,876,399</b>	<b>14,846,819</b>	<b>27,723,218</b>	<b>-</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	-	60,327	60,327	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>60,327</b>	<b>60,327</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>12,876,399</b>	<b>14,907,146</b>	<b>27,783,545</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and other liabilities	157,453	618,921	776,374	-
Retainage payable	52,418	104,287	156,705	-
Unearned revenue	49,125	-	49,125	-
Internal balances	1,942	(1,942)	-	-
Accrued expenses	20,913	23,764	44,677	-
Amounts held in trust	-	128,626	128,626	-
Revenue bonds payable	-	233,000	233,000	-
<b>Total current liabilities</b>	<b>281,851</b>	<b>1,106,656</b>	<b>1,388,507</b>	<b>-</b>
<b>Long-term liabilities</b>				
Unearned revenue	-	1,595,650	1,595,650	-
Compensated absences	63,025	20,169	83,194	-
Notes payable	225,579	1,164,918	1,390,497	-
Revenue bonds payable	-	2,757,000	2,757,000	-
<b>Total long-term liabilities</b>	<b>288,604</b>	<b>5,537,737</b>	<b>5,826,341</b>	<b>-</b>
<b>Total liabilities</b>	<b>570,455</b>	<b>6,644,393</b>	<b>7,214,848</b>	<b>-</b>
<b>Total Assets and Deferred Inflows of Resources</b>	<b>570,455</b>	<b>6,644,393</b>	<b>7,214,848</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	9,608,543	5,972,086	15,580,629	-
Restricted for:				
Law enforcement	8,445	-	8,445	-
Tourism	50	-	50	-
Capital projects	36,919	-	36,919	-
Unrestricted	2,651,987	2,290,667	4,942,654	-
<b>Total Net Position</b>	<b>\$ 12,305,944</b>	<b>\$ 8,262,753</b>	<b>\$ 20,568,697</b>	<b>\$ -</b>

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, 2015

	<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</u>			<u>Business-Type Activities</u>	<u>Total</u>	
			<u>Grants and Contributions</u>	<u>Capital Grants Contributions</u>				
<b>Primary government:</b>								
<b>Governmental activities</b>								
General government	\$ 869,738	\$ 196,451	\$ -	\$ 301,870	\$ (371,417)		\$ (371,417)	
Judicial	135,270	272,969	-	-	137,699		137,699	
Public safety	956,499	-	15,590	-	(940,909)		(940,909)	
Highways and streets	554,718	-	-	291,872	(262,846)		(262,846)	
Housing and development	357,920	139,096	-	-	(218,824)		(218,824)	
Culture and recreation	26,275	5,025	-	-	(21,250)		(21,250)	
Total governmental activities	<u>2,900,420</u>	<u>613,541</u>	<u>15,590</u>	<u>593,742</u>	<u>(1,677,547)</u>		<u>(1,677,547)</u>	
<b>Business-type activities</b>								
Water and Sewer	1,694,809	1,859,226	-	-		\$ 164,417	164,417	
Total business-type activities	<u>1,694,809</u>	<u>1,859,226</u>	<u>-</u>	<u>-</u>		<u>164,417</u>	<u>164,417</u>	
Total primary government	<u>\$ 4,595,229</u>	<u>\$ 2,472,767</u>	<u>\$ 15,590</u>	<u>\$ 593,742</u>			<u>(1,513,130)</u>	
<b>Component units:</b>								
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -				\$ -
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ -</u>
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purposes					1,043,971	-	1,043,971	
Franchise tax					744,569	-	744,569	
Sales taxes					846,002	-	846,002	
Alcoholic Beverage Tax					360,088	-	360,088	
Interest and investment earnings					5,167	7,334	12,501	
Miscellaneous					-	832	832	
Gain on disposition of miscellaneous assets					11,080	-	11,080	
Transfers					<u>(709,708)</u>	<u>709,708</u>	<u>-</u>	
Total general revenues and transfers					<u>2,301,169</u>	<u>717,874</u>	<u>3,019,043</u>	
Change in net position					623,622	882,291	1,505,913	
Beginning net position					<u>11,682,322</u>	<u>7,380,462</u>	<u>19,062,784</u>	-
Ending net position					<u>\$ 12,305,944</u>	<u>\$ 8,262,753</u>	<u>\$20,568,697</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, 2015

	General	Capital Projects	Tax Allocation District	Local Resource	Other Governmental	Total Governmental
<b>Assets</b>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$ 1,957,965	\$ 25,313	\$ -	\$ 408,382	\$ 224	\$ 2,391,884
Due from other governments	126,385	52,577	54,624	-	-	233,586
Receivables (net)	107,622	-	-	-	4,011	111,633
Prepaid expenditures	121,608	-	-	-	-	121,608
Due from other funds	132,880	-	30,436	-	-	163,316
Restricted cash	49,631	-	-	-	-	49,631
<b>Total assets</b>	<b>2,496,091</b>	<b>77,890</b>	<b>85,060</b>	<b>408,382</b>	<b>4,235</b>	<b>3,071,658</b>
Deferred outflows of resources	-	-	-	-	-	-
<b>Total assets and deferred outflows</b>	<b><u>\$ 2,496,091</u></b>	<b><u>\$ 77,890</u></b>	<b><u>\$ 85,060</u></b>	<b><u>\$ 408,382</u></b>	<b><u>\$ 4,235</u></b>	<b><u>\$ 3,071,658</u></b>
<b>Liabilities</b>						
Accounts payable	\$ 64,575	\$ 7,350	\$ -	\$ 81,517	\$ 4,011	\$ 157,453
Retainage payable	-	-	-	52,418	-	52,418
Accrued expenses	20,913	-	-	-	-	20,913
Due to other funds	32,378	33,621	99,259	-	-	165,258
Unearned revenue	49,125	-	-	-	-	49,125
<b>Total liabilities</b>	<b>166,991</b>	<b>40,971</b>	<b>99,259</b>	<b>133,935</b>	<b>4,011</b>	<b>445,167</b>
Deferred inflows of resources	57,101	-	-	-	-	57,101
<b>Total liabilities and deferred inflows</b>	<b>224,092</b>	<b>40,971</b>	<b>99,259</b>	<b>133,935</b>	<b>4,011</b>	<b>502,268</b>
<b>Fund balances</b>						
Nonspendable:						
Prepaid expenditures	121,608	-	-	-	-	121,608
Restricted for:						
Capital projects	-	36,919	-	-	-	36,919
Tourism	-	-	-	-	50	50
Law enforcement	8,271	-	-	-	174	8,445
Committed for:						
Capital projects	-	-	-	274,447	-	274,447
Unassigned	2,142,120	-	(14,199)	-	-	2,127,921
<b>Total fund balances</b>	<b>2,271,999</b>	<b>36,919</b>	<b>(14,199)</b>	<b>274,447</b>	<b>224</b>	<b>2,569,390</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b><u>\$ 2,496,091</u></b>	<b><u>\$ 77,890</u></b>	<b><u>\$ 85,060</u></b>	<b><u>\$ 408,382</u></b>	<b><u>\$ 4,235</u></b>	<b><u>\$ 3,071,658</u></b>

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

**City of Flowery Branch, Georgia**  
 Reconciliation of Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2015

**Total fund balances - governmental funds** \$ 2,569,390

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	11,993,181
Less: Accumulated depreciation	(2,025,124)

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.

Fines	39,894
Property tax	<u>17,207</u>
Total deferred inflows of resources	<u>57,101</u>

Some of the City's liabilities, including notes payable, are not due and payable in the current period and herefore are not reported in the funds.

Notes payable	(225,579)
Compensated Absences	<u>(63,025)</u>

**Net position of governmental activities** **\$ 12,305,944**



**City of Flowery Branch, Georgia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General	Capital	Tax	Local	Other	Total
	Fund	Projects	Allocation	Resource	Governmental	Governmental
<b>Revenues</b>	<u>Fund</u>	<u>Fund</u>	<u>District</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Taxes:</b>						
Property Taxes	\$ 986,825	\$ -	\$ -	\$ -	\$ -	\$ 986,825
Sales Taxes	846,002	-	-	-	-	846,002
Franchise Tax	744,569	-	-	-	-	744,569
Other Taxes	339,695	-	54,624	-	46,002	440,321
Intergovernmental	23,609	301,870	-	291,872	-	617,351
Licenses and permits	213,349	-	-	-	-	213,349
Fines and Forfeitures	283,331	-	-	-	-	283,331
Charges for services	50,214	-	-	-	-	50,214
Interest	3,709	1,089	-	369	-	5,167
Contributions and donations	15,590	-	-	-	-	15,590
Miscellaneous	29,704	-	-	-	-	29,704
<b>Total Revenues</b>	<u>3,536,597</u>	<u>302,959</u>	<u>54,624</u>	<u>292,241</u>	<u>46,002</u>	<u>4,232,423</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	858,630	-	-	-	-	858,630
Judicial	136,068	-	-	-	-	136,068
Public safety	902,735	-	-	-	-	902,735
Highways and streets	376,669	8,200	-	-	-	384,869
Culture and recreation	22,363	-	-	-	-	22,363
Housing and development	307,204	-	1,102	-	46,002	354,308
Capital Outlay	29,834	91,411	-	1,297,958	-	1,419,203
<b>Total Expenditures</b>	<u>2,633,503</u>	<u>99,611</u>	<u>1,102</u>	<u>1,297,958</u>	<u>46,002</u>	<u>4,078,176</u>
<b>Excess revenues over (under) expenditures</b>	903,094	203,348	53,522	(1,005,717)	-	154,247
<b>Other financing sources (uses)</b>						
Transfers In	-	-	30,436	631,858	-	662,294
Transfers Out	(662,294)	(709,708)	-	-	-	(1,372,002)
Debt proceeds	-	-	-	225,579	-	225,579
Sale of miscellaneous assets	11,080	-	-	-	-	11,080
<b>Total other financing sources and (uses)</b>	<u>(651,214)</u>	<u>(709,708)</u>	<u>30,436</u>	<u>857,437</u>	<u>-</u>	<u>(473,049)</u>
<b>Net change in fund balance</b>	251,880	(506,360)	83,958	(148,280)	-	(318,802)
<b>Beginning Fund Balance</b>	<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>
<b>Ending Fund Balance</b>	<u>\$ 2,271,999</u>	<u>\$ 36,919</u>	<u>\$ (14,199)</u>	<u>\$ 274,447</u>	<u>\$ 224</u>	<u>\$ 2,569,390</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, 2015

**Net change in fund balances-total governmental funds** \$ (318,802)

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 exceeded depreciation.

Capital outlays	1,419,203
Depreciation expense	<u>(234,524)</u>
	1,184,679

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds due to availability. (9,753)

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>(6,923)</u>
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Proceeds from issuance of note payable	(225,579)
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**Net change in net position of governmental activities** \$ 623,622

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

**City of Flowery Branch, Georgia**

Statement of Net Position

Proprietary Funds

June 30, 2015

	<u>Water and Sewer</u>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 3,350,856
Restricted cash and cash equivalents	272,621
Accounts receivable (net)	571,501
Due from other funds	1,942
Accrued revenue	<u>72,242</u>
Total current assets	4,269,162
<b>Noncurrent assets:</b>	
<b>Capital assets</b>	
Land	553,200
Buildings	3,472,010
Improvements other than buildings	3,649,474
Machinery and equipment	5,547,067
Construction in progress	1,504,784
Less accumulated depreciation	<u>(4,146,936)</u>
Total capital assets (net of accumulated depreciation)	<u>10,579,599</u>
Total noncurrent assets	<u>10,579,599</u>
<b>Total Assets</b>	<u>14,848,761</u>
Deferred outflows of resources	<u>60,327</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>14,909,088</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	527,258
Retainage payable	104,287
Accrued expenses	115,427
Customer deposits	128,626
Revenue bonds payable	<u>233,000</u>
Total current liabilities	1,108,598
<b>Noncurrent liabilities:</b>	
Compensated absences	20,169
Unearned revenue	1,595,650
Notes payable	1,164,918
Revenue bonds payable	<u>2,757,000</u>
Total noncurrent liabilities	<u>5,537,737</u>
<b>Total Liabilities</b>	<u>6,646,335</u>
<b>Net Position</b>	
Net invested in capital assets	5,972,086
Unrestricted	<u>2,290,667</u>
<b>Total net position</b>	<u>\$ 8,262,753</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, 2015

	<u>Water and Sewer</u>
Operating revenue:	
Charges for Service	\$ 1,812,796
Connection Fees	46,430
Miscellaneous Income	<u>832</u>
 Total operating revenue	 1,860,058
Operating expenses:	
Personal services	
Compensation	422,736
Employment Taxes	32,627
Benefits	<u>103,131</u>
Total Personal Services	558,494
Cost of sales	
Water/vendor contracts	1,425
Supplies	179,750
Repairs and Maintenance	142,417
Utilities	244,770
Professional Services	9,020
Miscellaneous	36,299
Depreciation	320,874
Engineering, Lab Fees and Training	<u>33,887</u>
Total cost of sales	<u>968,442</u>
 Total Operating Expenses	 <u>1,526,936</u>
Operating Income(loss)	<u>333,122</u>
Nonoperating revenues (expenses)	
Interest Income	7,334
Interest Expense on Loans	<u>(167,873)</u>
 Total nonoperating revenues and (expenses)	 <u>(160,539)</u>
Transfer In	<u>709,708</u>
 Change in net position	 882,291
Total net position - beginning	<u>7,380,462</u>
Total net position - ending	<u>\$ 8,262,753</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, 2015

	<u>Water and Sewer Fund</u>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 1,430,923
Payments to suppliers	(294,035)
Payments to employees	<u>(423,107)</u>
Net cash provided (used) by operating activities	713,781
<b>Cash flows from noncapital financing activities:</b>	
Decrease in due to other funds	<u>(2,197)</u>
Net cash provided (used) by noncapital financing activities	(2,197)
<b>Cash flows from capital and related financing activities:</b>	
Transfer from other funds	709,708
Acquisition and construction of capital assets	(1,312,120)
Proceeds from long-term debt	4,091,718
Debt payments, principal and interest	<u>(3,550,003)</u>
Net cash provided (used) by capital and related financing activities	(60,697)
<b>Cash flows from investing activities:</b>	
Interest income	<u>7,334</u>
Net cash provided by investing activities	<u>7,334</u>
Net increase (decrease) in cash and cash equivalents	658,221
Cash and cash equivalents, July 1, 2014	<u>2,965,256</u>
Cash and cash equivalents, June 30, 2015	<u><u>\$ 3,623,477</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 333,122
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	320,874
Changes in assets and liabilities:	
Receivables and accrued revenue	(436,110)
Accounts and retainage payable	488,676
Accrued expenses	615
Accrued salaries	544
Compensated absences	(915)
Customer deposits	<u>6,975</u>
Net cash provided by operating activities	<u><u>\$ 713,781</u></u>

Debt issuance cost of \$66,722 from the refunding of the 2004 revenue bonds was recorded as additional interest expense. Bond premium from the refunding of the 2004 revenue bonds in the amount of \$2,873 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, 2015

**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, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

The City reports the following nonmajor governmental funds:

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

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

The City reports the following major proprietary fund:

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

**1-C Fund Equity**

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

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

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

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

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

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

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

**City of Flowery Branch, Georgia**  
Notes to Financial Statements  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.



**City of Flowery Branch, Georgia**  
Notes to Financial Statements  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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, 2015, 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 \$124,386 at June 30, 2015. 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, 2015.

**Property Tax Calendar**

The City set its millage rate for the 2014/2015 fiscal year on July 17, 2014 at 3.337 mills. Property tax bills were mailed on October 1, 2014 and were due December 31, 2014. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed no earlier than March 2, 2015.

**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.

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

	Governmental Activities	Business-Type Activities
<u>Assets</u>	<u>Years</u>	<u>Years</u>
Buildings and improvements	20-50	20-50
Public domain infrastructure	14-40	14-40
Machinery 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 Net Position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently the City does not have any items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently the City has two resources that qualify as deferred inflows in the governmental funds, due to availability. They are property taxes and fines.

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 2. DEPOSITS**

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

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

At June 30, 2015, all bank deposits were insured or fully collateralized.

**NOTE 3. LITIGATION**

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

**NOTE 4. RECEIVABLES**

The following is a summary of amounts due from others at June 30, 2015.

Receivable from:

**Governmental Funds:**

Due from other governments	\$ 233,586	Sales taxes, property tax for tax allocation district
Taxes receivable, net	28,123	Property tax, franchise tax, and hotel/motel tax
Other receivables, net	83,510	Fines/forfeitures and excise taxes
Total governmental receivables	<u>\$ 345,219</u>	

**Business-Type Funds:**

Accounts receivable, net	\$ 155,141	Water and Sewer accounts
Due from other governments	7,725	Water and Sewer rebates
Due from other governments	408,635	GEFA loan proceeds
Total business-type receivables	<u>\$ 571,501</u>	

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
June 30, 2015

**NOTE 5. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
<b>Governmental activities</b>					
Note Payable	\$ -	\$ 225,579	\$ -	\$ 225,579	\$ -
Compensated Absences	56,102	52,660	(45,737)	63,025	-
<b>Governmental activities long-term liabilities</b>	<u>\$ 56,102</u>	<u>\$ 278,239</u>	<u>\$ (45,737)</u>	<u>\$ 288,604</u>	<u>\$ -</u>
<b>Business-type activities</b>					
Revenue bonds	\$ 3,385,000	\$ 2,990,000	\$ (3,385,000)	\$ 2,990,000	\$ 233,000
Note Payable	-	1,164,918	-	1,164,918	-
Unearned revenue	1,595,650	-	-	1,595,650	-
Compensated Absences	21,084	22,595	(23,510)	20,169	-
<b>Business-type activities long-term liabilities</b>	<u>\$ 5,001,734</u>	<u>\$ 4,177,513</u>	<u>\$ (3,408,510)</u>	<u>\$ 5,770,737</u>	<u>\$ 233,000</u>

Deferred amounts on the City's bond refunding (which are reported as deferred outflows of resources), at June 30, 2015 are summarized as follows:

	July 1, 2014	Additions	Reductions	June 30, 2015
<b>Enterprise Funds</b>				
<i>Water and Sewer Fund</i>				
Deferred Charge on refunding	\$ -	\$ 63,200	\$ (2,873)	\$ 60,327

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

**GOVERNMENTAL ACTIVITIES**

**Notes Payable**

In November 2015, the City entered into a loan agreement with Georgia Transportation Infrastructure Bank (GTIB), by and through the State Road and Tollway Authority. These funds are to be drawn down as needed to finance the Lights Ferry Road transportation project. As of June 30, 2015, \$225,579 was drawn on the loan before completion of the project. The loan bears an interest rate of 0.82% and will mature 5 years after the project is completed and principal payments commence. As of the date of the 2015 audit report, the project had not been completed. Therefore, the future annual requirements of principal and interest are unknown.

**BUSINESS-TYPE ACTIVITIES**

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

In October 2014, the City funded the repayment of \$2,860,078 of its Series 2004 Water and Sewer Revenue Bonds with the issuance of \$2,990,000 of Series 2014 Water and Sewerage Revenue Bond. The reacquisition price exceeded the net carrying amount of the old debt in the amount of \$63,200 which is included in deferred outflows of resources and is amortized over the term of the new bond using the straight-line method. During 2015, \$2,873 was amortized and include in interest expense. The issuance of the Series 2014 Water and Sewer Bond included \$66,722 in bond issuance costs which were included in interest expense in 2015. The initial proceeds of \$5,060,000 from the issuance of the 2004 Bonds were for additions to and improvements of the water and sewerage system which has an historical cost of \$4,303,813 and accumulated depreciation of \$995,256. The refunding was undertaken to reduce the interest rate. The Series 2014 Water and Sewerage Revenue Bonds carry an interest rate of 2.38%.

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

June 30	Principal	Interest
2016	\$ 233,000	\$ 67,003
2017	247,000	61,208
2018	253,000	55,222
2019	259,000	49,093
2020	266,000	42,804
2021-2025	1,426,000	114,394
2030	306,000	1,821
	\$ 2,990,000	\$ 391,545

**Notes Payable**

In August 2014, the Enterprise Funds of the City entered into \$1,500,000 loan agreement with the Georgia Environmental Facilities Authority (GEFA). These funds were to be drawn down as needed to finance the diversion of sewerage flows from the Cinnamon Cove complex to the City's existing wastewater treatment plant. As of June 30, 2015, \$1,164,918 was drawn on the loan before the completion of the project. The repayment of principal will begin after the completion of the project. Interest in the amount of \$1,851 was included in interest expense during 2015. The loan bears an interest rate of 1.4% and will mature 20 years after the project is completed and principal payments commence. As of the date of the 2015 audit report, the project was not completed. Therefore, the annual requirements of principal and interest are unknown.

**NOTE 6. RISK MANAGEMENT**

The City purchased general liability insurance from One Beacon Insurance Company. The City's policy starts May 1st and ends April 30th of each year. The premium for the year ending June 30, 2015 was \$92,914. The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self -Insurance Fund. The City's policy year starts on January 1<sup>st</sup> and ends on December 31<sup>st</sup> of each year. The premium for the City's fiscal year of 2015 was \$69,209. 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**

**Governmental Funds Financial Statements**

Unearned revenue			
Business License	\$ 49,125		An exchange transaction-fees collected in advance of the period to which they apply.
Deferred inflows			
Property taxes	\$ 17,207		
Fines	39,894		
	\$ 57,101		Non-exchange transaction resource collected beyond the City's period of availability.

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 7. DEFERRED INFLOWS AND UNEARNED REVENUE (CONTINUED)**

**Government-Wide and Proprietary Fund Financial Statements**

Unearned revenue

Governmental Activities

Business License	\$ 49,125	An exchange transaction-fees collected in advance of the period to which they apply.
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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.
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**NOTE 8. BUDGETS**

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

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund			
General government	\$ 924,083	\$ 858,630	\$ -
Judicial	\$ 142,544	\$ 136,068	\$ -
Public Safety	\$ 966,892	\$ 902,735	\$ -
Highways and streets	\$ 406,544	\$ 406,503	\$ -
Housing and development	\$ 310,890	\$ 307,204	\$ -
Culture and recreation	\$ 22,363	\$ 22,363	\$ -
Transfers Out	\$ 662,358	\$ 662,294	\$ -
Tax Allocation District Fund	\$ 84,700	\$ 1,102	\$ -
Local Resource Fund	\$ 1,433,729	\$ 1,297,958	\$ -
Hotel/Motel Fund	\$ 85,000	\$ 46,002	\$ -

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**

In the fiscal year ending June 30, 2015, the City was levying a hotel/motel tax at the rate of 5%. During the year ending June 30, 2015, the City collected \$46,004 in taxes and has contractually committed to the Lake Lanier Convention and Visitors Bureau for the expenditure of \$46,004 which brings the City into full compliance with state law.

**NOTE 10. 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.

**City of Flowery Branch, Georgia**  
Notes to Financial Statements  
June 30, 2015

**NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

Interfund balances:

<u>Due From:</u>	<u>Due To:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>SPLOST Fund</u>	<u>TAD Fund</u>	
General Fund	\$ -	\$ 1,942	\$ -	\$ 30,436	\$ 32,378
TAD Fund	99,259	-	-	-	\$ 99,259
Capital Projects Fund	33,621	-	-	-	\$ 33,621
<b>Totals</b>	<b>\$ 132,880</b>	<b>\$ 1,942</b>	<b>\$ -</b>	<b>\$ 30,436</b>	<b>\$ 177,406</b>

Transfers:

<u>Transfer From:</u>	<u>Transfer To:</u>			<u>Total</u>
	<u>Water &amp; Sewer Fund</u>	<u>TAD Fund</u>	<u>Local Resource Fund</u>	
General Fund	\$ -	\$ 30,436	\$ 631,858	\$ 662,294
Capital Projects Fund	709,708	-	-	\$ 709,708
<b>Totals</b>	<b>\$ 709,708</b>	<b>\$ 30,436</b>	<b>\$ 631,858</b>	<b>\$ 1,372,002</b>

**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

**NOTE 12. SERIES 2014 REVENUE BOND COVENANTS**

The terms and conditions of the Series 2014 bond resolution have been examined for the fiscal year ending June 30, 2015. 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 \$14,199 due to an inter-fund loan from the General Fund as of June 30, 2015.

**NOTE 14. CAPITAL ASSETS**

Depreciation expense was charged to the following functions:

<u>Governmental activities:</u>		<u>Business -type activities:</u>	
General government	\$ 12,393	Water and sewer	<u>\$ 320,874</u>
Public safety	50,875		
Highways and streets	166,809		
Culture and recreation	3,912		
Housing and development	535		
	<u>\$ 234,524</u>		

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
June 30, 2015

**NOTE 14. CAPITAL ASSETS (CONTINUED)**

	<b>Beginning Balances 7/1/2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances 6/30/2015</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 760,811	\$ 475,639	\$ -	\$ 1,236,450
Construction in progress	247,538	822,319	-	1,069,857
Total capital assets not being depreciated	1,008,349	1,297,958	-	2,306,307
Capital assets being depreciated:				
Buildings	1,143,979	-	-	1,143,979
Machinery and equipment	774,297	121,245	85,110	810,432
Infrastructure	7,732,463	-	-	7,732,463
Total capital assets being depreciated	9,650,739	121,245	85,110	9,686,874
Accumulated depreciation:				
Buildings	388,187	18,995	-	407,182
Machinery and equipment	632,786	60,880	85,110	608,556
Infrastructure	854,737	154,649	-	1,009,386
Total accumulated depreciation	1,875,710	234,524	85,110	2,025,124
Total governmental capital assets being depreciated, net	8,615,221	(113,279)	-	7,661,750
Total governmental capital assets, net	\$ 9,623,570	\$ 1,184,679	\$ -	\$ 9,968,057
	<b>Beginning Balances 7/1/2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances 6/30/2015</b>
<b>Business-type activities:</b>				
<b>Water and Sewer</b>				
Capital assets not being depreciated:				
Land	\$ 553,200	\$ -	\$ -	\$ 553,200
Construction in progress	192,661	1,312,123	-	1,504,784
Total capital assets not being depreciated	745,861	1,312,123	-	2,057,984
Capital assets being depreciated:				
Buildings	3,472,010	-	-	3,472,010
Machinery and equipment	5,548,420	-	1,353	5,547,067
Infrastructure	3,649,474	-	-	3,649,474
Total capital assets being depreciated	12,669,904	-	1,353	12,668,551
Accumulated depreciation:				
Buildings	1,138,934	69,678	-	1,208,612
Machinery and equipment	1,701,628	168,615	1,353	1,868,890
Infrastructure	986,853	82,581	-	1,069,434
Total accumulated depreciation	3,827,415	320,874	1,353	4,146,936
Total capital assets being depreciated, net	8,842,489	(320,874)	-	8,521,615
Business-type activity assets, net	\$ 9,588,350	\$ 991,249	\$ -	\$ 10,579,599



**City of Flowery Branch, Georgia**  
Notes to Financial Statements  
June 30, 2015

**NOTE 15. RETIREMENT PLAN**

***Deferred Compensation Plan***

Until October 31, 2014, the City sponsored the Deferred Compensation Plan of the City of Flowery Branch, a defined contribution plan for the benefit of its employees. At October 31, 2014, the date the plan ended, there were 12 employees participating in the plan. Contributions to the plan were funded on a monthly basis. The City was required to match one half of the amount the employee elected to contribute up to a maximum of 2% of an employee 4% deferral. All employees who worked a minimum of 32 hours a week were eligible to participate in the plan. For the year ending June 30, 2015, the employer contributed \$2,850 and the employees contributed \$5,788.

The City has an agreement with the City Manager to contribute 8% of his annual salary into a Deferred Compensation Plan, a defined contribution plan sponsored by the City. The plan holds its assets in a separate trust invested in annuity contracts in the name of the participant and consequently is not reported on the City's financial statements. As sponsor of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2015, the employer contributed \$7,433.

***Defined Benefit Retirement Plan***

**Plan Description**

Beginning on November 1, 2015, the Georgia Municipal Employees Benefit System (GMEBS) administers an agent multiple-employer defined benefit pension plan, the City of Flowery Branch Retirement Plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Under the GMEBS Retirement Fund, the contributions made by the City of Cleveland, Georgia are commingled with contributions made by other participants of the GMEBS Retirement Fund for investment purposes. The plan was effective on November 1, 2014. The initial actuarial valuation has not been completed as of the date of the audit report.

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

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

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

Employee membership data related to the Plan, as of June 30, 2015 was as follows:

Active Employees: 37

**Funding Policy**

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The Contribution amount is determined using actuarial methods and assumptions provided for by the adoption agreement and intended to satisfy the minimum contribution requirements set forth in controlling State of Georgia statutes. The City's retirement plan is subject to minimum funding standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The minimum annual contribution under these standards is unknown as of June 30, 2015. The minimum contribution amount is determined as the sum of the normal cost (including administrative expenses), the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization surplus, and interest on these amounts from the valuation date to the date contributions are paid. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contributions to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. The initial actuarial valuation has not been completed as of the date of the audit report. Therefore, recommended contribution information, funding history, and net pension liability is unknown as of June 30, 2015.

**City of Flowery Branch, Georgia**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 15. RETIREMENT PLAN (continued)**

For employees employed by the City on or after November 1, 2014, participation is mandatory after meeting the eligibility requirements. Employees employed before November 1, 2014 will be considered as participants as of November 1, 2014 and will be credited with past service. Benefits fully (100%) vest after five years of service. Normal retirement age is 65 and 5 years of Total Credited Service and the qualification of Early Retirement is age 55 with 10 years of Total Credited Service.

Upon eligibility to retire, participants are entitled to a monthly benefit in the amount of 1/12 of 2% of Final Average Earnings multiplied by Years of Credited Service as an Eligible Regular Employee. Final Average Earnings is defined as the annual average of earnings paid to a participant by the City for the three consecutive years in which earnings were highest of Credited Service preceding the participant's most recent termination.

During 2015, the City paid \$2,867 in administrative fees and \$85,133 in employer contributions to Georgia Municipal Association for the Plan.

**NOTE 16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 31, 2015.

**City of Flowery Branch, Georgia**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Differences Over / (Under)	GAAP Basis	Final Budget Over / (Under)
<b>Revenues</b>						
Property taxes	\$ 868,790	\$ 868,790	\$ 986,825	\$ -	\$ 986,825	\$ 118,035
Sales taxes	710,000	710,000	846,002	-	846,002	136,002
Franchise taxes	631,750	631,750	744,569	-	744,569	112,819
Other taxes	303,946	303,946	339,695	-	339,695	35,749
Intergovernmental	6,200	6,200	23,609	-	23,609	17,409
License and permits	138,100	138,100	213,349	-	213,349	75,249
Fines and forfeitures	405,000	405,000	283,331	-	283,331	(121,669)
Charges for services	36,000	36,000	50,214	-	50,214	14,214
Interest	2,000	2,000	3,709	-	3,709	1,709
Contributions and donations	6,100	6,100	15,590	-	15,590	9,490
Miscellaneous	16,788	16,788	29,704	-	29,704	12,916
Transfers In	311,000	311,000	-	-	-	(311,000)
Sale of fixed assets	-	-	11,080	-	11,080	11,080
<b>Total Revenues</b>	<u>3,435,674</u>	<u>3,435,674</u>	<u>3,547,677</u>	<u>-</u>	<u>3,547,677</u>	<u>112,003</u>
<b>Expenditures</b>						
<b>Current Operating:</b>						
General Government	924,083	924,083	858,630	-	858,630	(65,453)
Judicial	142,544	142,544	136,068	-	136,068	(6,476)
Public safety	976,855	966,892	902,735	-	902,735	(64,157)
Highways and streets	361,844	366,544	376,669	-	376,669	10,125
Housing and development	310,890	310,890	307,204	-	307,204	(3,686)
Culture and recreation	21,100	22,363	22,363	-	22,363	-
Transfers Out	658,358	662,358	662,294	-	662,294	(64)
<b>Total Expenditures</b>	<u>3,395,674</u>	<u>3,395,674</u>	<u>3,265,963</u>	<u>-</u>	<u>3,265,963</u>	<u>(129,711)</u>
<b>Excess (Deficiency) of Revenues</b>						
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	281,714	<u>\$ -</u>	281,714	<u>\$ 241,714</u>
Fund Balance - Beginning	-	-	2,020,119	-	2,020,119	-
Fund Balance - Ending			<u>\$ 2,301,833</u>		<u>\$ 2,301,833</u>	

**City of Flowery Branch, Georgia**  
**Budgetary Comparison Schedule**  
**Tax Allocation District Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u> <u>Over / (Under)</u>	<u>GAAP Basis</u>	<u>Final Budget</u> <u>Over / (Under)</u>
<b>Revenues</b>						
Property taxes	\$ 84,700	\$ 58,200	\$ 54,624	\$ -	\$ 54,624	\$ (3,576)
Transfers In	-	26,500	30,436	-	30,436	3,936
Total Revenues	<u>84,700</u>	<u>84,700</u>	<u>85,060</u>	<u>-</u>	<u>85,060</u>	<u>360</u>
<b>Expenditures</b>						
<b>Current Operating:</b>						
Housing and development	<u>84,700</u>	<u>84,700</u>	<u>1,102</u>	<u>-</u>	<u>1,102</u>	<u>(83,598)</u>
Total Expenditures	<u>84,700</u>	<u>84,700</u>	<u>1,102</u>	<u>-</u>	<u>1,102</u>	<u>(83,598)</u>
<b>Excess (Deficiency) of Revenues</b>						
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>83,958</u>	<u>\$ -</u>	<u>83,958</u>	<u>\$ 83,958</u>
Fund Balance - Beginning	-	-	(98,157)	-	(98,157)	-
Fund Balance - Ending			<u>\$ (14,199)</u>		<u>\$ (14,199)</u>	

**City of Flowery Branch, Georgia**  
Notes to Required Supplementary Information  
on Budgetary Accounting and Control  
Year Ended June 30, 2015

**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>Department</u>	<u>Original Budget</u>	<u>Supplemental Appropriations</u>	<u>Supplemental Decreases</u>	<u>Revised Appropriations</u>
General Fund				
General government	\$ 924,083	\$ -	\$ -	\$ 924,083
Judicial	142,544	-	-	142,544
Public Safety	966,892		9,963	956,929
Highways and streets	406,544	4,700	-	411,244
Health and welfare	22,363	1,263	-	23,626
Housing and development	310,890	-	-	310,890
Transfers Out	662,358	4,000	-	666,358
	<u>\$ 3,435,674</u>	<u>\$ 9,963</u>	<u>\$ 9,963</u>	<u>\$ 3,435,674</u>

**City of Flowery Branch, Georgia**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<u>Grant Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 174	\$ 50	\$ 224
Accounts receivable, net	-	4,011	4,011
Total assets	<u>174</u>	<u>4,061</u>	<u>4,235</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 174</u>	<u>\$ 4,061</u>	<u>\$ 4,235</u>
<b>Liabilities</b>			
Accounts payable	<u>\$ -</u>	<u>\$ 4,011</u>	<u>\$ 4,011</u>
Total liabilities	-	4,011	4,011
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows	<u>-</u>	<u>4,011</u>	<u>4,011</u>
<b>Fund balances</b>			
Restricted for:			
Law enforcement	174	-	174
Tourism	-	50	50
Total Fund balances	<u>174</u>	<u>50</u>	<u>224</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 174</u>	<u>\$ 4,061</u>	<u>\$ 4,235</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, 2015**

	<u>Grant Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 46,002	\$ 46,002
Total Revenues	<u>-</u>	<u>46,002</u>	<u>46,002</u>
<b>Expenditures</b>			
Current			
Housing and development	-	46,002	46,002
Total Expenditures	<u>-</u>	<u>46,002</u>	<u>46,002</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-
<b>Other financing sources and (uses)</b>			
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
<b>Fund balance-beginning</b>	<u>174</u>	<u>50</u>	<u>224</u>
<b>Fund balance-ending</b>	<u>\$ 174</u>	<u>\$ 50</u>	<u>\$ 224</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 units, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Flowery Branch, Georgia's basic financial statements, and have issued our report thereon dated December 31, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Flowery Branch, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



## Purpose of this Report

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

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

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

Gainesville, Georgia

December 31, 2015



**CITY OF FLOWERY BRANCH, GEORGIA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Section I: Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Flowery Branch, Georgia.
2. No significant deficiencies relating to the audit of the financial statements were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the City of Flowery Branch were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award, Capitalization Grant for Clean Water Revolving Loan Program expresses an unqualified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The Capitalization Grants for Clean Water Revolving Loan Program CFDA # 66.458 program was tested as a major program.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Flowery Branch, Georgia did not qualify as a low-risk auditee.

**Section II: Financial Statement Findings**

None

**Section III: Federal Award Findings and Questioned Costs**

None



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Flowery Branch, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Flowery Branch, Georgia's major federal programs for the year ended June 30, 2015. City of Flowery Branch, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Flowery Branch, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Flowery Branch, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Flowery Branch, Georgia's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Flowery Branch, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the City of Flowery Branch, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Flowery Branch, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Flowery Branch, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal*

*control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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

Gainesville, Georgia  
December 31, 2015



**City of Flowery Branch, Georgia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Environmental Protection Agency</b>			
Pass-through programs			
Georgia Environmental Facilities Authority			
State Revolving Loan			
Clean Water State Revolving Fund Cluster	66.458	CWSRF 13-009	\$ <u>970,726</u>
Total Pass-through programs			<u>970,726</u>
Total U.S. Environmental Protection Agency			970,726
Total expenditures of federal awards			<u>\$ 970,726</u>

See accompanying notes to the schedule of expenditures of federal awards.

**City of Flowery Branch, Georgia**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Note 1- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Flowery Branch, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Flowery Branch, Georgia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Flowery Branch, Georgia.

Note 2 – Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.

**City of Flowery Branch, Georgia**  
**Schedule of Special Purpose Local Option Sales Tax**  
**Estimated Cost and Expenditure Summary**  
**For the Year Ended June 30, 2015**

<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</u>	
<b>SPLOST VI</b>					
Sewer system facilities	\$1,300,000	\$1,300,000	\$ 13,706	\$ 709,708	\$ 723,414
Police vehicles and equipment	200,000	200,000	30,392	91,411	121,803
Roads and sidewalks	500,000	500,000	297,223	8,200	305,423
Administrative buildings	500,000	500,000	508,201	-	508,201
Totals	<u>\$2,500,000</u>	<u>\$2,500,000</u>	<u>\$ 849,522</u>	<u>\$ 809,319</u>	<u>\$1,658,841</u>