

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

TOWN OF BRASELTON, GEORGIA

FISCAL YEAR ENDED JUNE 30, 2010

Town of Braselton, Georgia

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Braselton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braselton, Georgia (the "Town"), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Braselton, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Braselton, Georgia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010, on our consideration of the Town of Braselton, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 6 through 14 and budgetary comparison information on pages 53 through 56 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Braselton, Georgia's basic financial statements. The supplementary information on pages 59 through 73, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Reznick Group, P.C.

Atlanta, Georgia
December 27, 2010

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2010

Within this section of the Town of Braselton, Georgia's (the "Town") annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Town's assets exceeded its liabilities by \$44,716,893 (net assets) for the fiscal year reported. The Town's net assets increased by \$2,094,583 or approximately 5 percent.
- The Town's investment in capital assets, net, increased by \$7,058,333 or 10 percent as the Town continues to meet its obligations to its citizens and provide infrastructure to accommodate its continuing growth. The recession did create opportunities for the Town to invest in its infrastructure at much less than market prices.
- Governmental Activity revenues increased by \$3,297,121 or approximately 105 percent, due to contributed capital of approximately 2.8 million dollars and healthy increases in permits, sales taxes, alcoholic beverages taxes and the like.
- Governmental Activities expenses increased by approximately 6 percent, due primarily to the investment of 1.5 million dollars in property acquisition to relocate Highway 124 and redevelop the downtown area.
- Business-type activities revenues decreased by \$2,067,002 or approximately 31 percent from YE 2009, due to the decline of water/sewer tap fees. However, water and sewer sales increased by 37 percent over the previous year.
- Business-type expenses decreased by approximately \$99,000 or about 2 percent.
- Overall, total Primary Government expenses increased by only \$298,415 or approximately 3 percent which is less than the rate of inflation for the current year.
- Overall, the Town's financial condition is adequate, with signs of a slightly improving economy. The Town's long-standing reserve policy has helped the Town weather this financial storm. In addition, the Town continues to cut expenses in the current year's budget to deal with the continuing economic challenges.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements; and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when applicable.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the Town's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Town infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on the different revenue sources available to the Town.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by sales tax, alcohol tax and hotel/motel taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, library, courts, roads, planning and development. Business-type activities included the water and wastewater systems.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Town has two types of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The governmental fund includes the *Special Revenue Fund* where specific tourism related activities are specifically addressed as the only allowable expenses for the hotel/motel tax collected for these activities. The governmental fund also includes the Capital Projects Fund (SPLOST) to reflect special purpose local option sales tax revenues.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

The *Proprietary Fund* is reported in the fund financial statements and generally report water and wastewater services for which the Town charged customers a fee. The Town's proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Town's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the general fund, tourism (Special Revenue) fund, and capital projects fund. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These schedules demonstrate compliance with the Town's adopted and final revised budget. As discussed, the Town reports major funds in the basic financial statements. Individual statements and schedules for funds are presented in a subsequent section of this report.

Financial Analysis of the Town as a Whole

The Town implemented a new financial reporting model for the year ending June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole.

The Town's net assets at fiscal year-end are \$44,716,893. The following table provides a summary of the Town's net assets:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | | |
| Cash/Investments | \$ 5,779,064 | \$ 2,975,988 | \$ 4,693,120 | \$ 2,750,474 | \$ 10,472,184 | \$ 5,726,462 |
| Other Current Assets | 388,294 | 281,193 | 955,429 | 363,992 | 1,343,723 | 645,185 |
| Capital Assets | 30,808,177 | 26,198,385 | 45,692,510 | 43,243,968 | 76,500,687 | 69,442,353 |
| Other Non-current Assets | 102,311 | 48,148 | 642,461 | 528,385 | 744,772 | 576,533 |
| Total Assets | 37,077,846 | 29,503,714 | 51,983,520 | 46,886,819 | 89,061,366 | 76,390,533 |
| Liabilities | | | | | | |
| Current Liabilities | 817,621 | 577,607 | 2,309,458 | 6,189,023 | 3,127,079 | 6,766,630 |
| Long-term Liabilities | 9,064,891 | 4,374,364 | 32,152,503 | 22,627,229 | 41,217,394 | 27,001,593 |
| Total Liabilities | 9,882,512 | 4,951,971 | 34,461,961 | 28,816,252 | 44,344,473 | 33,768,223 |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Debt | 21,490,196 | 21,590,931 | 12,814,023 | 20,395,325 | 34,304,219 | 41,986,256 |
| Restricted | 4,628,859 | 1,407,594 | 1,796,470 | 2,725,741 | 6,425,329 | 4,133,335 |
| Unrestricted | 1,076,279 | 1,553,218 | 2,911,066 | (5,050,499) | 3,987,345 | (3,497,281) |
| Total Net Assets | \$ 27,195,334 | \$ 24,551,743 | \$ 17,521,559 | \$ 18,070,567 | \$ 44,716,893 | \$ 42,622,310 |

The Town maintains sufficient reserves to meet its financial obligations, even during economic downturns. Net assets increased \$2,643,591 for governmental activities and decreased \$549,008 for business-type activities, for a net increase town-wide of \$2,094,583.

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

The following table provides a summary of the Town's changes in net assets:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | | | |
| Program | | | | | | |
| Charges for Services | \$ 1,071,630 | \$ 784,532 | \$ 4,834,913 | \$ 6,632,292 | \$ 5,906,543 | \$ 7,416,824 |
| Operating Grants/Interest | - | - | 7,295 | 27,051 | 7,295 | 27,051 |
| Capital Grants/Contributions | 2,773,569 | 271,111 | - | - | 2,773,569 | 271,111 |
| General | | | | | | |
| Taxes | 2,588,161 | 2,080,596 | - | - | 2,588,161 | 2,080,596 |
| Intercompany transfers | - | - | (249,867) | - | (249,867) | - |
| Total Revenues | <u>6,433,360</u> | <u>3,136,239</u> | <u>4,592,341</u> | <u>6,659,343</u> | <u>11,025,701</u> | <u>9,795,582</u> |
| Program Expenses | | | | | | |
| General Government | 933,648 | 894,340 | - | - | 933,648 | 894,340 |
| Police/Courts | 1,261,343 | 1,299,122 | - | - | 1,261,343 | 1,299,122 |
| Streets/Transportation | 141,354 | 58,234 | - | - | 141,354 | 58,234 |
| Parks and Recreation | 18,624 | 13,919 | - | - | 18,624 | 13,919 |
| Library | 189,738 | 201,002 | - | - | 189,738 | 201,002 |
| Planning and Development | 564,800 | 636,348 | - | - | 564,800 | 636,348 |
| Economic Development | 28,797 | 34,002 | - | - | 28,797 | 34,002 |
| Tourism/Special Events | 275,333 | 273,102 | - | - | 275,333 | 273,102 |
| Historical Repairs/Maintenance | 2,779 | 5,686 | - | - | 2,779 | 5,686 |
| Interest Expense | 373,353 | 174,207 | - | - | 373,353 | 174,207 |
| Water and Sewer | - | - | 5,141,349 | 5,042,741 | 5,141,349 | 5,042,741 |
| Total Expenses | <u>3,789,769</u> | <u>3,589,962</u> | <u>5,141,349</u> | <u>5,042,741</u> | <u>8,931,118</u> | <u>8,632,703</u> |
| Changes in Net Assets | 2,643,591 | (453,723) | (549,008) | 1,616,602 | 2,094,583 | 1,162,879 |
| Net Assets, Beginning of Year | <u>24,551,743</u> | <u>25,005,466</u> | <u>18,070,567</u> | <u>16,453,965</u> | <u>42,622,310</u> | <u>41,459,431</u> |
| Net Assets, End of Year | <u>\$ 27,195,334</u> | <u>\$ 24,551,743</u> | <u>\$ 17,521,559</u> | <u>\$ 18,070,567</u> | <u>\$ 44,716,893</u> | <u>\$ 42,622,310</u> |

GOVERNMENTAL ACTIVITIES

The Town is heavily reliant on sales tax, license and permits, hotel/motel tax, and fines and forfeitures to support governmental operations and capital. Property taxes are not collected by the Town. This means that the general economy and local business activity have a major impact on the Town's revenue streams. Total Governmental Fund revenues increased by \$3,297,121 due to contributed capital (land) tied to the relocation of Hwy 124, in the amount of \$2,759,430. Governmental Activities charges for sales and services increased from \$784,532 in 2009 to \$1,071,630 in 2010. In particular, Planning and Development fees increased from \$150,143 in 2009 to \$217,269 in 2010. Also, General Revenues, which includes sales taxes, alcohol beverage taxes, hotel-motel taxes and the like, increased from \$2,080,596 in 2009 to \$2,588,161 in 2010, excluding contributed capital. These numbers indicate that the recession has bottomed out and a mile recovery has begun. Governmental expenses increased by 6 percent. The public safety and general government functions make up approximately 58 percent of the total governmental activities expenses, which is down slightly from prior years.

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

BUSINESS-TYPE ACTIVITIES

The major enterprise fund is the Town's water and wastewater utility. The operating revenues for the water and sewer fund were 31 percent less than in 2009, due to a decline in water/sewer tap fees which are tied to building and development. However, water and sewer sales did increase by 37 percent over 2009. Operating expenses were down slightly despite the continued growth of the system. The Town continues to be proactive in upgrading its water and sewer infrastructure to keep ahead of long-term projected growth, due to its favorable location, available infrastructure and other factors.

Financial Analysis of the Town's Funds

Major Governmental Funds

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance was \$2,725,481 at the end of last year as compared to a balance of \$4,140,193 at the end of this year, representing an increase of approximately \$1,410,000 or 52 percent.

The General Fund's ending fund balance is considered adequate. The primary use of fund balance is to cover cash flow deficiencies during the year.

The Special Revenue Fund revenues were down slightly from 2009. Year 2010, revenues were \$573,497 whereas 2009 revenues were \$584,268. Revenues from this fund come primarily from the hotel/motel tax, which was down due to the recession. All fund expenditures were entirely for tourism, special events and related activities.

The Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. Therefore, the analysis is presented above.

Budgetary Highlights

The General Fund – In total, the Town realized approximately 141 percent of the estimated revenues as shown in the original budget and 100 percent of those estimated in the final budget. For the total general fund budget, expenditures exceeded original appropriations by 181 percent, and by 0 percent in the final budget. This variation was due primarily to the expenditure of approximately 1.5 million dollars of property and rights of way acquisition for the relocation of Hwy 124 and the redevelopment of downtown. The increased costs were offset by the proceeds

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

from bonds issued for that purpose. The budget amendment process was used to deal with the variation of revenues, most of which are very sensitive to economic fluctuations, and to validate any unexpected appropriation changes. The Town has included a new schedule showing both the original and amended budgets, which is found on pages 53 through 55.

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, for all activities as of June 30, 2010 was \$76,500,687 which is an increase from the prior year's \$69,442,354. There was an 18 percent increase in net investment for governmental activities, and a 6 percent increase for business-type activities, for an overall increase of 10 percent. The Town did take advantage of below market contractor pricing to invest in water and sewer infrastructure. See Note 2-C, for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity:

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Non-depreciable Assets | | | | | | |
| Land | \$ 16,107,660 | \$ 13,302,230 | \$ 1,317,108 | \$ 1,040,407 | \$ 17,424,768 | \$ 14,342,637 |
| Construction in Progress | 1,416,117 | 646,916 | 2,014,017 | 18,778,463 | 3,430,134 | 19,425,379 |
| Total Non-depreciable Assets | 17,523,777 | 13,949,146 | 3,331,125 | 19,818,870 | 20,854,902 | 33,768,016 |
| Depreciable Assets | | | | | | |
| Buildings | 10,219,737 | 8,829,737 | 1,638,179 | 1,638,179 | 11,857,916 | 10,467,916 |
| Infrastructure | 3,999,334 | 3,789,334 | - | - | 3,999,334 | 3,789,334 |
| Vehicles | 522,062 | 560,336 | - | - | 522,062 | 560,336 |
| Machinery/Equipment | 880,380 | 890,620 | 775,885 | 776,730 | 1,656,265 | 1,667,350 |
| Plant | - | - | 48,037,617 | 27,757,723 | 48,037,617 | 27,757,723 |
| Total Depreciable Assets | 15,621,513 | 14,070,027 | 50,451,681 | 30,172,632 | 66,073,194 | 44,242,659 |
| Less Accumulated Depreciation | 2,337,113 | 1,820,788 | 8,090,296 | 6,747,533 | 10,427,409 | 8,568,321 |
| Capital Assets, Net | \$ 30,808,177 | \$ 26,198,385 | \$ 45,692,510 | \$ 43,243,969 | \$ 76,500,687 | \$ 69,442,354 |

The following table reconciles the changes in capital assets:

| | Governmental Activities | Business-type Activities | Totals |
|--------------------|-------------------------|--------------------------|---------------|
| Beginning Balance | \$ 26,198,385 | \$ 43,243,969 | \$ 69,442,354 |
| Additions | 5,174,631 | 20,556,595 | 25,731,226 |
| Deductions | (48,515) | (16,765,291) | (16,813,806) |
| Depreciation (net) | (516,324) | (1,342,763) | (1,859,087) |
| Ending Balance | \$ 30,808,177 | \$ 45,692,510 | \$ 76,500,687 |

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

Long-term Debt

At the end of the fiscal year, the Town had \$42,303,526 in outstanding debt as compared to \$30,575,197 last year. This included \$1,433,376 due in one year. Approximately 78 percent of the debt is attributable to business-type activities for water/sewer infrastructure improvements. The following table presents a comparison of outstanding debt:

| | Outstanding June 30, 2009 | Additions | Reductions | Outstanding June 30, 2010 | Amounts Due in One Year |
|---------------------------------|------------------------------|---------------|--------------|------------------------------|----------------------------|
| Governmental Activities | | | | | |
| Bonds | \$ 4,607,455 | \$ 5,000,000 | \$ 289,474 | \$ 9,317,981 | \$ 289,474 |
| Compensated Absences | 79,077 | - | 15,702 | 63,375 | 63,375 |
| Total Governmental | 4,686,532 | 5,000,000 | 305,176 | 9,381,356 | 352,849 |
| Business-type Activities | | | | | |
| Revenue Bonds | 16,641,579 | 9,977,623 | 233,219 | 26,385,983 | 754,797 |
| Notes Payable | 9,207,064 | 424,602 | 3,139,162 | 6,492,504 | 282,047 |
| Compensated Absences | 40,022 | 3,661 | - | 43,683 | 43,683 |
| Total Business-type | 25,888,665 | 10,405,886 | 3,372,381 | 32,922,170 | 1,080,527 |
| Total | \$ 30,575,197 | \$ 15,405,886 | \$ 3,677,557 | \$ 42,303,526 | \$ 1,433,376 |

Please see note 2-F-6 for additional information about changes in long-term debt (Changes in Long-term Liabilities) during the fiscal year and outstanding at the end of the year.

Economic Conditions Affecting the Town

The Town of Braselton remains in an adequate financial position despite of a below average economy. Due to its location, available infrastructure, progressive leadership and other factors, the Town is poised to take full advantage of the slowly recovering economy. Tourism, while still substantial will eventually reach pre-recession levels and substantial commercial growth is planned. Braselton is still experiencing some commercial growth and the Town's tax digest, while declining somewhat this year remains extremely strong on a per capita basis due to phenomenal growth over the past several years. The Town is proactively managing its growth; most of the infrastructure costs are being passed on to the developers in order to minimize the impact on the citizens of Braselton.

As this audit will show, the Town strives to maintain current service levels while keeping costs as low as possible. Our goal is to maintain a healthy fund balance and protect the interests of the citizens in the Town of Braselton. The Town does depend greatly on revenues such as sales taxes and utility sales that are very sensitive to downturns in the economy. The Town does expect the economy to remain recover modestly during the 2011 fiscal year and has taken measures to cut costs and improve efficiencies wherever possible.

Town of Braselton, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the Fiscal Year Ended June 30, 2010

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations and demonstrate the Town's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Town Manager, P.O. Box 306, Braselton, Georgia 30517.

Town of Braselton, Georgia

STATEMENT OF NET ASSETS

June 30, 2010

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Assets | | | |
| Cash and cash equivalents | \$ 1,150,205 | \$ 170,655 | \$ 1,320,860 |
| Receivables, net of allowance for uncollectibles | | | |
| Accounts | - | 879,697 | 879,697 |
| Sales taxes | 187,816 | - | 187,816 |
| Internal balances | 93,082 | - | 93,082 |
| Prepaid items | 107,396 | 75,732 | 183,128 |
| Restricted assets | | | |
| Cash and cash equivalents | 4,628,859 | 1,796,470 | 6,425,329 |
| Investments | - | 2,725,995 | 2,725,995 |
| Capital assets | | | |
| Nondepreciable capital assets | 17,523,777 | 3,331,125 | 20,854,902 |
| Depreciable capital assets, net | 13,284,400 | 42,361,385 | 55,645,785 |
| Other assets | | | |
| Bond issuance costs, net | 102,311 | 642,461 | 744,772 |
| Total assets | <u>\$ 37,077,846</u> | <u>\$ 51,983,520</u> | <u>\$ 89,061,366</u> |
| LIABILITIES | | | |
| Liabilities | | | |
| Accounts payable | \$ 80,667 | \$ 280,186 | \$ 360,853 |
| Accrued expenses | 179,199 | - | 179,199 |
| Compensated absences | 63,375 | 43,683 | 107,058 |
| Accrued interest | 204,906 | 815,415 | 1,020,321 |
| Deferred revenue | - | 40,248 | 40,248 |
| Interfund payable | - | 93,082 | 93,082 |
| Notes payable and revenue bonds, current | 289,474 | 1,036,844 | 1,326,318 |
| Long-term liabilities | | | |
| Revenue bonds, net of unamortized premiums and discounts | - | 25,631,186 | 25,631,186 |
| Notes payable, net of current portion | 9,028,507 | 6,210,457 | 15,238,964 |
| Deposits | 36,384 | 310,860 | 347,244 |
| Total liabilities | <u>9,882,512</u> | <u>34,461,961</u> | <u>44,344,473</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 21,490,196 | 12,814,023 | 34,304,219 |
| Restricted for | | | |
| Capital projects | 3,828,123 | 1,796,470 | 5,624,593 |
| Debt service | - | 2,725,995 | 2,725,995 |
| Program purposes | 800,736 | - | 800,736 |
| Unrestricted | 1,076,279 | 185,071 | 1,261,350 |
| Total net assets | <u>\$ 27,195,334</u> | <u>\$ 17,521,559</u> | <u>\$ 44,716,893</u> |

The accompanying notes are an integral part of these financial statements

Town of Braselton, Georgia

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|-------------------------------------|--------------|--------------------------------------|-------------------------------------|--|---|-----------------------------|---------------|
| | | Charges for Services and Sales | Operating Grants and Interest | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 933,648 | \$ 140,472 | \$ - | \$ - | \$ (793,176) | \$ - | \$ (793,176) |
| Court costs | 124,572 | 299,569 | - | - | 174,997 | - | 174,997 |
| Police department | 1,136,771 | 364,846 | - | - | (771,925) | - | (771,925) |
| Street department | 77,411 | 24,983 | - | - | (52,428) | - | (52,428) |
| Parks and Tennis Center | 18,624 | 925 | - | - | (17,699) | - | (17,699) |
| Library | 189,738 | 7,481 | - | 14,139 | (168,118) | - | (168,118) |
| Planning and development | 564,800 | 217,269 | - | - | (347,531) | - | (347,531) |
| Economic development | 28,797 | - | - | - | (28,797) | - | (28,797) |
| Tourism department | 766 | - | - | - | (766) | - | (766) |
| Public relations and special events | 143,279 | - | - | - | (143,279) | - | (143,279) |
| Festival and hardscape improvements | 16,271 | 16,085 | - | - | (186) | - | (186) |
| Transportation improvements | 63,943 | - | - | - | (63,943) | - | (63,943) |
| Marketing | 114,339 | - | - | - | (114,339) | - | (114,339) |
| Supplies | 678 | - | - | - | (678) | - | (678) |
| Historical repairs and maintenance | 2,779 | - | - | - | (2,779) | - | (2,779) |
| Interest expense | 373,353 | - | - | - | (373,353) | - | (373,353) |
| Total governmental activities | 3,789,769 | 1,071,630 | - | 14,139 | (2,704,000) | - | (2,704,000) |
| Business-type activities | | | | | | | |
| Water and Sewer | 5,141,349 | 4,834,913 | 7,295 | - | - | (299,141) | (299,141) |
| Total primary government | \$ 8,931,118 | \$ 5,906,543 | \$ 7,295 | \$ 14,139 | (2,704,000) | (299,141) | (3,003,141) |
| General revenues | | | | | | | |
| Rental income | | | | | 52,965 | - | 52,965 |
| SPLOST taxes | | | | | 431,359 | - | 431,359 |
| Sales taxes | | | | | 180,980 | - | 180,980 |
| Occupational taxes | | | | | 77,031 | - | 77,031 |
| Franchise taxes | | | | | 573,935 | - | 573,935 |
| Insurance premium taxes | | | | | 74,032 | - | 74,032 |
| Hotel/Motel taxes | | | | | 554,688 | - | 554,688 |
| Alcohol beverage taxes | | | | | 337,264 | - | 337,264 |
| Investment earnings | | | | | 55,584 | - | 55,584 |
| Miscellaneous | | | | | 456 | - | 456 |
| Intercompany transfers | | | | | 249,867 | (249,867) | - |
| Contributed capital | | | | | 2,759,430 | - | 2,759,430 |
| Total general revenues | | | | | 5,347,591 | (249,867) | 5,097,724 |
| Change in net assets | | | | | 2,643,591 | (549,008) | 2,094,583 |
| Net assets, beginning of year | | | | | 24,551,743 | 18,070,567 | 42,622,310 |
| Net assets, end of year | | | | | \$ 27,195,334 | \$ 17,521,559 | \$ 44,716,893 |

The accompanying notes are an integral part of these financial statements

Town of Braselton, Georgia

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2010

| | General | Special Revenue | Capital Projects SPLOST | Total Governmental Funds |
|--------------------------------------|---------------------|--------------------|-------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 947,447 | \$ 202,758 | \$ - | \$ 1,150,205 |
| Sales taxes | 67,340 | 48,748 | 71,728 | 187,816 |
| Interfund receivable | 141,011 | - | - | 141,011 |
| Prepaid items | 107,396 | - | - | 107,396 |
| Restricted cash | 3,344,105 | - | 1,284,754 | 4,628,859 |
| | <u>4,607,299</u> | <u>251,506</u> | <u>1,356,482</u> | <u>6,215,287</u> |
| Total assets | <u>\$ 4,607,299</u> | <u>\$ 251,506</u> | <u>\$ 1,356,482</u> | <u>\$ 6,215,287</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 36,270 | \$ 44,397 | \$ - | \$ 80,667 |
| Deposits payable | 36,384 | - | - | 36,384 |
| Accrued expenditures | 394,452 | - | - | 394,452 |
| Interfund payable | - | 47,929 | - | 47,929 |
| | <u>467,106</u> | <u>92,326</u> | <u>-</u> | <u>559,432</u> |
| Total liabilities | <u>467,106</u> | <u>92,326</u> | <u>-</u> | <u>559,432</u> |
| Fund balances | | | | |
| Reserved for | | | | |
| Prepaid items | 107,396 | - | - | 107,396 |
| Program purposes | 3,344,105 | 159,180 | 1,356,482 | 4,859,767 |
| Unreserved | | | | |
| Undesignated, reported in | | | | |
| General fund | 688,692 | - | - | 688,692 |
| | <u>4,140,193</u> | <u>159,180</u> | <u>1,356,482</u> | <u>5,655,855</u> |
| Total fund balances | <u>4,140,193</u> | <u>159,180</u> | <u>1,356,482</u> | <u>5,655,855</u> |
| Total liabilities and fund balances | <u>\$ 4,607,299</u> | <u>\$ 251,506</u> | <u>\$ 1,356,482</u> | <u>\$ 6,215,287</u> |

The accompanying notes are an integral part of these financial statements

Town of Braselton, Georgia

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2010

| | | |
|---|--------------------|-----------------------------|
| Total governmental fund balances | | \$ 5,655,855 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense. | | |
| Cost of capital assets | \$ 33,145,290 | |
| Less accumulated depreciation | <u>(2,337,113)</u> | 30,808,177 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| | | (9,215,670) |
| Compensated absence liabilities are not due and payable at year-end and therefore are not reported in the funds. | | |
| | | (63,375) |
| Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| | | <u>10,347</u> |
| Net assets of governmental activities | | <u><u>\$ 27,195,334</u></u> |

The accompanying notes are an integral part of these financial statements

Town of Braselton, Georgia

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2010

| | General | Special Revenue | Capital Projects SPLOST | Total Governmental Funds |
|--|---------------------|--------------------|-------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 1,243,242 | \$ 554,688 | \$ - | \$ 1,797,930 |
| Licenses and permits | 350,699 | - | - | 350,699 |
| Fines and forfeitures | 664,415 | - | - | 664,415 |
| Investment earnings | 52,860 | 2,724 | - | 55,584 |
| Intergovernmental revenues | 614,216 | - | 431,359 | 1,045,575 |
| Miscellaneous | 58,051 | 16,085 | - | 74,136 |
| | <u>2,983,483</u> | <u>573,497</u> | <u>431,359</u> | <u>3,988,339</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 388,707 | - | - | 388,707 |
| Court costs | 124,414 | - | - | 124,414 |
| Police department | 1,138,838 | - | - | 1,138,838 |
| Street department | 2,420,477 | - | - | 2,420,477 |
| Parks and Tennis Center | 82,999 | - | - | 82,999 |
| Library | 186,082 | - | - | 186,082 |
| Planning and development | 411,207 | - | - | 411,207 |
| Economic development | 88,995 | - | - | 88,995 |
| Tourism department | - | 766 | - | 766 |
| Public relations and special events | - | 143,279 | - | 143,279 |
| Festival and hardscape improvements | - | 16,271 | - | 16,271 |
| Transportation improvements | - | 63,943 | - | 63,943 |
| Marketing | - | 114,339 | - | 114,339 |
| Supplies | - | 678 | - | 678 |
| Historical repairs and maintenance | - | 2,779 | - | 2,779 |
| Debt service | 659,818 | - | - | 659,818 |
| | <u>5,501,537</u> | <u>342,055</u> | <u>-</u> | <u>5,843,592</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,518,054)</u> | <u>231,442</u> | <u>431,359</u> | <u>(1,855,253)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 1,370,066 | 1,370,066 |
| Transfers out | (1,120,199) | (324,273) | (444,943) | (1,889,415) |
| Bond proceeds and other financing sources | 5,052,965 | - | - | 5,052,965 |
| | <u>3,932,766</u> | <u>(324,273)</u> | <u>925,123</u> | <u>4,533,616</u> |
| Net change in fund balances | 1,414,712 | (92,831) | 1,356,482 | 2,678,363 |
| Fund balances, beginning of year | 2,725,481 | 252,011 | - | 2,977,492 |
| Fund balances, end of year | <u>\$ 4,140,193</u> | <u>\$ 159,180</u> | <u>\$ 1,356,482</u> | <u>\$ 5,655,855</u> |

The accompanying notes are an integral part of these financial statements

Town of Braselton, Georgia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

| | | | |
|---|-----------------------------|------------------|----------------------------|
| Net changes in governmental fund balances | | | \$ 2,678,363 |
| Amounts reported for governmental activities in the statement of activities are different because: | | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. | | | |
| | Depreciation expense | \$ (569,302) | |
| | Capital outlay | <u>3,574,631</u> | 3,005,329 |
| Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to decrease net assets. | | | |
| | | | 4,463 |
| Capital assets contributed to governmental activities are reported on the government-wide financial reporting level, but not report on the fund financial reporting level. | | | |
| | | | 1,600,000 |
| Governmental funds report debt service payments as expenditures. However, in the statement of activities, only the interest expense is reported. The remainder reduces the liability in the statement of net assets. | | | |
| | Total debt service payments | 289,474 | |
| | Other bond costs | <u>(3,025)</u> | 286,449 |
| The issuance of long-term debt and capital leases is an other financing source for governmental funds, but it is an increase in long-term liabilities in the statement of net assets and has no impact on the statement of activities. | | | |
| | Bond issuance proceeds | (5,000,000) | |
| | Bond issuance costs | <u>57,189</u> | (4,942,811) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | | |
| | | | <u>11,798</u> |
| Change in net assets of governmental activities | | | <u><u>\$ 2,643,591</u></u> |

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

Town of Braselton, Georgia

STATEMENT OF NET ASSETS – PROPRIETARY FUND

June 30, 2010

| | <u>Business-type Activities Water and Sewer Fund</u> |
|--|--|
| ASSETS | |
| Current assets | |
| Cash | \$ 170,655 |
| Accounts receivable, net of allowance for uncollectibles | 879,697 |
| Prepaid items | <u>75,732</u> |
| Current restricted assets | |
| Cash | 1,796,470 |
| Investments | <u>2,725,995</u> |
| Total current assets | <u>5,648,549</u> |
| Noncurrent assets | |
| Capital assets | |
| Nondepreciable capital assets | 3,331,125 |
| Depreciable capital assets, net | <u>42,361,385</u> |
| | 45,692,510 |
| Bond issuance costs, net | <u>642,461</u> |
| Total noncurrent assets | <u>46,334,971</u> |
| Total assets | <u><u>\$ 51,983,520</u></u> |

(continued)

Town of Braselton, Georgia

STATEMENT OF NET ASSETS – PROPRIETARY FUND - CONTINUED

June 30, 2010

| | <u>Business-type Activities Water and Sewer Fund</u> |
|---|--|
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 280,186 |
| Compensated absences payable | 43,683 |
| Accrued interest | 815,415 |
| Deferred revenue | 40,248 |
| Revenue bonds, current | 754,797 |
| Notes payable, current | 282,047 |
| Interfund payable | <u>93,082</u> |
| Total current liabilities | <u>2,309,458</u> |
| Long-term liabilities | |
| Revenue bonds, net of current portion and unamortized premiums and discounts | 25,631,186 |
| Notes payable, net of current portion | 6,210,457 |
| Deposits | <u>310,860</u> |
| Total long-term liabilities | <u>32,152,503</u> |
| Total liabilities | <u>34,461,961</u> |
| NET ASSETS | |
| Invested in capital assets, less related debt | 12,814,023 |
| Restricted for | |
| Capital projects | 1,796,470 |
| Debt service | 2,725,995 |
| Unrestricted | <u>185,071</u> |
| Total net assets | <u><u>\$ 17,521,559</u></u> |

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

Town of Braselton, Georgia

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND

Year Ended June 30, 2010

| | Business-type Activities Water and Sewer Fund |
|---|--|
| Operating revenues | |
| Charges for service | \$ 4,231,446 |
| Tap and meter fees | 318,571 |
| Service charges and other | 123,758 |
| Intergovernmental revenues | <u>155,000</u> |
| Total operating revenues | <u>4,828,775</u> |
| Operating expenses | |
| Cost of sales | |
| Water purchases | 1,051,840 |
| Depreciation and amortization | 1,409,286 |
| Salaries and employee benefits | 1,068,884 |
| Supplies | 67,591 |
| Repairs and maintenance | 114,479 |
| Bad debt | 3,876 |
| Operational | <u>869,016</u> |
| Total operating expenses | <u>4,584,972</u> |
| Operating income | <u>243,803</u> |
| Nonoperating revenues (expenses) | |
| Interest revenue | 7,295 |
| Interest expense | (556,377) |
| Transfers out | (249,867) |
| Loss on disposal of capital assets | <u>6,138</u> |
| Net nonoperating revenues (expenses) | <u>(792,811)</u> |
| Change in net assets | (549,008) |
| Net assets, beginning of year | <u>18,070,567</u> |
| Net assets, end of year | <u><u>\$ 17,521,559</u></u> |

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

Town of Braselton, Georgia

STATEMENT OF CASH FLOW – PROPRIETARY FUND

Year Ended June 30, 2010

| | <u>Business-type Activities Water and Sewer Fund</u> |
|--|--|
| Cash flows from operating activities | |
| Cash received from customers | \$ 4,629,840 |
| Cash payments for personnel services and benefits | (982,020) |
| Cash payments for goods and services | <u>(2,343,469)</u> |
| Net cash provided by operating activities | <u>1,304,351</u> |
| Cash flows from noncapital financing activities | |
| Cash overdraft | <u>(1,626,834)</u> |
| Net cash used in noncapital financing activities | <u>(1,626,834)</u> |
| Cash flows from capital and related financing activities | |
| Payment on bridge loan payable | (3,000,000) |
| Proceeds from loan obligation | 424,602 |
| Payments for borrowings under loan obligations or agreements | (139,162) |
| Interest paid on borrowings under loan obligations or agreements | (123,403) |
| Payments for bond issuance costs | (180,248) |
| Proceeds from issuance of revenue bonds, net | 9,977,623 |
| Principal paid on revenue bonds | (233,219) |
| Interest paid on revenue bonds | (432,974) |
| Payments for capital acquisitions | (3,791,304) |
| Proceeds from disposal of assets | <u>5,786</u> |
| Net cash provided by capital and related financing activities | <u>2,507,701</u> |
| Cash flows from investing activities | |
| Purchases of investment securities | (1,338,924) |
| Transfer of funds to SPLOST fund | (249,867) |
| Proceeds from sales and maturities of investment securities | 970,531 |
| Interest earned on investments | <u>7,295</u> |
| Net cash used in investing activities | <u>(610,965)</u> |
| Net increase in cash and cash equivalents | 1,574,253 |
| Cash and cash equivalents, beginning of year | <u>392,872</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 1,967,125</u></u> |

(continued)

Town of Braselton, Georgia

STATEMENT OF CASH FLOW – PROPRIETARY FUND - CONTINUED

Year Ended June 30, 2010

| | Business-type Activities Water and Sewer Fund |
|--|--|
| | <u> </u> |
| Reconciliation of operating income to net cash used in operating activities | |
| Operating income | \$ 243,803 |
| Adjustments to reconcile operating income to net cash used in operating activities | |
| Depreciation | 1,343,114 |
| Amortization | 66,172 |
| Changes in assets and liabilities | |
| Increase in accounts receivable | (577,530) |
| Increase in prepaid items | (4,028) |
| Decrease in accounts payable | (236,515) |
| Increase in customer deposits | 23,145 |
| Increase in accrued expenses | 359,326 |
| Increase in compensated absences payable | 3,661 |
| Increase in interfund payable | 83,203 |
| | <u> </u> |
| Net cash provided by operating activities | <u><u>\$ 1,304,351</u></u> |
| Cash reconciliation | |
| Cash and cash equivalents | \$ 170,655 |
| Cash and cash equivalents, restricted | <u>1,796,470</u> |
| | <u><u>\$ 1,967,125</u></u> |

The accompanying notes are an integral part of these financial statements

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

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Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Town of Braselton, Georgia (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town also applies Financial Accounting Standards Board (“FASB”) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary fund at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements. The most significant accounting principles utilized by the Town are described below.

1-A. Reporting Entity

The Town was chartered by an act of the General Assembly of the State of Georgia. The Town operates under a Council/Manager form of government. The basic financial statements of the Town present the financial activities of the Town and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The Town is the primary government unit and includes all funds, departments, boards and agencies that are not legally separate from the Town. Component units are those entities that are financially accountable to the primary government, either because the Town appoints a voting majority of the component unit’s Board or because the component unit will provide a financial benefit or impose a financial burden on the Town. The Town has not identified any component units that are required to be included in the basic financial statements in accordance with GASB standards.

The Town’s primary government major services as authorized by its charter include public safety (police), public works (highways and streets), planning and zoning, general administrative services, public improvements, community development and water and sewerage.

1-B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services that report fees and other charges to users of the Town's services; (2) operating grants and investment earnings; and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other items not properly included among program revenues are reported instead as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue and capital project funds. Proprietary funds include the enterprise fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1-C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales and use taxes, franchise taxes, licenses, interest and federal and state grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

The Town reports the following major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the Town for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

Special Revenue Fund – The Town collects a 5 percent hotel motel tax, of which 2 percent is required to be used for marketing, advertising and special events to increase the tourism traffic in the Town and the balance is transferred to the general fund to fund general expenditures of the Town. The hotels and motels remitting the tax are encouraged to participate in the determination of how the funds are spent. Château Élan participates in this determination.

Capital Projects Fund – The capital projects fund reflects special purpose local option sales tax revenues. These revenues are restricted for capital projects pursuant to ordinances and intergovernmental agreements.

The Town reports the following major enterprise fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the cost (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis is financed through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with enterprise fund's water and sewerage services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

1-D. Assets, Liabilities and Fund Equity

1-D-1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments (i.e., money market accounts and certificates of deposit) with a maturity date within three months

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

of the date acquired by the Town. Investments are stated at fair value based on quoted market prices.

1-D-2. Receivables

All trade and tax receivables are reported net of an allowance for uncollectibles, where applicable. Water and sewer charges are accrued as receivables and revenue as of June 30, 2010. As of June 30, 2010, the allowance for uncollectibles was \$89,526.

1-D-3. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/interfund payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-D-4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. Prepaid items of governmental funds in the fund financial statements are offset by an equal amount to indicate that they are not available for general appropriation.

1-D-5. Restricted Assets

When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are used first to fund appropriations.

Restricted assets of the Town represent amounts that are required to be maintained pursuant to ordinances relating to bond indebtedness and funds received for specific purposes pursuant to other ordinances and intergovernmental agreements.

1-D-6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the government fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise fund's statement of net assets.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

All capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed and are updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The Town's infrastructure consists of streets. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

With the exception of the proprietary fund, the Town has elected, under the transition rules of GASB No. 34, not to retroactively report infrastructure assets in the accompanying government-wide financial statements. Accordingly, the amount reported as infrastructure only includes additions since the effective date of GASB No. 34.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-------------------------------------|------------------------|
| Building and parks (excluding land) | 15 - 125 years |
| Plant | 10 - 40 years |
| Machinery and equipment | 5 - 25 years |
| Infrastructure | 50 years |
| Trucks and autos | 5 - 10 years |

1-D-7. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Town's past experience of making termination payments. All compensated absence liabilities include salary-related payments, where applicable. The total compensated absence liability is reported on the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only "when due."

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

1-D-8. Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise in both the fund level and government-wide level when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized

1-D-9. Accrued Liabilities and Long-term Liabilities

In the government-wide financial statements and in the proprietary fund type fund financial statements, all payables, accrued liabilities and long-term liabilities are reported as liabilities in the applicable governmental fund activities, or proprietary fund type statement of net assets.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds.

1-D-10. Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts, and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

1-D-11. 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 assets.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or that do not represent available, spendable resources and therefore are

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any deferred bond issuance costs. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

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

1-D-12. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

1-D-13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Note 2 – Detailed Notes on All Funds

2-A. Custodial Credit Risk – Deposit and Investments

2-A-1. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. 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 or public authorities, counties or municipalities. As of June 30, 2010, all of the deposits of the Town were fully collateralized in accordance with the state statutes.

As of June 30, 2010, the Town had the following deposits:

| | |
|--|----------------------------|
| | <u>Bank Balance</u> |
| Collateral held by pledging bank’s trust department in the Town’s name | \$ 9,763,940 |
| Collateral held by pledging bank’s public depositor in the State’s name | <u>94,867</u> |
| Total deposits | <u><u>\$ 9,858,807</u></u> |

2-A-2. Custodial Credit Risk – Investments

As of June 30, 2010, the Town had the following investments:

| | | |
|---|-------------------|----------------------------|
| <u>Investments</u> | <u>Maturities</u> | <u>Fair Value</u> |
| Federated U.S. Treasury Cash Service Shares | 1 year or less | <u>\$ 2,725,995</u> |
| | | <u><u>\$ 2,725,995</u></u> |

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to losses arising from increased interest rates.

Credit Risk – State statutes authorize the Town to invest in obligations of the State of Georgia; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the Georgia Fund 1 established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The Town has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Town Council places a 35 percent limit on the amount the Town may invest in any one type of investment or financial institution for those investments controlled by the Town. More than 35 percent of the Town's investments are in Federated U.S. Treasury Cash Service Shares. These investments are controlled by the bondholders, per the bond agreement, and make up 100 percent of the total investments.

2-B. Receivables

As of June 30, 2010, receivables consisted of taxes, interfund receivables and accounts (billings for user charges, including unbilled utility receivables).

Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

2-C. Capital Assets

2-C-1 Capital Assets Activity

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|---------------------|-----------------|----------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 13,302,230 | \$ 2,805,430 | \$ - | \$ 16,107,660 |
| Construction in progress | 646,916 | 769,201 | - | 1,416,117 |
| Total nondepreciable capital assets | <u>13,949,146</u> | <u>3,574,631</u> | <u>-</u> | <u>17,523,777</u> |
| Depreciable capital assets | | | | |
| Buildings | 8,829,737 | 1,390,000 | - | 10,219,737 |
| Infrastructure | 3,789,334 | 210,000 | - | 3,999,334 |
| Vehicles | 560,336 | - | (38,274) | 522,062 |
| Equipment | 890,621 | - | (10,241) | 880,380 |
| Total depreciable capital assets | <u>14,070,028</u> | <u>1,600,000</u> | <u>(48,515)</u> | <u>15,621,513</u> |
| Total capital assets | <u>28,019,174</u> | <u>5,174,631</u> | <u>(48,515)</u> | <u>33,145,290</u> |
| Accumulated depreciation | | | | |
| Buildings | (879,931) | (256,966) | - | (1,136,897) |
| Infrastructure | (201,145) | (89,708) | - | (290,853) |
| Vehicles | (265,971) | (100,929) | 46,080 | (320,820) |
| Equipment | (473,742) | (121,699) | 6,898 | (588,543) |
| Total accumulated depreciation | <u>(1,820,789)</u> | <u>(569,302)</u> | <u>52,978</u> | <u>(2,337,113)</u> |
| Capital assets, net | <u>\$ 26,198,385</u> | <u>\$ 4,605,329</u> | <u>\$ 4,463</u> | <u>\$ 30,808,177</u> |
| Governmental activities depreciation expense | | | | |
| General government | \$ 385,869 | | | |
| Police | 174,456 | | | |
| Planning and development | 8,977 | | | |
| | <u>\$ 569,302</u> | | | |

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--------------------------------------|----------------------|----------------------|-----------------------|----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,040,407 | \$ 276,701 | \$ - | \$ 1,317,108 |
| Construction in progress | 18,778,463 | - | (16,764,446) | 2,014,017 |
| Total nondepreciable capital assets | <u>19,818,870</u> | <u>276,701</u> | <u>(16,764,446)</u> | <u>3,331,125</u> |
| Depreciable capital assets | | | | |
| Buildings | 1,638,179 | - | - | 1,638,179 |
| Plant | 27,757,723 | 20,279,894 | - | 48,037,617 |
| Machinery and equipment | 776,730 | - | (845) | 775,885 |
| Total depreciable capital assets | <u>30,172,632</u> | <u>20,279,894</u> | <u>(845)</u> | <u>50,451,681</u> |
| Total capital assets | <u>49,991,502</u> | <u>20,556,595</u> | <u>(16,765,291)</u> | <u>53,782,806</u> |
| Accumulated depreciation | | | | |
| Plant | (6,158,083) | (1,246,852) | - | (7,404,935) |
| Machinery and equipment | (480,879) | (95,382) | - | (576,261) |
| Building | (108,571) | (529) | - | (109,100) |
| Total accumulated depreciation | <u>(6,747,533)</u> | <u>(1,342,763)</u> | <u>-</u> | <u>(8,090,296)</u> |
| Capital assets, net | <u>\$ 43,243,969</u> | <u>\$ 19,213,832</u> | <u>\$(16,765,291)</u> | <u>\$ 45,692,510</u> |

2-C-2 Construction Commitments

The government has active construction projects as of June 30, 2010. The projects include improvements to existing lift station replacement, pumping station renovation, groundwater development and wastewater interceptor projects.

| Project | Spent to date | Remaining Commitment |
|----------------------------------|---------------------|-------------------------|
| Lift Station Replacement | \$ 541,539 | \$ 308,461 |
| Groundwater Development | 310,311 | 766,489 |
| Pumping Station Renovation | 77,965 | 612,035 |
| Waste Water Interceptor Projects | 400,269 | 6,105,732 |
| | <u>\$ 1,330,084</u> | <u>\$ 7,792,717</u> |

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

2-D. Interfund Balances and Transfers

As of June 30, 2010, interfund balances consisted of the following:

| Receivable Fund | Payable Fund | | | Total |
|-----------------|----------------------|-----------------------|------------------|--------------|
| | Special Revenue Fund | Capital Projects Fund | Proprietary Fund | |
| General Fund | \$ (47,929) | \$ - | \$ (93,082) | \$ (141,011) |
| Elimination | 47,929 | - | 93,082 | 141,011 |
| Total | \$ - | \$ - | \$ - | \$ - |

All interfund balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period and (3) payments between funds are made. The Town expects to repay all interfund balances within one year.

2-D-1 Interfund Transfers In/Out

During the year ended June 30, 2010, interfund transfers were as follows:

| | General Fund | Special Revenue Fund | Capital Projects Fund | Proprietary Fund | Total |
|---------------|----------------|----------------------|-----------------------|------------------|--------------|
| Transfers in | \$ - | \$ - | \$ 1,370,066 | \$ - | \$ 1,370,066 |
| Transfers out | (1,120,199) | (324,273) | (444,943) | (249,867) | (2,139,282) |
| Total | \$ (1,120,199) | \$ (324,273) | \$ 925,123 | \$ (249,867) | \$ (769,216) |

All interfund transfers in/out is the result of excess goods or services provided, net of expenditures, for transactions recorded in the accounting period in the Special Revenue and Capital Projects funds and transferred to the General Fund for its specific purpose. Transactions recorded in the accounting period in the General Fund and Proprietary Fund were transferred to the Capital Projects funds for its specific purpose.

2-E. Bridge Loan Payable

On June 26, 2009, the Town received a \$3,000,000 bridge loan from Northeast Georgia Bank. The loan had interest at 4.5 percent per annum with a maturity date of December 26, 2009, at which time all accrued interest and unpaid principal were due. The bridge loan payable

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

proceeds were used to finance certain improvements (the "Project") to the Town's water and sewerage system until the Town's Series 2009 Revenue Bonds were approved and issued. As of June 30, 2010, the bridge loan payable and accrued interest were paid in full with proceeds from the Series 2009 Revenue Bonds.

2-F. Long-term Liabilities

2-F-1. Georgia Environmental Facilities Authority Note Agreements

The Water and Sewer Fund entered into various note agreements with Georgia Environmental Facilities Authority ("GEFA") for various water and sewer system projects. As of June 30, 2010, these notes were as follows:

| Agreement | Interest Rate | Debt Service | Maturity Date | Original Amount | Outstanding Balance |
|-------------|---------------|--------------------|---------------|-----------------|---------------------|
| 98-L73-WS | 4.10% | \$9,434/Quarterly | 2022 | \$ 513,323 | \$ 338,722 |
| 99-L10-WQ | 4.24% | \$4,656/Monthly | 2024 | 690,218 | 589,297 |
| 2000-L50-WS | 3.98% | \$37,123/Quarterly | 2023 | 2,041,151 | 1,523,305 |
| 2007-L22-WS | 3.40% | \$20,958/Monthly | 2030 | 4,355,000 | 3,712,761 |
| 2009-L18-WQ | 2.81% | \$1,652/Monthly | 2035 | 331,253 | 328,419 |
| | | | | | \$ 6,492,504 |

As of June 30, 2010, the Town's total debt service requirements to maturity under these agreements were estimated as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-----------------------------|--------------|--------------|--------------|
| 2011 | \$ 282,047 | \$ 231,383 | \$ 513,430 |
| 2012 | 292,717 | 220,712 | 513,429 |
| 2013 | 292,717 | 220,712 | 513,429 |
| 2014 | 315,298 | 198,132 | 513,430 |
| 2015 | 327,240 | 186,190 | 513,430 |
| 2016 - 2020 | 1,831,941 | 735,206 | 2,567,147 |
| 2021 - 2025 | 1,736,611 | 373,291 | 2,109,902 |
| 2026 - 2030 | 1,217,509 | 139,129 | 1,356,638 |
| 2031 - 3035 | 196,424 | 3,531 | 199,955 |
| Total | \$ 6,492,504 | \$ 2,308,286 | \$ 8,800,790 |

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

2-F-2. Series 2003 Revenue Bonds

On December 30, 2003 and January 6, 2004, the Town issued Water and Sewerage System Revenue Bonds as follows:

| <u>Series</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Outstanding Balance</u> |
|---------------|----------------------|----------------------|------------------------|----------------------------|
| 2003A | 3.70% to 4.30% | 2019 | \$ 7,915,000 | \$ 7,000,000 |
| 2003B | 4.70% to 4.75% | 2027 | 9,540,000 | 9,540,000 |
| | | | | <u>\$ 16,540,000</u> |

The Series 2003 Bonds were issued by the Town for the purpose of: (1) refunding the 1991, 1997 and 2001A revenue bonds and GEFA note; (2) financing certain improvements (the "Project") to the Town's water and sewerage system (the "System"); and (3) paying budgeted cost of issuing the Series 2003 Bonds.

The Series 2003 Bonds and any parity bonds hereafter issued are secured by and are payable from a first pledge of and lien on the revenues derived from the operation of the System after the payment of the reasonable costs of operating and maintaining the System (the "Net Revenues"). Neither the general credit nor the taxing power of State of Georgia or any political subdivision thereof, including the Town, is pledged to the payment of the Series 2003 Bonds. The Series 2003 Bonds are limited obligations of the Town and are payable solely from the net revenues. The Series 2003 Bonds do not constitute a charge, lien or encumbrance on any other property of the Town.

The Series 2003 Bond agreements contain various covenants with which the Town is in compliance.

During the year ended June 30, 2010, the basis of the Series 2003 Bonds was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|----------------|--------------------------|------------------|---------------------|-----------------------|
| Series 2003A | | | | |
| Bond principal | \$ 7,250,000 | \$ - | \$ (250,000) | \$ 7,000,000 |
| Bond premium | (148,421) | - | 16,781 | (131,640) |
| | <u>7,101,579</u> | <u>-</u> | <u>(233,219)</u> | <u>6,868,360</u> |
| Series 2003B | | | | |
| Bond principal | 9,540,000 | - | - | 9,540,000 |
| | <u>9,540,000</u> | <u>-</u> | <u>-</u> | <u>9,540,000</u> |
| | <u>\$ 16,641,579</u> | <u>\$ -</u> | <u>\$ (233,219)</u> | <u>\$ 16,408,360</u> |

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

As of June 30, 2010, the Town's total debt service requirements to maturity under these Series 2003 Revenue Bonds were as follows:

| Fiscal Year Ending June 30, | Series 2003A Bonds | | Series 2003B Bonds | | Total | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 340,000 | \$ 273,868 | \$ - | \$ 443,325 | \$ 340,000 | \$ 717,193 |
| 2012 | 420,000 | 263,668 | - | 443,325 | 420,000 | 706,993 |
| 2013 | 505,000 | 249,493 | - | 443,325 | 505,000 | 692,818 |
| 2014 | 585,000 | 231,312 | - | 443,325 | 585,000 | 674,637 |
| 2015 | 670,000 | 209,668 | - | 443,325 | 670,000 | 652,993 |
| 2016-2020 | 4,480,000 | 591,248 | 1,100,000 | 2,659,950 | 5,580,000 | 3,251,198 |
| 2021-2025 | - | - | 6,270,000 | 1,421,600 | 6,270,000 | 1,421,600 |
| 2026-2027 | - | - | 2,170,000 | 141,313 | 2,170,000 | 141,313 |
| Total | <u>\$ 7,000,000</u> | <u>\$ 1,819,257</u> | <u>\$ 9,540,000</u> | <u>\$ 6,439,488</u> | <u>\$ 16,540,000</u> | <u>\$ 8,258,745</u> |

2-F-3. Series 2005 Revenue Bonds

The Town entered into a \$5,500,000 bond agreement dated June 15, 2005 through the Urban Development Agency of the Town of Braselton for the construction of a new law enforcement center and library. The bond agreement is repayable in monthly principal installments of \$24,123 plus accrued interest thereon at 3.67 percent through May 15, 2025. As of June 30, 2010, the outstanding principal balance was \$4,317,981.

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2011 | \$ 289,474 | \$ 153,601 | \$ 443,075 |
| 2012 | 289,474 | 142,976 | 432,450 |
| 2013 | 289,474 | 132,355 | 421,829 |
| 2014 | 289,474 | 121,278 | 410,752 |
| 2015 | 289,474 | 111,104 | 400,578 |
| 2016-2020 | 1,447,370 | 396,487 | 1,843,857 |
| 2021-2025 | 1,423,241 | 130,330 | 1,553,571 |
| | <u>\$ 4,317,981</u> | <u>\$ 1,188,131</u> | <u>\$ 5,506,112</u> |

2-F-4. Series 2009 Revenue Bonds – Downtown Project

The Series 2009 Bonds were issued by the Town for the purpose of; financing the costs of acquiring, constructing, and installing urban redevelopment projects (the "URP") consisting of a

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

town green and amphitheatre and streetscape, sidewalk, and parking improvements, and related costs and necessary expenses incidental to the projects.

The Series 2009 Bonds are secured by and are payable from a first pledge and first priority security interest in, all of its right, title and interest in the URP of the Town, as defined by the bond agreement, and all revenues, payments, receipts and moneys to be received from the URP.

The Town entered into a \$5,000,000 bond agreement dated August 19, 2009 through the Urban Development Agency of the Town of Braselton. The bond agreement is repayable in quarterly principal installments plus accrued interest thereon at 4.63 percent through maturity on August 1, 2024. As of June 30, 2010, the outstanding principal balance was \$5,000,000.

As of June 30, 2010, the Town's total debt service requirements to maturity under these Series 2009 Revenue Bonds were as follows:

| Fiscal Year Ending June 30, | Principal | Interest |
|--------------------------------|---------------------|---------------------|
| 2011 | \$ 125,323 | \$ 397,944 |
| 2012 | 173,414 | 223,608 |
| 2013 | 181,113 | 215,404 |
| 2014 | 190,353 | 206,837 |
| 2015 | 199,446 | 165,370 |
| 2016-2020 | 1,149,040 | 870,646 |
| 2021-2025 | 2,981,311 | 480,343 |
| | <u>\$ 5,000,000</u> | <u>\$ 2,560,152</u> |

During the year ended June 30, 2010, the basis of the Series 2009 Bonds was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-------------------------------|----------------------|---------------------|-------------|---------------------|
| Series 2009 Bond principal | \$ - | \$ 5,000,000 | \$ - | \$ 5,000,000 |
| | <u>\$ -</u> | <u>\$ 5,000,000</u> | <u>\$ -</u> | <u>\$ 5,000,000</u> |

The Series 2009 Bond agreements contain various covenants with which the Town is in compliance.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

2-F-5. Series 2009 Revenue Bonds – Water and Sewerage System

The Series 2009 Bonds were issued by the Town for the purpose of; financing certain improvements (the “Project”) to the Town’s water and sewerage system (the “System”); and paying budgeted cost of issuing the Series 2009 Bonds.

The Series 2009 Bonds are secured by and are payable from a first pledge and lien on the revenues derived from the operation of the System after the payment of the reasonable costs of operating and maintaining the System (the “Net Revenues”). Neither the general credit nor the taxing power of State of Georgia or any political subdivision thereof, including the Town, is pledged to the payment of the Series 2009 Bonds. The Series 2009 Bonds are limited obligations of the Town and are payable solely from the net revenues. The Series 2009 Bonds do not constitute a charge, lien or encumbrance on any other property of the Town.

The Town entered into a \$10,285,000 bond agreement dated December 30, 2009. The bond agreement is repayable in annual principal installments beginning July 1, 2027 plus accrued interest thereon at a variable rate of 4.46 percent to 5.03 percent through maturity on July 1, 2035. As of June 30, 2010, the outstanding principal balance was \$10,285,000.

As of June 30, 2010, the Town’s total debt service requirements to maturity under these Series 2009 Revenue Bonds were as follows:

| Fiscal Year Ending June 30, | Principal | Interest |
|--------------------------------|----------------------|----------------------|
| 2011 | \$ - | \$ 477,375 |
| 2012 | - | 477,375 |
| 2013 | - | 477,375 |
| 2014 | - | 477,375 |
| 2015 | - | 477,375 |
| 2016-2020 | - | 2,386,875 |
| 2021-2025 | - | 2,386,875 |
| 2026-2030 | 3,580,000 | 2,216,405 |
| 2031-2035 | 6,705,000 | 993,711 |
| Total | <u>\$ 10,285,000</u> | <u>\$ 10,370,741</u> |

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

During the year ended June 30, 2010, the basis of the Series 2009 Bonds was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------|----------------------|----------------------|---------------------|---------------------|
| Series 2009 | | | | |
| Bond principal | \$ - | \$ 10,285,000 | \$ - | \$ 10,285,000 |
| Bond premium | - | - | (307,377) | (307,377) |
| | <u>\$ -</u> | <u>\$ 10,285,000</u> | <u>\$ (307,377)</u> | <u>\$ 9,977,623</u> |

The Series 2009 Bond agreements contain various covenants with which the Town is in compliance.

2-F-6. Changes in Long-term Liabilities

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2010:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due in One Year |
|---------------------------------|----------------------|----------------------|---------------------|----------------------|----------------------------|
| Governmental activities | | | | | |
| Revenue bonds | \$ 4,607,455 | \$ 5,000,000 | \$ 289,474 | \$ 9,317,981 | \$ 289,474 |
| Compensated absences | 79,077 | - | 15,702 | 63,375 | 63,375 |
| Total governmental | <u>4,686,532</u> | <u>5,000,000</u> | <u>305,176</u> | <u>9,381,356</u> | <u>352,849</u> |
| Business-type activities | | | | | |
| Revenue bonds | 16,641,579 | 9,977,623 | 233,219 | 26,385,983 | 754,797 |
| Notes payable | 9,207,064 | 424,602 | 3,139,162 | 6,492,504 | 282,047 |
| Compensated absences | 40,022 | 3,661 | - | 43,683 | 43,683 |
| Total business-type | <u>25,888,665</u> | <u>10,405,886</u> | <u>3,372,381</u> | <u>32,922,170</u> | <u>1,080,527</u> |
| Total | <u>\$ 30,575,197</u> | <u>\$ 15,405,886</u> | <u>\$ 3,677,557</u> | <u>\$ 42,303,526</u> | <u>\$ 1,433,376</u> |

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. Any prior year compensated absences balances of governmental and business-type activities were liquidated by the general fund and enterprise funds, respectively.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

2-F-7. Interest expense

In the government-wide statement of activities, interest expense in the governmental activities is treated as an indirect expense and is disclosed separately. In the business type activities, interest expense is considered a direct expense. For the year ended June 30, 2010, the interest expense charged as a direct expense in the business-type activities was \$556,377.

2-F-8. Capitalized interest

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs incurred during the construction of facilities is capitalized as part of the cost of such facilities for business-type activities. For the year ended June 30, 2010, capitalized interest was \$810,850.

2-G. Net Assets

As of June 30, 2010, net assets on the government-wide statement of net assets were as follows:

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Investments in capital assets, net of related debt | | | |
| Cost of capital assets | \$ 33,145,290 | \$ 53,782,806 | \$ 86,928,096 |
| Less accumulated depreciation | (2,337,113) | (8,090,296) | (10,427,409) |
| Less notes payable | - | (6,492,504) | (6,492,504) |
| Less revenue bonds | (9,317,981) | (26,385,983) | (35,703,964) |
| Investments in capital assets, net of related debt | <u>\$ 21,490,196</u> | <u>\$ 12,814,023</u> | <u>\$ 34,304,219</u> |

| | Total Government Activities |
|-----------------|-----------------------------------|
| Restricted for | |
| Forfeitures | \$ 273,056 |
| Jail | 253,755 |
| Traffic Court | 269,950 |
| Program purpose | 1,511 |
| Payroll | 2,464 |
| | <u>\$ 800,736</u> |

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

2-H. *Deferred Compensation Plan*

The Town of Braselton Deferred Compensation Plan (the “Plan”) was established in 1998 under a vote by the Town Council. The Plan is a defined contribution plan and is administered by PEBSCO through Nationwide Mutual Insurance Company & Affiliated Companies. The Plan covers all permanent employees who have completed three years of service. The Town matches 50 percent of employee contributions up to 3 percent. Contributions made during the year ended June 30, 2010 were approximately \$33,286 by employees and \$14,854 by the Town.

Note 3 – Other Notes

3-A. *Risk Management*

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has joined the Georgia Interlocal Risk Management Agency (“GIRMA”). This membership allows the Town to share liability, crime, motor vehicle and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated (“OCGA”) authorizes Georgia municipalities to form interlocal risk management agencies. The GIRMA is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA establishes and administers one or more group self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA, in accordance with the member government contract and related coverage descriptions, is to defend and protect any member of GIRMA against liability or loss.

The Town must participate at all times in at least one fund established by GIRMA. The Town retains the first \$1,000 of each risk of loss in the form of a deductible. The Town files all claims with GIRMA. GIRMA bills the Town for any risk of loss up to the \$1,000 deductible.

The basis for estimating the liabilities for unpaid claims that have been incurred but not reported is established by an actuary. As of June 30, 2010, the Town is not aware of any claims that the Town is liable for the deductible amount that were outstanding and unpaid. No provisions have been made in the financial statements for the year ended June 30, 2010 for any estimate of unpaid claims.

There were no significant reductions in insurance coverage from prior year and there have been no settlements that exceed the Town’s insurance coverage during the past three years.

The Town is a member of the Georgia Municipal Association Self-Insurance Workers’ Compensation Fund (the “Fund”), a risk sharing public entity risk pool. The Fund was created to

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

provide its members with an alternative method in which to finance their workers' compensation coverage. The Fund purchases excess insurance to protect the Fund from catastrophic losses and for any unexpected increase in frequency of smaller claims.

As part of these risk pools, the Town 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 Fund and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the Fund being required to pay any claim of loss. The Town is also to allow the Fund's agents and attorneys to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the Fund.

The Fund is to defend and protect its members against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The Fund is to pay all costs assessed 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.

3-B. *Joint Ventures*

Under Georgia law, the Town, in conjunction with other municipalities and counties in the Northeast Georgia area, is a member of the Northeast Georgia Regional Development Center ("RDC") and is required to pay dues thereto, which Jackson County pays on behalf of the Town. Additionally, the Town, in conjunction with other municipalities around the Metropolitan Atlanta, Georgia area, is a member of the Atlanta Regional Commission ("ARC") and is required to pay annual dues thereto. Membership in these organizations is required by the OCGA Section 50-8-34, which provides for their organizational structure. The RDC and ARC Board memberships include the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of these organizations. Separate financial statements may be obtained from the Northeast Georgia RDC, 305 Research Drive, Athens, GA 30605-2795. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

3-C. *Special Purpose Local Option Sales Taxes*

On August 20, 1999, Jackson County approved a special county one percent sales and use tax for the purpose of: (1) capital outlay projects for water and sewer; (2) capital outlay projects for parks and recreation facilities; (3) public safety facilities for fire departments; and (4) road, street and bridge purposes, including sidewalks. The Jackson County Board of Commissioners will divide all monies with the appropriate and qualified municipalities of Jackson County and the Jackson County Water and Sewer Authority as allowed by OCGA Title 48, Chapter 8. The Town will share in 1.28 percent of the proceeds of the special one percent sales and use tax.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

On March 15, 2006, Jackson County approved a special county one percent sales and use tax for the purpose of: (1) capital outlay projects for water and sewer; (2) capital outlay projects for parks and recreation facilities; (3) public safety facilities for fire departments; (4) a county jail; and (5) road, street and bridge purposes, including sidewalks. The Jackson County Board of Commissioners will divide all monies with the appropriate and qualified municipalities of Jackson County and the Jackson County Water and Sewer Authority as allowed by OCGA Title 48, Chapter 8. The Town will share in 4.59 percent of the proceeds of the special one percent sales and use tax.

On November 2, 2004, Gwinnett County approved a special county one percent sales and use tax for the purpose of: (1) new capital projects; (2) infrastructure improvements; and (3) park and recreational capital improvements. The Gwinnett County Board of Commissioners will divide all monies with the appropriate and qualified municipalities of Gwinnett County as allowed by OCGA Title 48, Chapter 8.

On March 2, 2004, Hall County approved a special county one percent sales and use tax for the purpose of: (1) road and street improvements; (2) county parks; (3) public safety facilities for new detention center and fire departments; (4) landfill improvements; and (5) municipal projects. The Hall County Board of Commissioners will divide all monies with the appropriate and qualified municipalities of Hall County as allowed by OCGA Title 48, Chapter 8.

On March 15, 2006, Barrow County approved a special county one percent sales and use tax for the purpose of: (1) capital outlay projects for water and sewer; (2) capital outlay projects for parks and recreation facilities; (3) capital outlay for libraries; and (4) road, street and bridge purposes, including sidewalks. The Barrow County Board of Commissioners will divide all monies with the appropriate and qualified municipalities of Barrow County as allowed by OCGA Title 48, Chapter 8. The Town will share in 3.83 percent of the proceeds of the special one percent sales and use tax.

3-D. *Hotel/Motel Taxes*

The Town levies a 5 percent lodging tax. OCGA 48-13-51 requires all lodging taxes levied in excess of 3 percent be expended or obligated contractually for the promotion of tourism, conventions or trade shows. Accordingly, 2 percent has been expended or held in the special revenue fund and the balance was transferred to the General Fund to fund general expenditures of the Town. For the year ended June 30, 2010, one operator accounted for approximately 83 percent of the total hotel/motel tax revenue.

3-E. *Water and Sewer Fund Information*

As of June 30, 2010, the Water and Sewer Fund had 3,937 water users and 2,390 sewer users. As a general rule, the Town adjusts water and sewer rate schedules at the beginning of each fiscal year.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

3-F. Grant Awards

3-F-1 2009 GATEway Grant

On April 1, 2010, the Town was awarded the 2009 GATEway Grant by the Georgia Department of Transportation in the amount of \$25,000. The proceeds of the grant will be allocated towards purchasing and installing plant material on state routes in community landscape projects located on public roads. As of June 30, 2010, no grant funds were received by the Town.

3-F-2 Immediate Threat and Danger Grant

On February 1, 2010, the Town was awarded the Immediate Threat and Danger Grant by the Georgia Department of Community Affairs in the amount of \$25,000. The grant is intended to respond to events or situations which have a particular urgency and uniqueness which adversely affect or impact the health or welfare of the community and its citizen and where other financial resources are not available to meet such needs. As of June 30, 2010, no grant funds were received by the Town.

3-F-3 Appalachian Regional Commission Grant

On July 1, 2009, the Town was awarded the grant by the Appalachian Regional Commission, grant funding will be provided by the Department of Agriculture Rural Development in the amount of \$300,000. The purpose of the grant is to upgrade the Town's industrial park's wastewater system and support the creation of new jobs and support private investment for the area. As of June 30, 2010, no grant funds were received by the Town.

3-F-4 2008 GATEway Grant

On April 7, 2009, the Town was awarded the 2008 GATEway Grant by the Georgia Department of Transportation in the amount of \$50,000. The proceeds of the grant will be allocated towards purchasing and installing plant material on state routes in community landscape projects located on public roads. As of June 30, 2010, no grant funds were received by the Town.

3-F-5 Transportation Enhancement Grant

On December 3, 2007, the Town was awarded the Transportation Enhancement Grant by the Georgia Department of Transportation in the amount of \$500,000. The purpose of the grant to assist with the streetscape project on State Route 53 project which will run through the downtown area. As of June 30, 2010, no grant funds were received by the Town.

Town of Braselton, Georgia

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

3-G. Contingencies

The Town is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions arising in the course of Town operations. In the opinion of Town management, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

3-H. Subsequent Events

On September 14, 2010, the Town received \$25,000 from the Georgia Department of Community Affairs related to the Immediate Threat and Danger Grant. The Town used the grant funds to maintain and repair the Town's Mulberry Riverwalk trail that was damaged due to flooding in October 2009.

On December 13, 2010, the Town awarded the contract for the Ground Water Well Pumping and Treatment Facility Construction project to W.F. Floyd Construction, Inc. The contract price is \$760,760.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Braselton, Georgia

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|--|---------------------|---------------------|---------------------|----------------------------|
| Revenues | | | | |
| Taxes | \$ 1,248,000 | \$ 1,243,242 | \$ 1,243,242 | \$ - |
| Licenses and permits | 462,000 | 350,699 | 350,699 | - |
| Fines and forfeitures | 350,000 | 664,415 | 664,415 | - |
| Investment earnings | 17,000 | 52,860 | 52,860 | - |
| Intergovernmental revenues | - | 614,216 | 614,216 | - |
| Miscellaneous | 40,000 | 58,051 | 58,051 | - |
| Total revenues | <u>2,117,000</u> | <u>2,983,483</u> | <u>2,983,483</u> | <u>-</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 380,576 | 388,707 | 388,707 | - |
| Court costs | 123,520 | 124,414 | 124,414 | - |
| Police department | 1,087,254 | 1,138,838 | 1,138,838 | - |
| Street department | 57,193 | 2,420,477 | 2,420,477 | - |
| Parks and tennis center | 11,704 | 82,999 | 82,999 | - |
| Library | 198,269 | 186,082 | 186,082 | - |
| Planning and development | 382,349 | 411,207 | 411,207 | - |
| Debt service | 290,000 | 659,818 | 659,818 | - |
| Economic development | 508,600 | 88,995 | 88,995 | - |
| Total expenditures | <u>3,039,465</u> | <u>5,501,537</u> | <u>5,501,537</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(922,465)</u> | <u>(2,518,054)</u> | <u>(2,518,054)</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Other financing sources | - | 5,052,965 | 5,052,965 | - |
| Transfers out | - | (1,120,199) | (1,120,199) | - |
| Total other financing sources (uses) | <u>-</u> | <u>3,932,766</u> | <u>3,932,766</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (922,465)</u> | <u>\$ 1,414,712</u> | <u>1,414,712</u> | <u>\$ -</u> |
| Budgetary fund balances, beginning of year | | | 2,725,481 | |
| Budgetary fund balances, end of year | | | <u>\$ 4,140,193</u> | |

Town of Braselton, Georgia

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGET AND ACTUAL – SPECIAL REVENUE FUND

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|--|--------------------|--------------------|------------------|----------------------------|
| Revenues | | | | |
| Hotel tax | \$ - | \$ 554,688 | \$ 554,688 | \$ - |
| Interest income | - | 2,724 | 2,724 | - |
| Other income | - | 16,085 | 16,085 | - |
| Total revenues | - | 573,497 | 573,497 | - |
| Expenditures | | | | |
| Current | | | | |
| Tourism department | - | 766 | 766 | - |
| Public relations and special events | - | 143,279 | 143,279 | - |
| Festival and hardscape improvements | - | 16,271 | 16,271 | - |
| Transportation improvements | - | 63,943 | 63,943 | - |
| Marketing | - | 114,339 | 114,339 | - |
| Supplies | - | 678 | 678 | - |
| Historical repairs and maintenance | - | 2,779 | 2,779 | - |
| Total expenditures | - | 342,055 | 342,055 | - |
| Excess (deficiency) of revenues over (under) expenditures | - | 231,442 | 231,442 | - |
| Other financing sources (uses) | | | | |
| Transfers out | - | (324,273) | (324,273) | - |
| Total other financing sources (uses) | - | (324,273) | (324,273) | - |
| Net change in fund balance | \$ - | \$ (92,831) | (92,831) | \$ - |
| Budgetary fund balances, beginning of year | | | 252,011 | |
| Budgetary fund balances, end of year | | | \$ 159,180 | |
| GAAP fund balances, end of year | | | \$ 159,180 | |

Town of Braselton, Georgia

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGET AND ACTUAL – CAPITAL PROJECTS FUND

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|--|--------------------|---------------------|---------------------|----------------------------|
| Revenues | | | | |
| SPLOST Revenue | \$ - | \$ 431,359 | \$ 431,359 | \$ - |
| Total revenues | - | 431,359 | 431,359 | - |
| Total Expenditures | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | - | 431,359 | 431,359 | - |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 1,370,066 | 1,370,066 | - |
| Transfers out | - | (444,943) | (444,943) | - |
| Total other financing sources (uses) | - | 925,123 | 925,123 | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 1,356,482</u> | 1,356,482 | <u>\$ -</u> |
| Budgetary fund balances, beginning of year | | | - | |
| Budgetary fund balances, end of year | | | <u>\$ 1,356,482</u> | |
| GAAP fund balances, end of year | | | <u>\$ 1,356,482</u> | |

Town of Braselton, Georgia

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

1-A. Budgetary Information

The Town adopts an annual operating budget for all funds. The budget resolution reflects the total of each department's appropriation in each fund. The governmental fund budgets are adopted on a GAAP basis. Revenues are reported on a GAAP basis.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each function within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the Town Council.

The Town Manager may approve budget transfers within departments, limited to \$5,000. Any transfers within the department in excess of \$5,000 require approval of the Town Council.

All unexpended, unencumbered annual appropriations lapse at year-end.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION
GENERAL FUND

Town of Braselton, Georgia

BALANCE SHEET – GENERAL FUND

June 30, 2010

ASSETS

| | |
|---------------------------|-------------------------|
| Cash and cash equivalents | \$ 947,447 |
| Receivables | |
| Sales taxes | 67,340 |
| Interfund | 141,011 |
| Prepaid items | 107,396 |
| Restricted items | |
| Cash | <u>3,344,105</u> |
| Total assets | <u>\$ 4,607,299</u> |

LIABILITIES AND FUND BALANCES

Liabilities

| | |
|-----------------------|--------------------|
| Accounts payable | \$ 36,270 |
| Deposits payable | 36,384 |
| Accrued expenditures | <u>394,452</u> |
| Total liabilities | <u>467,106</u> |

Fund balances

| | |
|---|-------------------------|
| Reserved for | |
| Prepaid items | 107,396 |
| Program purposes | 3,344,105 |
| Unreserved | <u>688,692</u> |
| Total fund balances | <u>4,140,193</u> |
| Total liabilities and fund balances | <u>\$ 4,607,299</u> |

Town of Braselton, Georgia

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GENERAL FUND

Year Ended June 30, 2010

Revenues

| | |
|----------------------------|------------------|
| Taxes | \$ 1,243,242 |
| Licenses and permits | 350,699 |
| Fines and forfeitures | 664,415 |
| Investment earnings | 52,860 |
| Miscellaneous | 58,051 |
| Intergovernmental revenues | <u>614,216</u> |
| Total revenues | <u>2,983,483</u> |

Expenditures

| | |
|--|--------------------|
| Current | |
| General government | 388,707 |
| Court costs | 124,414 |
| Police department | 1,061,008 |
| Street department | 77,352 |
| Parks and tennis courts | 56,274 |
| Library | 185,479 |
| Planning and development | 410,919 |
| Economic development | 88,995 |
| Debt service | 659,818 |
| Capital outlay | <u>2,448,571</u> |
| Total expenditures | <u>5,501,537</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,518,054)</u> |

Other financing sources (uses)

| | |
|--------------------------------------|----------------------------|
| Other financing sources | 5,052,965 |
| Transfers out | <u>(1,120,199)</u> |
| Total other financing sources (uses) | <u>3,932,766</u> |
| Net change in fund balances | 1,414,712 |
| Fund balances, beginning of year | <u>2,725,481</u> |
| Fund balances, end of year | <u><u>\$ 4,140,193</u></u> |

Town of Braselton, Georgia

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|----------------------------------|--------------------|-----------------|--------------|----------------------------|
| Taxes | | | | |
| Franchise tax - electric | \$ 450,000 | \$ 450,775 | \$ 450,775 | \$ - |
| Franchise tax - water | 2,000 | 2,296 | 2,296 | - |
| Franchise tax - gas | 73,000 | 85,098 | 85,098 | - |
| Franchise tax - cable TV | 24,000 | 26,162 | 26,162 | - |
| Franchise - telephone | 11,000 | 9,604 | 9,604 | - |
| Sales tax - local option | 178,000 | 180,980 | 180,980 | - |
| Alcoholic beverage tax - beer | 180,000 | 190,266 | 190,266 | - |
| Alcoholic beverage tax - wine | 40,000 | 42,799 | 42,799 | - |
| Alcoholic beverage tax - liquor | 120,000 | 104,199 | 104,199 | - |
| Business and occupational tax | 95,000 | 77,031 | 77,031 | - |
| Insurance premiums tax | 75,000 | 74,032 | 74,032 | - |
| Total taxes | 1,248,000 | 1,243,242 | 1,243,242 | - |
| Licenses and permits | | | | |
| Alcoholic beverage license | 135,000 | 133,430 | 133,430 | - |
| Building licenses and permits | 250,000 | 170,982 | 170,982 | - |
| Plan review fees | 5,000 | 3,500 | 3,500 | - |
| Impact fees | 52,500 | 36,417 | 36,417 | - |
| Rezoning/variance request | 7,500 | 4,600 | 4,600 | - |
| Soil erosion fee | 12,000 | 1,770 | 1,770 | - |
| Total licenses and permits | 462,000 | 350,699 | 350,699 | - |
| Fines and forfeitures | | | | |
| Court cost, fees and charges | - | 1,634 | 1,634 | - |
| Federal forfeitures | - | 363,577 | 363,577 | - |
| State forfeitures | - | 985 | 985 | - |
| Interest received of forfeitures | - | 284 | 284 | - |
| Court fines | 350,000 | 297,935 | 297,935 | - |
| Total fines and forfeitures | 350,000 | 664,415 | 664,415 | - |
| Investment earnings | 17,000 | 52,860 | 52,860 | - |
| Miscellaneous | | | | |
| Jackson County | - | 5,452 | 5,452 | - |
| Cash donations - library | 15,000 | 8,687 | 8,687 | - |
| Library fines and payments | - | 7,481 | 7,481 | - |
| Sale of maps and publications | 5,000 | 3,663 | 3,663 | - |
| Street light charges | 15,000 | 24,983 | 24,983 | - |
| Rental of community center | 1,000 | 925 | 925 | - |
| Election qualifying fee | - | 456 | 456 | - |
| Intergovernmental revenues | - | 614,216 | 614,216 | - |
| Miscellaneous revenue | 4,000 | 6,404 | 6,404 | - |
| Total miscellaneous | 40,000 | 672,267 | 672,267 | - |
| Total revenues | \$ 2,117,000 | \$ 2,983,483 | \$ 2,983,483 | \$ - |

Town of Braselton, Georgia

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|-------------------------------------|--------------------|-----------------|----------------|----------------------------|
| General government | | | | |
| Mayor and council | | | | |
| Mayor and council | \$ 10,000 | \$ 9,420 | \$ 9,420 | \$ - |
| Payroll taxes | 1,768 | 18 | 18 | - |
| Clerk of council | 50,000 | 51,930 | 51,930 | - |
| Medical insurance | 9,000 | 8,152 | 8,152 | - |
| Payroll taxes - clerk | 4,590 | 4,404 | 4,404 | - |
| Workers' compensation | - | 420 | 420 | - |
| Public official liability insurance | - | 35,446 | 35,446 | - |
| Retirement | 100 | 21 | 21 | - |
| Consultants | 25,000 | 20,841 | 20,841 | - |
| Dues and fees | 5,200 | 14,390 | 14,390 | - |
| Education and training | 9,000 | 12,498 | 12,498 | - |
| | <u>114,658</u> | <u>157,540</u> | <u>157,540</u> | <u>-</u> |
| Total mayor and council | | | | |
| Elections | | | | |
| Salaries - elections | - | 1,876 | 1,876 | - |
| Payroll taxes | - | 58 | 58 | - |
| Election expenditures | 7,000 | 2,453 | 2,453 | - |
| | <u>7,000</u> | <u>4,387</u> | <u>4,387</u> | <u>-</u> |
| Total elections | | | | |

(continued)

Town of Braselton, Georgia

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND - CONTINUED

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|--|--------------------|-----------------|----------------|----------------------------|
| General government | | | | |
| Other | | | | |
| Salaries - general | 101,000 | 68,444 | 68,444 | - |
| Payroll taxes | 7,680 | 5,317 | 5,317 | - |
| Medical insurance | 41,288 | 36,657 | 36,657 | - |
| Workers' compensation | 1,100 | - | - | - |
| Employment screening | 150 | 141 | 141 | - |
| Consultants | 10,000 | - | - | - |
| Bank charges | 100 | 753 | 753 | - |
| Waste disposal | 300 | 212 | 212 | - |
| Custodial services | 2,800 | 2,640 | 2,640 | - |
| Alarm monitoring | 350 | 220 | 220 | - |
| Grounds maintenance | 7,700 | 9,377 | 9,377 | - |
| Pest control | 250 | 200 | 200 | - |
| Repairs and maintenance | 2,000 | 1,520 | 1,520 | - |
| Property and liability insurance | 22,000 | 31,574 | 31,574 | - |
| Telephone | 7,500 | 5,844 | 5,844 | - |
| Postage | 1,000 | 750 | 750 | - |
| Legal advertisement | 2,000 | 952 | 952 | - |
| Dues and Fees | 8,500 | 4,439 | 4,439 | - |
| Education and training | 5,000 | 252 | 252 | - |
| Legal | 7,500 | 22,770 | 22,770 | - |
| Custodial services | - | 180 | 180 | - |
| Auditor | 10,000 | 23,418 | 23,418 | - |
| Equipment rental | 1,000 | - | - | - |
| Office supplies | 6,000 | 4,190 | 4,190 | - |
| Miscellaneous supplies | 2,200 | 1,042 | 1,042 | - |
| Electricity | 5,000 | 2,805 | 2,805 | - |
| Natural gas | 3,000 | 2,301 | 2,301 | - |
| Fuel - automobiles | 350 | 429 | 429 | - |
| Small equipment | 1,650 | 353 | 353 | - |
| Capital outlay - furniture and fixtures | 500 | - | - | - |
| Capital outlay - land | 1,000 | - | - | - |
| Total other | 258,918 | 226,780 | 226,780 | - |
| Total general government | 380,576 | 388,707 | 388,707 | - |

(continued)

Town of Braselton, Georgia

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND - CONTINUED

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|----------------------------------|--------------------|-----------------|----------------|----------------------------|
| Court costs | | | | |
| Salaries | 54,000 | 59,120 | 59,120 | - |
| Medical insurance | 17,738 | 7,094 | 7,094 | - |
| Payroll taxes | 4,147 | 4,442 | 4,442 | - |
| Workers' compensation | 180 | - | - | - |
| Legal solicitor and judge | 20,000 | 20,293 | 20,293 | - |
| Natural gas | 100 | 102 | 102 | - |
| Indigent defense | 1,300 | 1,500 | 1,500 | - |
| Translator | 2,000 | 2,188 | 2,188 | - |
| Janitorial | 4,000 | 3,960 | 3,960 | - |
| Alarm | 2,000 | 1,755 | 1,755 | - |
| Pest control | 100 | 67 | 67 | - |
| Repairs and maintenance | - | 1,113 | 1,113 | - |
| Property and liability insurance | 750 | 713 | 713 | - |
| Telephone | 7,000 | 5,786 | 5,786 | - |
| Postage | 420 | 856 | 856 | - |
| Advertisement | 50 | - | - | - |
| Dues and fees | 100 | 3,155 | 3,155 | - |
| Education and training | 100 | 300 | 300 | - |
| Electricity | 7,500 | 7,794 | 7,794 | - |
| Waste disposal | 225 | 1,958 | 1,958 | - |
| Fuel - automobiles | 160 | 352 | 352 | - |
| Office supplies | 1,650 | 1,866 | 1,866 | - |
| Total court costs | 123,520 | 124,414 | 124,414 | - |
| Police Department | | | | |
| Salaries - police chief | 71,000 | 77,310 | 77,310 | - |
| Medical insurance | 16,000 | 16,303 | 16,303 | - |
| Payroll taxes | 5,453 | 5,917 | 5,917 | - |
| Retirement | 1,065 | 2,229 | 2,229 | - |
| Salaries - police | 492,000 | 516,527 | 516,527 | - |
| Medical insurance | 218,000 | 162,464 | 162,464 | - |
| Payroll taxes | 37,786 | 40,853 | 40,853 | - |
| Retirement | 3,200 | 4,650 | 4,650 | - |
| Workers' compensation | 45,000 | 24,078 | 24,078 | - |
| Inmate fees | 150 | - | - | - |
| Repairs and maintenance | - | 4,357 | 4,357 | - |
| Postage | 1,000 | 481 | 481 | - |
| Travel | - | 558 | 558 | - |
| Education and training | - | 8,799 | 8,799 | - |

(continued)

Town of Braselton, Georgia

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND - CONTINUED

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|--------------------------------------|--------------------|------------------|------------------|----------------------------|
| Police Department - continued | | | | |
| Drug education | - | 322 | 322 | - |
| Repairs and maintenance - autos | 3,500 | 5,339 | 5,339 | - |
| Drug screens | 600 | 907 | 907 | - |
| Janitorial services | 8,500 | 7,920 | 7,920 | - |
| Waste disposal | 300 | 212 | 212 | - |
| Security | 9,000 | 8,775 | 8,775 | - |
| Grounds maintenance | 8,000 | 8,729 | 8,729 | - |
| Pest control | 500 | 333 | 333 | - |
| Telephone | 8,000 | 5,845 | 5,845 | - |
| Property and Liability | 40,000 | 34,651 | 34,651 | - |
| Cell phone | 2,300 | 1,950 | 1,950 | - |
| Dues and fees | 500 | 5,943 | 5,943 | - |
| Education and training | 500 | - | - | - |
| Supplies | - | 1,711 | 1,711 | - |
| Legal services | 2,000 | 2,067 | 2,067 | - |
| Office supplies | 3,000 | 4,994 | 4,994 | - |
| Weapons | - | 560 | 560 | - |
| Miscellaneous | 300 | 127 | 127 | - |
| Fuel - automobiles | 70,000 | 67,264 | 67,264 | - |
| Uniforms | - | 34 | 34 | - |
| Natural gas | 600 | 512 | 512 | - |
| Electric | 35,000 | 38,287 | 38,287 | - |
| Capital outlay - building | - | 8,231 | 8,231 | - |
| Capital outlay - equipment | - | 12,732 | 12,732 | - |
| Capital outlay - vehicles | 4,000 | 47,541 | 47,541 | - |
| Capital outlay - computers | - | 9,326 | 9,326 | - |
| Total Police Department | 1,087,254 | 1,138,838 | 1,138,838 | - |
| Street Department | | | | |
| Salaries - street department | 2,500 | 731 | 731 | - |
| Payroll taxes | 193 | 56 | 56 | - |
| Right of ways | 1,000 | 9,600 | 9,600 | - |
| Miscellaneous | 1,000 | 140 | 140 | - |
| Signage | 1,500 | 1,112 | 1,112 | - |
| Road repairs | 15,000 | 1,625 | 1,625 | - |
| Street lighting | 35,000 | 62,821 | 62,821 | - |
| Fuel - automobiles | - | 352 | 352 | - |
| Telephone | 1,000 | 915 | 915 | - |
| Capital outlay - roads | - | 2,343,125 | 2,343,125 | - |
| Total Street Department | 57,193 | 2,420,477 | 2,420,477 | - |

(continued)

Town of Braselton, Georgia

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND - CONTINUED

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|---------------------------------|--------------------|-----------------|----------------|----------------------------|
| Parks and tennis courts | | | | |
| Salaries - parks | 2,000 | 730 | 730 | - |
| Payroll taxes | 154 | 56 | 56 | - |
| Grounds maintenance | 6,000 | 5,915 | 5,915 | - |
| Pest control | 200 | 150 | 150 | - |
| Repairs and maintenance | 250 | 45,012 | 45,012 | - |
| Repairs and maintenance | 250 | 1,049 | 1,049 | - |
| Employment screening | 200 | 63 | 63 | - |
| Electricity | 2,500 | 2,947 | 2,947 | - |
| Fuel - automobiles | 150 | 352 | 352 | - |
| Capital outlay - parks | - | 26,725 | 26,725 | - |
| | <u>11,704</u> | <u>82,999</u> | <u>82,999</u> | <u>-</u> |
| Library | | | | |
| Salaries | 94,000 | 87,729 | 87,729 | - |
| Payroll taxes | 7,219 | 6,734 | 6,734 | - |
| Workers' compensation | 1,000 | - | - | - |
| Medical insurance | 25,000 | 21,572 | 21,572 | - |
| Custodial services | 6,500 | 6,172 | 6,172 | - |
| Security alarm monitoring | 400 | 454 | 454 | - |
| Ground maintenance | 8,000 | 9,024 | 9,024 | - |
| Waste disposal | 150 | 216 | 216 | - |
| Pest control | 1,000 | 610 | 610 | - |
| Repairs and maintenance | - | 10,101 | 10,101 | - |
| Building upgrades | 3,500 | - | - | - |
| Property and casualty insurance | 3,700 | 4,750 | 4,750 | - |
| Telephone | 700 | 653 | 653 | - |
| Postage | 200 | 210 | 210 | - |
| Dues and fees | 850 | 843 | 843 | - |
| Office supplies | 5,000 | 5,040 | 5,040 | - |
| Miscellaneous supplies | 300 | - | - | - |
| Programming supplies | 2,000 | 1,272 | 1,272 | - |
| Electricity | 15,000 | 13,428 | 13,428 | - |
| Fuel - automobiles | 150 | 352 | 352 | - |
| Books | 8,000 | 16,319 | 16,319 | - |
| Annual support | 15,000 | - | - | - |
| Capital outlay - equipment | 600 | 603 | 603 | - |
| | <u>198,269</u> | <u>186,082</u> | <u>186,082</u> | <u>-</u> |

(continued)

Town of Braselton, Georgia

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND - CONTINUED

Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Over/ Under |
|----------------------------------|--------------------|-----------------|--------------|----------------------------|
| Planning and development | | | | |
| Salaries | 180,000 | 215,538 | 215,538 | - |
| Legal | 7,000 | 8,100 | 8,100 | - |
| Medical insurance | 75,000 | 77,673 | 77,673 | - |
| Payroll taxes | 13,824 | 14,633 | 14,633 | - |
| Workers' compensation | 13,000 | 7,563 | 7,563 | - |
| Retirement | - | 1,459 | 1,459 | - |
| Consultants | 50,000 | 38,517 | 38,517 | - |
| Engineering | - | 1,084 | 1,084 | - |
| Repairs and maintenance autos | 1,750 | 5,843 | 5,843 | - |
| Property and liability insurance | 10,000 | 5,227 | 5,227 | - |
| Telephone | 7,000 | 6,166 | 6,166 | - |
| Cell phone | - | 544 | 544 | - |
| Legal advertisement | 1,500 | 1,123 | 1,123 | - |
| Dues and fees | 1,600 | 4,220 | 4,220 | - |
| Employment screenings | 150 | 243 | 243 | - |
| Waste disposal | 150 | 212 | 212 | - |
| Cleaning services | 2,500 | 2,550 | 2,550 | - |
| Grounds and maintenance | 3,500 | 4,205 | 4,205 | - |
| Grounds and maintenance | 175 | 165 | 165 | - |
| Pest control | 250 | 225 | 225 | - |
| Education and training | 1,000 | 770 | 770 | - |
| Office supplies | 1,500 | 1,808 | 1,808 | - |
| Miscellaneous supplies | - | 277 | 277 | - |
| Fuel | 3,500 | 4,492 | 4,492 | - |
| Natural gas | 1,500 | 1,392 | 1,392 | - |
| Electric | 5,300 | 5,638 | 5,638 | - |
| Cable service | 150 | 159 | 159 | - |
| Capital outlay - equipment | 500 | 288 | 288 | - |
| Reproductions services | 1,500 | 1,093 | 1,093 | - |
| Total planning and development | 382,349 | 411,207 | 411,207 | - |
| Economic development | | | | |
| Salaries | - | 12,301 | 12,301 | - |
| Payroll taxes | - | 943 | 943 | - |
| Property insurance | - | 7,329 | 7,329 | - |
| Postage | 100 | - | - | - |
| Dues and fees | 10,000 | 3,298 | 3,298 | - |
| Education and training | 3,500 | 1,425 | 1,425 | - |
| Office supplies | - | 1,019 | 1,019 | - |
| Miscellaneous supplies | - | 158 | 158 | - |
| Repairs and maintenance | 15,000 | 2,324 | 2,324 | - |
| Bond issuance cost | - | 60,198 | 60,198 | - |
| URA bond principal | 290,000 | 289,474 | 289,474 | - |
| URA bond interest | 190,000 | 370,344 | 370,344 | - |
| Total economic development | 508,600 | 748,813 | 748,813 | - |
| Total expenditures | \$ 2,749,465 | \$ 5,501,537 | \$ 5,501,537 | \$ - |

SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND

Town of Braselton, Georgia

BALANCE SHEET – SPECIAL REVENUE FUND

June 30, 2010

ASSETS

| | |
|------------------|--------------------------|
| Cash | \$ 202,758 |
| Taxes receivable | <u>48,748</u> |
| Total assets | <u><u>\$ 251,506</u></u> |

LIABILITIES AND FUND BALANCES

Liabilities

| | |
|-------------------|---------------|
| Accounts payable | \$ 44,397 |
| Interfund payable | <u>47,929</u> |
| Total liabilities | 92,326 |

Fund balances

| | |
|-------------------------------------|--------------------------|
| Reserved for program purposes | <u>159,180</u> |
| Total liabilities and fund balances | <u><u>\$ 251,506</u></u> |

Town of Braselton, Georgia

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – SPECIAL REVENUE FUND

Year Ended June 30, 2010

Revenues

| | |
|--------------------|--------------------|
| Hotel tax | \$ 554,688 |
| Interest income | 2,724 |
| Other income | <u>16,085</u> |
| Total revenues | <u>573,497</u> |

Expenditures

| | |
|-------------------------------------|--------------------|
| Current | |
| Tourism department | 766 |
| Public relations and special events | 143,279 |
| Festival and hardscape improvements | 16,271 |
| Transportation improvements | 63,943 |
| Marketing | 114,339 |
| Supplies | 678 |
| Historical repairs and maintenance | <u>2,779</u> |
| Total expenditures | <u>342,055</u> |

| | |
|--|---------|
| Excess (deficiency) of revenues over (under) expenditures | 231,442 |
|--|---------|

Other financing sources (uses)

| | |
|--------------------------------------|------------------------------|
| Transfers out | <u>(324,273)</u> |
| Net change in fund balance | (92,831) |
| Fund balances, beginning of year | <u>252,011</u> |
| Fund balances, end of year | <u><u>\$ 159,180</u></u> |

SUPPLEMENTARY INFORMATION
CAPITAL PROJECTS FUND

Town of Braselton, Georgia

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – CAPITAL PROJECTS FUND

June 30, 2010

ASSETS

| | |
|-------------------|---------------------|
| SPLOST receivable | \$ 71,728 |
| Restricted assets | |
| Cash | <u>1,284,754</u> |
| Total assets | <u>\$ 1,356,482</u> |

LIABILITIES AND FUND BALANCES

Liabilities

| | |
|-------------------|-------------|
| Total liabilities | <u>\$ -</u> |
|-------------------|-------------|

Fund balances

| | |
|-------------------------------------|---------------------|
| Reserved for program purposes | <u>1,356,482</u> |
| Total liabilities and fund balances | <u>\$ 1,356,482</u> |

Town of Braselton, Georgia

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – CAPITAL PROJECTS FUND

Year Ended June 30, 2010

Revenues

| | |
|----------------------------|-------------------|
| Intergovernmental revenues | <u>\$ 431,359</u> |
| Total revenues | <u>431,359</u> |

Expenditures

| | |
|--|----------|
| Total expenditures | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 431,359 |

Other financing sources (uses)

| | |
|----------------------------------|----------------------------|
| Transfers in | 1,370,066 |
| Transfers out | <u>(444,943)</u> |
| Net change in fund balance | 1,356,482 |
| Fund balances, beginning of year | <u>-</u> |
| Fund balances, end of year | <u><u>\$ 1,356,482</u></u> |

OTHER REPORTS

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 Honorable Mayor and
Members of the Town Council
Town of Braselton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Braselton, Georgia as of and for the year ended June 30, 2010, which collectively comprise the Town of Braselton, Georgia's basic financial statements and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Braselton, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Braselton, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Braselton, Georgia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Braselton, 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*.

This report is intended solely for the information and use of the management, Town Council and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Atlanta, Georgia
December 27, 2010

SPECIAL SALES TAX SECTION

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX

To the Honorable Mayor and
Members of the Town Council
Town of Braselton, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the Town of Braselton, Georgia for the year ended June 30, 2010. This schedule is the responsibility of the Town of Braselton, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with Section 48-8-121 of the Official Code of Georgia Annotated (OCGA) on the accrual basis of accounting and is not intended to be a complete presentation of the Town of Braselton, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project of the Town of Braselton, Georgia's resolution or ordinance calling for the tax for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.



Atlanta, Georgia
December 27, 2010

Town of Braselton, Georgia

SCHEDULE OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX

Year Ended June 30, 2010

| Project | Original Estimated Cost | Current Estimated Cost | Expenditures | | |
|---------------------------------|-------------------------------|------------------------------|---------------------|-------------------|---------------------|
| | | | Prior to FY 2010 | FY 2010 | Total |
| Jackson County (1999) | | | | | |
| Water and sewer capital outlays | \$ 403,200 | \$ 403,200 | \$ 309,567 | \$ 155,000 | \$ 464,567 |
| Roads, streets and bridges | 132,480 | 172,960 | 172,960 | - | 172,960 |
| Recreation | 31,680 | 36,311 | 36,311 | - | 36,311 |
| | <u>567,360</u> | <u>612,471</u> | <u>518,838</u> | <u>155,000</u> | <u>673,838</u> |
| Jackson County (2004) | | | | | |
| Roads, streets and bridges | 678,512 | 678,512 | 132,628 | 288,119 | 420,747 |
| | <u>678,512</u> | <u>678,512</u> | <u>132,628</u> | <u>288,119</u> | <u>420,747</u> |
| Gwinnett County (2009) | | | | | |
| Roads, streets and bridges | 230,899 | 230,899 | - | - | - |
| | <u>230,899</u> | <u>230,899</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Gwinnett County (2004) | | | | | |
| Roads, streets and bridges | 305,867 | 305,867 | - | - | - |
| | <u>305,867</u> | <u>305,867</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Gwinnett County (2001) | | | | | |
| Roads, streets and bridges | 184,571 | 238,426 | 106,084 | - | 106,084 |
| Park and recreation | 184,571 | 238,426 | - | - | - |
| | <u>369,142</u> | <u>476,852</u> | <u>106,084</u> | <u>-</u> | <u>106,084</u> |
| Hall County (2004) | | | | | |
| Roads, streets and bridges | 6,046 | 6,046 | - | 1,824 | 1,824 |
| | <u>6,046</u> | <u>6,046</u> | <u>-</u> | <u>1,824</u> | <u>1,824</u> |
| Hall County (2009) | | | | | |
| Streetscapes | 32,000 | 32,000 | - | - | - |
| | <u>32,000</u> | <u>32,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Barrow County (2006) | | | | | |
| Sewer capital outlay | 263,766 | 263,766 | - | - | - |
| Roads, streets and bridges | 263,766 | 263,766 | - | - | - |
| Recreation | 351,688 | 351,688 | - | - | - |
| | <u>879,220</u> | <u>879,220</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 3,069,046</u> | <u>\$ 3,221,867</u> | <u>\$ 757,550</u> | <u>\$ 444,943</u> | <u>\$ 1,202,493</u> |