

TOWN OF BRASELTON, GEORGIA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

BROWN, *NELMS* & Co., CPAs

CERTIFIED PUBLIC ACCOUNTANTS

300 Finance Avenue

Peachtree City, Georgia 30269

TOWN OF BRASELTON, GEORGIA

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BROWN, *NELMS* & Co., P.C.

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INDEPENDENT AUDITORS' REPORT

January 14, 2014

To the Honorable Mayor and 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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braselton, Georgia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 47 through 49 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.

Brown, Nelms & Co., P.C.

Brown, Nelms & Co., P.C.
Certified Public Accountants
Peachtree City, Georgia

TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

Within this section of the Town of Braselton, Georgia's 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, 2013. 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 \$45,231,632 (net assets) for the fiscal year reported. The Town's net assets increased slightly by \$719,010.

The Town's investment in capital assets, net, increased by \$932,823. 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 General Revenues were flat overall when compared to the previous year. However, one encouraging sign was an marked increase in Planning and Development fees which almost doubled as compared to the previous year from \$120,159 to \$230,921.

Governmental Activities expenses increased by \$976,839. This increase was primarily due to increase in interest costs, as the Town completed major projects involving roads and Downtown redevelopment. There was also substantial capital outlay for vehicles and equipment for the Police Department.

Business-type activities revenues increased by \$176,415 or approximately 4% from FYE 2012 , due to increased sales and fees.

Business-type expenses decreased by \$441,313 or about 7.5%. The Town greatly increased its well water production which should decrease the Town's cost of water substantially in the future.

Overall, the Town's financial condition is adequate, with signs of an improving economy. The Town's increased spending has been on much needed capital improvements driven by economic development and a rapidly growing population.

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

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.

TOWN OF BRASELTON, GEORGIA

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's annual report includes two governmental-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 Position*. 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 position*. 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's 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 sewer 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 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 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.

TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

FUND FINANCIAL STATEMENTS (CONTINUED)

Since the government-wide focus includes the long-term view, comparison 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 the government wide financial statements. It consists of water and waste water services for which the Town charges customers a fee. The Proprietary Fund essentially encompasses the same functions reported as business-type activities.

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.

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.

TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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 \$45,231,632. The following table provides a summary of the Town's net assets:

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Assets						
Cash and Investments	\$ 3,651,471	\$ 4,393,028	\$ 2,981,534	\$ 2,894,679	\$ 6,633,005	\$ 7,287,707
Other Current Assets	1,115,073	899,962	330,615	462,331	1,445,688	\$ 1,362,293
Capital Assets	33,717,620	32,105,968	45,859,403	46,978,521	79,577,023	\$ 79,084,489
Deferred outflows	81,197	88,235	1,584,612	1,769,446	1,665,809	\$ 1,857,681
Total Assets	38,565,361	37,487,193	50,756,164	52,104,977	89,321,525	\$ 89,592,170
Other Liabilities						
Current Liabilities	1,146,779	891,117	1,789,091	4,258,288	2,935,870	\$ 5,149,405
Long- Term Liabilities	7,480,321	8,467,298	33,673,702	31,925,734	41,154,023	\$ 40,393,032
Total Liabilities	8,627,100	8,895,527	35,462,793	36,184,022	44,089,893	\$ 45,079,549
Net Assets:						
Invested in Capital Assets, Net of Debt	25,784,473	23,202,782	11,412,919	13,061,788	37,197,392	\$ 36,264,570
Restricted	3,482,876	4,261,917	2,887,645	2,727,479	6,370,521	\$ 6,989,396
Unrestricted	670,912	1,988,331	992,807	(315,436)	1,663,719	\$ 1,672,895
Prior Year Adjustment	-	(861,364)	-	447,125	-	(414,239)
Total Net Assets	\$ 29,938,261	\$ 28,591,666	\$ 15,293,371	\$ 15,920,956	\$ 45,231,632	\$ 44,512,622
Net Increase (decrease) from Prior Year	\$ 1,346,595		\$ (627,585)		\$ 719,010	

The Town's Net Assets remain adequate to meet the Town's needs, growing by \$790,010 for the fiscal year.

TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

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

	Governmental Activities		Business-Type Activities		Total Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues						
Charges for Services	\$ 1,549,814	\$ 1,699,405	\$ 5,152,098	\$ 4,975,683	\$ 6,701,912	\$ 6,675,088
Operating Grants/Interest	480,609	26,861	-	25,327	480,609	52,188
Capital Grants/Contributions	735,315	986,332	-	-	735,315	968,592
General					-	
Taxes	2,715,546	2,669,395	-	-	2,715,546	2,669,395
Miscellaneous	41,792	96,201	16,342	-	58,134	96,201
Total Revenues	<u>5,523,076</u>	<u>5,478,194</u>	<u>5,168,440</u>	<u>5,001,010</u>	<u>10,691,516</u>	<u>10,461,464</u>
 Program Expenses						
General Government	883,877	818,359	-	-	883,877	818,359
Police/Courts	1,819,524	1,139,084	-	-	1,819,524	1,139,084
Streets/Transportation	133,283	180,625	-	-	133,283	180,625
Parks and Recreation	3,720	11,528	-	-	3,720	11,528
Library	183,634	211,206	-	-	183,634	211,206
Planning and Development	398,707	376,073	-	-	398,707	376,073
Economic Development	118,405	114,530	-	-	118,405	114,530
Tourism/Special Events	311,829	341,199	-	-	311,829	341,199
Interest	323,502	7,038	-	-	323,502	7,038
Water and Sewer	-	-	5,796,025	6,237,338	5,796,025	6,237,338
Total Expenses	<u>4,176,481</u>	<u>3,199,642</u>	<u>5,796,025</u>	<u>6,237,338</u>	<u>9,972,506</u>	<u>9,436,980</u>
 Change in Net Assets	1,346,595	2,278,552	(627,585)	(1,236,328)	\$ 719,010	1,042,224
Beginning Net Assets	\$ 28,591,666	\$ 27,174,478	\$ 15,920,956	\$ 16,710,159	\$ 44,512,622	43,884,637
Prior Period Adjustments	-	(861,364)	-	447,125	-	(414,239)
Ending Net Assets	<u>\$ 29,938,261</u>	<u>\$ 28,591,666</u>	<u>\$ 15,293,371</u>	<u>\$ 15,920,956</u>	<u>\$ 45,231,632</u>	<u>44,512,622</u>

TOWN OF BRASELTON, GEORGIA

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

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. Primary Government revenues including charges for services, fees, taxes and all other revenues, (including grants and contributed capital for 2012 were \$5,478,194 as compared to \$5,523,076 in 2013 for a slight increase of \$44,882.

BUSINESS-TYPE ACTIVITIES

The major proprietary fund is the Town's water and sewer utility fund. The operating revenues for this fund increased from \$4,975,638 in 2012 to \$5,157,598 or approximately 4%. In contrast, operating costs increased by only 2%. 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 GOVERNMENT

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 \$2,371,035 at the end of 2013 as compared to a balance of \$3,405,424 at the end of 2012, representing an decrease of \$1,034,389 or approximately 33 % decrease. This was due to the Town's investment of over \$2 million dollars in capital projects including road improvements and economic development. As the next paragraph shows, this number changes dramatically when capital expenditures are capitalized and reconciled to GASB 34 standards.

Assets of the Capital Projects Fund (SPLOST) increased from \$1,467,579 in 2012 to \$1,891,979 for an increase of 27%. In fact, for all Governmental Funds, (including the General Fund, the Special Projects Fund, The Special Revenue Fund (Hotel/Motel Tax) and the Downtown Development Fund (a non major fund), the fund balance decreased by only \$761,791 and when capital expenditures were capitalized and reconciled to GASB 34 standards, the change in net position for all Governmental Funds was actually an increase of \$1,346,596.

This occurred because although there were large amounts expenditures,, the expenditures consisted of capital outlay investments in infrastructure and did not represent excessive operating expenses.

The Governmental Fund ending 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 up slightly from 2012. Year 2012 revenues were \$646,630 whereas 2013 revenues were \$648,690. Revenues from this fund come primarily from the hotel/motel tax.

TOWN OF BRASELTON, GEORGIA

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

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 28% more revenues than estimated in original budget . For the total general fund budget, expenditures exceeded original appropriations by 67%, but were under the final budget by 0%. The large variation in revenues projected vs. actually received is due to large forfeitures received as a result of law enforcement activities. These forfeitures cannot be legally budgeted until received by the Town. The large variation in expenditures is due primarily to debt service payments for the re-routing of Highway 124 and downtown redevelopment. The Town has included a schedule showing both the original and amended budgets in the audit document.

TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSIONS AND ANALYSIS
JUNE 30, 2013

CAPITAL ASSETS

The Town's investment in capital assets, net of accumulated depreciation, for all activities as of June 30, 2013 was \$79,597,375 which is an increase from the prior year's \$79,084,489. The Town did take advantage of below market contractor pricing to invest in water and sewer infrastructure. See the Notes section 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 Government	
	2013	2012	2013	2012	2013	2012
Non-depreciable Assets						
Land	\$ 16,107,660	\$ 16,107,660	\$ 1,569,488	\$ 1,546,908	\$ 17,677,148	\$ 17,654,568
Construction In Progress	1,150,928	2,402,518	1,440,464	5,411,365	2,591,392	7,813,883
Total Non-depreciable Assets	<u>17,258,588</u>	<u>18,510,178</u>	<u>3,009,952</u>	<u>6,958,273</u>	<u>20,268,540</u>	<u>25,468,451</u>
Depreciable Assets						
Buildings	10,934,274	10,450,758	1,638,179	1,638,179	12,572,453	12,088,937
Infrastructure	7,486,908	4,617,349	-	-	7,486,908	4,617,349
Vehicles	697,663	648,674	-	-	697,663	648,674
Machinery/Equipment	988,972	973,895	885,289	790,854	1,874,261	1,764,749
Plant	-	-	52,781,880	48,557,692	52,781,880	48,557,692
Total Depreciable Assets	<u>20,107,817</u>	<u>16,690,676</u>	<u>55,305,348</u>	<u>50,986,725</u>	<u>75,413,165</u>	<u>67,677,401</u>
Less Accumulated Depreciation	<u>(3,648,785)</u>	<u>(3,094,886)</u>	<u>(12,455,897)</u>	<u>(10,966,477)</u>	<u>(16,104,682)</u>	<u>(14,061,363)</u>
Book Value - Depreciable Assets	<u>\$ 33,717,620</u>	<u>\$ 32,105,968</u>	<u>\$ 45,859,403</u>	<u>\$ 46,978,521</u>	<u>79,577,023</u>	<u>\$ 79,084,489</u>

TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

CAPITAL ASSETS (CONTINUED)

The following table reconciles the change in capital assets:

	Governmental Activities	Business-Type Activities	Total Government
Beginning Balance	\$ 32,105,968	\$ 46,978,521	\$ 79,084,489
Additions	5,130,755	4,647,125	9,777,880
Retirement	(2,965,203)	(4,276,823)	(7,242,026)
Depreciation Expense	(553,900)	(1,489,420)	(2,043,320)
Ending Balance	<u>\$ 33,717,620</u>	<u>\$ 45,859,403</u>	<u>\$ 79,577,023</u>

LONG-TERM DEBT

At the end of the fiscal year, the Town had \$42,916,553 in outstanding debt as compared to \$44,259,119 in FY 2012. This included \$1,764,349 due in one year. Approximately 81% of the debt is attributable to business-type activities for water/sewer infrastructure.

	Outstanding June 30, 2012	Additions	Reductions	Outstanding June 30, 2013	Amount Due in One Year
Governmental					
Bonds	\$ 8,440,296		\$ (507,150)	\$ 7,933,146	\$ 479,825
Compensated Absences	67,685	2,719	-	70,404	70,404
Total Government	<u>8,507,981</u>	<u>2,719</u>	<u>(507,150)</u>	<u>8,003,550</u>	<u>550,229</u>
Business-type					
Revenue Bonds	27,255,000	-	(505,000)	26,750,000	760,000
Notes Payable	8,448,137	-	(336,088)	8,112,049	413,166
Compensated Absences	48,001	2,953	-	50,954	50,954
Total Business-type	<u>35,751,138</u>	<u>2,953</u>	<u>(841,088)</u>	<u>34,913,003</u>	<u>1,224,120</u>
Total	<u>\$ 44,259,119</u>	<u>\$ 5,672</u>	<u>\$ (1,348,238)</u>	<u>\$ 42,916,553</u>	<u>\$ 1,774,349</u>

Please see note 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.

TOWN OF BRASELTON, GEORGIA

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

JUNE 30, 2013

ECONOMIC CONDITIONS AFFECTING THE TOWN

The Town of Braselton remains in an adequate financial position despite a below average economy. Due to its location, available infrastructure, progressive leadership and other factors, the Town is taking full advantage of the 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 residential growth is rebounding. The Town's tax digest, after declining somewhat in recent years showed a slight increase this year and remains extremely strong on a per capita basis due to the quality growth over the past several years. The Town is proactively managing its growth; infrastructure costs are fairly apportioned 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 continue to recover during the 2014 fiscal year and has taken measures to improve efficiencies wherever possible.

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 at P.O. Box 306, Braselton, Georgia 30517.

TOWN OF BRASELTON, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 78,532	\$ 93,889	\$ 172,421
Receivables, net of allowance for uncollectibles			
Accounts receivable, net	446,085	742,281	1,188,366
Internal balances	496,259	(496,259)	-
Prepaid items	172,729	84,593	257,322
Restricted assets			
Cash and cash equivalents	3,572,939	337,966	3,910,905
Investments	-	2,549,679	2,549,679
Capital assets			
Nondepreciable capital assets	17,258,588	3,009,953	20,268,541
Depreciable capital assets, net	<u>16,459,032</u>	<u>42,849,450</u>	<u>59,308,482</u>
Total assets	<u>38,484,164</u>	<u>49,171,552</u>	<u>87,655,716</u>
Deferred outflows of resources			
Bond issuance cost, net	81,197	509,904	591,101
Deferred charges on refunding	<u>-</u>	<u>1,074,708</u>	<u>1,074,708</u>
Total deferred outflows of resources	<u>81,197</u>	<u>1,584,612</u>	<u>1,665,809</u>
Current liabilities			
Accounts payable	267,192	111,946	379,138
Accrued expenditures	329,358	-	329,358
Compensated absences	70,404	50,954	121,358
Accrued interest	-	463,025	463,025
Revenue bonds, current	479,825	760,000	1,239,825
Notes payable, current	<u>-</u>	<u>403,166</u>	<u>403,166</u>
Total current liabilities	<u>1,146,779</u>	<u>1,789,091</u>	<u>2,935,870</u>
Long-term liabilities			
Revenue bonds, net of current	7,453,321	25,574,435	33,027,756
Notes payable, net of current portion	-	7,708,883	7,708,883
Deposits payable	<u>27,000</u>	<u>390,384</u>	<u>417,384</u>
	<u>7,480,321</u>	<u>33,673,702</u>	<u>41,154,023</u>
Total liabilities	<u>8,627,100</u>	<u>35,462,793</u>	<u>44,089,893</u>
Net position			
Net investment in capital assets	25,784,474	11,412,919	37,197,393
Restricted for			
Capital projects	-	337,966	337,966
Debt service	-	2,549,679	2,549,679
Program purposes	3,482,875	-	3,482,875
Unrestricted	<u>670,912</u>	<u>992,807</u>	<u>1,663,719</u>
Total net position	<u>\$ 29,938,261</u>	<u>\$ 15,293,371</u>	<u>\$ 45,231,632</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
<i>GOVERNMENTAL ACTIVITIES</i>							
General government	\$ 883,877	\$ 161,550	\$ -	\$ -	\$ (722,327)	\$ -	\$ (722,327)
Court costs	116,352	584,582	-	-	468,230	-	468,230
Police department	1,703,172	480,137	-	-	(1,223,035)	-	(1,223,035)
Street department	133,283	63,814	625,425	-	555,956	-	555,956
Parks and tennis courts	3,720	1,875	109,890	-	108,045	-	108,045
Library	183,634	8,750	-	-	(174,884)	-	(174,884)
Planning and development	398,707	230,921	-	480,609	312,823	-	312,823
Economic development	118,405	11,462	-	-	(106,943)	-	(106,943)
Tourism fund	311,829	6,723	-	-	(305,106)	-	(305,106)
Interest expense	<u>323,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(323,502)</u>	<u>-</u>	<u>(323,502)</u>
Total Governmental Activities	<u>4,176,481</u>	<u>1,549,814</u>	<u>735,315</u>	<u>480,609</u>	<u>(1,410,743)</u>	<u>-</u>	<u>(1,410,743)</u>
<i>BUSINESS-TYPE ACTIVITIES</i>							
Water and Sewer Fund	<u>5,796,025</u>	<u>5,152,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(643,927)</u>	<u>(643,927)</u>
Total Primary Government	<u>\$ 9,972,506</u>	<u>\$ 6,701,912</u>	<u>\$ 735,315</u>	<u>\$ 480,609</u>	<u>(1,410,743)</u>	<u>(643,927)</u>	<u>(2,054,670)</u>
GENERAL REVENUES							
					64,494	5,500	69,994
					439,693	-	439,693
					90,200	-	90,200
					690,831	-	690,831
					33,458	-	33,458
					318	-	318
					386,199	-	386,199
					641,868	-	641,868
					368,485	-	368,485
					3,590	10,842	14,432
					<u>38,202</u>	<u>-</u>	<u>38,202</u>
					<u>2,757,338</u>	<u>16,342</u>	<u>2,773,680</u>
					1,346,595	(627,585)	719,010
					<u>28,591,666</u>	<u>15,920,956</u>	<u>44,512,622</u>
					<u>\$ 29,938,261</u>	<u>\$ 15,293,371</u>	<u>\$ 45,231,632</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects SPLOST</u>	<u>Downtown Development Authority</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 72,480	\$ -	\$ -	\$ 37,650	\$ 110,130
Accounts receivable, net of allowances	318,216	56,641	71,228	-	446,085
Interfund receivables	698,226	-	-	-	698,226
Prepaid items	172,729	-	-	-	172,729
Cash and cash equivalents	<u>1,730,188</u>	<u>-</u>	<u>1,842,751</u>	<u>-</u>	<u>3,572,939</u>
TOTAL ASSETS	\$ <u>2,991,839</u>	\$ <u>56,641</u>	\$ <u>1,913,979</u>	\$ <u>37,650</u>	\$ <u>5,000,109</u>
LIABILITIES AND FUND BALANCE					
Bank over draft	\$ -	\$ 31,598	\$ -	\$ -	\$ 31,598
Accounts payable	245,173	18	22,000	-	267,191
Deposits payable	27,000	-	-	-	27,000
Accrued expenditures	329,358	-	-	-	329,358
Compensated absences	19,273	-	-	-	19,273
Interfund payable	<u>-</u>	<u>192,158</u>	<u>-</u>	<u>9,809</u>	<u>201,967</u>
TOTAL LIABILITIES	<u>620,804</u>	<u>223,774</u>	<u>22,000</u>	<u>9,809</u>	<u>876,387</u>
FUND BALANCE					
Reserved for					
Prepaid items	172,729	-	-	-	172,729
Program purposes	1,730,188	(167,133)	1,891,979	27,841	3,482,875
Unassigned					
Unassigned	<u>468,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,118</u>
TOTAL FUND BALANCE	<u>2,371,035</u>	<u>(167,133)</u>	<u>1,891,979</u>	<u>27,841</u>	<u>4,123,722</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,991,839</u>	\$ <u>56,641</u>	\$ <u>1,913,979</u>	\$ <u>37,650</u>	\$ <u>5,000,109</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balance for Governmental Funds \$ 4,123,722

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	37,366,408	
Less accumulated depreciation	<u>(3,648,788)</u>	<u>33,717,620</u>

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 position. 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. (7,851,949)

Compensated absence liabilities are not due and payable at year-end and therefore are not reported in the funds. (51,132)

Total net position of governmental activities \$ 29,938,261

TOWN OF BRASELTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue	Capital projects	Downtown Development Authority	
REVENUES					
Taxes	\$ 2,009,182	\$ 641,868	\$ -	\$ -	\$ 2,651,050
Licenses and permits	392,471	-	-	-	392,471
Fines and forfeitures	1,064,720	-	-	-	1,064,720
Investment earnings	3,169	99	314	8	3,590
Rental	66,369	-	-	-	66,369
Grants	480,609	-	-	-	480,609
Intergovernmental revenue	111,028	-	624,287	-	735,315
Miscellaneous	110,766	6,723	-	11,462	128,951
TOTAL REVENUES	<u>4,238,314</u>	<u>648,690</u>	<u>624,601</u>	<u>11,470</u>	<u>5,523,075</u>
EXPENDITURES					
Current					
General government	415,473	-	-	-	415,473
Court costs	118,343	-	-	-	118,343
Police department	1,704,008	-	-	-	1,704,008
Street department	954,487	-	164,315	-	1,118,802
Parks and tennis courts	3,720	-	35,886	-	39,606
Library	187,770	-	-	-	187,770
Planning and development	401,635	-	-	-	401,635
Economic development	1,032,085	-	-	32,483	1,064,568
Tourism department	-	411,047	-	-	411,047
Debt service	823,614	-	-	-	823,614
	<u>5,641,135</u>	<u>411,047</u>	<u>200,201</u>	<u>32,483</u>	<u>6,284,866</u>
(EXPENDITURES) OVER REVENUES/ REVENUES OVER EXPENDITURES	<u>(1,402,821)</u>	<u>237,643</u>	<u>424,400</u>	<u>(21,013)</u>	<u>(761,791)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	378,432	-	-	10,000	388,432
Transfers Out	(10,000)	(378,432)	-	-	(388,432)
TOTAL OTHER FINANCING SOURCES(USES)	<u>368,432</u>	<u>(378,432)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,034,389)	(140,789)	424,400	(11,013)	(761,791)
FUND BALANCE, Beginning	<u>3,405,424</u>	<u>(26,344)</u>	<u>1,467,579</u>	<u>38,854</u>	<u>4,885,513</u>
FUND BALANCE, Ending	<u>\$ 2,371,035</u>	<u>\$ (167,133)</u>	<u>\$ 1,891,979</u>	<u>\$ 27,841</u>	<u>\$ 4,123,722</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 THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCE \$ (761,791)

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 is allocated over their estimated useful lives and reported as depreciation expense. This difference is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	2,261,196	
Depreciation expense	<u>(649,543)</u>	<u>1,611,653</u>

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	507,150	
Other bond cost	<u>(7,038)</u>	<u>500,112</u>

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. (3,379)

Change in net position of governmental activities \$ 1,346,595

TOWN OF BRASELTON, GEORGIA
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2013

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 93,889
Accounts receivable	742,281
Prepaid items	84,593
Current restricted assets	
Restricted cash	337,966
Investments	2,549,679
Total current assets	3,808,408
Noncurrent Assets:	
Capital assets:	
Nondepreciable capital assets	3,009,953
Buildings - cost	54,420,059
Machinery and equipment under construction - cost	885,288
Buildings - accumulated depreciation	(12,455,897)
Total noncurrent assets	45,859,403
Total assets	49,667,811
Deferred Outflows of Resources	
Bond issuance costs, net	509,904
Deferred charges on refunding	1,074,708
Total deferred outflows of resources	1,584,612
LIABILITIES	
Current Liabilities:	
Accounts payable	111,946
Compensated absences payable	50,954
Accrued interest	463,025
Revenue bonds, current	760,000
Notes payable, current	403,166
Internal payable	496,259
Total current liabilities	2,285,350
Long-term liabilities	
Revenue bonds, net of current	25,574,435
Notes payable, net of current portion	7,708,883
Customer deposits	390,384
Total long-term liabilities	33,673,702
Total liabilities	35,959,052
NET POSITION	
Net investment in capital assets	11,412,919
Restricted for:	
Capital projects	337,966
Debt service	2,549,679
Unrestricted	992,807
Total net position	\$ 15,293,371

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 4,156,919
Tap and meter fees	793,152
Miscellaneous charges	127,708
Rental	5,500
Intergovernmental revenues	74,319
TOTAL OPERATING REVENUES	5,157,598
OPERATING EXPENSES	
Cost of sales	
Water purchases	596,406
Depreciation and amortization	1,476,627
Salaries and employee benefits	1,175,450
Supplies	140,757
Repairs and maintenance	176,687
Bad debt	55,876
Operational	886,062
TOTAL OPERATING EXPENSES	4,507,865
OPERATING INCOME	649,733
NON-OPERATING REVENUE (EXPENSES)	
Investment earnings	10,842
Interest expense	(1,288,160)
NET NON-OPERATING REVENUES (EXPENSES)	(1,277,318)
CHANGE IN NET POSITION	(627,585)
TOTAL NET POSITION, Beginning of Year	15,920,956
TOTAL NET POSITION, End of year	\$ 15,293,371

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 5,369,257
Cash payments for personal services and benefits	(1,172,497)
Cash payments for goods and services	<u>(1,998,130)</u>
Net cash provided by operating activities	<u>2,198,630</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on notes payable	(336,088)
Interest paid on notes payable	(301,823)
Increase in accrued interest	179,793
Principal paid on revenue bonds	(505,000)
Interest paid on revenue bonds	(801,990)
Payments for capital acquisitions	<u>(357,508)</u>
Net cash used by capital and related financing activities	<u>(2,122,616)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of investment securities	(1,844,783)
Proceeds from sales and maturities of investment securities	1,942,934
Interest earned in investments	<u>10,842</u>
Net cash provided by investing activities	<u>108,993</u>
Net Increase in Cash and Cash equivalents	185,007
CASH AND CASH EQUIVALENTS, Beginning of year	<u>246,848</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 431,855</u>
Cash and cash equivalents reconciliation to the statement of net position	
Cash and cash equivalents	\$ 93,889
Restricted cash	<u>337,966</u>
Total	<u>\$ 431,855</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities Water and Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 649,733
Adjustments to Reconcile Operating Income to Net cash provided by operating activities	
Depreciation	1,476,627
Changes in assets and liabilities	
Decrease in accounts receivable	211,659
Decrease in prepaid items	3,386
Decrease in accounts payable	(35,512)
Decrease in customer deposits	(26,887)
Increase in compensated absences payable	2,953
Decrease in interfund	<u>(83,329)</u>
Net cash provided by operating activities	<u>\$ 2,198,630</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1(A) THE REPORTING ENTITY

The financial statements of the Town of Braselton, Georgia have been prepared in conformity with generally accepted accounting principles (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 more significant of the government's accounting policies are described below.

The Town operates under a council/manager form of government and provides the following services in addition to general administrative responsibilities: public safety (police), public works, (highways and streets), planning and zoning, public improvements, community development, and water and sewerage.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Town (the primary government) and its component unit. The component unit discussed below is included in the Town's reporting entity because of the significance of its operational or financial relationship with the Town.

Blended component units, although also legally separate entities, are in substance, part of the Town's operations, and data from these units are combined with the data of the Town of Braselton. The Downtown Development Authority of the Town of Braselton was established as a legally separate entity on. The seven (7) members of the Downtown Development Authority are appointed by the Town Council and they may also be removed by the Town Council. Although it is legally separate from the Town, the Downtown Development Authority is reported as if it were a part of the primary government because its sole purpose is to advise Town Council on issues related to economic growth and development in Downtown Braselton.

At June 30, 2013, the Town of Braselton, Georgia, had no relationships with legally separate organizations that are required to be included in the reporting entity for financial statement purposes.

1(B) GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. (For the most part, the effect of interfund activity has been removed from these statements.) Government-wide financial statements do not provide information by fund, but distinguish between the Town's governmental activities and business-type activities. 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 net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town's capital assets.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1(B) GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

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 identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Town collects a 5% hotel motel tax, of which 2% 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. Chateau Elan participates in this determination.

Capital Projects Fund - The capital project fund accounts for the receipt and use of Special Purpose Local Option Sales Tax (SPLOST) proceeds.

The government reports the following nonmajor governmental fund:

Downtown Development Authority - The Braselton Downtown Development Authority is composed of a seven (7) member Board of Directors, appointed by the Braselton Town Council, to serve as advocates and advisors to the Council on issues related to economic growth and development in Downtown Braselton. The DDA works to attract business to the Downtown area and provides technical support to assure that existing businesses achieve their potential. The DDA actively markets the Town of Braselton and works to strengthen the small town character of the community. The DDA works with its partners at Braselton Town Hall and within the Braselton business community to provide a bridge between the business and residential communities for the benefit of the entire Town of Braselton..

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

1(B) GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

The government reports the following major proprietary 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.

1(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PREPARATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. If there is a conflict with GASB pronouncements, then GASB prevails.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) capital grants and contributions, and 3) operating grants and contributions. Internally dedicated resources are reported as program revenues rather than as general revenues. Taxes and other items that are not included among program revenues are reported as general revenues.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PREPARATION - CONTINUED

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary fund are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

1(D) ASSETS, LIABILITIES AND NET POSITION

Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this State and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC.

Investments (cash equivalents) are recorded at fair value as of the balance sheet date.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

All trade and taxes receivables are shown net of an allowance of uncollectibles where applicable. Water and sewer charges are accrued as receivables and revenue as of June 30, 2013. As of June 30, 2013, the allowance for uncollectibles was approximately \$130,000.

Inventories

Inventories, consisting of expendable supplies not held for resale were considered immaterial and thus not included as an asset as of June 30, 2013. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1(D) ASSETS, LIABILITIES AND NET POSITION - CONTINUED

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not known. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and Parks (excluding land)	15- 125
Plant	10 - 40
Machinery and Equipment	5 - 25
Infrastructure	50
Trucks and Automobiles	5 - 10

Deferred Outflows/Inflows of Resources

The Town implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in the statement of net position.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1(D) ASSETS, LIABILITIES AND NET POSITION - CONTINUED

Deferred Outflows/Inflows of Resources - Continued

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. 1) Bond issuance costs - are reported in the government-wide statement of net position. The bond issuance cost results from the the Town obtaining bonds. This amount is amortized over the life of the bond. 2) Bond discounts - are reported in the government-wide statement of net position. The bond discount results from the the Town selling bonds at a price that is less than the face of the bonds. This amount is amortized over the life of the bond. 3) Deferred charge on refunding - is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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."

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 at 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.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1(D) ASSETS, LIABILITIES AND NET POSITION - CONTINUED

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 these funds.

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.

Fund Equity

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

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

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

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

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

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1(D) ASSETS, LIABILITIES AND NET POSITION - CONTINUED

Fund Equity - Continued

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

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

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

- Committed
- Assigned
- Unassigned

Net Position - Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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 non-operating 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.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. An annual operating budget is prepared for the proprietary fund for planning, control, cost allocation and evaluation purposes. Budgetary amounts are formally integrated into the proprietary fund's general ledger.

The Town follows these procedures in establishing the budgetary data reflected in the budgetary schedules.

The Town's annual budget is prepared on anticipated revenues and appropriated expenditures. After the Town Manager prepares an estimated budget, a public hearing is advertised and held. After public hearings, the final budget is presented to the Mayor and Town Council for passage.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

Budgets for governmental funds are adopted on the same modified accrual basis used to reflect actual revenues and expenditures. Reported budgeted amounts are as originally adopted by the Town Council. Unencumbered appropriations lapse at year end. There were no supplemental appropriations.

2(B) EXCESS OF EXPENDITURES OVER APPROPRIATION (GENERAL FUND)

There were no departments that overspent the final FY 2013 annual budget:

Excesses are considered to be material if they are both greater than \$2,000 and over 5% of the department level (the legal level of control).

NOTE 3 - CUSTODIAL CREDIT RISK - DEPOSITS

Custodial risk, that is the risk associated with uninsured deposits, uninsured securities, or securities not registered in the Town's name, is managed in accordance with the Town's policy through a safekeeping agreement with external parties. State Statutes and Town policy require all deposits and investments (other than Federal or State instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. All deposits as of June 30, 2013 were properly collateralized.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 4 - RECEIVABLES

As of June 30, 2013, 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 case of receivables, collectability.

NOTE 5 - CONSTRUCTION COMMITMENTS

The government has active construction projects as of June 30, 2013. The projects include improvements to existing lift station replacement, groundwater development, waste water interceptor, NE GA Medical Center, Hwy 53, and Zion Church Road projects in the Water Fund and Town Green, Downtown Streetscapes, and BB Store Renovations in the General Fund.

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Town Green	\$ 143,007	\$ 1,156,993
Downtown streetscapes	322,256	2,677,744
BB Store renovations	<u>685,665</u>	<u>214,335</u>
	<u>\$ 1,150,928</u>	<u>\$ 4,049,072</u>
Business type activities:		
Groundwater development	\$ 37,290	\$ 1,039,510
Waste Water Interceptor Projects	339,584	6,166,417
NE GA Medical Center	232,255	2,056,745
Hwy 53 North Sewer	29,605	1,348,395
**Zion Church Rd relocation	<u>801,730</u>	<u>850,699</u>
	<u>\$ 1,440,464</u>	<u>\$ 11,461,766</u>

** This project is for Water and Sewer lines relocating as a result of a new road construction.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Primary government				
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 16,107,660	\$ -	\$ -	\$ 16,107,660
Construction in progress	<u>2,402,518</u>	<u>1,617,969</u>	<u>(2,869,559)</u>	<u>1,150,928</u>
Total nondepreciable capital assets	<u>18,510,178</u>	<u>1,617,969</u>	<u>(2,869,559)</u>	<u>17,258,588</u>
Depreciable capital assets				
Buildings	10,450,758	483,516	-	10,934,274
Infrastructure	4,617,349	2,869,559	-	7,486,908
Vehicles	648,674	84,475	(35,486)	697,663
Equipment	<u>973,895</u>	<u>75,235</u>	<u>(60,158)</u>	<u>988,972</u>
Total depreciable capital assets	<u>16,690,676</u>	<u>3,512,785</u>	<u>(95,644)</u>	<u>20,107,817</u>
Total capital assets	<u>35,200,854</u>	<u>5,130,754</u>	<u>(2,965,203)</u>	<u>37,366,405</u>
Accumulated depreciation:				
Buildings	(1,651,062)	(277,937)	-	(1,928,999)
Infrastructure	(495,596)	(156,757)	-	(652,353)
Vehicles	(252,462)	(99,981)	35,486	(316,957)
Equipment	<u>(695,765)</u>	<u>(114,869)</u>	<u>60,158</u>	<u>(750,476)</u>
Total accumulated depreciation	<u>(3,094,885)</u>	<u>(649,544)</u>	<u>95,644</u>	<u>(3,648,785)</u>
Total depreciable capital assets, net	<u>13,595,791</u>	<u>2,863,241</u>	<u>-</u>	<u>16,459,032</u>
Governmental activities capital assets, net	<u>\$ 32,105,969</u>	<u>\$ 4,481,210</u>	<u>\$ (2,869,559)</u>	<u>\$ 33,717,620</u>
Business-type activities:				
Capital asset not being depreciated				
Land	\$ 1,546,908	\$ 22,580	\$ -	\$ 1,569,488
Construction in progress	<u>5,411,365</u>	<u>305,923</u>	<u>(4,276,823)</u>	<u>1,440,465</u>
Total nondepreciable capital assets	<u>6,958,273</u>	<u>328,503</u>	<u>(4,276,823)</u>	<u>3,009,953</u>
Depreciable capital assets:				
Buildings	1,638,179	-	-	1,638,179
Plant	48,557,692	4,224,188	-	52,781,880
Machinery and equipment	<u>790,854</u>	<u>94,434</u>	<u>-</u>	<u>885,288</u>
Total depreciable capital assets	<u>50,986,725</u>	<u>4,318,622</u>	<u>-</u>	<u>55,305,347</u>
Total capital assets	<u>57,944,998</u>	<u>4,647,125</u>	<u>(4,276,823)</u>	<u>58,315,300</u>
Accumulated depreciation:				
Building	(191,310)	(82,601)	-	(273,911)
Plant and infrastructure	(10,063,736)	(1,329,919)	-	(11,393,655)
Machinery and equipment	<u>(711,431)</u>	<u>(76,900)</u>	<u>-</u>	<u>(788,331)</u>
Total accumulated depreciation	<u>(10,966,477)</u>	<u>(1,489,420)</u>	<u>-</u>	<u>(12,455,897)</u>
Total depreciable capital assets, net	<u>40,020,248</u>	<u>2,829,202</u>	<u>-</u>	<u>42,849,450</u>
Business-type activities capital assets, net	<u>\$ 46,978,521</u>	<u>\$ 3,157,705</u>	<u>\$ (4,276,823)</u>	<u>\$ 45,859,403</u>

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 6 - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 472,850
Police	175,767
Planning and development	<u>927</u>
Total depreciation expense - governmental activities	<u>\$ 649,544</u>
Business type activities:	
Water and sewer fund	<u>\$ 1,476,627</u>

NOTE 7 - INTERFUND BALANCES

As of June 30, 2013, interfund balances consisted of the following:

<u>Receivable Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
General Fund	\$ (192,158)	\$ (9,809)	\$ (496,259)	\$ (698,226)
Elimination	<u>192,158</u>	<u>9,809</u>	<u>496,259</u>	<u>698,226</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 8 - INTERFUND TRANSFERS IN/OUT

	General Fund	Special Revenue Fund	Nonmajor Fund	Total
Transfers in	\$ 378,432	\$ -	\$ 10,000	\$ 388,432
Transfers out	<u>(10,000)</u>	<u>(378,432)</u>	<u>-</u>	<u>(388,432)</u>
Total	<u>\$ 368,432</u>	<u>\$ (378,432)</u>	<u>\$ 10,000</u>	<u>\$ -</u>

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 transferred to the General Fund for its specific purpose. Transactions recorded in the accounting period in the General Fund were transferred to the Downtown Development Authority for its specific purpose.

NOTE 9 - LONG-TERM LIABILITIES

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 projects. As of June 30, 2013 , these notes were as follows

Agreement	Interest Rate	Debt Service	Maturity Date	Original Amount	Outstanding Balance
98-L73-WS	4.10%	\$9,434/QTR	2021	\$ 513,323	\$ 262,990
99-L10-WQ	4.24%	\$4,270/Month	2024	690,218	493,333
2000-L50-WS	3.98%	\$37,123/QTR	2023	1,846,725	1,244,606
2007-L22-WS	3.40%	\$29,238/Month	2032	5,086,326	4,936,154
2009-L16-WQ	2.81%	\$2,044/Month	2027	300,000	279,538
2009-L18-WQ	2.81%	\$5,124/Month	2032	940,000	<u>895,428</u>
					<u>\$ 8,112,049</u>

As of June 30, 2013, the Town's total debt service requirements to maturity under these agreements were estimated as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 403,166	\$ 275,815	\$ 678,981
2015	417,858	261,123	678,981
2016	433,093	245,889	678,982
2017	448,892	230,090	678,982
2018	465,276	213,706	678,982
2019-2023	2,526,074	802,784	3,328,858
2024-2028	1,837,800	411,611	2,249,411
2029-2033	<u>1,579,890</u>	<u>112,599</u>	<u>1,692,489</u>
Total	<u>\$ 8,112,049</u>	<u>\$ 2,553,617</u>	<u>\$ 10,665,666</u>

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 10 - 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%	2013	\$7,915,000	\$ 585,000

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 of 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, 2013, 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	\$ <u>1,090,000</u>	\$ <u>-</u>	\$ <u>(505,000)</u>	\$ <u>585,000</u>

As of June 30, 2013, the Town's total debt service requirements to maturity under these Series 2003 Revenue Bonds were as follows:

Fiscal Year	<u>Series 2003A Bonds</u>	
Ending June 30,	<u>Principal</u>	<u>Interest</u>
2014	\$ <u>585,000</u>	\$ <u>10,823</u>

On April 10, 2012, The Town issued 2012 Revenue bonds, see note 14, which paid off the principal and interest maturing on July 1, 2014 through July 1, 2027 in the amount of \$14,690,000. The funds received upon selling the 2012 Revenue bonds was placed into an escrow account with an escrow agent to pay off the Series 2003 Bond maturing on July 1, 2014. On April 12, 2012, the escrow agent received the principal and interest that were maturing on July 1, 2014 and were considered defeased.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 11 - 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% through May 15, 2025. As of June 30, 2013, the outstanding principal balance was approximately \$3,413,000.

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 289,474	\$ 121,728	\$ 411,202
2015	289,474	111,104	400,578
2016	289,474	100,492	389,966
2017	289,474	89,856	379,330
2018	289,474	79,345	368,819
2019-2023	1,447,369	236,984	1,684,353
2024-2025	<u>518,255</u>	<u>20,089</u>	<u>538,344</u>
	<u>\$3,412,994</u>	<u>\$ 759,598</u>	<u>\$4,172,592</u>

During the year ended June 30, 2013 , the basis of the Series 2005 Bonds was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2005				
Bond principal	\$3,739,033	\$ -	\$ (326,039)	\$3,412,994
Bond discount	<u>(39,073)</u>	<u>-</u>	<u>3,025</u>	<u>(36,048)</u>
	<u>\$3,699,960</u>	<u>\$ -</u>	<u>\$ (323,014)</u>	<u>\$3,376,946</u>

The Series 2005 Bond agreements contain various covenants with which the Town is in compliance.

NOTE 12 - 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 green and amphitheater 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% through maturity on August 1, 2024. As of June 30, 2013, the outstanding principal balance was approximately \$4,520,000.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 12 - SERIES 2009 REVENUE BONDS - DOWNTOWN PROJECT - CONTINUED

As of June 30, 2013, 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	Total
2014	\$ 190,351	\$ 206,836	\$ 397,187
2015	199,446	197,700	397,146
2016	208,974	188,868	397,842
2017	218,475	178,507	396,982
2018	229,396	168,171	397,567
2019-2023	1,321,835	667,351	1,989,186
2024-2025	<u>2,151,675</u>	<u>116,257</u>	<u>2,267,932</u>
	<u>\$ 4,520,152</u>	<u>\$ 1,723,690</u>	<u>\$ 6,243,842</u>

During the year ended June 30, 2013 , the basis of the Series 2009 Bonds was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2009 Bond principal	\$ 4,701,263	\$ -	\$ (181,111)	\$ 4,520,152
Issuance cost	<u>(49,162)</u>	<u>-</u>	<u>4,013</u>	<u>(45,149)</u>
	<u>\$ 4,652,101</u>	<u>\$ -</u>	<u>\$ (177,098)</u>	<u>\$ 4,475,003</u>

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

NOTE 13 - 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% to 5.03% through maturity on July 1, 2035. As of June 30, 2013, the outstanding principal balance was \$10,285,000.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 13 - SERIES 2009 REVENUE BONDS - WATER AND SEWERAGE SYSTEM - CONTINUED

As of June 30, 2013, the Town's total debt service requirements to maturity under there Series 2009 Revenue Bonds were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 477,375	\$ 477,375
2015	-	477,375	477,375
2016	-	477,375	477,375
2017	-	477,375	477,375
2018	-	477,375	477,375
2019-2023	-	2,386,875	2,386,875
2024-2028	1,290,000	2,377,525	3,667,525
2029-2033	6,125,000	1,578,765	7,703,765
2034-2036	<u>2,870,000</u>	<u>211,575</u>	<u>3,081,575</u>
Total	<u>\$ 10,285,000</u>	<u>\$ 8,941,615</u>	<u>\$ 19,226,615</u>

During the year ended June 30, 2013, 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 discount	(307,377)	-	-	(307,377)
Issuance cost	<u>(162,305)</u>	-	<u>7,210</u>	<u>(155,095)</u>
	<u>\$ 9,815,318</u>	<u>\$ -</u>	<u>\$ 7,210</u>	<u>\$ 9,822,528</u>

NOTE 14 - SERIES 2012 REVENUE BONDS - WATER AND SEWERAGE SYSTEM

On April 10, 2012, the Town issued Water and Sewerage System Revenue Bonds as follows:

Series	Interest Rate	Maturity Date	Original Amount	Outstanding Balance
2012A	1.75% to 3.00%	2027	\$ 10,000,000	\$ 10,000,000
2012B	2.00% to 2.50%	2019	5,880,000	<u>5,880,000</u>
				<u>\$ 15,880,000</u>

The Series 2012 Bonds were issued by the Town for the purpose of: (1) refunding the 2003 revenue bonds and (2) paying budgeted cost of issuing the Series 2012 Bonds.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 14 - SERIES 2012 REVENUE BONDS - WATER AND SEWERAGE SYSTEM - CONTINUED

The Series 2012 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 2012 Bonds. The Series 2012 Bonds are limited obligations of the Town are payable solely from the net revenues. The Series 2012 Bonds do not constitute a charge, lien or encumbrance on any other property of the Town.

The advanced refunding of the Series 2003 Revenue Bonds created a deferred amount of refunding of approximately \$1,205,000, that will be amortized over the life of the Series 2012 bond.

As of June 30, 2013, the Town's total debt service requirements to maturity under the Series 2012 Revenue Bonds were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 175,000	\$ 378,330	\$ 553,330
2015	850,000	361,330	1,211,330
2016	925,000	342,832	1,267,832
2017	985,000	323,130	1,308,130
2018	1,050,000	302,130	1,352,130
2019-2023	5,945,000	1,121,832	7,066,832
2024-2028	<u>5,950,000</u>	<u>313,091</u>	<u>6,263,091</u>
Total	<u>\$ 15,880,000</u>	<u>\$ 3,142,675</u>	<u>\$ 19,022,675</u>

During the year ended June 30, 2013, the basis of the Series 2012 Bonds was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2012				
Bond principal	\$ 15,880,000	\$ -	\$ -	\$ 15,880,000
Bond discount	(107,701)	(487)	-	(108,188)
Issuance cost	(397,917)	-	43,109	(354,808)
Advanced refunding	<u>(1,205,283)</u>	<u>-</u>	<u>130,575</u>	<u>(1,074,708)</u>
	<u>\$ 14,169,099</u>	<u>\$ (487)</u>	<u>\$ 173,684</u>	<u>\$ 14,342,296</u>

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 15 - CHANGES IN LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2013 :

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due In One Year</u>
Revenue Bonds	\$ 8,440,296	\$ -	\$ (507,150)	\$ 7,933,146	\$ 479,825
Compensated Absences	<u>67,685</u>	<u>2,719</u>	<u>-</u>	<u>70,404</u>	<u>70,404</u>
Total governmental	<u>8,507,981</u>	<u>2,719</u>	<u>(507,150)</u>	<u>8,003,550</u>	<u>550,229</u>
Business-type Activities					
Revenue Bonds	27,255,000	-	(505,000)	26,750,000	760,000
Notes Payable	8,448,137	-	(336,088)	8,112,049	403,166
Compensated Absences	<u>48,001</u>	<u>2,953</u>	<u>-</u>	<u>50,954</u>	<u>50,954</u>
Total business-type	<u>35,751,138</u>	<u>2,953</u>	<u>(841,088)</u>	<u>34,913,003</u>	<u>1,214,120</u>
Total	<u>\$44,259,119</u>	<u>\$ 5,672</u>	<u>\$ (1,348,238)</u>	<u>\$42,916,553</u>	<u>\$ 1,764,349</u>

The compensated absences liability will be paid from the fund from which the employees salaries are paid.

NOTE 16 - 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 businesses type activities, interest expense is considered an indirect expense. For the year ended June 30, 2013, the interest expense charged as an indirect expense in the business-type activities was approximately \$1,288,000.

NOTE 17 - 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, 2013, no interest was capitalized.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 18 - NET POSITION

As of June 30, 2013, net assets on the government-wide statements of net assets were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments in capital assets, net of related debt			
Cost of capital assets	\$ 37,366,405	\$ 58,315,300	\$ 95,681,705
Less accumulated depreciation	(3,648,785)	(12,455,897)	(16,104,682)
Less notes payable	-	(8,112,049)	(8,112,049)
Less revenue bonds	(7,933,146)	(26,750,000)	(34,683,146)
Add bond discounts	<u>-</u>	<u>415,565</u>	<u>415,565</u>
Investments in capital assets, net of related debt	<u>\$ 25,784,474</u>	<u>\$ 11,412,919</u>	<u>\$ 37,197,393</u>

As of June 30, 2013, restricted cash were as follows:

	<u>Total Government Activities</u>
Restricted for:	
Forfeitures	\$ 425,774
Jail	369,354
Traffic Court	59,107
Program purpose	875,156
Payroll	<u>797</u>
Total	<u>\$ 1,730,188</u>

NOTE 19 - RETIREMENT 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 Nationwide Retirement Solutions. The Plan covers all permanent employees. Employees are eligible to start contributing when they are hired. Employee are eligible to receive the Town's match once an employee has completed three years of service. The Town matches 50% of employee contributions up to 3%. Contributions made during the year ended June 30, 2013 were approximately \$33,000 by employees and approximately \$15,000 by the Town.

NOTE 20 - 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.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 20 - RISK MANAGEMENT - CONTINUED

Chapter 85 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 of more group self-insurance funds and a risk management service to prevent and lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA in accordance with the member government 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, 2013, the Town is not aware of any claims that the Town is liable. No provisions have been made in the financial statements for the year ended June 30, 2013, for any estimate of unpaid claims.

There were no significant reductions in insurance coverage from prior year and there have been no settlements that exceeded 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 provide its members when 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.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 21 - JOINT VENTURE

Under Georgia law, the Town in conjunction with other municipalities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Development Center ("RDC") and is required to pay dues thereto, which Jackson County pays on behalf 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 Official Code of Georgia Annotated (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 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, GA 30303.

NOTE 22 - 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% of the proceeds of the special one percent sales and use tax.

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.

On November 2, 2009, 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.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 22 - SPECIAL PURPOSE LOCAL OPTION SALES TAXES - CONTINUED

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.

In November 2009, 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.

In March 2009, Hall County approved a special county one percent sales and use tax for the purpose of: (1) capital outlay projects in local infrastructure including road, street, and bridge purposes, including sidewalks. 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. The Town will share in 0.0133% of the proceeds of the special one percent sales and use tax.

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 for (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% of the proceeds of the special one percent sales and use tax.

On March 15, 2011, Barrow County approved a special county one percent sales and use tax starting on July 1, 2012 for 6 years for the purpose of: (1) capital outlay projects for water and sewer; (2) capital outlay projects for parks and recreation facilities; (3) 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 3.64 percent of 40.0 percent of the proceeds of the special one percent sales and use tax.

TOWN OF BRASELTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2013

NOTE 23 - HOTEL/MOTEL TAXES

The Town levies a 5% lodging tax. OCGA 48-13-51 requires all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. Accordingly, 2% 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, 2013, one operator accounted for approximately 85% of the total hotel/motel tax revenue.

NOTE 24 - WATER AND SEWER FUND INFORMATION

As of June 30, 2013, the Water and Sewer Fund had 4,106 water users and 2,468 sewer users. As a general rule, the Town adjusts water and sewer rate schedules at the beginning of each fiscal year.

NOTE 25 - 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.

NOTE 26 - NET POSITION RESTATEMENT

For the year ended June 30, 2012, the governmental activities net position for the government-wide financial was overstated by \$843,623. The net position reported on the financial statements was \$29,435,290. The net position should have been \$28,591,667. The bond issuance cost were overstated by approximately \$1,300,000 and revenue bonds were overstated by approximately \$463,000, which resulted in the governmental activities net position being overstated by \$843,623.

For the year ended June 30, 2012, the water and sewer net position was understated by \$447,058. The net position reported on the financial statements for the business type activity was \$15,473,831. The net position should have been \$15,920,889. The defeasance of the Series 2003 revenue bonds improperly removed the entire liability, when the defeasance was not a total defeasance. The advance refunding only paid off the principal and interest that was maturing starting on July 1, 2014 through July 1, 2027. The Town was responsible for the principal payments made on July 1, 2012 and July 1, 2013. In addition, the deferred advance refunding was not properly recorded. Correcting the defeasance to adjust for the deferred advanced refunding to be in compliance with GASB increased the net position to \$15,920,956 for the year ended June 30, 2012.

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Taxes	\$ 2,351,000	\$ 2,009,182	\$ 2,009,182	\$ -
Licenses and permits	279,200	392,471	392,471	-
Fines and forfeitures	425,000	1,064,720	1,064,720	-
Interest earnings	25,000	3,169	3,169	-
Rental	77,100	66,369	66,369	-
Grants	-	480,609	480,609	-
Intergovernmental revenue	-	111,028	111,028	-
Miscellaneous	60,250	110,766	110,766	-
TOTAL REVENUES	3,217,550	4,238,314	4,238,314	-
EXPENDITURES				
Current:				
General government	458,549	415,473	415,473	-
Court costs	113,834	118,343	118,343	-
Police department	1,263,457	1,704,008	1,704,008	-
Street department	83,730	954,487	954,487	-
Parks and tennis courts	4,057	3,720	3,720	-
Library	180,685	187,770	187,770	-
Planning and development	397,926	401,635	401,635	-
Economic development	54,899	1,032,085	1,032,085	-
Debt service	822,000	507,150	507,150	-
Interest expense	-	316,464	316,464	-
TOTAL EXPENDITURES	3,379,137	5,641,135	5,641,135	-
EXPENDITURES OVER REVENUES	(161,587)	(1,402,821)	(1,402,821)	-
OTHER FINANCING SOURCES (USES)				
Transfer In	30,000	378,432	378,432	-
Transfer Out	(10,000)	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES	20,000	368,432	368,432	-
NET CHANGE IN FUND BALANCE	\$ (141,587)	\$ (1,034,389)	(1,034,389)	\$ -
FUND BALANCE, Beginning			3,405,424	
FUND BALANCE, Ending			\$ 2,371,035	

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Hotel Tax	\$ 260,000	\$ 641,868	\$ 641,868	\$ -
Interest Income	300	99	99	-
Other	<u>10,000</u>	<u>6,723</u>	<u>6,723</u>	-
TOTAL REVENUES	<u>270,300</u>	<u>648,690</u>	<u>648,690</u>	<u>-</u>
EXPENDITURES				
Current:				
Tourism department	4,722	3,133	3,133	-
Public relations and special events	130,000	126,216	126,216	-
Festival and hardscape improvements	12,500	16,520	16,520	-
Transportation improvements	5,278	16,473	16,473	-
Utilities	2,750	2,103	2,103	-
Marketing	94,000	146,233	146,233	-
Supplies	5,500	190	190	-
Historical repairs and maintenance	<u>15,550</u>	<u>100,179</u>	<u>100,179</u>	-
TOTAL EXPENDITURES	<u>270,300</u>	<u>411,047</u>	<u>411,047</u>	<u>-</u>
REVENUES OVER EXPENDITURES	<u>-</u>	<u>237,643</u>	<u>237,643</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>(378,432)</u>	<u>(378,432)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(140,789)</u>	(140,789)	\$ <u>-</u>
FUND BALANCE, Beginning			<u>(26,344)</u>	
FUND BALANCE, Ending			<u>\$ (167,133)</u>	

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ -	\$ 624,287	\$ 624,287	\$ -
Interest income	-	314	314	-
TOTAL REVENUES	<u>-</u>	<u>624,601</u>	<u>624,601</u>	<u>-</u>
EXPENDITURES				
Current:				
Parks and tennis courts	-	35,886	35,886	-
Street department	-	164,315	164,315	-
TOTAL EXPENDITURES	<u>-</u>	<u>200,201</u>	<u>200,201</u>	<u>-</u>
REVENUES OVER EXPENDITURES	<u>-</u>	<u>424,400</u>	<u>424,400</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 424,400</u>	<u>424,400</u>	<u>\$ -</u>
FUND BALANCE, Beginning			<u>1,467,579</u>	
FUND BALANCE, Ending			<u>\$ 1,891,979</u>	

TOWN OF BRASELTON, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 - 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 and expenditures 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.

TOWN OF BRASELTON, GEORGIA
BALANCE SHEET - GENERAL FUND
JUNE 30, 2013

ASSETS	
Cash and cash equivalents	\$ 72,480
Receivables	
Sales tax	318,216
Interfund receivables	698,226
Prepaid items	172,729
Cash and cash equivalents	<u>1,730,188</u>
TOTAL ASSETS	<u>2,991,839</u>
 LIABILITIES	
Accounts payable	245,173
Compensated absences	19,273
Deposits payable	27,000
Accrued expenditures	<u>329,358</u>
TOTAL LIABILITIES	<u>620,804</u>
 FUND BALANCE	
Restricted for:	
Prepaid items	172,729
Program purposes	1,730,188
Unassigned	<u>468,118</u>
TOTAL FUND BALANCE	<u>2,371,035</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>2,991,839</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF BRASELTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Taxes	\$ 2,009,182
Licenses and permits	392,471
Fines and forfeitures	1,064,720
Interest earnings	3,169
Rental	66,369
Intergovernmental revenue	111,028
Grants	480,609
Miscellaneous	<u>110,766</u>
TOTAL REVENUES	<u>4,238,314</u>
EXPENDITURES	
Current:	
General government	415,473
Court costs	118,343
Police department	1,704,008
Street department	954,487
Parks and tennis courts	3,720
Library	187,770
Planning and development	401,635
Economic development	1,032,085
Debt service	507,150
Interest expense	<u>316,464</u>
TOTAL EXPENDITURES	<u>5,641,135</u>
EXPENDITURES OVER REVENUES	<u>(1,402,821)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	378,432
Transfers out	<u>(10,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>368,432</u>
NET CHANGE IN FUND BALANCE	(1,034,389)
FUND BALANCE, Beginning	<u>3,405,424</u>
FUND BALANCE, Ending	<u>\$ 2,371,035</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF BRASELTON, GEORGIA
BALANCE SHEET - SPECIAL REVENUE FUND
JUNE 30, 2013

ASSETS	
Hotel/motel tax receivable	\$ <u>56,641</u>
TOTAL ASSETS	<u>56,641</u>
LIABILITIES	
Bank overdraft	31,598
Accounts payable	18
Interfund payable	<u>192,158</u>
TOTAL LIABILITIES	<u>223,774</u>
FUND BALANCE	
Reserved for program purposes	<u>(167,133)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 56,641</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF BRASELTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Hotel Tax	\$ 641,868
Interest Income	99
Other	<u>6,723</u>
TOTAL REVENUES	<u>648,690</u>
EXPENDITURES	
Current	
Tourism department	3,133
Public relations and special events	126,216
Festival and hardscape improvements	16,520
Transportation improvements	16,473
Utilities	2,103
Marketing	146,233
Supplies	190
Historical repairs and maintenance	<u>100,179</u>
TOTAL EXPENDITURES	<u>411,047</u>
REVENUES OVER EXPENDITURES	237,643
OTHER FINANCING SOURCES (USES)	
Transfers Out	<u>(378,432)</u>
NET CHANGE IN FUND BALANCE	(140,789)
FUND BALANCE, Beginning	<u>(26,344)</u>
FUND BALANCE, Ending	<u>\$ (167,133)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF BRASELTON, GEORGIA
BALANCE SHEET - CAPITAL PROJECTS FUND
JUNE 30, 2013

ASSETS	
Sales tax	\$ 71,228
Restricted cash	<u>1,842,751</u>
TOTAL ASSETS	<u>1,913,979</u>
LIABILITIES	
Accounts payable	22,000
FUND BALANCE	
Reserved for program purposes	<u>1,891,979</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,913,979</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF BRASELTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Intergovernmental revenue	\$ 624,287
Interest income	<u>314</u>
TOTAL REVENUES	<u>624,601</u>
EXPENDITURES	
Current:	
Parks and tennis courts	35,886
Street department	<u>164,315</u>
TOTAL EXPENDITURES	<u>200,201</u>
NET CHANGE IN FUND BALANCE	424,400
FUND BALANCE, Beginning	<u>1,467,579</u>
FUND BALANCE, Ending	<u>\$ 1,891,979</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

BROWN, *NELMS* & Co., P.C.

Certified Public Accountants

TED W. BROWN, C.P.A.
DAVID A. NELMS, C.P.A.
ERIC KORNEGAY, C.P.A.
RICH HLOZEK, C.P.A.
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

January 14, 2014

Honorable Mayor and Town Council
Town of Braselton
Braselton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braselton, Georgia, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Town of Braselton, Georgia's basic financial statements and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness and is identified as finding number 2013-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency and is identified as finding number 2013-2.

Compliance and Other Matters

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

Town of Braselton, Georgia's Response to Findings

The Town of Braselton, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Braselton, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Brown, Nelms & Co., P.C.

Brown, Nelms & Co., P.C.
Certified Public Accountants
Peachtree City, Georgia

January 14, 2014

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

2013-1 ACCOUNTING RECORDS MAINTENANCE AND FINANCIAL STATEMENT PREPARATION

Criteria: The Town is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Accurately recording transactions on an accrual basis (or the modified accrual basis, where applicable) is in accordance with GAAP and provides meaningful financial information. For business-type entities, proper recording of long-term liability repayments requires expensing interest and applying principal payments to note balances. Periodic reconciliation of accounts to the general ledger is also necessary to ensure the proper entry of transactions and the overall integrity of accounting records.

Context/Condition: Although the year-end financial statements are prepared on the appropriate accrual basis (or the modified accrual basis, where applicable), the Town maintains its general ledger on a cash basis throughout the year. The Town relied on the external auditors to provide the information for certain accrual entries, including taxes receivable, intergovernmental receivables, accounts receivable, accounts payable, and accrued expenses. Additionally, the Town relied on the external auditors for financial statement preparation. During the course of the audit, we noted that certain reconciliations did not agree to the general ledger. In addition, principal repayments on business-type activities debt are being expensed rather than applied to the outstanding balance.

Effect: The failure to record accruals for revenues and expenditures (expenses) and properly account for note repayments distorts the financial information that is provided to management and the Town Council, and may lead to financial decisions based on erroneous data. Failure to reconcile accounts to the general ledger permits recording errors to remain undetected and uncorrected until the year-end audit.

Recommendation: We suggest that the Town implement a procedure for a soft month-end close and a hard quarterly close. During these closing processes, cash reconciliations, accounts receivable ledgers, and receivables schedules are reconciled and tied to the trial balance. Fixed assets schedules are reviewed, adjusted properly, and tied to the trial balance. Accounts payable ledgers and accruals are adjusted and tied to the trial balance. Notes payable and Bonds payable amortization schedules are adjusted to tie to the trial balance. We also recommend continual professional training of all accounting personnel to develop financial statement preparation skills.

Response and Planned Corrective Action: We agree with the assessment and note that the situation is due to insufficient staffing. We hired a part-time accountant in July 2013 to assist with accounting record maintenance and financial statement preparation.

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

2013-2 TIMELY RECONCILIATION OF BANK ACCOUNTS

Criteria: Reconciling cash accounts to bank statements ensures that errors are identified and corrected on a timely basis, as well as permitting the timely write-off of stale outstanding items.

Context/Condition: At the time of our audit, certain cash accounts had not been reconciled to the bank statement for the last month in the fiscal year.

Effect: Certain cash accounts contained errors that were undetected because the reconciliations were not timely performed. Additionally, certain accounts have numerous stale outstanding items that distort the account balance.

Recommendation: We suggest reconciling each bank account within two weeks of receipt of the bank statement. In addition, we recommend that stale items be researched to determine if they are going to clear the bank. When it is determined that stale items are not going to be processed, they should be removed and accounted for appropriately.

Response and Planned Corrective Action: We agree with the assessment and note that the situation is due to insufficient staffing. We hired a part-time accountant in July 2013 to assist with bank reconciliations and other accounting tasks.

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX**

January 14, 2014

Honorable Mayor and Town Council
Town of Braselton
Braselton, Georgia

We have audited the accompanying Schedules of Special Purpose Local Option Sales Tax for the Town of Braselton, Georgia for the year ended June 30, 2013 . The 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 misstatements. 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 of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting and is not intended to be a complete presentation of the Town of Braselton'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, 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, 2013 , in conformity with accounting principles generally accepted in the United States of America.

Brown, Nelms & Co., P.C.

Brown, Nelms & Co., P.C.
Certified Public Accountants

Peachtree City, Georgia

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED JUNE 30, 2013

PROJECT	ORIGINAL ESTIMATED COST	CURRENT ESTIMATED COST	EXPENDITURES		
			PRIOR YEAR	CURRENT YEAR	TOTAL
Jackson County (1999)					
Water and sewer capital outlays	403,200	464,567	464,567	-	464,567
Roads, streets and bridges	132,480	172,960	172,960	-	172,960
Recreation	<u>31,680</u>	<u>36,376</u>	<u>36,376</u>	-	<u>36,376</u>
	<u>567,360</u>	<u>673,903</u>	<u>673,903</u>	-	<u>673,903</u>
Jackson County (2004)					
Roads, streets and bridges	<u>678,512</u>	<u>777,883</u>	<u>774,733</u>	<u>3,150</u>	<u>777,883</u>
Jackson County (2009)					
Roads, streets and bridges	563,345	563,345	-	22,000	22,000
Park and recreation	<u>563,345</u>	<u>563,345</u>	<u>38,542</u>	<u>35,886</u>	<u>74,428</u>
	<u>1,126,690</u>	<u>1,126,690</u>	<u>38,542</u>	<u>57,886</u>	<u>96,428</u>
Gwinnett County (2009)					
Roads, streets and bridges	<u>230,899</u>	<u>230,899</u>	<u>57</u>	-	<u>57</u>
Gwinnett County (2004)					
Roads, streets and bridges	<u>305,867</u>	<u>305,867</u>	<u>113,983</u>	<u>139,165</u>	<u>253,148</u>
Hall County (2004)					
Roads, streets and bridges	<u>6,046</u>	<u>6,046</u>	<u>1,824</u>	-	<u>1,824</u>
Hall County (2009)					
Streetscapes	<u>32,000</u>	<u>32,000</u>	<u>2,500</u>	-	<u>2,500</u>
Barrow County (2006)					
Sewer capital outlay	263,766	263,766	-	-	-
Roads, streets and bridges	263,766	263,766	-	-	-
Recreation	<u>351,688</u>	<u>351,688</u>	<u>5,693</u>	-	<u>5,693</u>
	<u>879,220</u>	<u>879,220</u>	<u>5,693</u>	-	<u>5,693</u>
Barrow County (2012)					
Park & recreation	233,688	233,688	-	-	-
Roads, street and bridges	<u>233,688</u>	<u>233,688</u>	-	-	-
	<u>467,376</u>	<u>467,376</u>	-	-	-
Total	<u>\$ 4,293,970</u>	<u>\$ 4,499,884</u>	<u>\$ 1,611,235</u>	<u>\$ 200,201</u>	<u>\$ 1,811,436</u>