

**TOWN OF BRASELTON, GEORGIA**

**ANNUAL FINANCIAL REPORT**

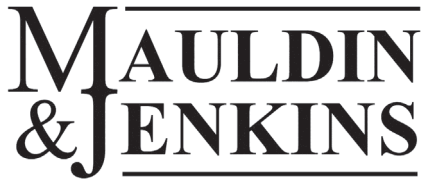
**FOR THE YEAR ENDED**

**JUNE 30, 2015**

**TOWN OF BRASELTON, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the **Town of Braselton, Georgia** (the "Town") as of and for the year ended June 30, 2015, and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Braselton, Georgia as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Hotel Motel Fund 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 on pages 4-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Braselton's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-121), as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of the Town of Braselton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Braselton's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
November 30, 2016

**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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As management of the Town of Braselton (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. This narrative is intended to assist the reader in understanding significant issues and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider this information presented herein, in conjunction with the additional information furnished in the financial statements, and the notes to the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at June 30, 2015 by \$52,897,404 (net position). Of this amount, \$4,204,065 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net position increased by \$6,083,032 during the fiscal year ended June 30, 2015; with an increase from business-type activities of \$2,808,213 and an increase in governmental activities of \$3,274,819.
- As of June 30, 2015, the Town's governmental funds reported combined ending fund balances of \$4,845,280 an increase of \$719,254 in comparison with the prior year. This increase is attributable mainly to a \$395,614 increase in fund balance of the General Fund and a \$273,209 increase in fund balance of the SPLOST Fund. The increase in the General Fund is due to higher fines and forfeitures than budgeted in fiscal year 2015. The SPLOST Fund increase is due to the SPLOST program collecting more revenue as the economy improves.

#### **Overview of the Financial Statements**

The annual financial statements consist of a series of financial statements. This narrative is intended to serve as an introduction to the basic financial statements. The Town's basic financial statements comprise three components:

- Government Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. They are prepared using the accrual basis of accounting, which is the accounting method used in most private-sector companies. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

- 1) The "statement of net position" presents information on all of the Town's assets, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Town is improving or deteriorating.
- 2) The "statement of activities" presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

**TOWN OF BRASELTON, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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Both of the government-wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the Town include general government, judicial, public safety, public works, culture and recreation, tourism, planning and development, economic and community development, and library. Business-type activities include water and sewer.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements focus on the most significant funds, reporting on the Town's operations in greater detail than the government-wide statements. All of the Town's funds can be divided into two categories: governmental and proprietary.

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements assist the reader in determining whether there are adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is short-term and the focus of the government-wide financial statements is both short-term and long-term, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the four funds which are considered to be major funds.

The Town adopts an annual appropriated budget for the General Fund and all special revenue funds. Project length budgets are adopted for all capital project funds. A budgetary comparison statement is provided for the General Fund and the Hotel Motel Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds: The Town maintains one type of proprietary funds - enterprise funds. Enterprise funds charge a fee for services to outside customers. The Town uses an individual enterprise fund to account for its water and sewer activities –which is considered to be a major fund. The Town's enterprise fund statement is the same as the business-type activities reported in the government-wide financial statements, but provide more detail.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential for the reader in order to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23-52 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities by \$52,897,404 and \$46,814,372 at June 30, 2015 and 2014, respectively. The following is a condensed version of the government-wide statement of net position.

**Town of Braselton – Net Position (\$000)**

	Governmental Activities		Business-Type		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Assets:</b>						
Current and other assets	\$ 5,592	\$ 4,428	\$ 13,119	\$ 4,071	\$ 18,710	\$ 8,499
Capital assets	<u>37,087</u>	<u>35,137</u>	<u>45,999</u>	<u>45,343</u>	<u>83,086</u>	<u>80,480</u>
Total assets	<u>42,679</u>	<u>39,565</u>	<u>59,118</u>	<u>49,414</u>	<u>101,797</u>	<u>88,979</u>
Deferred outflows	<u>-</u>	<u>-</u>	<u>866</u>	<u>945</u>	<u>866</u>	<u>945</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	6,436	6,971	39,003	32,080	45,439	39,051
Other liabilities	<u>1,383</u>	<u>1,010</u>	<u>2,943</u>	<u>3,050</u>	<u>4,327</u>	<u>4,059</u>
Total liabilities	<u>7,819</u>	<u>7,981</u>	<u>41,946</u>	<u>35,130</u>	<u>49,766</u>	<u>43,110</u>
<b>Net position:</b>						
Net investment in capital assets	30,326	28,166	11,756	11,959	42,082	40,125
Restricted	3,088	3,333	3,523	2,635	6,611	5,968
Unrestricted	<u>1,445</u>	<u>85</u>	<u>2,759</u>	<u>636</u>	<u>4,204</u>	<u>721</u>
Total net position	<u>\$ 34,859</u>	<u>\$ 31,584</u>	<u>\$ 18,038</u>	<u>\$ 15,230</u>	<u>\$ 52,897</u>	<u>\$ 46,814</u>



**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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The largest portion of the Town's net position (80%) reflects its net investment in capital assets such as land, buildings, plant, utility system, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. These capital assets are used by the Town to provide services to citizens. Although the Town's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position of \$6,610,887 are restricted by contracts or agreements with outside parties, by law, or by enabling legislation to be used for specific purposes such as capital projects.

The remaining balance of unrestricted net position \$4,204,065 may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town was able to report positive balances in each category of net position for governmental activities and for business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the Town's net position by \$3,274,819 and business-type activities increased the Town's net position by \$2,808,213. Much of the increase in governmental activities net position came from the State grants, fines/forfeitures, building permits, and larger SPLOST/Hotel collections. The increase in business-type activities net position came predominately from increased revenues in water and sewer fund as a result of larger water consumption, federal grant revenues, and significant tap fees from the Riverstone Park development and the City of Oakwood.

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**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The following condensed financial information was derived from the government-wide statement of activities and summarizes changes in net position for the year ended June 30, 2015 and 2014.

**Town of Braselton – Changes in Net Position (\$000)**

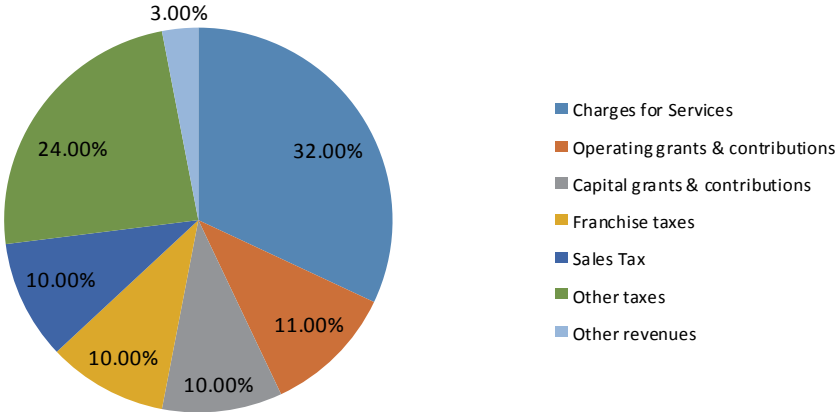
	Governmental Activities		Business-Type		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Revenues						
Program revenues:						
Charges for services	\$ 2,522	\$ 1,866	\$ 8,768	\$ 6,241	\$ 11,291	\$ 8,107
Operating grants and contributions	863	500	-	-	863	500
Capital grants and contributions	756	603	796	-	1,552	603
General revenues:						
Franchise taxes	808	727	-	-	808	727
Sales tax	765	564	-	-	765	564
Other taxes	1,876	2,029	-	-	1,876	2,029
Other	313	36	123	15	436	51
Total revenues	<u>7,903</u>	<u>6,325</u>	<u>9,688</u>	<u>6,256</u>	<u>17,591</u>	<u>12,581</u>
Expenses						
General government	765	903	-	-	765	903
Public safety and Judicial	1,990	1,803	-	-	1,990	1,803
Public works	243	604	-	-	243	604
Culture & recreation	49	6	-	-	49	6
Tourism	391	336	-	-	391	336
Planning & development	395	378	-	-	395	378
Economic & community development	288	716	-	-	288	716
Library	202	196	-	-	202	196
Interest on long term debt	306	325	-	-	306	325
Water & sewer	-	-	6,880	6,156	6,880	6,156
Total expenses	<u>4,629</u>	<u>5,267</u>	<u>6,880</u>	<u>6,156</u>	<u>11,508</u>	<u>11,423</u>
Transfers	-	-	-	-	-	-
Change in net position	3,275	1,058	2,808	100	6,083	1,158
Impact of restatements	-	669	-	347	-	1,016
Net position-July 1, restated	31,584	29,857	15,230	14,783	46,814	44,640
Net position-June 30	<u>\$ 34,859</u>	<u>\$ 31,584</u>	<u>\$ 18,038</u>	<u>\$ 15,230</u>	<u>\$ 52,897</u>	<u>\$ 46,814</u>

**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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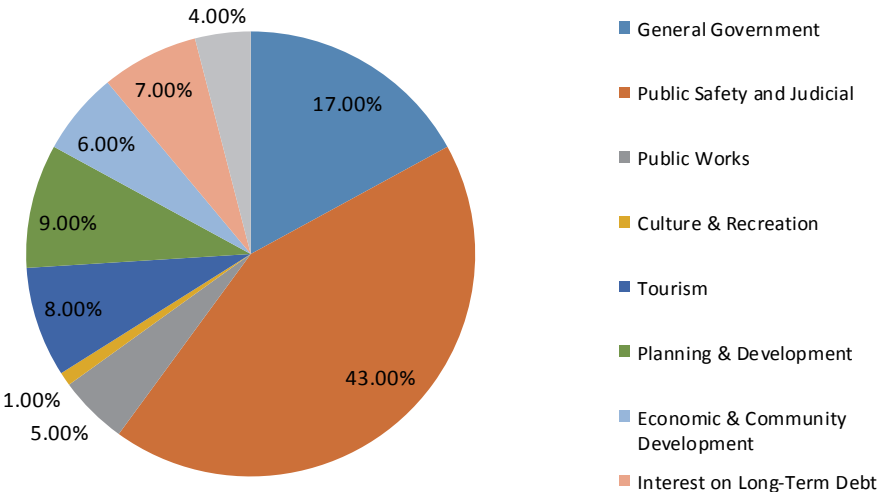
The following chart illustrates revenues of the governmental activities for the fiscal year:

**Revenues by Source-Governmental Activities**



The following chart illustrates the expenses of the governmental activities for the fiscal year:

**Expenses-Governmental Activities**



**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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Governmental activities revenues totaled \$7,903,423 for fiscal year 2015. Charges for services, which include licenses, permits, impact fees, and fines, make up the largest portion of these revenues accounting for 32% of total revenues. Other taxes, which includes business taxes, hotel/motel tax, and insurance premium taxes, are also a large revenue source accounting for 24% of total revenues.

Governmental activities expenses totaled \$4,628,604 for fiscal year 2015. Of the expenses, 43% is related to public safety and judicial. In addition, general government accounted for 17% of total governmental expenses for the year.

Business-type activities: Business-type activities increased the Town's net position by \$2,808,213, due primarily to increases in water sales, federal grant revenues, and large tap fees.

#### **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: As previously mentioned, the focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the Town's governmental funds reported combined ending fund balances of \$4,845,280 an increase of \$719,254 or 17% in comparison with the prior year. Approximately 2% of the fund balance or \$90,486 is classified as nonspendable and includes amounts for prepaid items. Restricted fund balance of \$3,321,636 or 69% is for spending on capital projects and public safety. The remaining balance \$1,433,158 is considered unassigned, which includes a deficit of \$180,037 in the Hotel Motel Fund.

The General Fund is the chief operating fund of the Town. For the current fiscal year, the fund balance of the Town's General Fund increased by \$395,614. This resulted primarily from large fines and forfeitures and increased transfers from the Hotel Motel Fund.

Proprietary Fund: The proprietary fund statement shares the same focus as the government-wide statements, reporting both short-term and long-term information about the funds.

At the fiscal year end, the Water and Sewer Fund has unrestricted net position of \$2,758,664. Overall, net position of this fund increased by \$2,808,213 due to revenues exceeding expenses. The fund saw large tap fees from the Riverstone Park development and the City of Oakwood. Operating income was \$3,367,583, an increase of \$2,707,771 from the prior year due to the capacity fees.

#### **General Fund Budgetary Highlights**

During the year several budget amendments were adopted by the Town Council, increasing budgeted revenues and expenditures, but having no significant impact on the budgeted bottom line. The adjustments are included in the final budget column totals in the budgetary statement.

During the year, General Fund revenues and expenditures were more than budgetary projections by \$2,043,528 and \$773,061, respectively. New roads construction were more than budget in streets and sanitation.

**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Capital Assets and Debt Administration**

Capital assets: The Town's investment in capital assets for its governmental activities as of June 30, 2015, amounted to \$37,087,499, net of accumulated depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, and streets and drainage. The balance represents a \$2,110,888 increase from the prior year, largely from the Highway 54 widening project and renovations of the Braselton Brothers store. The business-type activities had net capital assets of \$45,998,963 at June 30, 2015, representing an increase of \$655,786 caused mainly by construction at the Northeast Georgia Medical Center.

Capital assets held by the Town at the end of the fiscal year are summarized as follows:

**Town of Braselton – Capital Assets (net of accumulated depreciation) (\$000)  
Fiscal Year 2015 and 2014**

	Governmental Activities		Business-Type		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 16,113	\$ 16,108	\$ 1,613	\$ 1,631	\$ 17,726	\$ 17,739
Buildings	12,789	10,976	1,822	1,650	14,611	12,626
Infrastructure	11,272	8,883	56,587	52,885	67,859	61,768
Machinery and equipment	1,078	1,057	961	956	2,039	2,013
Vehicles	747	698	-	-	747	698
Construction in progress	17	1,558	296	2,107	313	3,665
<b>Total</b>	<b>42,016</b>	<b>39,280</b>	<b>61,279</b>	<b>59,229</b>	<b>103,295</b>	<b>98,509</b>
Accumulated depreciation	4,929	4,303	15,280	13,886	20,209	18,189
<b>Net Capital Assets</b>	<b>\$ 37,087</b>	<b>\$ 34,977</b>	<b>\$ 45,999</b>	<b>\$ 45,343</b>	<b>\$ 83,086</b>	<b>\$ 80,320</b>

Additional information on the Town's capital assets can be found in Note 6 of these financial statements.

**TOWN OF BRASELTON, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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Long-term debt: At June 30, 2015, the Town had \$33,617,983 in water and sewer bonded debt. Overall this is \$7,943,065 higher than the prior year due to the issuance of the Series 2015 Water & Sewer bonds. The Town's Water and Sewer Fund also had \$6,653,193 in notes payable, which is \$1,055,754 lower than the prior year due to the refunding of certain Georgia Environmental Finance Authority Loans with the Series 2015 Water & Sewer bonds, at the end of the fiscal year. The Water and Sewer Fund also has a line of credit with a balance of \$668,617 at the end of the fiscal year.

The Town's governmental activities had certificates bonds payable of \$6,934,403 at June 30, 2015 which is \$485,894 lower than the prior year due to scheduled principal and interest payments.

Additional information on the Town's long-term debt can be found in Note 8 of this report.

**Economic Factors and Next Year's Budget and Rates**

The economy is slowly showing signs of steady improvement in our area. The Town's fiscal year 2016 budget contains a slight increase in revenue, signaling an increase in utility accounts due to the growth, including a standard five percent increase in utility rates.

**Request for information**

This financial report is designed to provide a general overview of the Town of Braselton's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties. Questions concerning any of the information should be addressed to the Town's Finance Department, 92 N. Alexander Street, Braselton, Georgia 30577 or by phone at (706) 886-8451.

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF BRASELTON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Cash and cash equivalents	\$ 4,568,664	\$ 2,090,666	\$ 6,659,330	\$ 76,018
Taxes receivable, net	199,087	-	199,087	-
Accounts receivable, net	31,468	1,193,905	1,225,373	-
Intergovernmental receivable	108,238	911,107	1,019,345	-
Due from component unit	85,451	-	85,451	-
Internal balances	507,752	(507,752)	-	-
Prepaid items	90,486	62,687	153,173	-
Restricted investments	-	9,368,077	9,368,077	-
Capital assets, non-depreciable	16,129,465	1,908,902	18,038,367	-
Capital assets, depreciable, net of accumulated depreciation	20,958,034	44,090,061	65,048,095	156,000
Total assets	<u>42,678,645</u>	<u>59,117,653</u>	<u>101,796,298</u>	<u>232,018</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	-	866,295	866,295	-
Total deferred outflows of resources	<u>-</u>	<u>866,295</u>	<u>866,295</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	685,014	329,799	1,014,813	498
Retainage payable	60,852	14,083	74,935	-
Accrued liabilities	32,312	383,356	415,668	-
Line of credit payable	-	668,617	668,617	-
Customer deposits payable	-	189,363	189,363	-
Due to primary government	-	-	-	85,451
Compensated absences, due within one year	106,783	89,431	196,214	-
Bonds payable, due within one year	498,448	925,000	1,423,448	-
Bonds payable, due in more than one year	6,435,955	32,692,983	39,128,938	-
Notes payable, due within one year	-	343,156	343,156	5,911
Notes payable, due in more than one year	-	6,310,037	6,310,037	148,889
Total liabilities	<u>7,819,364</u>	<u>41,945,825</u>	<u>49,765,189</u>	<u>240,749</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	30,326,228	11,756,224	42,082,452	1,200
Restricted for:				
Capital projects and construction	2,267,211	-	2,267,211	-
Debt service	-	3,523,235	3,523,235	-
Public safety	820,441	-	820,441	-
Unrestricted	1,445,401	2,758,664	4,204,065	(9,931)
Total net position (deficit)	<u>\$ 34,859,281</u>	<u>\$ 18,038,123</u>	<u>\$ 52,897,404</u>	<u>\$ (8,731)</u>

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



**TOWN OF BRASELTON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	Total	
			Grants and Contributions	Capital Grants and Contributions				
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 764,624	\$ 178,664	\$ -	\$ -	\$(585,960)	\$ -	\$(585,960)	\$ -
Judicial	131,160	-	-	-	(131,160)	-	(131,160)	-
Public safety	1,858,872	1,032,828	-	-	(826,044)	-	(826,044)	-
Public works	243,060	1,302,408	862,894	755,713	2,677,955	-	2,677,955	-
Culture and recreation	48,690	-	-	-	(48,690)	-	(48,690)	-
Tourism	391,034	-	-	-	(391,034)	-	(391,034)	-
Planning and development	395,400	-	-	-	(395,400)	-	(395,400)	-
Economic and community development	287,924	-	-	-	(287,924)	-	(287,924)	-
Library	202,172	8,581	-	-	(193,591)	-	(193,591)	-
Interest on long-term debt	305,668	-	-	-	(305,668)	-	(305,668)	-
Total governmental activities	4,628,604	2,522,481	862,894	755,713	(487,516)	-	(487,516)	-
<b>Business-type activities:</b>								
Water and sewer	6,879,555	8,768,428	-	796,127	-	2,685,000	2,685,000	-
Total business-type activities	6,879,555	8,768,428	-	796,127	-	2,685,000	2,685,000	-
Total primary government	\$ 11,508,159	\$ 11,290,909	\$ 862,894	\$ 1,551,840	\$(487,516)	\$ 2,685,000	\$ 2,197,484	-
Downtown Development Authority	\$ 57,683	\$ 13,200	\$ -	\$ -	-	-	-	\$ (44,483)
<b>General revenues:</b>								
Sales taxes					764,899	-	764,899	-
Franchise taxes					808,462	-	808,462	-
Insurance premium tax					420,781	-	420,781	-
Hotel/Motel occupancy tax					806,715	-	806,715	-
Business taxes					549,664	-	549,664	-
Other taxes					98,688	-	98,688	-
Unrestricted investment earnings					3,640	5,484	9,124	12
Gain on sale of capital assets					30,326	7,988	38,314	-
Other revenue					279,160	109,741	388,901	17,147
Total general revenues					3,762,335	123,213	3,885,548	17,159
Change in net position					3,274,819	2,808,213	6,083,032	(27,324)
Net position, beginning of year, restated					31,584,462	15,229,910	46,814,372	18,593
Net position (deficit), end of year					\$ 34,859,281	\$ 18,038,123	\$ 52,897,404	\$ (8,731)

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

# TOWN OF BRASELTON

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2015

ASSETS	Major Governmental Funds				Total Governmental Funds
	General	Hotel Motel Fund	SPLOST Fund	URA Fund	
Cash and cash equivalents	\$ 2,175,525	\$ 182	\$ 2,158,973	\$ 233,984	\$ 4,568,664
Taxes receivable, net	126,592	72,495	-	-	199,087
Accounts receivable	31,468	-	-	-	31,468
Intergovernmental receivable	-	-	108,238	-	108,238
Due from component unit	85,113	338	-	-	85,451
Due from other funds	760,780	-	-	16,675	777,455
Prepaid items	90,486	-	-	-	90,486
Total assets	\$ 3,269,964	\$ 73,015	\$ 2,267,211	\$ 250,659	\$ 5,860,849
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 668,315	\$ 24	\$ -	\$ 16,675	\$ 685,014
Retainage payable	60,852	-	-	-	60,852
Due to other funds	16,675	253,028	-	-	269,703
Total liabilities	745,842	253,052	-	16,675	1,015,569
<b>FUND BALANCES (DEFICIT)</b>					
Fund balances					
Nonspendable:					
Prepaid items	90,486	-	-	-	90,486
Restricted:					
Capital projects and construction	-	-	2,267,211	233,984	2,501,195
Public safety	820,441	-	-	-	820,441
Unassigned (deficit)	1,613,195	(180,037)	-	-	1,433,158
Total fund balances (deficit)	2,524,122	(180,037)	2,267,211	233,984	4,845,280
Total liabilities and fund balances	\$ 3,269,964	\$ 73,015	\$ 2,267,211	\$ 250,659	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	37,087,499
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(7,073,498)
Net position of governmental activities	\$ 34,859,281

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

# TOWN OF BRASELTON

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Major Governmental Funds				Total Governmental Funds
	General	Hotel Motel Fund	SPLOST Fund	URA Fund	
<b>Revenues</b>					
Taxes:					
Sales taxes	\$ 764,899	\$ -	\$ -	\$ -	\$ 764,899
Hotel/Motel occupancy taxes	-	806,715	-	-	806,715
Franchise taxes	808,462	-	-	-	808,462
Insurance premium tax	420,781	-	-	-	420,781
Business taxes	549,664	-	-	-	549,664
Other taxes	98,688	-	-	-	98,688
Licenses and permits	912,238	-	-	-	912,238
Intergovernmental	796,054	-	755,344	66,840	1,618,238
Fines and forfeitures	1,054,880	-	-	-	1,054,880
Charges for services	540,623	-	-	-	540,623
Investment earnings	2,379	87	369	1,174	4,009
Other revenues	175,210	7,180	-	111,510	293,900
Total revenues	6,123,878	813,982	755,713	179,524	7,873,097
<b>Expenditures</b>					
Current:					
General government	520,587	-	-	-	520,587
Judicial	130,595	-	-	-	130,595
Public safety	1,658,422	-	-	-	1,658,422
Streets and sanitation	136,052	-	-	-	136,052
Tourism	-	391,034	-	-	391,034
Planning and development	390,087	-	-	-	390,087
Economic and community development	197,001	-	-	90,066	287,067
Parks and recreation	48,690	-	-	-	48,690
Libraries	193,919	-	-	-	193,919
Capital outlay	1,359,673	-	482,504	809,384	2,651,561
Debt service:					
Principal	-	-	-	488,919	488,919
Interest	-	-	-	306,897	306,897
Total expenditures	4,635,026	391,034	482,504	1,695,266	7,203,830
Excess (deficiency) of revenues over (under) expenditures	1,488,852	422,948	273,209	(1,515,742)	669,267
<b>Other financing sources (uses):</b>					
Proceeds from sale of capital assets	49,987	-	-	-	49,987
Transfers in	440,531	-	-	1,583,756	2,024,287
Transfers out	(1,583,756)	(440,531)	-	-	(2,024,287)
Total other financing sources (uses)	(1,093,238)	(440,531)	-	1,583,756	49,987
Net change in fund balances	395,614	(17,583)	273,209	68,014	719,254
<b>Fund balances (deficit), beginning of year, restated</b>	2,128,508	(162,454)	1,994,002	165,970	4,126,026
<b>Fund balances (deficit), end of year</b>	\$ 2,524,122	\$ (180,037)	\$ 2,267,211	\$ 233,984	\$ 4,845,280

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

# TOWN OF BRASELTON

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds	\$	719,254
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 is the amount by which capital outlays exceeded depreciation in the current period.		2,130,549
The net effect of transactions involving capital assets, including proceeds from the sale, is to decrease net position.		(19,661)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment of \$488,919 reduces long-term liabilities in the Statement of Net Position. Amortization of bond discount is not reported in the fund but reduced net position by \$3,025.		485,894
Some expenses reported in the Statement of Activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(41,217)
<b>Change in net position - governmental activities</b>	<b>\$</b>	<b><u>3,274,819</u></b>

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

**TOWN OF BRASELTON**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Sales taxes	\$ 726,767	\$ 727,000	\$ 764,899	\$ 37,899
Franchise taxes	672,200	679,000	808,462	129,462
Insurance premium taxes	390,000	403,000	420,781	17,781
Business taxes	427,000	536,000	549,664	13,664
Other taxes	457,490	519,600	98,688	(420,912)
Licenses and permits	298,000	408,600	912,238	503,638
Intergovernmental	-	-	796,054	796,054
Fines and forfeitures	436,000	443,200	1,054,880	611,680
Charges for services	147,000	266,200	540,623	274,423
Investment earnings	3,000	1,000	2,379	1,379
Other revenues	96,500	96,750	175,210	78,460
Total revenues	<u>3,653,957</u>	<u>4,080,350</u>	<u>6,123,878</u>	<u>2,043,528</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	444,966	451,874	520,587	(68,713)
Judicial	115,878	125,065	130,595	(5,530)
Public Safety	1,310,657	1,350,000	1,658,422	(308,422)
Streets and sanitation	94,695	227,979	1,495,725	(1,267,746)
Planning and development	396,133	403,213	390,087	13,126
Economic and community development	278,027	294,550	197,001	97,549
Parks and recreation	650	7,284	48,690	(41,406)
Libraries	174,838	180,000	193,919	(13,919)
<b>Debt service:</b>				
Principal	822,000	505,000	-	505,000
Interest	-	317,000	-	317,000
Total expenditures	<u>3,637,844</u>	<u>3,861,965</u>	<u>4,635,026</u>	<u>(773,061)</u>
Excess of revenues over expenditures	<u>16,113</u>	<u>218,385</u>	<u>1,488,852</u>	<u>1,270,467</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	-	-	49,987	49,987
Transfers out	-	-	(1,583,756)	(1,583,756)
Transfers in	295,000	295,000	440,531	145,531
Total other financing sources	<u>295,000</u>	<u>295,000</u>	<u>(1,093,238)</u>	<u>(1,388,238)</u>
Net change in fund balances	311,113	513,385	395,614	(117,771)
<b>Fund balances, beginning of year, restated</b>	<u>2,128,508</u>	<u>2,128,508</u>	<u>2,128,508</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,439,621</u>	<u>\$ 2,641,893</u>	<u>\$ 2,524,122</u>	<u>\$ (117,771)</u>

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

**TOWN OF BRASELTON**

**HOTEL MOTEL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Hotel / Motel occupancy taxes	\$ 270,000	\$ 290,000	\$ 806,715	\$ 516,715
Investment earnings	50	50	87	37
Other revenues	6,000	9,000	7,180	(1,820)
Total revenues	<u>276,050</u>	<u>299,050</u>	<u>813,982</u>	<u>514,932</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Tourism	275,398	297,957	391,034	(93,077)
Total expenditures	<u>275,398</u>	<u>297,957</u>	<u>391,034</u>	<u>(93,077)</u>
Excess of revenues over expenditures	<u>652</u>	<u>1,093</u>	<u>422,948</u>	<u>421,855</u>
<b>Other financing sources (uses):</b>				
Transfers out	-	-	(440,531)	(440,531)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(440,531)</u>	<u>(440,531)</u>
Net change in fund balances	652	1,093	(17,583)	(18,676)
<b>Fund balances (deficit), beginning of year</b>	<u>(162,454)</u>	<u>(162,454)</u>	<u>(162,454)</u>	<u>-</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ (161,802)</u>	<u>\$ (161,361)</u>	<u>\$ (180,037)</u>	<u>\$ (18,676)</u>

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

**TOWN OF BRASELTON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2015**

ASSETS	Water and Sewer Fund
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,090,666
Accounts receivable, net	1,193,905
Intergovernmental receivable	911,107
Due from other funds	20,000
Prepaid items	62,687
Total current assets	4,278,365
<b>NONCURRENT ASSETS</b>	
Restricted investments	9,368,077
Capital assets:	
Nondepreciable	1,908,902
Depreciable assets, net of accumulated depreciation	44,090,061
Total noncurrent assets	55,367,040
Total assets	59,645,405
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	866,295
Total deferred outflows of resources	866,295
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	329,799
Retainage payable	14,083
Due to other funds	527,752
Accrued interest	383,356
Compensated absences payable	89,431
Customer deposits payable	189,363
Line of credit payable, current	668,617
Notes payable, current	343,156
Bonds payable, current	925,000
Total current liabilities	3,470,557
<b>NONCURRENT LIABILITIES</b>	
Notes payable	6,310,037
Bonds payable	32,692,983
Total noncurrent liabilities	39,003,020
Total liabilities	42,473,577
<b>NET POSITION</b>	
Net investment in capital assets	11,756,224
Restricted for debt service	3,523,235
Unrestricted	2,758,664
Total net position	\$ 18,038,123

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

# TOWN OF BRASELTON

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2015

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 8,768,428
Miscellaneous revenue	109,741
Total operating revenues	8,878,169
<b>OPERATING EXPENSES</b>	
Personal services and benefits	1,330,052
Purchased and contracted services	2,245,349
Supplies and equipment	419,582
Depreciation	1,409,066
Miscellaneous	106,537
Total operating expenses	5,510,586
Operating income	3,367,583
<b>NON-OPERATING EXPENSES</b>	
Investment earnings	5,484
Interest and cost of issuance fees	(1,368,969)
Gain on capital asset disposal	7,988
Total non-operating expenses	(1,355,497)
Income before contributions	2,012,086
Capital contributions	796,127
Change in net position	2,808,213
<b>NET POSITION, beginning of year, restated</b>	15,229,910
<b>NET POSITION, end of year</b>	\$ 18,038,123

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



**TOWN OF BRASELTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 8,548,072
Payments to vendors	(2,906,888)
Payments to or on behalf of employees	(1,300,149)
Net cash provided by operating activities	4,341,035
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on bonds payable	(850,000)
Proceeds from bonds	12,215,000
Proceeds from bond premium	475,912
Payment to bond escrow agent	(3,966,258)
Proceeds from notes	1,029,225
Principal payments on notes payable	(2,084,979)
Payment of bond issuance costs	(301,034)
Interest paid on bonds and notes	(987,317)
Proceeds from the line of credit	668,617
Capital contributions from other governments	150,705
Contract retainage withheld	14,083
Proceeds from the sale of capital assets	37,988
Purchases of capital assets	(2,094,852)
Net cash provided by capital and related financing activities	4,307,090
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investments purchased	(6,877,252)
Interest received	5,484
Net cash used in investing activities	(6,871,768)
Net increase in cash and cash equivalents	1,776,357
<b>Cash and cash equivalents, beginning of year</b>	314,309
<b>Cash and cash equivalents, end of year</b>	\$ 2,090,666
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 3,367,583
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,409,066
Change in assets and liabilities:	
Accounts receivables	(270,602)
Due from (to) other funds	15,529
Prepaid items	14,599
Accounts payable	(165,548)
Compensated absences	29,903
Customer deposits payable	(59,495)
Net cash provided by operating activities	\$ 4,341,035

The accompanying notes are an integral part of these financial statements

**TOWN OF BRASELTON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Town of Braselton, Georgia (the "Town") was incorporated, under the laws of the State of Georgia, in 1916 and operates under an elected Mayor-Council form of government. The Mayor and four Council members are elected with each Council member serving one district within the City. The Town provides such services as police protection, parks and recreation amenities, planning and building inspection, municipal court services, public works, water and sewer services, library services, and general and administrative services.

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below.

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 units. The component units discussed below are included in the Town's reporting entity because of the significance of their operational or financial relationship with the Town. In conformity with generally accepted accounting principles, the financial statements of the component units are either presented as a discretely presented component unit (shown separately in the government-wide financial statements) or a blended component unit (shown as if it were a fund of the Town).

The Town of Braselton Downtown Development Authority (the "DDA") is the discretely presented component unit of the Town. The seven members of the Board of Directors of the DDA are appointed by the Town Council. The Town also has the ability to impose its will on the DDA as the Town Council can remove appointed members of the Board of Directors at will and has the ability to hire and dismiss the personnel responsible for the daily operations of the DDA. The Town of Braselton Downtown Development Authority's financial information is maintained by the Town's Finance Department. However, separate financial statements are not prepared.

The Town of Braselton Urban Redevelopment Authority (the "URA") is a blended presented component unit of the Town. The three members of the Board of Directors of the URA are appointed by the Town Council. The Town also has the ability to impose its will on the URA as the Town Council can remove appointed members of the Board of Directors at will and has the ability to hire and dismiss the personnel responsible for the daily operations of the URA. The Urban Redevelopment Authority provides a means to issue revenue bonds for development within the Town. Although it is legally separate from the Town, the URA is reported as if it were a part of the primary government because all of the URA's debt is expected to be repaid by the Town. The URA's financial information is maintained by the Town's Finance Department. However, separate financial statements are not prepared.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. 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 includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It is used to account for resources traditionally associated with the Town, which are not required legally or by sound financial management to be accounted for in a different fund.

The **SPLOST Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program of the Town, in agreements with Barrow County, Gwinnett County, Hall County, and Jackson County.

The **Hotel / Motel Fund** accounts for the occupancy tax collected by the Town from area hotels and motels, and distributed based upon state statute including a requirement for a portion to be spent on tourism.

The **Urban Residential Authority (URA) Fund** accounts for the activity (predominately capital outlay in spending proceeds of URA bonds and debt service on those bonds which is paid by the Town) of the Town's blended component unit.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements (Continued)

The Town reports the following major enterprise fund:

The **Water and Sewer Fund** accounts for the operation of the water and sewerage system including all revenues from sources applicable to the system's operations and all expenses of the operation.

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

The government-wide financial statements are reported using the *economic resources measurement* focus and *the accrual basis* of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized predominately when the underlying transaction occurs. 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 sixty days of the end of the current 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 are recorded only when payment is due.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Sales taxes, franchise taxes, hotel/motel occupancy taxes, business taxes, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year if recognition criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

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

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 of the Town's enterprise fund are charges to customers for goods and services applicable to the fund. Operating expenses of the enterprise funds include the cost of these goods 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.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **D. Budgets**

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the Town.

#### **E. Deposits and Investments**

Georgia statutes authorize the Town to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. Investments are reported at fair value based on quoted market prices.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition.

#### **F. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year-end.

#### **G. Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the 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."

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### G. Interfund Receivables and Payables (continued)

Activity between the Town and its discretely presented component unit that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “due from component unit” and “due to primary government” as it is expected to be repaid in the next fiscal period.

#### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items in both government wide and fund financial statements.

#### I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	15-125
Machinery and equipment	5-25
Utility plant and infrastructure	10-40
Vehicles	5-10
Infrastructure	20-50

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### J. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused paid time off benefits. The Town permits an accumulation of sick leave at the rate of three days per year with no limit to number of days accumulated. Sick leave is payable to those employees who have resigned. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### K. Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expenditures in the year of issue.

#### L. Fund Equity and Net Position

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 assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. 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.



## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### L. Fund Equity and Net Position (Continued)

- **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 including the verbiage “committed for the purpose of”. Only the Town Council may modify or rescind the commitment through a subsequent resolution.
- **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 Manager to assign fund balances through a written memorandum, in addition to the Town Council being able to assign fund balance through a motion at a public meeting.
- **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; and
- Unassigned.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### L. Fund Equity and Net Position (Continued)

**Net Position** - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those capital assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### M. Deferred Outflows of Resources / Deferred Inflows of Resources

In addition to assets, the statement of financial 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 period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the business type activities on the statement of net position as well as statement of net position for the major proprietary fund. 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 refunding debt.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **M. Deferred Outflows/Inflows of Resources (Continued)**

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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Town does not have any items which meet this criteria.

#### **N. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

#### **O. Fund Balance and Net Position Deficits**

At June 30, 2015 the Downtown Development Authority had a net position deficit of \$8,731. The deficit will be funded through future rental income of the Authority's properties. The Hotel Motel fund had a fund balance deficit of \$180,037. The deficit will be funded with subsequent tax collections or budgeted financing or transfers from other funds, if necessary.

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## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Reconciliation of Government-wide and Fund Financial Statements

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$7,073,498 difference are as follows:

Bonds payable	\$ (6,934,403)
Accrued interest payable	(32,312)
Compensated absences	<u>(106,783)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (7,073,498)</u>

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$2,130,549 difference are as follows:

Capital outlay	\$ 2,827,731
Depreciation expense	<u>(697,182)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 2,130,549</u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities (Continued)

Another element of that reconciliation states that "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." The details of this \$41,217 difference are as follows:

Compensated absences	\$	(42,446)
Accrued interest		1,229
		<hr/>
<i>governmental funds to arrive at change in net position of governmental activities</i>	\$	<u>(41,217)</u>

### Note 3. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at Town Hall to obtain taxpayer comments.
- c. Prior to July 1, the Council approves the budget.
- d. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the Town Council.

Expenditures may not legally exceed budgeted appropriations at the departmental level in the General Fund.

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Stewardship, Compliance, and Accountability (Continued)

#### B. Budgetary Excesses

The following funds had departments with excess of actual expenditures over appropriations for the fiscal year ended June 30, 2015:

General Fund - General Government	\$ 68,713
General Fund - Judicial	5,530
General Fund - Public Safety	308,422
General Fund - Streets and Sanitation	1,276,746
General Fund - Parks and Recreation	41,406
General Fund - Libraries	13,919
General Fund - Transfers Out to URA	1,583,756
Hotel Motel Fund - Tourism	93,077
Hotel Motel Fund - Transfers Out	440,531

The over expenditures in the General Fund were funded by greater than anticipated revenues and available fund balance. The over expenditures in the Hotel Motel Fund were funded by greater than anticipated revenue but also resulted in an increase of the fund's deficit of fund balance at June 30, 2015. The Hotel Motel Fund's deficit will be resolved with future tax collections.

### Note 4. Deposits and Investments

As of June 30, 2015, the Town had amounts in money market mutual funds with U.S. Bank, to pay future debt obligations and to be used for construction projects. The Town classifies these amounts as investments.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Town has not formally adopted an investment policy to address interest risk.

**Credit Risk** – Georgia law and the Town's Investment Policy allow investments in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2015, the Town's investment in each of the money market mutual funds listed below were rated AAAM.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Deposits and Investments (continued)

At June 30, 2015, the Town had the following investments:

Investment	WAM	Fair Value
First American Treasury Obligation Fund	44 days	\$ 981,380
Fidelity Money Mkt Treasury Mutual Fund - Class III	20 days	238,732
Fidelity Money Mkt Treasury Select Mutual Fund	34 days	8,147,965
Total		<u>\$ 9,368,077</u>

**Custodial Credit Risk – Deposits** - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government's deposits.

### Note 5. Receivables

The Town does not level a millage rate on its citizens. The Town receives Special Purpose Local Option Sales Tax remittances from Barrow, Gwinnett, Hall, and Jackson Counties. Additionally, the Town receives hotel motel tax remittances from various hotels (primarily Chateau Elan) within the Town's limits. These remittances are on a one month lag time from the date of collection by the Counties and hotels and the Town records receivables accordingly.

Receivables as of year-end for the Town, including the applicable allowances for uncollectible accounts, are as follows:

	General	Hotel Motel	SPLOST	Water and Sewer
Receivables:				
Taxes	\$ 126,592	\$ 72,495	\$ -	\$ -
Accounts	31,468	-	-	1,396,538
Intergovernmental	-	-	108,238	911,107
Less allowance for uncollectible	-	-	-	(202,633)
Net total receivable	<u>\$ 158,060</u>	<u>\$ 72,495</u>	<u>\$ 108,238</u>	<u>\$ 2,105,012</u>

Intergovernmental receivables consist of the SPLOST amounts due from the respective counties and reimbursement amounts due to the Water and Sewer Fund related to a grant from the U.S. Department of Commerce.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 16,107,660	\$ -	\$ 5,130	\$ 16,112,790
Construction in progress	1,558,386	2,665,322	(4,207,033)	16,675
Total assets, not being depreciated	<u>17,666,046</u>	<u>2,665,322</u>	<u>(4,201,903)</u>	<u>16,129,465</u>
Capital assets, being depreciated:				
Buildings	10,976,485	-	1,812,768	12,789,253
Infrastructure	8,883,265	-	2,389,135	11,272,400
Vehicles	697,663	140,385	(90,605)	747,443
Machinery & Equipment	1,056,608	22,024	-	1,078,632
Total assets, being depreciated	<u>21,614,021</u>	<u>162,409</u>	<u>4,111,298</u>	<u>25,887,728</u>
Less accumulated depreciation for:				
Buildings	(2,215,675)	(280,523)	-	(2,496,198)
Infrastructure	(831,807)	(222,446)	-	(1,054,253)
Vehicles	(425,566)	(121,496)	70,944	(476,118)
Machinery & Equipment	(830,408)	(72,717)	-	(903,125)
Total accumulated depreciation	<u>(4,303,456)</u>	<u>(697,182)</u>	<u>70,944</u>	<u>(4,929,694)</u>
Total assets, being depreciated, net	<u>17,310,565</u>	<u>(534,773)</u>	<u>4,182,242</u>	<u>20,958,034</u>
Governmental activities capital assets, net	<u>\$ 34,976,611</u>	<u>\$ 2,130,549</u>	<u>\$ (19,661)</u>	<u>\$ 37,087,499</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,630,810	\$ 12,147	\$ (30,000)	\$ 1,612,957
Construction in progress	2,107,144	2,038,691	(3,849,890)	295,945
Total assets, not being depreciated	<u>3,737,954</u>	<u>2,050,838</u>	<u>(3,879,890)</u>	<u>1,908,902</u>
Capital assets, being depreciated:				
Buildings	1,649,919	-	171,697	1,821,616
Plant and infrastructure	52,885,072	23,435	3,678,193	56,586,700
Machinery and equipment	956,238	20,580	(15,267)	961,551
Total assets, being depreciated	<u>55,491,229</u>	<u>44,015</u>	<u>3,834,623</u>	<u>59,369,867</u>
Less accumulated depreciation for:				
Buildings	(315,080)	(42,280)	-	(357,360)
Plant and infrastructure	(12,743,345)	(1,328,075)	-	(14,071,420)
Machinery and equipment	(827,581)	(38,711)	15,267	(851,025)
Total accumulated depreciation	<u>(13,886,006)</u>	<u>(1,409,066)</u>	<u>15,267</u>	<u>(15,279,805)</u>
Total assets, being depreciated, net	<u>41,605,223</u>	<u>(1,365,051)</u>	<u>3,849,890</u>	<u>44,090,062</u>
Business-type activities capital assets, net	<u>\$ 45,343,177</u>	<u>\$ 685,787</u>	<u>\$ (30,000)</u>	<u>\$ 45,998,964</u>



## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Downtown Development Authority:</b>				
Capital assets, being depreciated:				
Buildings	160,000	-	-	160,000
Total assets, being depreciated	160,000	-	-	160,000
Less accumulated depreciation for:				
Buildings	-	(4,000)	-	(4,000)
Total accumulated depreciation	-	(4,000)	-	(4,000)
Total assets, being depreciated, net	160,000	(4,000)	-	156,000
Downtown Development Authority capital assets, net	\$ 160,000	\$ (4,000)	\$ -	\$ 156,000

The beginning balances in the tables above include restatements discussed further in Notes 16 and 17. The governmental activities include a restatement to add capital assets, previously not recorded, with a net book value of \$654,795. The governmental activities also include a restatement for a change in the reporting entity with the reporting of the Downtown Development Authority as a discretely presented component unit and no longer a blended component unit which reduced the capital assets of the governmental activities by \$160,000.

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

Governmental activities:	
General government	\$ 284,743
Public safety	188,913
Public works	222,446
Judicial	403
Planning and development	677
Total depreciation expense - governmental activities	<u>\$ 697,182</u>
Business-type activities:	
Water and sewer	<u>\$ 1,409,066</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Inter-fund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2015, is as follows:

Due from/to other funds and component units:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Hotel Motel	\$ 233,028
General	Water and Sewer	527,752
URA Fund	General Fund	16,675
Water and Sewer	Hotel Motel	20,000
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Downtown Development Authority	\$ 85,113
Hotel Motel	Downtown Development Authority	338

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

Inter-fund transfers for the year ended June 30, 2015:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
General Fund	Hotel Motel Fund	\$ 440,531
URA Fund	General Fund	1,583,756

Transfers are used to transfer 60% of the annual hotel motel tax collections to the General Fund, per the Town's internal agreement. The transfer to the URA from the General Fund is to fund the activity of the URA and all debt service on the URA bonds.

### Note 8. Long-term Debt

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
2005 revenue bonds	\$ 3,123,520	\$ -	\$ (289,474)	\$ 2,834,046	\$ 289,474
Less: Discount on 2005 bonds	(33,023)	-	3,025	(29,998)	-
2009 revenue bonds	4,329,800	-	(199,445)	4,130,355	208,974
Net bonds payable	7,420,297	-	(485,894)	6,934,403	498,448
Compensated absences	64,337	42,446	-	106,783	106,783
Governmental activities					
Long-term liabilities	\$ 7,484,634	\$ 42,446	\$ (485,894)	\$ 7,041,186	\$ 605,231

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Revenue bonds:					
2009 Water and Sewer bonds	\$ 10,285,000	\$ -	\$ -	\$ 10,285,000	\$ -
Less: Discount on 2009 bonds	(204,526)	-	11,535	(192,991)	-
2012 Water and Sewer bonds	15,705,000	-	(4,780,000)	10,925,000	925,000
Less: Discount on 2012 bonds	(110,556)	-	20,618	(89,938)	-
2015 Water and Sewer bonds	-	12,215,000	-	12,215,000	-
Add: Premium on 2015 bonds	-	475,912	-	475,912	-
Net Water and Sewer bonds	25,674,918	12,690,912	(4,747,847)	33,617,983	925,000
Notes payable	7,708,947	1,029,225	(2,084,979)	6,653,193	343,156
Line of credit payable	-	668,617	-	668,617	668,617
Compensated absences	59,528	29,903	-	89,431	89,431
Business-type activity					
Long-term liabilities	<u>\$ 33,443,393</u>	<u>\$ 14,418,657</u>	<u>\$ (6,832,826)</u>	<u>\$ 41,029,224</u>	<u>\$ 2,026,204</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Downtown Development Authority</b>					
Notes payable	\$ -	\$ 160,000	\$ (5,200)	\$ 154,800	\$ 5,911
Downtown Development Authority					
Long-term liabilities	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ (5,200)</u>	<u>\$ 154,800</u>	<u>\$ 5,911</u>

For governmental activities, compensated absences are predominately liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Fund.

The beginning balances in the tables above include restatements discussed further in Note 17. The governmental activities include a restatement to report the discount on the 2005 Bonds, previously not recorded, with a value of \$33,023. The business-type activities also include a restatement for remove the previously accrued underwriter's discount of \$50,911 and a restatement of \$51,940 to amortize the discount on the 2009 Bonds using the effective interest method.

### Governmental Activities

#### Series 2005 Revenue Bonds

The Town, on June 15, 2005, issued \$5,500,000 in revenue bonds through the Urban Development Agency (URA) of the Town of Braselton to finance the cost of a new law enforcement center and library. The bonds, maturing in June 2025, have an interest rate of 3.67% and the amount of revenue bonds outstanding at June 30, 2015 is \$2,834,046.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

#### Governmental Activities (Continued)

#### Series 2005 Revenue Bonds (Continued)

Annual debt service requirements to maturity for the 2005 revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 289,474	\$ 100,492	\$ 389,966
2017	289,474	89,856	379,330
2018	289,474	79,345	368,819
2019	289,474	68,811	358,285
2020	289,474	57,983	347,457
2021-2025	<u>1,386,676</u>	<u>130,280</u>	<u>1,516,956</u>
Total	<u>\$ 2,834,046</u>	<u>\$ 526,767</u>	<u>\$ 3,360,813</u>

#### Series 2009 Revenue Bonds

The Town, on August 19, 2009, issued \$5,000,000 in revenue bonds through the Urban Development Agency of the Town of Braselton to finance the cost of a new Town green, amphitheater, streetscape, sidewalk, and parking improvements. The bonds, maturing in August 2024, have an interest rate of 4.63% and the amount of revenue bonds outstanding at June 30, 2015 is \$4,130,355.

Annual debt service requirements to maturity for the 2009 revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 208,974	\$ 188,868	\$ 397,842
2017	218,475	178,507	396,982
2018	229,396	168,171	397,567
2019	240,356	157,319	397,675
2020	251,839	145,947	397,786
2021-2025	<u>2,981,315</u>	<u>480,342</u>	<u>3,461,657</u>
Total	<u>\$ 4,130,355</u>	<u>\$ 1,319,154</u>	<u>\$ 5,449,509</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

#### Business-type Activities

#### Revenue Bonds Payable – Water and Sewer Fund

On December 30, 2003 and January 6, 2004, the Town issued Series 2003A Water and Sewer Revenue bonds in the amount of \$7,915,000 and Series 2003B Water and Sewer Revenue bonds in the amount of \$7,370,000. Interest rates on the 2003A bonds range from 1.85% to 4.45% with annual maturities through fiscal year 2019. Interest rates on the 2003B bonds range from 4.55% to 4.90% with annual maturities through fiscal year 2025. The Series 2003A and 2003B bonds were refunded in fiscal year 2012 with the Series 2012A and 2012B bonds as discussed below.

On December 30, 2009, the Town issued Series 2009 Water and Sewer revenue bonds in the amount of \$10,285,000. The 2009 bonds were issued to finance certain improvements to the Town's water and sewerage system. Interest rates on these bonds range from 4.46% to 5.03% with annual maturities through fiscal year 2036. As of June 30, 2015, the outstanding principal on the bonds is \$10,285,000.

Remaining annual debt service requirements, as of June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 477,375	\$ 477,375
2017	-	477,375	477,375
2018	-	477,375	477,375
2019	-	477,375	477,375
2020	-	477,375	477,375
2021-2025	-	2,386,875	2,386,875
2026-2030	2,410,000	2,322,165	4,732,165
2031-2035	6,405,000	1,296,663	7,701,663
2036	1,470,000	71,622	1,541,622
Total	<u>\$ 10,285,000</u>	<u>\$ 8,464,200</u>	<u>\$ 18,749,200</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

#### Business-type Activities (Continued)

#### Revenue Bonds Payable – Water and Sewer Fund (continued)

On April 10, 2012, the Town issued Series 2012A Water and Sewer Revenue bonds in the amount of \$10,000,000 and Series 2012B Water and Sewer Revenue bonds in the amount of \$5,880,000. Interest rates on the 2012A bonds range from 1.75% to 3.00% with annual maturities through fiscal year 2027. Interest rates on the 2012B bonds range from 2.00% to 2.50% with annual maturities through fiscal year 2019. The bonds were issued for the purpose of refunding all outstanding Series 2003A and Series 2003B Water and Sewer Revenue bonds. The net proceeds from the Series 2012A and 2012B Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$3,730,000 in outstanding Series 2003A refunded bonds and \$9,540,000 in outstanding Series 2003B refunded bonds at June 30, 2015 are not reported in the Town's financial statements. Portions of the Series 2012B bonds were refunded in fiscal year 2015 with the Series 2015A and 2015B bonds as discussed below.

Annual debt service requirements, as of June 30, 2015, for the Series 2012A and Series 2012B Bonds, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 925,000	\$ 276,018	\$ 1,201,018
2017	-	257,518	257,518
2018	-	257,518	257,518
2019	-	257,518	257,518
2020	365,000	254,324	619,324
2021-2025	6,270,000	901,634	7,171,634
2026-2028	3,365,000	179,283	3,544,283
Total	<u>\$ 10,925,000</u>	<u>\$ 2,383,813</u>	<u>\$ 13,308,813</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

#### Business-type Activities (Continued)

#### Revenue Bonds Payable – Water and Sewer Fund (continued)

On June 4, 2015, the Town issued Series 2015A Water and Sewer Revenue bonds in the amount of \$9,515,000 and Series 2015B Water and Sewer Taxable Revenue bonds in the amount of \$2,700,000. Interest rates on the 2015A bonds range from 3.50% to 4.00% with annual maturities through fiscal year 2037. Interest rates on the 2015B bonds range from 1.00% to 2.00% with annual maturities through fiscal year 2020. The bonds were issued for the purpose of refunding \$3,930,000 in outstanding Series 2012B Water and Sewer Revenue bonds, refunding \$1,669,351 of principal and accrued interest outstanding on certain Georgia Environmental Finance Authority (GEFA) Loans, to finance certain improvements to the Town's water and sewerage system, and to fund the required debt service reserve fund. The net proceeds allocated to refunding the 2012B Bonds from the Series 2015A and 2015B Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$1,378,064 and a present value savings, or economic gain, of \$135,390. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$3,930,000 in outstanding Series 20012B refunded bonds at June 30, 2015 are not reported in the Town's financial statements.

Annual debt service requirements, as of June 30, 2015, for the Series 2015A and Series 2015B Bonds, are as follows:

Year Ending June 30	2015A Principal	2015B Principal	2015A Interest	2015B Interest	Total
2016	\$ -	\$ -	\$ 210,664	\$ 28,922	\$ 239,586
2017	-	745,000	366,375	44,700	1,156,075
2018	-	835,000	366,375	30,750	1,232,125
2019	-	880,000	366,375	13,600	1,259,975
2020	385,000	240,000	358,675	2,400	986,075
2021-2025	115,000	-	1,748,438	-	1,863,438
2026-2030	1,550,000	-	1,645,838	-	3,195,838
2031-2035	2,545,000	-	1,208,375	-	3,753,375
2036-2037	4,920,000	-	344,025	-	5,264,025
Total	<u>\$ 9,515,000</u>	<u>\$ 2,700,000</u>	<u>\$ 6,615,140</u>	<u>\$ 120,372</u>	<u>\$ 18,950,512</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

#### Business-type Activities (Continued)

#### Notes Payable

The Town's Water and Sewer Fund has several Georgia Environmental Finance Authority (GEFA) loans for the construction of various water and sewer system projects. Portions of the loans were paid off through the issuance of Water and Sewer Series 2015A and 2015B revenue bonds, as discussed as previously discussed in this note. Notes payable outstanding as of June 30, 2015 are as follows:

Loan	Interest Rate %	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
2009-L16-WQ	2.81%	3/1/2027	\$ 262,643	\$ -	\$ (17,376)	\$ 245,267
2009-L18-WQ	2.81%	3/1/2032	858,627	-	(37,849)	820,778
2007-L22-WS	3.40%	8/1/2032	4,750,249	-	(192,326)	4,557,923
99-L10-WQ	4.24%	7/1/2024	457,640	-	(457,640)	-
2000-L50-WS	3.98%	9/1/2023	1,144,167	-	(1,144,167)	-
98-L73-WS	4.10%	7/1/2021	235,621	-	(235,621)	-
2013-L32-WS	0.70%	10/1/2025	-	125,305	-	125,305
2013-L25-WS	0.70%	7/1/2025	-	871,000	-	871,000
CWSRF 14-010	1.03%	7/1/2038	-	32,920	-	32,920
Total GEFA Notes Payable			<u>\$ 7,708,947</u>	<u>\$ 1,029,225</u>	<u>\$ (2,084,979)</u>	<u>\$ 6,653,193</u>

Annual debt service requirements, as of June 30, 2015, for the notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 343,156	\$ 187,909	\$ 531,065
2017	364,362	178,889	543,251
2018	373,836	169,410	543,246
2019	383,608	159,637	543,245
2020	393,688	149,558	543,246
2021-2025	2,100,440	571,264	2,671,704
2026-2030	1,824,432	293,137	2,117,569
2031-2033	836,751	31,047	867,798
Total	<u>\$ 6,620,273</u>	<u>\$ 1,740,851</u>	<u>\$ 8,361,124</u>

GEFA note CWSRF 14-010, entered into during fiscal year 2015, which had a \$32,920 balance drawn down and to be repaid as of June 30, 2015 has not been transferred to repayment status and thus a future payment schedule has not been established. As a result, this balance is not included in the debt service requirements above.



## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-term Debt (Continued)

#### Business-type Activities (Continued)

##### Line of credit

The Town acquired a line of credit from Northeast Georgia Bank on May 31, 2014 for the construction fund of a waste water expansion project. The line of credit is for up to \$1,000,300 and carries an interest rate of 1.95% and has a maturity date of December 14, 2015. All outstanding principal and accrued interest is due on the maturity date. Interest expense for the year ended June 30, 2015 was \$11,052. Activity on line of credit for the year ended June 30, 2015 is as follows:

Beginning Balance	Draws	Payments	Ending Balance
\$ -	\$ 668,617	\$ -	\$ 668,617

##### Component Unit

##### Notes Payable

In July 2014, the DDA entered into a note payable in the amount of \$160,000 with a bank to assist with the purchase of property. The loan matures on June 15, 2017 and carries an interest rate of 3.25%. Activity of the notes payable for the year ended June 30, 2015 was as follows:

Beginning Balance	Draws	Payments	Ending Balance	Due Within One Year
\$ -	\$ 160,000	\$ 5,200	\$ 154,800	\$ 5,911

Annual debt service requirements, as of June 30, 2015, for the notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 5,911	\$ 5,026	\$ 10,937
2017	148,889	4,814	153,703
Total	\$ 154,800	\$ 9,840	\$ 164,640

## NOTES TO FINANCIAL STATEMENTS

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### **Note 9. Defined Contribution Pension Plan**

The Town of Braselton offers a defined contribution retirement plan for all full-time employees administered by Nationwide Retirement Solutions. Employees are eligible for the Plan on the first day of employment and become eligible for the Town's match after three years of service. The Town matches 50% of eligible employee contributions up to 3%. During the year ended June 30, 2015, there were 13 employees participating in the Plan who contributed \$39,644 while the Town's contributions totaled \$18,076.

### **Note 10. Joint Venture**

Under Georgia law, the Town, in conjunction with other cities and counties is a member of regional commissions. Jackson County pays, on behalf of the Town, annual dues to the Northeast Georgia Regional Commission. Additionally, the Town, in conjunction with other Cities and Counties, is a member of the Atlanta Regional Commission and the Georgia Mountains Regional Commission, although no dues are assessed to the Town from those organization. Town membership in the RDC and ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for their organization structure. Braselton is a member of three by virtue of the Town's limits being located in four Counties. RDC and ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements may be obtained from the Northeast Georgia Regional Commission at 305 Research Drive, Athens, Georgia 30605. Separate statements may be obtained from the Georgia Mountains Regional Development Center at P.O. Box 1720, Gainesville, Georgia 30503. Separate financial statements may be obtained from the Atlanta Regional Commission at 40 Courtland Street NE, Atlanta, GA 30303.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 11. Risk Management**

The Town is exposed to various risks of losses related to: torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the Town is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Town is also to allow the pool'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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

### **Note 12. Contingent Liabilities**

#### **Litigation:**

The Town is involved in pending lawsuits in the normal course of the Town's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the Town.

#### **Grant Contingencies:**

The Town has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Construction Commitments

At June 31, 2015, construction commitments on uncompleted contracts were \$3,598,197. These commitments relate to the construction of the Northeast Sewer Relief Project.

### Note 14. Hotel/Motel Occupancy Tax

The Town imposes a hotel/motel tax on lodging facilities within the Town. The tax is assessed at 5% and, in accordance with O.C.G.A. 48-13-51, the Town is required to spend at least 40% of this for promoting tourism, conventions, and trade shows. Revenues were \$806,715 for the year ended June 30, 2015. Of this amount 48% was used to promote tourism.

### Note 15. Subsequent Event

Subsequent to June 30, 2015, the Town has drawn \$290,000 on a note from the Georgia Environmental Finance Authority. The loan was for the purpose of making and emergency repair to a culvert. The loan has not yet gone into repayment status and the Town is currently only paying interest on the note.

### Note 16. Change in Reporting Entity

In the previous fiscal year, the Town reported the Downtown Development Authority as a blended governmental component unit. Due to the significance of its operational relationship with the Town and in conformity with generally accepted accounting principles, the Town will present the Downtown Development Authority as a discretely presented component unit.

In the previous fiscal year, the Town reported the Urban Redevelopment Authority as part of the General Fund. Due to the significance of its debt obligation, which is repaid by the Town, and in conformity with generally accepted accounting principles, the Town will present the Urban Redevelopment Authority as a blended component unit and not include the activity in the Town's General Fund.

The change in reporting entity is presented below:

	<b>Governmental Activities</b>	<b>Downtown Development Authority</b>
Net position / fund balance as previously reported	\$ 30,915,237	\$ (141,407)
Change in reporting entity downtown development authority	141,407	-
Capital assets previously reported in governmental activities	(160,000)	160,000
Net position as restated **	\$ 30,896,644	\$ 18,593

\*\* Net position of governmental activities is further restated due to prior period adjustments. See prior period adjustment in Note 17.

## NOTES TO FINANCIAL STATEMENTS

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### Note 16. Change in Reporting Entity (continued)

	General Fund	Urban Redevelopment Authority
Fund balance as previously reported	\$ 2,246,442	\$ -
Change in reporting entity urban redevelopment authority	(165,970)	165,970
Fund balance as restated **	\$ 2,080,472	\$ 165,970

\*\* Fund balance of the General Fund is further restated due to prior period adjustments. See prior period adjustment in Note 17.

### Note 17. Prior Period Adjustments

The Town has determined that a restatement of the Town's governmental activities net position and fund balance of the General Fund is required to reflect corrections to beginning balances for the following situations:

- The Town did not record the discount associated with the 2005 URA bonds. As a result, the Town has added the discount of \$33,023 to the net position of governmental activities.
- The Town did not record capital expenditures of \$654,795 as capital assets in the governmental activities in the prior year. As these expenditures meet the criteria for a capital asset and should be capitalized and depreciated over a systematic and rational basis, the Town has added the capital assets to the beginning net position of governmental activities.
- The Town incorrectly recorded accrued interest on long term debt of \$33,541 and compensated absences of \$14,495 in the General Fund. The Town recorded compensated absences earned within sixty days after year end. Under the modified accrual basis of accounting, long term liabilities should not be recorded in the fund level statements unless due and payable at year-end and the Town has removed these liabilities accordingly. Furthermore, liabilities should only be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The Town has removed \$33,541 of accrued interest and \$14,495 of compensated absences.

These restatements impact the governmental activities and general fund of the Town is presented in the table on the next page.

## NOTES TO FINANCIAL STATEMENTS

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### Note 17. Prior Period Adjustments (continued)

	<b>Governmental Activities</b>	<b>General Fund</b>
Net position / fund balance as previously reported	\$ 30,915,237	\$ 2,246,442
Change in reporting entity - See Note 16	(18,593)	(165,970)
Add discount on 2005 URA bonds	33,023	-
Add capital assets not previously recorded	654,795	-
Remove accrued interest payable	-	33,541
Remove compensated absences liability	-	14,495
Net position / fund balance as restated	\$ 31,584,462	\$ 2,128,508

The Town has also determined that a restatement of the Town's net position of the Business Type Activities and Water and Sewer fund is required to reflect corrections to beginning net position for the following situations:

- The Town improperly accrued the underwriters discount of \$50,911 in the Business Type Activities and Water and Sewer fund. The underwriters discount is part of the issuance cost of the bonds and in accordance with GASB 65, debt issuance costs should be expensed at the time of issuance. As a result, the Town has removed the asset of \$50,911 from the net position of business type activities and the Water and Sewer Fund.
- The Town did not properly record the customer deposit liability. The liability included all deposits charged by the Town and did not include the deposits which had been returned or refunded. As a result, the Town removed a portion of the liability in the amount of \$183,167 from the net position of business type activities and the Water and Sewer Fund.
- The Town did not properly amortize the discount on the 2009 water and sewer bonds. The Town did not have principal payments due on the bonds until 2027 and was waiting until that time to begin amortizing the discount. In accordance with Generally Accepted Accounting Principles, discounts should be amortized using the effective interest method as interest is incurred on the bonds annually. As a result, the town has included amortization of \$51,940 on the bond discount in the net position of business type activities and the Water and Sewer Fund.
- The Town did not record a receivable of \$265,685 for grant revenues which were earned at June 30, 2014, but not yet received. In accordance with generally accepted accounting principles and the accrual basis of accounting, revenues should be recorded when realized or realizable and earned (when services are rendered), regardless of the timing of related cash flows. As a result, the Town has added the receivable of \$265,685 to the net position of business type activities and the Water and Sewer Fund as the related reimbursable expenses under the grant had been recorded.

These restatements impact the Business Type Activities and Water and Sewer fund as presented in the table on the following page.

## NOTES TO FINANCIAL STATEMENTS

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### Note 17. Prior Period Adjustments (continued)

	<u>Business Type Activities</u>	<u>Water and Sewer Fund</u>
Net position as previously reported	\$ 14,883,909	\$ 14,883,909
Remove underwriters discount 2009 W&S bonds	(50,911)	(50,911)
Adjust customer deposit balance	183,167	183,167
Amortize discount 2009 W&S bonds	(51,940)	(51,940)
Add grant receivable	265,685	265,685
Net position as restated	<u>\$ 15,229,910</u>	<u>\$ 15,229,910</u>

## TOWN OF BRASELTON, GEORGIA

### SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED JUNE 30, 2015

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures
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	31,680	36,376	36,376	-	36,376
	<u>567,360</u>	<u>673,903</u>	<u>673,903</u>	<u>-</u>	<u>673,903</u>
Jackson County (2009)					
Roads, streets and bridges	563,345	563,345	198,267	116,343	314,610
Park and recreation	563,345	563,345	74,428	-	74,428
	<u>1,126,690</u>	<u>1,126,690</u>	<u>272,695</u>	<u>116,343</u>	<u>389,038</u>
Gwinnett County (2014)					
Water and sewer capital outlays	1,168,163	1,168,163	-	66	66
Roads, streets and bridges	389,388	389,388	-	66	66
	<u>1,557,551</u>	<u>1,557,551</u>	<u>-</u>	<u>132</u>	<u>132</u>
Gwinnett County (2009)					
Roads, streets and bridges	230,899	566,453	286,558	279,895	566,453
Gwinnett County (2004)					
Roads, streets and bridges	305,867	328,072	253,148	74,924	328,072
Hall County (2004)					
Roads, streets and bridges	6,046	7,610	1,824	5,785	7,609
Hall County (2009)					
Streetscapes	32,000	32,000	11,570	5,424	16,994
Barrow County (2006)					
Sewer capital outlay	263,766	263,766	18,738	-	18,738
Roads, streets and bridges	263,766	263,766	-	-	-
Recreation	351,688	351,688	5,693	-	5,693
	<u>879,220</u>	<u>879,220</u>	<u>24,431</u>	<u>-</u>	<u>24,431</u>
Barrow County (2012)					
Roads, streets and bridges	233,688	233,688	68	-	68
Park and recreation	233,688	233,688	68	-	68
	<u>467,376</u>	<u>467,376</u>	<u>136</u>	<u>-</u>	<u>136</u>
	<u>\$ 5,173,009</u>	<u>\$ 5,638,875</u>	<u>\$ 1,524,265</u>	<u>\$ 482,503</u>	<u>\$2,006,768</u>



## **COMPLIANCE SECTION**

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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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Braselton, Georgia (the "Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as items 2015-001 through 2015-004, that we consider to be material weaknesses.

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## **Compliance and Other Matters**

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

## **The Town's Responses to Findings**

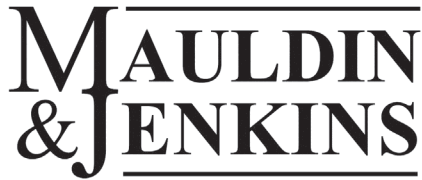
The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 30, 2016



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

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

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

We have audited the **Town of Braselton, Georgia's** (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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### ***Opinion on Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 30, 2016

**TOWN OF BRASELTON, GEORGIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass- through Grantor Number</b>	<b>Total Expenditures</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through State of Georgia Department of Community Affairs Community Development Block Grant	14.218	Not Available	<u>\$ 11,620</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>11,620</u>
<b>U.S. DEPARTMENT OF COMMERCE and ECONOMIC DEVELOPMENT</b>			
Investment for Public Works and Economic Development Facilities	11.300	-	<u>796,033</u>
<b>Total U.S. Department of Commerce and Economic Development</b>			<u>796,033</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through Georgia Environmental Finance Authority Clean Water State Revolving Loan Funds	66.458	CWSRF 14-010	<u>32,920</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>32,920</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 840,573</u></u>

See note to schedule of expenditures of federal awards.

# TOWN OF BRASELTON, GEORGIA

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

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### (1) Summary of Significant Accounting Policies

#### ***Basis of Presentation and Accounting***

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report. These programs are operated according to Federal regulations promulgated by the Federal agency providing the funding.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

Type of auditor’s report issued on compliance for  
major programs Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?  yes  no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investment for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no



TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Section II – Financial Statement Findings**

**Finding 2015-001 – Fiscal Year-End Financial Close and Reporting Controls**

**Criteria:** Internal controls should be in place to ensure that all amounts reported within the financial statements are accurate in accordance with generally accepted accounting principles and have been reconciled to subsidiary ledgers and underlying accounting records.

**Condition:** Due to ineffective controls surrounding the fiscal year-end financial close procedures, five audit adjustments were necessary at June 30, 2015.

**Context/Cause:** During our testing, audit adjustments were required as follows:

- To reverse prior year audit entries of \$139,172 in the General Fund, reducing receivables and revenue.
- To increase beginning fund balance of the General Fund in the general ledger by \$7,199 to agree to the prior year financial report.
- To decrease beginning net position of the Water and Sewer Fund in the general ledger by \$6,269 to agree to the prior year financial report.
- To decrease customer deposit liabilities in the water and sewer fund by \$188,046 to agree to the deposit sub-ledger. Of this amount, \$183,167 was a prior period adjustment.
- To increase investments with U.S. Bank and increase interest income and reduce interest expense in the Water and Sewer Fund by \$122,983 for transactions which were not recorded.
- To report a prior period adjustment of \$33,541 for accrued interest payable on debt recorded in the General Fund, which should not have been recorded on the modified accrual basis of accounting.
- To report a prior period adjustment of \$14,495 for compensated absences payable recorded in the General Fund, which should not have been recorded on the modified accrual basis of accounting. An entry of \$4,234 was also required to remove the current year net change in the liability from the General Fund.
- To report a prior period adjustment of \$50,911 in the Water and Sewer Fund to expense an underwriters discount associated with the issuance of the 2009 water and sewer bonds. The underwriters discount was improperly reported as an asset by the Town, however this is a cost of issuing bonds and should be an expense at the time of issuance. A prior period adjustment of \$51,940 was also necessary to amortize the bond discount on the 2009 water and sewer bonds in the Water and Sewer Fund which had not been amortized but should have been under the effective interest method.
- To record accrued interest of \$15,909 in the Water and Sewer Fund for interest on loans with the Georgia Environmental Finance Authority which was incurred but not yet paid.
- To record current year amortization of \$11,535 on the 2009 Water and Sewer bond discount.
- Entries totaling \$910,406 were required to properly record accrued interest, the payments on bonds payable, and amortization of the deferred gain on the series 2012 Water and Sewer bonds.

**Effect:** Audit adjustments of \$1,556,640 were required as detailed above.

**Recommendation:** We recommend the Town's finance department implement and/or strengthen internal controls surrounding the fiscal year-end financial close out procedures. We also recommend the Town reconcile all liability accounts and investment statements to the general ledger on a monthly basis.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Finding 2015-001 – Fiscal Year-End Financial Close and Reporting Controls (continued)**

**Response:** The Town agrees that there were several Prior Period Adjustments needed to correct the prior audit. The Town agrees with the recommendation and will make efforts to implement and strengthen internal controls surrounding the fiscal year-end financial close out procedures.

**Finding 2015-002 – Expense/Expenditure Recognition**

**Criteria:** Generally accepted accounting principles call for liabilities to be reported when goods or services have been received, regardless of the timing of cash payments.

**Condition:** Internal controls did not detect various misstatements in the reporting of certain of the Town's liability, expenditure/expense accounts and related capital assets.

**Context/Cause:** During our testing of liabilities and expenses/expenditures, audit adjustments were required as follows:

- To properly record accounts payable and retainage payable and related expenditures of \$149,335 in the General Fund and the URA Fund. This entry also required an addition of \$149,335 of capital assets to the Town's government wide financial statements.
- Entries totaling \$164,170 were required to record accounts payable in the Water and Sewer fund. Of this amount, \$102,928 was required to record additions to capital assets and \$61,242 was required to increase expenses.

**Effect:** Audit adjustments of \$313,305 were required as detailed above.

**Recommendation:** We recommend the Town's finance department implement and/or strengthen internal controls surrounding the fiscal year-end accrual procedures and ensure liabilities and any related capital assets are properly recorded.

**Response:** The Town agrees with the recommendation and will make efforts to implement and strengthen internal controls surrounding the fiscal year-end financial close out procedures related accounts payable and ensure capital assets are properly recorded.

**Finding 2015-003 – Capital Assets**

**Criteria:** Generally accepted accounting principles require that, in the financial statements utilizing full accrual accounting, an asset whose useful life exceeds a reporting period, be accounted for as a capital asset and, if applicable, depreciated on a systematic basis over its useful life.

**Condition:** Internal controls did not detect misstatements in the reporting of the City's capital assets.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**Finding 2015-003 – Capital Assets (continued)**

**Context/Cause:** During our testing of capital assets, audit adjustments were required as follows:

- To report a prior period adjustment of \$654,795 in the government wide financial statements for capital assets purchased by the Town's SPLOST Fund which were not recorded as capital assets but rather were expensed on the full accrual basis of accounting.
- To record capital assets of \$149,335 in the government wide financial statements for assets which were not recorded by the Town. This amount relates to the accounts payable entries noted in finding 2015-002 which resulted in capital outlay expenditures which should have also been capital assets in the governmental activities.
- Entries totaling \$1,440,321 were required to record annual depreciation on capital assets in the Town's Water and Sewer Fund.
- To reduce accumulated depreciation and record the gain on sale of capital assets of \$15,268 in the Water and Sewer Fund for asset disposal which occurred during the year.

**Effect:** Audit adjustment of \$2,259,719 were required as detailed above

**Recommendation:** We recommend that the Town devote the resources necessary to review all invoices to ensure that the capital assets are properly recorded and annual depreciation is properly posted to the water and sewer general ledger.

**Response:** The Town agrees with the recommendation and will work to ensure depreciation is properly recorded before year-end close.

**Finding 2015-004 – Revenue Recognition**

**Criteria:** Generally accepted accounting principles call for receivables to be reported when goods or services for exchange transactions have been provided by the Town or when all requirements have been met for voluntary non-exchange transactions. Additionally, the State Uniform Chart of Accounts requires that hotel/motel taxes be accounted for as a special revenue fund.

**Condition:** Internal controls did not detect a misstatement in the reporting of the Town's revenue and related receivables and notes payable. Additionally the Town record only 40% of the annual hotel/motel taxes in a special revenue fund. The remaining 60% is recorded (receipted) in the General Fund.

**Context/Cause:** During our testing of receivables, revenues, and notes payable audit adjustments were required as follows:

- To report a prior period adjustment of \$265,685 in the Water and Sewer Fund to record a federal grant receivable for amounts which were earned (as the reimbursable expenses or capital asset additions had been recorded) but not yet requested at the end of the previous fiscal year.

**TOWN OF BRASELTON, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Finding 2015-004 – Revenue Recognition (continued)**

- To record receivables and notes payable of \$88,811 in the Water and Sewer Fund for revenues earned for project costs incurred (and the resulting draw on notes payable) as of year-end but not requested until after the end of the fiscal year.
- To record grant revenue and related receivables of \$717,168 in the Water and Sewer Fund for revenues earned, due to reimbursable costs being incurred as of year-end, but not requested until after the end of the fiscal year.
- Due to 60% of annual hotel/motel taxes being recorded in the General Fund, audit entries of \$484,028 were required to record revenue and receivable in the Hotel/Motel Fund (in accordance with the State Uniform Chart of Accounts), remove revenue and receivable from the General Fund, and record transfers from the Hotel/Motel Fund to the General Fund.

**Effect:** Audit adjustment of \$1,555,692 were required as detailed above.

**Recommendation:** We recommend the Town's finance department implement and/or strengthen internal controls surrounding the fiscal year-end accrual procedures. We also recommend that the Town follow the State Uniform Chart of Accounts and record all (100%) of the annual hotel/motel taxes in the Town's Hotel/Motel Fund and subsequently transfer the 60% to the Town's General Fund.

**Response:** The Town agrees with the recommendation and will make efforts to implement and strengthen internal controls surrounding the fiscal year-end financial close out procedures related to revenue, receivables and related notes payable. The Town will also follow the State Uniform Chart of Accounts and record all (100%) of the annual hotel/motel taxes in the Town's Hotel/Motel Fund that was improperly recorded in prior years.

**Section III – Findings and Questioned Costs Relating to Federal Awards**

**None Reported**

**Section IV – Status of Prior Year Findings**

**None Reported**