

TOWN OF BRASELTON, GEORGIA

ANNUAL FINANCIAL REPORT

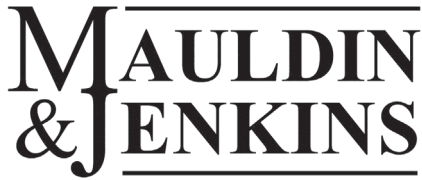
FOR THE YEAR ENDED

JUNE 30, 2016

**TOWN OF BRASELTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

**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, 2016, 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.

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, 2016, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule 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 Schedule 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 June 30, 2017 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
June 30, 2017

**TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

As management of the Town of Braselton, Georgia (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, 2016. 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 the 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, 2016 by \$53,048,096 (net position). Of this amount, \$4,142,769 (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 \$150,692 during the fiscal year ended June 30, 2016; with a decrease from business-type activities of \$1,612,603 and an increase in governmental activities of \$1,763,295.
- As of June 30, 2016, the Town's governmental funds reported combined ending fund balances of \$5,027,682 an increase of \$182,402 in comparison with the prior year. This increase is attributable mainly to a \$433,202 increase in fund balance of the General Fund and a \$88,268 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 2016. 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, 2016**

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, 2016**

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 23-50 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 \$53,048,096 and \$52,897,404 at June 30, 2016 and 2015, 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	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 5,993	\$ 5,592	\$ 8,739	\$ 13,119	\$ 14,733	\$ 18,711
Capital assets	38,189	37,087	48,903	45,999	87,092	83,086
Total assets	44,182	42,679	57,642	59,118	101,825	101,797
Deferred outflows	-	-	793	866	793	866
Liabilities:						
Long-term liabilities outstanding	5,931	6,436	39,738	39,003	45,669	45,439
Other liabilities	1,629	1,383	2,271	2,943	3,901	4,325
Total liabilities	7,560	7,819	42,010	41,946	49,570	49,764
Net position:						
Net investment in capital assets	31,836	30,326	10,610	11,756	42,447	42,082
Restricted	2,833	3,088	3,625	3,523	6,459	6,611
Unrestricted	1,953	1,445	2,190	2,759	4,143	4,204
Total net position	\$ 36,623	\$ 34,859	\$ 16,426	\$ 18,038	\$ 53,048	\$ 52,897

**TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 \$6,458,508 is 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 \$4,142,769 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 \$1,763,295 and business-type activities decreased the Town's net position by \$1,612,603. Much of the increase in governmental activities net position came from state grants, fines/forfeitures, building permits, and larger SPLOST/Hotel collections. The decrease in business-type activities net position came predominately from the repurchase of reserved sewer capacity by the Town.

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**TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016 and 2015.

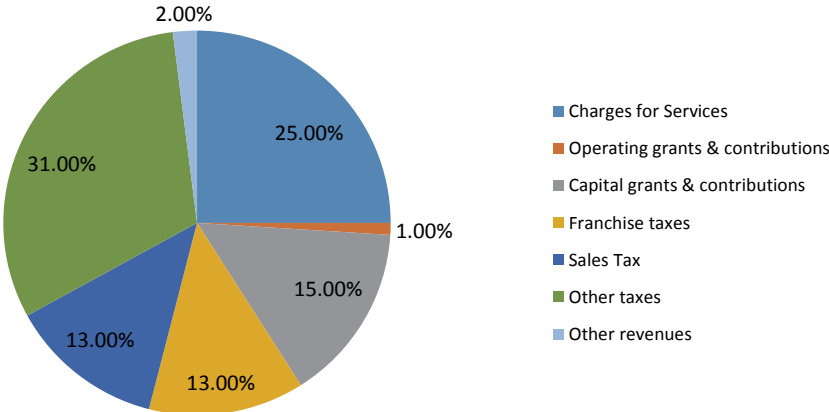
Town of Braselton – Changes in Net Position (\$000)

	Governmental Activities		Business-Type		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,597	\$ 2,522	\$ 7,664	\$ 8,768	\$ 9,260	\$ 11,290
Operating grants and contributions	17	863	-	-	17	863
Capital grants and contributions	993	756	286	796	1,279	1,552
General revenues:						
Franchise taxes	841	808	-	-	841	808
Sales tax	825	765	-	-	825	765
Other taxes	2,000	1,876	-	-	2,000	1,876
Other	194	313	167	123	361	436
Total revenues	<u>6,467</u>	<u>7,903</u>	<u>8,117</u>	<u>9,688</u>	<u>14,584</u>	<u>17,591</u>
Expenses						
General government	847	765	-	-	847	765
Public safety and Judicial	1,740	1,990	-	-	1,740	1,990
Public works	342	243	-	-	342	243
Culture & recreation	52	49	-	-	52	49
Tourism	384	391	-	-	384	391
Planning & development	425	395	-	-	425	395
Economic & community development	426	288	-	-	426	288
Library	204	202	-	-	204	202
Interest on long term debt	285	306	-	-	285	306
Water & sewer	-	-	9,729	6,880	9,729	6,880
Total expenses	<u>4,704</u>	<u>4,629</u>	<u>9,729</u>	<u>6,880</u>	<u>14,433</u>	<u>11,508</u>
Transfers	-	-	-	-	-	-
Change in net position	1,763	3,275	(1,613)	2,808	151	6,083
Net position-July 1	34,859	31,584	18,038	15,230	52,897	46,814
Net position-June 30	<u>\$ 36,623</u>	<u>\$ 34,859</u>	<u>\$ 16,426</u>	<u>\$ 18,038</u>	<u>\$ 53,048</u>	<u>\$ 52,897</u>

**TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

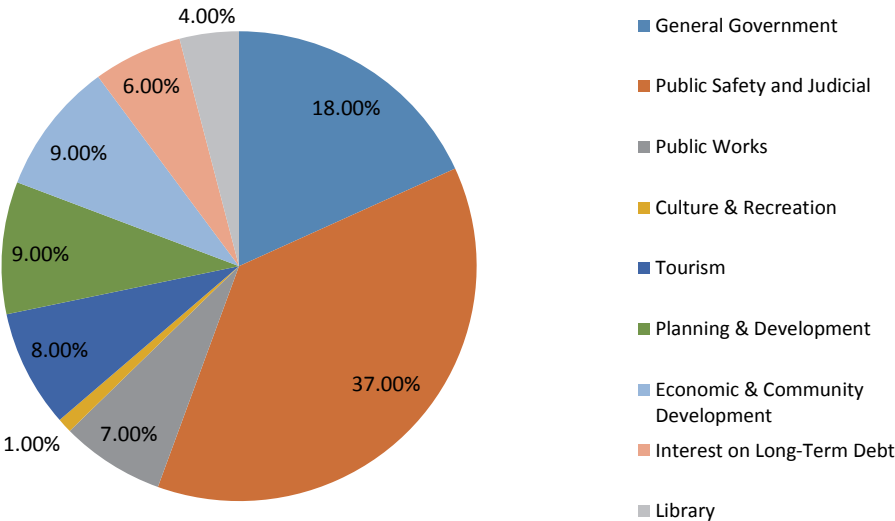
The following chart illustrates revenues of the governmental activities for the fiscal year:

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, 2016

Governmental activities revenues totaled \$6,467,045 for fiscal year 2016. Other taxes, which includes business taxes, hotel/motel tax, and insurance premium taxes, make up the largest portion of these revenues accounting for 31% of total revenues. Charges for services, which include licenses, permits, impact fees, and fines, are also a large revenue source accounting for 25% of total revenues.

Governmental activities expenses totaled \$4,703,750 for fiscal year 2016. Of the expenses, 37% is related to public safety and judicial. In addition, general government accounted for 18% of total governmental expenses for the year.

Business-type activities: Business-type activities decreased the Town's net position by \$1,612,603, due primarily to the repurchase of reserve sewer capacity. This sewer capacity was purchased in prior years by developers in order to ensure the Town would have capacity in the sewer system for their development. The Town decided to repurchase this capacity from the development due to lack of activity on the development so that they may utilize or sell that capacity for other developments.

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 \$5,027,682 an increase of \$182,402 or 4% in comparison with the prior year. Approximately 2% of the fund balance or \$97,279 is classified as nonspendable and includes amounts for prepaid items. Restricted fund balance of \$2,833,011 or 56% is for spending on capital projects and public safety. The remaining balance \$2,097,392 is considered unassigned, which includes a deficit of \$216,486 in the Hotel Motel Fund and a deficit of \$68,635 in the Urban Redevelopment Authority.

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 \$433,202. 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 \$2,189,564. Overall, net position of this fund decreased by \$1,612,603 due to expenses exceeding revenues. The fund saw large tap fees from the Chateau Elan and a large expense for the repurchase of reserved sewer capacity. Operating income was \$2,779,421, a decrease of \$588,162 from the prior year.

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 less than budgetary projections by \$85,688 and \$310,158, respectively.

**TOWN OF BRASELTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Capital Assets and Debt Administration

Capital assets: The Town's capital assets for its governmental activities as of June 30, 2016, amounted to \$38,189,160, net of accumulated depreciation. The capital assets include land, plant and buildings, machinery, equipment and fixtures, and streets and drainage. The balance represents a \$1,101,661 increase from the prior year, largely from the Highway 53 widening project and the Town Green project. The business-type activities had net capital assets of \$48,902,736 at June 30, 2016, representing an increase of \$2,903,773 caused mainly by construction on the Highway 53 sewer expansion project.

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 2016 and 2015**

	Governmental Activities		Business-Type		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 16,113	\$ 16,113	\$ 1,613	\$ 1,613	\$ 17,726	\$ 17,726
Buildings	12,801	12,789	1,935	1,822	14,736	14,611
Infrastructure	11,724	11,272	56,620	56,587	68,344	67,859
Machinery and equipment	1,097	1,078	980	961	2,077	2,039
Vehicles	900	747	-	-	900	747
Construction in progress	1,020	17	4,554	296	5,574	313
Total	43,655	42,016	65,702	61,279	109,357	103,295
Accumulated depreciation	5,466	4,929	16,799	15,280	22,265	20,209
Net Capital Assets	\$ 38,189	\$ 37,087	\$ 48,903	\$ 45,999	\$ 87,092	\$ 83,086

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, 2016**

Long-term debt: At June 30, 2016, the Town had \$32,697,585 in water and sewer bonded debt. Overall this is \$920,398 lower than the prior year due to scheduled principal and interest payments. The Town's Water and Sewer Fund also had \$8,150,061 in notes payable, which is \$1,496,868 higher than the prior year due to the Town drawing on its clean water loan with the Georgia Environmental Finance Authority during fiscal year 2016.

The Town's governmental activities had bonds payable of \$6,438,980 at June 30, 2016 which is \$495,423 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 2017 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, 4982 Highway 53, Braselton, Georgia 30517 or by phone at (706) 886-8451.

BASIC FINANCIAL STATEMENTS

TOWN OF BRASELTON
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
Cash and cash equivalents	\$ 4,827,910	\$ 2,272,798	\$ 7,100,708	\$ 138,987
Taxes receivable, net	201,098	-	201,098	-
Accounts receivable, net	7,045	1,310,633	1,317,678	-
Intergovernmental receivable	149,671	70,512	220,183	-
Due from component unit	134,608	-	134,608	-
Internal balances	575,575	(575,575)	-	-
Prepaid items	97,279	71,080	168,359	-
Restricted investments	-	5,590,003	5,590,003	-
Capital assets, non-depreciable	17,132,362	6,167,154	23,299,516	-
Capital assets, depreciable, net of accumulated depreciation	21,056,798	42,735,582	63,792,380	152,000
Total assets	<u>44,182,346</u>	<u>57,642,187</u>	<u>101,824,533</u>	<u>290,987</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	793,010	793,010	-
Total deferred outflows of resources	<u>-</u>	<u>793,010</u>	<u>793,010</u>	<u>-</u>
LIABILITIES				
Accounts payable	817,700	161,215	978,915	1,598
Retainage payable	147,804	202,147	349,951	-
Accrued liabilities	30,377	592,448	622,825	-
Customer deposits payable	-	123,314	123,314	-
Due to primary government	-	-	-	134,608
Compensated absences, due within one year	124,909	82,907	207,816	-
Bonds payable, due within one year	507,948	745,000	1,252,948	-
Bonds payable, due in more than one year	5,931,032	31,952,585	37,883,617	-
Notes payable, due within one year	-	364,362	364,362	148,918
Notes payable, due in more than one year	-	7,785,699	7,785,699	-
Total liabilities	<u>7,559,770</u>	<u>42,009,677</u>	<u>49,569,447</u>	<u>285,124</u>
NET POSITION				
Net investment in capital assets	31,836,360	10,610,459	42,446,819	3,082
Restricted for:				
Capital projects and construction	2,366,662	-	2,366,662	-
Debt service	-	3,625,497	3,625,497	-
Public safety	466,349	-	466,349	-
Unrestricted	1,953,205	2,189,564	4,142,769	2,781
Total net position	<u>\$ 36,622,576</u>	<u>\$ 16,425,520</u>	<u>\$ 53,048,096</u>	<u>\$ 5,863</u>

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

TOWN OF BRASELTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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				
Primary government:								
Governmental activities:								
General government	\$ 846,944	\$ 219,638	\$ -	\$ -	\$ (627,306)	\$ -	\$ (627,306)	\$ -
Judicial	128,812	-	-	-	(128,812)	-	(128,812)	-
Public safety	1,610,991	625,551	-	-	(985,440)	-	(985,440)	-
Public works	341,818	740,127	17,241	417,180	832,730	-	832,730	-
Culture and recreation	51,986	-	-	576,104	524,118	-	524,118	-
Tourism	384,117	-	-	-	(384,117)	-	(384,117)	-
Planning and development	424,978	-	-	-	(424,978)	-	(424,978)	-
Economic and community development	425,610	-	-	-	(425,610)	-	(425,610)	-
Library	203,651	11,269	-	-	(192,382)	-	(192,382)	-
Interest on long-term debt	284,842	-	-	-	(284,842)	-	(284,842)	-
Total governmental activities	4,703,750	1,596,585	17,241	993,284	(2,096,640)	-	(2,096,640)	-
Business-type activities:								
Water and sewer	9,729,324	7,663,586	-	285,816	-	(1,779,922)	(1,779,922)	-
Total business-type activities	9,729,324	7,663,586	-	285,816	-	(1,779,922)	(1,779,922)	-
Total primary government	\$ 14,433,074	\$ 9,260,171	\$ 17,241	\$ 1,279,100	(2,096,640)	\$ -	(3,876,562)	-
Downtown Development Authority	\$ 50,185	\$ 13,200	\$ -	\$ 30,000	-	-	-	\$ (6,985)
General revenues:								
Sales taxes					825,002	-	825,002	-
Franchise taxes					841,265	-	841,265	-
Insurance premium tax					447,238	-	447,238	-
Hotel/Motel occupancy tax					851,518	-	851,518	-
Business taxes					592,516	-	592,516	-
Other taxes					108,772	-	108,772	-
Unrestricted investment earnings					3,399	3,611	7,010	20
Other revenue					190,225	163,708	353,933	21,559
Total general revenues					3,859,935	167,319	4,027,254	21,579
Change in net position					1,763,295	(1,612,603)	150,692	14,594
Net position (deficit), beginning of year					34,859,281	18,038,123	52,897,404	(8,731)
Net position, end of year					\$ 36,622,576	\$ 16,425,520	\$ 53,048,096	\$ 5,863

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

TOWN OF BRASELTON

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

ASSETS	Major Governmental Funds				Total Governmental Funds
	General	Hotel Motel Fund	SPLOST Fund	URA Fund	
Cash and cash equivalents	\$ 2,160,854	\$ -	\$ 2,306,835	\$ 360,221	\$ 4,827,910
Taxes receivable, net	134,676	66,422	-	-	201,098
Accounts receivable	7,045	-	-	-	7,045
Intergovernmental receivable	-	-	149,671	-	149,671
Due from component unit	134,270	338	-	-	134,608
Due from other funds	1,062,527	-	76,199	-	1,138,726
Prepaid items	97,279	-	-	-	97,279
Total assets	\$ 3,596,651	\$ 66,760	\$ 2,532,705	\$ 360,221	\$ 6,556,337
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 552,375	\$ 2,207	\$ 116,374	\$ 146,744	\$ 817,700
Retainage payable	86,952	-	60,852	-	147,804
Due to other funds	-	281,039	-	282,112	563,151
Total liabilities	639,327	283,246	177,226	428,856	1,528,655
FUND BALANCES (DEFICIT)					
Fund balances					
Nonspendable:					
Prepaid items	97,279	-	-	-	97,279
Restricted:					
Capital projects and construction	11,183	-	2,355,479	-	2,366,662
Public safety	466,349	-	-	-	466,349
Unassigned (deficit)	2,382,513	(216,486)	-	(68,635)	2,097,392
Total fund balances (deficit)	2,957,324	(216,486)	2,355,479	(68,635)	5,027,682
Total liabilities and fund balances	\$ 3,596,651	\$ 66,760	\$ 2,532,705	\$ 360,221	

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.	38,189,160
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,594,266)
Net position of governmental activities	\$ 36,622,576

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, 2016

	Major Governmental Funds				Total Governmental Funds
	General	Hotel Motel Fund	SPLOST Fund	URA Fund	
Revenues					
Taxes:					
Sales taxes	\$ 825,002	\$ -	\$ -	\$ -	\$ 825,002
Hotel/Motel occupancy taxes	-	851,518	-	-	851,518
Franchise taxes	841,265	-	-	-	841,265
Insurance premium tax	447,238	-	-	-	447,238
Business taxes	592,516	-	-	-	592,516
Other taxes	108,772	-	-	-	108,772
Licenses and permits	594,794	-	-	-	594,794
Intergovernmental	17,241	-	992,866	-	1,010,107
Fines and forfeitures	648,444	-	-	-	648,444
Charges for services	338,852	-	-	-	338,852
Investment earnings	3,313	86	418	-	3,817
Other revenues	77,385	6,975	-	120,360	204,720
Total revenues	4,494,822	858,579	993,284	120,360	6,467,045
Expenditures					
Current:					
General government	431,783	-	-	-	431,783
Judicial	128,146	-	-	-	128,146
Public safety	1,395,236	-	-	-	1,395,236
Streets and sanitation	87,864	-	-	-	87,864
Tourism	-	384,117	-	-	384,117
Planning and development	422,780	-	-	-	422,780
Economic and community development	415,030	-	-	7,913	422,943
Parks and recreation	3,789	-	-	-	3,789
Libraries	202,598	-	-	-	202,598
Capital outlay	700,080	-	905,016	415,066	2,020,162
Debt service:					
Principal	-	-	-	498,448	498,448
Interest	-	-	-	286,777	286,777
Total expenditures	3,787,306	384,117	905,016	1,208,204	6,284,643
Excess (deficiency) of revenues over (under) expenditures	707,516	474,462	88,268	(1,087,844)	182,402
Other financing sources (uses):					
Transfers in	510,911	-	-	785,225	1,296,136
Transfers out	(785,225)	(510,911)	-	-	(1,296,136)
Total other financing sources (uses)	(274,314)	(510,911)	-	785,225	-
Net change in fund balances	433,202	(36,449)	88,268	(302,619)	182,402
Fund balances (deficit), beginning of year	2,524,122	(180,037)	2,267,211	233,984	4,845,280
Fund balances (deficit), end of year	\$ 2,957,324	\$ (216,486)	\$ 2,355,479	\$ (68,635)	\$ 5,027,682

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, 2016

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

Net change in fund balances - total governmental funds	\$	182,402
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.		1,129,118
The effect of disposals of capital assets is to decrease net position.		(27,457)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment of \$498,448 reduces long-term liabilities in the Statement of Net Position. Amortization of bond discount is not reported in the funds but reduced net position by \$3,025.		495,423
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.		(16,191)
		<hr/>
Change in net position - governmental activities	\$	<u>1,763,295</u>

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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Sales taxes	\$ 658,000	\$ 658,000	\$ 825,002	\$ 167,002
Franchise taxes	762,200	762,200	841,265	79,065
Insurance premium taxes	425,000	425,000	447,238	22,238
Business taxes	500,000	500,000	592,516	92,516
Other taxes	533,300	533,300	108,772	(424,528)
Licenses and permits	671,500	671,500	594,794	(76,706)
Intergovernmental	42,000	42,000	17,241	(24,759)
Fines and forfeitures	490,900	490,900	648,444	157,544
Charges for services	424,000	424,000	338,852	(85,148)
Investment earnings	2,000	2,000	3,313	1,313
Other revenues	71,610	71,610	77,385	5,775
Total revenues	<u>4,580,510</u>	<u>4,580,510</u>	<u>4,494,822</u>	<u>(85,688)</u>
Expenditures:				
Current:				
General government	496,214	496,214	431,783	64,431
Judicial	132,245	132,245	128,146	4,099
Public Safety	1,396,182	1,396,182	1,788,376	(392,194)
Streets and sanitation	196,729	196,729	87,864	108,865
Planning and development	466,360	466,360	422,780	43,580
Economic and community development	398,140	398,140	505,209	(107,069)
Parks and recreation	7,934	7,934	220,550	(212,616)
Libraries	181,660	181,660	202,598	(20,938)
Debt service:				
Principal	505,000	505,000	-	505,000
Interest	317,000	317,000	-	317,000
Total expenditures	<u>4,097,464</u>	<u>4,097,464</u>	<u>3,787,306</u>	<u>310,158</u>
Excess of revenues over expenditures	<u>483,046</u>	<u>483,046</u>	<u>707,516</u>	<u>224,470</u>
Other financing sources (uses):				
Transfers out	-	-	(785,225)	(785,225)
Transfers in	-	-	510,911	510,911
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(274,314)</u>	<u>(274,314)</u>
Net change in fund balances	483,046	483,046	433,202	(49,844)
Fund balances, beginning of year,	<u>2,524,122</u>	<u>2,524,122</u>	<u>2,524,122</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,007,168</u>	<u>\$ 3,007,168</u>	<u>\$ 2,957,324</u>	<u>\$ (49,844)</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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Hotel / Motel occupancy taxes	\$ 290,000	\$ 290,000	\$ 851,518	\$ 561,518
Investment earnings	75	75	86	11
Other revenues	350,000	350,000	6,975	(343,025)
Total revenues	<u>640,075</u>	<u>640,075</u>	<u>858,579</u>	<u>218,504</u>
Expenditures:				
Current:				
Tourism	637,385	637,385	384,117	253,268
Total expenditures	<u>637,385</u>	<u>637,385</u>	<u>384,117</u>	<u>253,268</u>
Excess of revenues over expenditures	<u>2,690</u>	<u>2,690</u>	<u>474,462</u>	<u>471,772</u>
Other financing sources (uses):				
Transfers out	-	-	(510,911)	(510,911)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(510,911)</u>	<u>(510,911)</u>
Net change in fund balances	2,690	2,690	(36,449)	(39,139)
Fund balances (deficit), beginning of year	<u>(180,037)</u>	<u>(180,037)</u>	<u>(180,037)</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ (177,347)</u>	<u>\$ (177,347)</u>	<u>\$ (216,486)</u>	<u>\$ (39,139)</u>

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

TOWN OF BRASELTON
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

ASSETS	Water and Sewer Fund
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,272,798
Accounts receivable, net	1,310,633
Intergovernmental receivable	70,512
Due from other funds	20,000
Prepaid items	71,080
Total current assets	3,745,023
NONCURRENT ASSETS	
Restricted investments	5,590,003
Capital assets:	
Nondepreciable	6,167,154
Depreciable assets, net of accumulated depreciation	42,735,582
Total noncurrent assets	54,492,739
Total assets	58,237,762
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	793,010
Total deferred outflows of resources	793,010
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	161,215
Retainage payable	202,147
Due to other funds	595,575
Accrued interest	592,448
Compensated absences payable	82,907
Customer deposits payable	123,314
Notes payable, current	364,362
Bonds payable, current	745,000
Total current liabilities	2,866,968
NONCURRENT LIABILITIES	
Notes payable	7,785,699
Bonds payable	31,952,585
Total noncurrent liabilities	39,738,284
Total liabilities	42,605,252
NET POSITION	
Net investment in capital assets	10,610,459
Restricted for debt service	3,625,497
Unrestricted	2,189,564
Total net position	\$ 16,425,520

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, 2016

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 7,663,586
Miscellaneous revenue	163,708
Total operating revenues	7,827,294
OPERATING EXPENSES	
Personal services and benefits	1,265,834
Purchased and contracted services	1,732,359
Supplies and equipment	497,960
Depreciation	1,519,831
Miscellaneous	31,889
Total operating expenses	5,047,873
Operating income	2,779,421
NON-OPERATING REVENUE (EXPENSES)	
Investment earnings	3,611
Repurchase of reserved sewer capacity	(3,479,579)
Interest expense	(1,201,872)
Total non-operating revenue (expenses)	(4,677,840)
Loss before contributions	(1,898,419)
Capital contributions	285,816
Change in net position	(1,612,603)
NET POSITION, beginning of year	18,038,123
NET POSITION, end of year	\$ 16,425,520

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, 2016

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 7,710,566
Payments to vendors	(2,437,411)
Payments to or on behalf of employees	(1,272,358)
Net cash provided by operating activities	4,000,797
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds payable	(925,000)
Proceeds from notes	1,861,022
Principal payments on notes payable	(343,156)
Principal payments on line of credit payable	(668,617)
Interest paid on bonds and notes	(1,186,764)
Capital contributed by others	1,105,413
Contract retainage withheld on capital projects	188,064
Purchases of capital assets	(4,151,733)
Repurchase of reserved sewer capacity	(3,479,579)
Net cash used in capital and related financing activities	(7,600,350)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	3,778,074
Interest received	3,611
Net cash provided by investing activities	3,781,685
Net increase in cash and cash equivalents	182,132
Cash and cash equivalents, beginning of year	2,090,666
Cash and cash equivalents, end of year	\$ 2,272,798
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,779,421
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,519,831
Change in assets and liabilities:	
Accounts receivables	(116,728)
Due from (to) other funds	67,823
Prepaid items	(8,393)
Accounts payable	(168,584)
Compensated absences	(6,524)
Customer deposits payable	(66,049)
Net cash provided by operating activities	\$ 4,000,797

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

TOWN OF BRASELTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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.

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

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, 2016, 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 acquisition 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

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 Deficits

At June 30, 2016 the Hotel Motel fund had a fund balance deficit of \$216,486. The deficit will be funded with subsequent tax collections or budgeted financing or transfers from other funds, if necessary. The Urban Redevelopment Authority fund had a fund balance deficit of \$68,635. The deficit will be funded with subsequent rental income or budgeted financing or transfers from other funds, if necessary.

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NOTES TO FINANCIAL STATEMENTS

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 governmental funds.” The details of this \$6,594,266 difference are as follows:

Bonds payable	\$ (6,438,980)
Accrued interest payable	(30,377)
Compensated absences	<u>(124,909)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (6,594,266)</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 \$1,129,118 difference are as follows:

Capital outlay	\$ 1,917,422
Depreciation expense	<u>(788,304)</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>\$ 1,129,118</u>

NOTES TO FINANCIAL STATEMENTS

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 \$16,191 difference are as follows:

Compensated absences	\$ (18,126)
Accrued interest	1,935
	<hr/>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities</i>	<u>\$ (16,191)</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

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, 2016:

General Fund - Public Safety	\$ 392,194
General Fund - Economic and Community Development	107,069
General Fund - Parks and Recreation	212,616
General Fund - Libraries	20,938
General Fund - Transfers Out to URA	785,225
Hotel Motel Fund - Transfers Out to General Fund	510,911

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, 2016. The Hotel Motel Fund's deficit will be resolved with future tax collections.

Note 4. Deposits and Investments

As of June 30, 2016, 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, 2016, 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, 2016, the Town had the following investments:

Investment	WAM	Fair Value
First American Treasury Obligation Fund	26 days	\$ 128,759
Fidelity Money Mkt Treasury Mutual Fund - Class III	20 days	238,744
Fidelity Money Mkt Treasury Select Mutual Fund	16 days	5,222,500
Total		<u>\$ 5,590,003</u>

Fair Value Measurements - The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. The Town has the following recurring fair value measurements as of June 30, 2016:

Investment	Level 1	Level 2	Level 3	Fair Value
First American Treasury Obligation Mutual Fund	\$ 128,759	\$ -	\$ -	\$ 128,759
Fidelity Money Mkt Treasury Mutual Fund- Class III	238,744	-	-	238,744
Fidelity Money Mkt Treasury Select Mutual Fund	5,222,500	-	-	5,222,500
	<u>\$ 5,590,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,590,003</u>

The mutual funds classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

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.

NOTES TO FINANCIAL STATEMENTS

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:

	<u>General</u>	<u>Hotel Motel</u>	<u>SPLOST</u>	<u>Water and Sewer</u>
Receivables:				
Taxes	\$ 134,676	\$ 66,422	\$ -	\$ -
Accounts	7,045	-	-	1,513,267
Intergovernmental	-	-	149,671	70,512
Less allowance for uncollectible	-	-	-	(202,634)
Net total receivable	<u>\$ 141,721</u>	<u>\$ 66,422</u>	<u>\$ 149,671</u>	<u>\$ 1,381,145</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 grants from the U.S. Environmental Protection Agency and the Appalachian Regional Commission.

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NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 16,112,790	\$ -	\$ -	\$ 16,112,790
Construction in progress	16,675	1,002,897	-	1,019,572
Total assets, not being depreciated	<u>16,129,465</u>	<u>1,002,897</u>	<u>-</u>	<u>17,132,362</u>
Capital assets, being depreciated:				
Buildings	12,789,253	11,800	-	12,801,053
Infrastructure	11,272,400	451,401	-	11,723,801
Vehicles	747,443	385,189	(232,284)	900,348
Machinery & Equipment	1,078,632	66,135	(47,721)	1,097,046
Total assets, being depreciated	<u>25,887,728</u>	<u>914,525</u>	<u>(280,005)</u>	<u>26,522,248</u>
Less accumulated depreciation for:				
Buildings	(2,496,198)	(325,379)	-	(2,821,577)
Infrastructure	(1,054,253)	(247,365)	-	(1,301,618)
Vehicles	(476,118)	(141,890)	207,805	(410,203)
Machinery & Equipment	(903,125)	(73,670)	44,743	(932,052)
Total accumulated depreciation	<u>(4,929,694)</u>	<u>(788,304)</u>	<u>252,548</u>	<u>(5,465,450)</u>
Total assets, being depreciated, net	<u>20,958,034</u>	<u>126,221</u>	<u>(27,457)</u>	<u>21,056,798</u>
Governmental activities capital assets, net	<u>\$ 37,087,499</u>	<u>\$ 1,129,118</u>	<u>\$ (27,457)</u>	<u>\$ 38,189,160</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,612,957	\$ -	\$ -	\$ 1,612,957
Construction in progress	295,945	4,282,757	(24,505)	4,554,197
Total assets, not being depreciated	<u>1,908,902</u>	<u>4,282,757</u>	<u>(24,505)</u>	<u>6,167,154</u>
Capital assets, being depreciated:				
Buildings	1,821,616	113,347	-	1,934,963
Plant and infrastructure	56,586,700	8,935	24,505	56,620,140
Machinery and equipment	961,551	18,564	-	980,115
Total assets, being depreciated	<u>59,369,867</u>	<u>140,846</u>	<u>24,505</u>	<u>59,535,218</u>
Less accumulated depreciation for:				
Buildings	(357,360)	(59,663)	-	(417,023)
Plant and infrastructure	(14,071,420)	(1,418,887)	-	(15,490,307)
Machinery and equipment	(851,025)	(41,281)	-	(892,306)
Total accumulated depreciation	<u>(15,279,805)</u>	<u>(1,519,831)</u>	<u>-</u>	<u>(16,799,636)</u>
Total assets, being depreciated, net	<u>44,090,062</u>	<u>(1,378,985)</u>	<u>24,505</u>	<u>42,735,582</u>
Business-type activities capital assets, net	<u>\$ 45,998,964</u>	<u>\$ 2,903,772</u>	<u>\$ -</u>	<u>\$ 48,902,736</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Downtown Development Authority:				
Capital assets, being depreciated:				
Buildings	\$ 160,000	\$ -	\$ -	\$ 160,000
Total assets, being depreciated	<u>160,000</u>	<u>-</u>	<u>-</u>	<u>160,000</u>
Less accumulated depreciation for:				
Buildings	(4,000)	(4,000)	-	(8,000)
Total accumulated depreciation	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(8,000)</u>
Total assets, being depreciated, net	<u>156,000</u>	<u>(4,000)</u>	<u>-</u>	<u>152,000</u>
Downtown Development Authority capital assets, net	<u>\$ 156,000</u>	<u>\$ (4,000)</u>	<u>\$ -</u>	<u>\$ 152,000</u>

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

Governmental activities:	
General government	\$ 362,630
Public safety	158,361
Public works	224,673
Recreation	<u>42,640</u>
Total depreciation expense - governmental activities	<u>\$ 788,304</u>
Business-type activities:	
Water and sewer	<u>\$ 1,519,831</u>
Total depreciation expense - business-type activities	<u>\$ 1,519,831</u>

NOTES TO FINANCIAL STATEMENTS

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

The composition of inter-fund balances as of June 30, 2016, is as follows:

Due from/to other funds and component units:

Receivable Fund	Payable Fund	Amount
General Fund	Hotel Motel Fund	\$ 261,039
General Fund	Water and Sewer Fund	519,376
General Fund	URA Fund	282,112
SPLOST Fund	Water and Sewer Fund	76,199
Water and Sewer Fund	Hotel Motel Fund	20,000

Receivable Fund	Payable Fund	Amount
General Fund	Downtown Development Authority	\$ 134,270
Hotel Motel Fund	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, 2016:

Transfers In	Transfers Out	Amount
General Fund	Hotel Motel Fund	\$ 510,911
URA Fund	General Fund	785,225

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.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-term Debt

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
2005 revenue bonds	\$ 2,834,046	\$ -	\$ (289,474)	\$ 2,544,572	\$ 289,473
Less: Discount on 2005 bonds	(29,998)	-	3,025	(26,973)	-
2009 revenue bonds	4,130,355	-	(208,974)	3,921,381	218,475
Net bonds payable	6,934,403	-	(495,423)	6,438,980	507,948
Compensated absences	106,783	18,126	-	124,909	124,909
Governmental activities Long-term liabilities	<u>\$ 7,041,186</u>	<u>\$ 18,126</u>	<u>\$ (495,423)</u>	<u>\$ 6,563,889</u>	<u>\$ 632,857</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds:					
2009 Water and Sewer bonds	\$ 10,285,000	\$ -	\$ -	\$ 10,285,000	\$ -
Less: Discount on 2009 bonds	(192,991)	-	11,534	(181,457)	-
2012 Water and Sewer bonds	10,925,000	-	(925,000)	10,000,000	-
Less: Discount on 2012 bonds	(89,938)	-	10,588	(79,350)	-
2015 Water and Sewer bonds	12,215,000	-	-	12,215,000	745,000
Add: Premium on 2015 bonds	475,912	-	(17,520)	458,392	-
Net Water and Sewer bonds	33,617,983	-	(920,398)	32,697,585	745,000
Notes payable	6,653,193	1,840,024	(343,156)	8,150,061	364,362
Line of credit payable	668,617	-	(668,617)	-	-
Compensated absences	89,431	-	(6,524)	82,907	82,907
Business-type activity Long-term liabilities	<u>\$ 41,029,224</u>	<u>\$ 1,840,024</u>	<u>\$ (1,938,695)</u>	<u>\$ 40,930,553</u>	<u>\$ 1,192,269</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown Development Authority					
Notes payable	\$ 154,800	\$ -	\$ (5,882)	\$ 148,918	\$ 148,918
Downtown Development Authority Long-term liabilities	<u>\$ 154,800</u>	<u>\$ -</u>	<u>\$ (5,882)</u>	<u>\$ 148,918</u>	<u>\$ 148,918</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.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-term Debt (Continued)

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, 2016 is \$2,544,572.

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>
2017	\$ 289,473	\$ 89,856	\$ 379,329
2018	289,474	79,345	368,819
2019	289,474	68,811	358,285
2020	289,474	57,982	347,456
2021	289,474	47,374	336,848
2022-2025	<u>1,097,203</u>	<u>82,906</u>	<u>1,180,109</u>
Total	<u>\$ 2,544,572</u>	<u>\$ 426,274</u>	<u>\$ 2,970,846</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 \$3,921,381.

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>
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	263,512	134,033	397,545
2022-2025	<u>2,717,803</u>	<u>346,309</u>	<u>3,064,112</u>
Total	<u>\$ 3,921,381</u>	<u>\$ 1,130,286</u>	<u>\$ 5,051,667</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, 2016, the outstanding principal on the bonds is \$10,285,000.

Remaining annual debt service requirements, as of June 30, 2016 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 477,375	\$ 477,375
2018	-	477,375	477,375
2019	-	477,375	477,375
2020	-	477,375	477,375
2021	-	477,375	477,375
2022-2026	-	2,386,875	2,386,875
2027-2031	3,580,000	2,216,405	5,796,405
2032-2036	6,705,000	996,710	7,701,710
Total	<u>\$ 10,285,000</u>	<u>\$ 7,986,865</u>	<u>\$ 18,271,865</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 \$2,905,000 in outstanding Series 2003A refunded bonds and \$9,540,000 in outstanding Series 2003B refunded bonds at June 30, 2016 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. The remaining 2012B bonds were paid in full during fiscal year 2016.

Annual debt service requirements, as of June 30, 2016, for the Series 2012A Bonds, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 257,518	\$ 257,518
2018	-	257,518	257,518
2019	-	257,518	257,518
2020	365,000	254,324	619,324
2021	1,200,000	239,130	1,439,130
2022-2026	6,395,000	741,270	7,136,270
2027-2028	2,040,000	51,693	2,091,693
Total	<u>\$ 10,000,000</u>	<u>\$ 2,058,971</u>	<u>\$ 12,058,971</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 2038. 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 \$2,945,000 in outstanding Series 2012B refunded bonds at June 30, 2016 are not reported in the Town's financial statements.

Annual debt service requirements, as of June 30, 2016, for the Series 2015A and Series 2015B Bonds, are as follows:

<u>Year Ending June 30</u>	<u>2015A Principal</u>	<u>2015B Principal</u>	<u>2015A Interest</u>	<u>2015B Interest</u>	<u>Total</u>
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	20,000	-	350,725	-	370,725
2022-2026	150,000	-	1,745,125	-	1,895,125
2027-2031	1,965,000	-	1,580,000	-	3,545,000
2032-2036	2,645,000	-	1,104,575	-	3,749,575
2037-2038	4,350,000	-	166,250	-	4,516,250
Total	<u>\$ 9,515,000</u>	<u>\$ 2,700,000</u>	<u>\$ 6,404,475</u>	<u>\$ 91,450</u>	<u>\$ 18,710,925</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 previously discussed in this note. Notes payable outstanding as of June 30, 2016 are as follows:

Loan	Interest Rate %	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
2009-L16-WQ	2.81%	3/1/2027	\$ 245,267	\$ -	\$ (17,870)	\$ 227,397
2009-L18-WQ	2.81%	3/1/2032	820,778	-	(38,926)	781,852
2007-L22-WS	3.40%	8/1/2032	4,557,923	-	(198,968)	4,358,955
2013-L32-WS	0.70%	10/1/2025	125,305	30,695	(10,064)	145,936
2013-L25-WS	0.70%	7/1/2025	871,000	-	(77,328)	793,672
CWSRF 14-010	1.03%	7/1/2038	32,920	1,809,329	-	1,842,249
Total GEFA Notes Payable			<u>\$ 6,653,193</u>	<u>\$ 1,840,024</u>	<u>\$ (343,156)</u>	<u>\$ 8,150,061</u>

Annual debt service requirements, as of June 30, 2016, for the notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 364,362	\$ 178,884	\$ 543,246
2018	373,836	169,410	543,246
2019	383,608	159,638	543,246
2020	393,688	149,558	543,246
2021	404,085	139,161	543,246
2022-2026	2,094,545	528,223	2,622,768
2027-2031	1,847,341	232,792	2,080,133
2032-2033	446,347	9,104	455,451
Total	<u>\$ 6,307,812</u>	<u>\$ 1,566,770</u>	<u>\$ 7,874,582</u>

GEFA note CWSRF 14-010, which had a \$1,842,249 balance drawn down and to be repaid as of June 30, 2016 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 was for up to \$1,000,300 and carries an interest rate of 1.95% and had a maturity date of December 14, 2015. All outstanding principal and accrued interest was paid at maturity and the line of credit has been paid in full. Interest expense for the year ended June 30, 2016 was \$7,770. Activity on line of credit for the year ended June 30, 2016 is as follows:

<u>Beginning Balance</u>	<u>Draws</u>	<u>Payments</u>	<u>Ending Balance</u>
\$ 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, 2016 was as follows:

<u>Beginning Balance</u>	<u>Draws</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 154,800	\$ -	\$ 5,882	\$ 148,918	\$ 148,918

Annual debt service requirements, as of June 30, 2016, for the notes payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 149,918	\$ 4,814	\$ 154,732
Total	<u>\$ 149,918</u>	<u>\$ 4,814</u>	<u>\$ 154,732</u>

NOTES TO FINANCIAL STATEMENTS

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, 2016, there were 17 employees participating in the Plan who contributed \$45,174 while the Town's contributions totaled \$21,355.

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

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, 2016, construction commitments on uncompleted contracts were \$605,292.

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 \$851,518 for the year ended June 30, 2016. Of this amount 45% was used to promote tourism.

Note 15. Subsequent Event

On December 14, 2016 the Town's Urban Redevelopment Authority issued Series 2016 bonds in the amount of \$8,440,000. The bonds were issued for the purpose of financing the acquisition, construction, development, and equipping of a public parking structure. The bonds carry interest rates from 2.35% to 3.25% with semi-annual interest payments beginning on July 1, 2017 and mature on July 1, 2036.

On February 1, 2017 the Town's Urban Redevelopment Authority issued Series 2017 refunding bonds in the amount of \$3,280,000. The bonds were issued for the purpose of refunding the principal on the Series 2009 Urban Redevelopment Bonds due from November 1, 2019 through August 1, 2024. The bonds carry interest rates from 1.3% to 2.7% with semi-annual interest payments beginning on July 1, 2017 and mature on July 1, 2030.

On June 9, 2017, the remaining balance on the DDA note payable was refinanced with a new note payable in the amount of \$73,614. The new note bears interest at a rate of 4% and has a maturity date of May 9, 2020.

TOWN OF BRASELTON, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cumulative Expenditures</u>	<u>Current Year Expenditures</u>	<u>Total Cumulative Expenditures</u>
Jackson County (1999)					
Water and sewer capital outlays	\$ 403,200	\$ 540,766	\$ 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>750,102</u>	<u>673,903</u>	<u>-</u>	<u>673,903</u>
Jackson County (2009)					
Roads, streets and bridges	563,345	697,213	314,610	498,945	813,555
Park and recreation	563,345	697,213	74,428	132,660	207,088
	<u>1,126,690</u>	<u>1,394,426</u>	<u>389,038</u>	<u>631,605</u>	<u>1,020,643</u>
Gwinnett County (2014)					
Water and sewer capital outlays	1,168,163	1,168,163	66	59,208	59,274
Roads, streets and bridges	389,388	389,388	66	-	66
	<u>1,557,551</u>	<u>1,557,551</u>	<u>132</u>	<u>59,208</u>	<u>59,340</u>
Gwinnett County (2009)					
Roads, streets and bridges	230,899	780,656	566,453	214,203	780,656
Gwinnett County (2004)					
Roads, streets and bridges	305,867	328,072	328,072	-	328,072
Hall County (2004)					
Roads, streets and bridges	6,046	7,610	7,609	-	7,609
Hall County (2009)					
Streetscapes	32,000	32,000	16,994	-	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>\$ 6,197,013</u>	<u>\$ 2,006,768</u>	<u>\$ 905,016</u>	<u>\$ 2,911,784</u>

COMPLIANCE SECTION



**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**

**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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 30, 2017.

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 costs as items 2016-001 through 2016-004, that we consider to be material weaknesses.

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

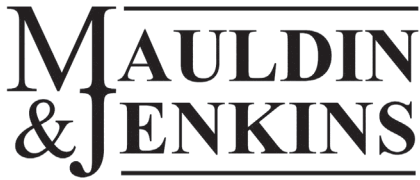
The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
June 30, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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.

Basis for Qualified Opinion on the Clean Water State Revolving Loan Fund Program

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with the cash management requirements that are applicable to its Clean Water State Revolving Loan Fund Program (CFDA 66.458), as described in item 2016-005. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

Qualified Opinion on the Clean Water State Revolving Loan Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Clean Water State Revolving Loan Fund Program for year ended June 30, 2016.

Other Matters

The Town's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-005, that we consider to be a material weakness.

The Town's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 30, 2017

TOWN OF BRASELTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Total Expenditures
U.S. APPALACHIAN REGIONAL COMMISSION			
Appalachian Area Development	23.002	Not Available	\$ <u>286,762</u>
Total U.S. Department of Housing and Urban Development			<u>286,762</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Georgia Environmental Finance Authority Clean Water State Revolving Loan Funds	66.458	CWSRF 14-010	<u>1,809,330</u>
Total U.S. Environmental Protection Agency			<u>1,809,330</u>
Total Expenditures of Federal Awards			<u>\$ <u>2,096,092</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, 2016

(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.

The Town has not utilized the 10% de minimis indirect cost rate.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of report issued on whether the financial statements audited were prepared in accordance with GAAP: 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 Qualified for Clean Water State Revolving Loan Fund

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Loan Fund Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

Finding 2016-001 – Fiscal Year-End Financial Close and Reporting Controls (Repeat Finding)

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, four audit adjustments were necessary for the June 30, 2016 financial statements.

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

- To decrease customer deposit liabilities in the water and sewer fund by \$188,187 to agree to the deposit sub-ledger.
- To increase the accrued interest payable by \$755 in the Water and Sewer Fund for interest on loans with the Georgia Environmental Finance Authority which was incurred but not yet paid as of year-end.
- To record current year annual amortization on the 2009 Water and Sewer bond discount in the amount of \$11,535.
- Entries totaling \$4,922,149 were required to properly record investment activity, accrued interest, the payments on the bonds payable, and amortization of the bond premium and deferred loss on refunding for the series 2012 and series 2015 Water and Sewer bonds.

Effect: Audit adjustments of \$5,122,626 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.

Response: The Town concurs with this finding. The Town now has a method to more accurately record liabilities and is acquiring education on bond refunding to help in recording financial statements. Also, training of staff will be implemented in the future when it is cost effective for the Town.

Finding 2016-002 – Expense/Expenditure Recognition (Repeat Finding)

Criteria: Generally accepted accounting principles call for most 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.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-002 – Expense/Expenditure Recognition (continued)

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 \$88,861; \$2,100; \$60,852; and \$1,100 in the General Fund, Hotel Motel Fund, SPLOST Fund, and Downtown Development Authority, respectively. The entry to the General Fund and SPLOST fund also required an addition of \$86,952 and 60,852 of capital assets to the Town's government wide financial statements. These entries were required to record the liability for goods or services received by the Town before year-end, but not yet paid for.
- Entries totaling \$290,007 were required to record accounts payable and retainage payable in the Water and Sewer fund. As these payables were capital related, the amounts were also required to be recorded as additions to capital assets.

Effect: Audit adjustments of \$442,920 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 concurs with this finding. The Town will ask all contractors and vendors to be more diligent with their invoicing so that all liabilities and payables can be recorded on a more timely basis. The Town will make effort to add this process to the year-end procedures.

Finding 2016-003 – Capital Assets (Repeat Finding)

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 Town's capital assets.

TOWN OF BRASELTON, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-003 – Capital Assets (continued)

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

- To record capital assets of \$147,804 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 2016-002 which resulted in capital outlay expenditures which should have also been capital assets in the governmental activities.
- Entries totaling \$614,996 were required to adjust capital assets in the water and sewer fund. Within this total, \$290,007 relates to recording additional capital assets for the accounts payable entries noted in finding 2016-002. In accordance with GASB Statement No. 62, enterprise funds should capitalize construction period interest as part of the cost of the asset, in certain cases, and an adjustment was required, in the amount of \$271,871, to record capitalized interest on the Town's Series 2015 bonds and the CW 14010 loan with the Georgia Environmental Finance Authority. An entry of \$30,171 was required to adjust depreciation expense for the year in the general ledger to agree to the capital asset subsidiary records. Finally, an entry of \$22,947 was required for a prior year audit adjustment which was reversed and removed from capital assets by the Town.

Effect: Audit adjustment of \$762,800 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 concurs with this finding and is now aware of GASB Statement No. 62. The Town will become more familiar with this statement and review all interest pertaining to construction loans in order for it to be capitalized.

Finding 2016-004 – Revenue Recognition (Repeat Finding)

Criteria: Generally accepted accounting principles require 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.

Condition: Internal controls did not detect misstatements in the reporting of the Town's revenue and related receivables and notes payable.

Context/Cause: During our testing of receivables, revenues, and notes payable, an audit adjustment was required to record receivables and notes payable of \$70,512 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. An entry was also required to reverse a prior year audit entry for the same situation for \$105,489.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-004 – Revenue Recognition (continued)

Effect: An audit adjustment of \$176,001 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.

Response: The Town agrees with this finding. The Town now reviews project invoices with incurred costs and records both the note payable and revenue earned from respective drawdowns.

Section III – Findings and Questioned Costs Relating to Federal Awards

Finding 2016-005 – Cash Management

Program: CFDA No. 66.458

Program Title: Clean Water State Revolving Loan Fund

Criteria: The grant agreement for this program and CFR 200.305(b)(3) of the Uniform Guidance require the Town to request cash drawdowns on a reimbursement basis.

Condition: During our testing of all eleven draw down requests for the Clean Water State Revolving Loan Program during the year ended June 30, 2016, we noted three drawdowns which were requested and reimbursed prior to the underlying disbursement being made. The lag times between the draw receipt and the underlying disbursement for the three non-compliant drawdowns were as follows:

- A draw in the amount of \$444,861 was received 7 days prior to its disbursement by the Town.
- A draw in the amount of \$328,841 was received 21 days prior to its disbursement by the Town.
- A draw in the amount of \$323,961 was received 7 days prior to its disbursement by the Town.

Effects or Possible Effects: The Town drew down funds prior to the underlying disbursement being made resulting in non-compliance with the reimbursement requirements of the grant agreement.

Questioned Costs: None.

Cause: The Town had, by oversight, requested the draw down prior to paying the contractor.

Context: In our audit we reviewed all eleven requests for reimbursement for the program which occurred during the year. The three items detailed in this finding were the only non-compliance issues noted with the cash management requirements.

Recommendation: We recommend the Town follow its review and approval policies for all grant drawdown requests to ensure compliance with requirements.

TOWN OF BRASELTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-005 – Cash Management

Response: The Town disagrees with this finding. The Town's contracted engineer advises per Standard EJCDC Contracts between Owner and Contractor Article 14.02B.1 that the Town is within the contract provisions of payment within 30 days. And the Town cannot pay the contractor until said invoice is approved to be paid. The Town makes payments and request of drawdowns as close as administratively feasible.

Auditor's Comments on Response: The Town disagrees with the finding. After review of the grant agreement and discussion with the pass-through agency for this program and review of CFR 200.305(b)(3) of the Uniform Guidance, we continue to believe that the Town is required to request cash drawdowns on a reimbursement basis. Disbursing funds under the program a week or more after the funds were received from the pass-through agency does not meet the requirements of the reimbursement method.

TOWN OF BRASELTON, GEORGIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

Auditee Response/Condition: This is a repeated finding in the fiscal year 2016 audit. See finding 2016-001.

Finding Reference 2015-002 – Expense/Expenditure Recognition

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.

Auditee Response/Condition: This is a repeated finding in the fiscal year 2016 audit. See finding 2016-002.

Finding Reference 2015-003 – Capital Assets

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

Auditee Response/Condition: This is a repeated finding in the fiscal year 2016 audit. See finding 2016-003.

Finding Reference 2015-004 – Revenue Recognition

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 recorded only 40% of the annual hotel/motel taxes in a special revenue fund. The remaining 60% is recorded (receipted) in the General Fund.

Auditee Response/Condition: The Town corrected the hotel/motel recording and the revenue was properly recorded in the hotel/motel fund. The remaining portion is a repeated finding in the fiscal year 2016 audit. See finding 2016-004.