CITY OF FLOWERY BRANCH, GEORGIA
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

WALKER & ASSOCIATES, CPA'S, PC

CITY OF FLOWERY BRANCH, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2009
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Certified Public Accountants

Walker & Associates

A Professional Corporation

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Flowery Branch, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2009 on our consideration of the City of Flowery Branch, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City of Flowery Branch, Georgia has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flowery Branch, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Flowery Branch, Georgia. The accompanying schedule of expenditures of special purpose local option sales tax proceeds are

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

presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and are also not a required part of the basic financial statements of the City of Flowery Branch, Georgia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds on page 31 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The budget comparison information on pages 23 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

Walker & Associates
Certified Public Accountants
December 16, 2009

City of Flowery Branch, Georgia

Statement of Net Assets

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	$ 906,866	$ 2,804,420	$ 3,711,286	$ -
Receivables (net)	337,167	239,870	577,037	-
Prepaid Expenses	150,782	-	150,782	-
Deferred charge	-	52,381	52,381	-
Nondepreciable capital assets	274,700	1,035,879	1,310,579	-
Depreciable capital assets, net	4,960,915	9,892,646	14,853,561	-
Total assets	6,630,430	14,025,196	20,655,626	-
Liabilities				
Accounts payable and other liabilities	231,064	340,198	571,262	-
Deferred revenue	57,160	1,686,950	1,744,110	-
Internal balances	(148,058)	148,058	-	-
Accrued balances	96,749	-	96,749	-
Noncurrent liabilities:				
Due within one year	405,000	185,000	590,000	-
Due in more than one year	-	5,143,694	5,143,694	-
Total liabilities	641,915	7,503,900	8,145,815	-
Net assets				
Invested in capital assets, net of related debt	4,830,615	5,599,831	10,430,446	-
Restricted for:				
Drug awareness and condemnation assets	21,776	-	21,776	-
Capital projects	80,555	-	80,555	-
Unrestricted	1,055,569	921,465	1,977,034	-
Total net assets	$ 5,988,515	$ 6,521,296	$12,509,811	$ -

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

City of Flowery Branch, Georgia
Statement of Activities
For the Year Ended June 30, 2009

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Business-Type Activities	Total	Component Unit
Primary government:								
Governmental activities								
General government	$ 932,065	$ 2,659,344	$ -	$ -	$ 1,727,279		$ 1,727,279	
Judicial	118,402	456,589	-	-	338,187		338,187	
Public safety	866,027	-	-	-	(866,027)		(866,027)	
Highways and streets	380,544	-	-	19,181	(361,363)		(361,363)	
Health and welfare	18,054	-	-	-	(18,054)		(18,054)	
Housing and development	364,404	110,399	-	-	(254,005)		(254,005)	
Total governmental activities	2,679,496	3,226,332	-	19,181	566,017		566,017	
Business-type activities								
Water and Sewer	1,662,337	1,945,436	-	-		$ 283,099	283,099	
Sanitation	222,932	248,583	-	-		25,651	25,651	
Total business-type activities	1,885,269	2,194,019	-	-		308,750	308,750	
Total primary government	$ 4,564,765	$ 5,420,351	$ -	$ 19,181			874,767	
Component units:								
Downtown Development Authority	$ -	$ -	$ -	$ -				$ -
Total component units	$ -	$ -	$ -	$ -				-
General revenues:								
Taxes:								
Property taxes, levied for general purposes					730,906	-	730,906	
Franchise tax					428,851	-	428,851	
Sales taxes					435,621	-	435,621	
Alcoholic Beverage Tax					330,133	-	330,133	
Interest and investment earnings					720	65,623	66,343	
Contributions					1,766	-	1,766	
Miscellaneous					3,669	18,102	21,771	
Gain on sale of capital assets					8,100	-	8,100	
Transfers					-	-	-	
Total general revenues, special items, and transfers					1,939,766	83,725	2,023,491	
Change in net assets					2,505,783	392,475	2,898,258	
Net assets - beginning					3,482,732	3,518,999	7,001,731	-
Prior period adjustments					-	2,609,822	2,609,822	-
Adjusted beginning net assets					3,482,732	6,128,821	9,611,553	-
Net assets - ending					$ 5,988,515	$ 6,521,296	$ 12,509,811	$ -

The accompanying notes are an integral part of these financial statements

City of Flowery Branch, Georgia

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 798,230	$ 86,860	$ 885,090
Due from other governments	43,213	51,198	94,411
Receivables (net)	241,014	1,742	242,756
Prepaid expenses	150,782	-	150,782
Due from other funds	302,237	404,703	706,940
Restricted cash	21,776	-	21,776
Total assets	$ 1,557,252	$ 544,503	$ 2,101,755
Liabilities and fund balances			
Liabilities:			
Accounts payable	$ 170,612	$ 58,149	$ 228,761
Accrued expenses	36,164	-	36,164
Due to other funds	163,841	395,041	558,882
Short term debt	405,000	-	405,000
Deferred revenue	64,660	1,938	66,598
Total liabilities	840,277	455,128	1,295,405
Fund balances			
Reserved for:			
Drug awareness program	1,058	-	1,058
Confiscated assets program	20,718	-	20,718
Unreserved, undesignated reported in:			
General fund	695,199	-	695,199
Capital projects fund	-	80,555	80,555
Hotel/Motel fund	-	8,820	8,820
Total fund balances	716,975	89,375	806,350
Total liabilities and fund balances	$ 1,557,252	$ 544,503	$ 2,101,755

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

City of Flowery Branch, Georgia

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets

June 30, 2009

Total fund balances - governmental funds	$	806,350
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets		6,343,275
Less: Accumulated depreciation		(1,107,660)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		9,438
Accrued expenses not reported in the governmental funds:		
Accrued interest		(2,303)
Accrued personal leave not reported in governmental funds		(60,585)
Net assets of governmental activities	$	5,988,515

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

City of Flowery Branch, Georgia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property Taxes	$ 672,637	$ -	$ 672,637
Sales Taxes	336,064	90,119	426,183
Franchise Tax	416,646	-	416,646
Intergovernmental	57,917	19,181	77,098
Licenses and permits	182,316	-	182,316
Fines and Forfeitures	455,358	-	455,358
Charges for services	68,078	8,854	76,932
Interest	533	187	720
Miscellaneous	2,816,306	58,149	2,874,455
Total Revenue	5,005,855	176,490	5,182,345
Expenditures			
Current			
General government	1,290,933	19,215	1,310,148
Judicial	116,858	-	116,858
Public safety	804,105	-	804,105
Highways and streets	2,695,041	58,149	2,753,190
Health and welfare	12,225	-	12,225
Housing and development	355,934	-	355,934
Capital Outlay	-	77,284	77,284
Total Expenditures	5,275,096	154,648	5,429,744
Net change in fund balance	(269,241)	21,842	(247,399)
Beginning Fund Balance	986,216	67,533	1,053,749
Ending Fund Balance	$ 716,975	$ 89,375	$ 806,350

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

City of Flowery Branch, Georgia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2009

Net change in fund balances-total governmental funds	$	(247,399)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay ($2,966,284) exceeded depreciation ($192,861).		2,773,423
The net effect of various miscellaneous transactions involving capital assets is to increase net assets.		(378)
Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds.		2,938
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 the governmental funds.		(2,303)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures		
Change in accrued personal leave		(20,498)
Net change in assets of governmental activities	$	2,505,783

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

City of Flowery Branch, Georgia

Statement of Net Assets

Proprietary Funds

June 30, 2009

	Enterprise Funds		
	Water and Sewer	Sanitation	Totals
Assets			
Current assets			
Cash and cash equivalents	$ 676,353	$ -	$ 676,353
Accounts Receivable (net)	105,148	59,086	164,234
Due from other funds	468,337	57,005	525,342
Restricted cash and cash equivalents	600,838	-	600,838
Accrued Revenue	65,922	9,714	75,636
Total Current Assets	1,916,598	125,805	2,042,403
Noncurrent Assets:			
Restricted cash and cash equivalents	1,527,229	-	1,527,229
Deferred Charge	52,381	-	52,381
Capital Assets			
Land	553,201	-	553,201
Buildings	3,255,958	-	3,255,958
Improvements other than buildings	3,336,883	-	3,336,883
Machinery and equipment	5,565,587	-	5,565,587
Construction in Progress	482,679	-	482,679
Less accumulated depreciation	(2,265,783)	-	(2,265,783)
Total capital assets (net of accumulated depreciation)	10,928,525	-	10,928,525
Total noncurrent assets	12,508,135	-	12,508,135
Total Assets	14,424,733	125,805	14,550,538
Liabilities			
Current Liabilities:			
Accounts Payable	130,837	300	131,137
Accrued Expenses	80,561	-	80,561
Due to Other Funds	673,400	-	673,400
Deferred revenue	1,686,950	-	1,686,950
Current Portion of Long Term Debt	185,000	-	185,000
Total Current Liabilities	2,756,748	300	2,757,048
Noncurrent Liabilities:			
Customer Deposits	128,500	-	128,500
Intergovernmental	943,694	-	943,694
Notes payable (Net of Current Portion)	4,200,000	-	4,200,000
Total Noncurrent Liabilities	5,272,194	-	5,272,194
Total Liabilities	8,028,942	300	8,029,242
Net Assets			
Invested in capital assets, net of related debt	5,599,831	-	5,599,831
Unrestricted	795,960	125,505	921,465
Total net assets	$ 6,395,791	$ 125,505	$ 6,521,296

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

City of Flowery Branch, Georgia

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds		
	Water and Sewer	Sanitation	Totals
Operating revenue:			
Charges for Service	$ 1,749,705	$ 248,583	$ 1,998,288
Connection Fees	195,731	-	195,731
Miscellaneous Income	18,102	-	18,102
Total operating revenue	1,963,538	248,583	2,212,121
Operating expenses:			
Personal services			
Compensation	407,965	-	407,965
Employment Taxes	30,480	-	30,480
Benefits	48,918	-	48,918
Total Personal Services	487,363	-	487,363
Cost of sales			
Water/vendor contracts	2,207	222,782	224,989
Supplies	133,299	-	133,299
Repairs and Maintenance	106,723	-	106,723
Utilities	320,207	-	320,207
Miscellaneous	43,458	150	43,608
Depreciation	353,233	-	353,233
Engineering, Lab Fees and Training	33,762	-	33,762
Total cost of sales	992,889	222,932	1,215,821
Total Operating Expenses	1,480,252	222,932	1,703,184
Operating Income	483,286	25,651	508,937
Nonoperating revenues (expenses)			
Interest Income	65,623	-	65,623
Interest Expense on Loans	(182,085)	-	(182,085)
Total nonoperating revenues and (expenses)	(116,462)	-	(116,462)
Transfer In	-	450	450
Transfer (Out)	(450)	-	(450)
Change in Net Assets	366,374	26,101	392,475
Net Assets - Beginning	3,419,595	99,404	3,518,999
Prior Period Adjustments	2,609,822	-	2,609,822
Adjusted beginning net assets	6,029,417	99,404	6,128,821
Net Assets - Ending	$ 6,395,791	$ 125,505	$ 6,521,296

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

City of Flowery Branch, Georgia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2009

	Enterprise Funds		
	Water and Sewer	Sanitation	Totals
Cash flows from operating activities:			
Receipts from customers	$ 1,895,956	$ 238,420	$ 2,134,376
Payments to suppliers	(585,742)	(231,721)	(817,463)
Payments to employees	(487,363)	-	(487,363)
Net cash provided (used) by operating activities	822,851	6,699	829,550
Cash flows from noncapital financing activities:			
Transfer from/(to) other funds	(450)	450	-
Advances from/(to) other funds	(347,209)	(7,149)	(354,358)
Net cash provided (used) by noncapital financing activities	(347,659)	(6,699)	(354,358)
Cash flows from capital and related financing activities:			
Purchase of capital assets	(142,313)	-	(142,313)
Prior Period Adjustment	2,609,822	-	2,609,822
Deferred revenue from Tap fees	(500,660)	-	(500,660)
Debt payments, principal and interest and deferred charge	(2,981,737)	-	(2,981,737)
Net cash provided (used) by capital and related financing activities	(1,014,888)	-	(1,014,888)
Cash flows from investing activities:			
Accrued interest receivable	8,001	-	8,001
Interest income	65,623	-	65,623
Net cash provided by investing activities	73,624	-	73,624
Net increase (decrease) in cash and cash equivalents	(466,072)	-	(466,072)
Balances - beginning of year	3,270,492	-	3,270,492
Balances - end of year	$ 2,804,420	$ -	$ 2,804,420
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 483,286	$ 25,650	$ 508,936
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	353,233	-	353,233
Changes in assets and liabilities:			
Receivables and accrued revenue	(81,386)	(18,801)	(100,187)
Accounts and accrued expenses payable	60,508	300	60,808
Customer deposits	7,210	(450)	6,760
Net cash provided by operating activities	$ 822,851	$ 6,699	$ 829,550

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

NOTE 1. Summary of significant accounting policies

The financial statements of City of Flowery Branch, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

1-A The Reporting Entity

The City of Flowery Branch, Georgia is a municipal corporation governed by a five member City Council, Mayor and a full time City Manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Discretely presented component units. The Flowery Branch Development Authority is governed by a separate board and is a separate legal, public body corporate and politic created and existing under instrumentality of the City of Flowery Branch for the purpose of revitalizing and developing the central business district of Flowery Branch, Georgia.

The above component unit's financial statements are reflected on the City's Financial Statements under the Discretely Presented Component Unit caption. The Authority does not issue separate statements.

1-B Basis of Presentation, Basis of Accounting

Basis of Presentation-Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

NOTE 1. Summary of significant accounting policies (cont)

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following nonmajor governmental funds:

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

TAD Fund. This is a special revenue fund which accounts for the tax allocation district revenue and expenses.

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

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

The City reports the following major enterprise fund:

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

The City reports the following nonmajor enterprise fund:

Sanitation Fund. This fund accounts for the collection and disposal of garbage.

Proprietary fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Financial Statements. The government-wide and proprietary financial statements are reported using the flow of economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end except for property taxes for which sixty days after year end applies. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1. Summary of significant accounting policies (cont)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursements grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgets. Formal budgetary accounting is employed as a management control device for the General Fund and Special Revenue Funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principle basis. For the fiscal year ended June 30, 2009, an annual budget was not adopted for the Tax Allocation District Special Revenue Fund. Budgets for the Capital Project Funds are adopted on a project basis, spanning more than one fiscal year. The City Council must approve any amendments to the budget.

All annual appropriations lapse at the end of each fiscal year.

All business-type activities and enterprise funds of the City follow FASB Statements and interpretations issued after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

1-C Assets, Liabilities, and Equity [Primary government]

Cash and Cash Equivalents

The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Only investments with original maturities of three months or less meet this definition.

Investments

The City does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, the City had no investments.

Restricted Assets

These assets are held in the capital project and special revenue funds for specific purposes defined by statute, referendum, or grant contract and are not generally available for general government operations.

Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans.) 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTE 1. Summary of significant accounting policies (cont)

All trade and property tax receivables, including those for the City of Flowery Branch, are shown net of an allowance for uncollectibles. Trade accounts receivable for the City are the balances in the enterprise funds. Balances due in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was $9,635 at June 30, 2009. The collection rate for property taxes in the General Fund is in excess of 99%, consequently the City has chosen not to make an estimate for uncollectible property tax accounts as of June 30, 2009.

Property Tax Calendar

The City set its millage rate for 2008/2009 fiscal year on September 17, 2008 at 2.837 mills. Property tax bills were mailed on October 1, 2008 and were due December 31, 2008. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed on March 2, 2009.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Governmental Activities Years	Business-Type Activities Years
Buildings and improvements	20-50	20-50
Public domain infrastructure	14-40	14-40
Machinery and equipment	5-20	5-20
Vehicles	7	7

NOTE 1. Summary of significant accounting policies (cont)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Retirement Plans

The City sponsors the Deferred Compensation Plan of the City of Flowery Branch, a defined contribution plan for the benefit of its employees. At June 30, 2009, there were 14 employees participating in the plan. Contributions to the plan are funded on a monthly basis. The City is required to match one half of the amount the employee elects to contribute up to a maximum of 2% of an employee 4% deferral. All employees who work a minimum of 32 hours a week are eligible to participate in the plan. Employees can begin to participate in the plan the following month after employment begins. The City also has an agreement with the City Manager to contribute 8% of his annual salary into the plan. The plan holds its assets in a separate trust invested in annuity contracts in the name of each participant and consequently is not reported on the City's financial statements. As administrator of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2009, the employees contributed $16,657 to the plan, and the employer contributed $7,927.

Short-Term Debt

The City, in April 2009, borrowed $405,000 to purchase a downtown office building to use as administrative offices and expects to retire this debt before December 31, 2009. The City plans on repaying this loan with Special local option sales tax revenue.

NOTE 2. Deposits [Primary government]

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

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

At June 30, 2009, all bank deposits were insured or fully collateralized.

As a requirement of the short-term debt described above, the City was required to place on deposit with that bank $200,000 as collateral for the loan. This cash is reported as current period restricted cash.

NOTE 3. Litigation [Primary government]

The Attorneys for the City have advised that there are several known legal matters which may have a material effect on the City's financial condition. Accordingly the City has chosen to book a reserve for litigation settlements of $10,000.

NOTE 4. Deferred charge [Primary government]

Debt issuance cost in the proprietary fund is capitalized as a deferred charge on the balance sheet and is amortized over the life of the bonded indebtedness. The amount reported on the balance sheet is net of amortization of $52,380.

NOTE 5. Receivables [Primary government]

The following is a summary of amounts due from others at June 30, 2009.

Receivable from:

Governmental Funds:		
Due from other governments	$ 94,411	Sales taxes, property tax for Tax Allocation District
Taxes receivable, net	11,561	Property tax and hotel/motel tax
Other receivables, net	231,195	Fines/forfeitures and excise taxes
	337,167	
Business-Type Funds:		
Accounts receivable, net	164,234	Water, Sewer, and Sanitation accounts
	$ 501,401	

NOTE 6. Compensated absences [Primary government]

Governmental Accounting Standards Board Statement 16, effective for fiscal years beginning after June 15, 1993, requires that such benefits be accrued when: (1) the employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated. Accrued Vacation and Personal Leave in the amount of $74,340 is included in the government- wide financial statements. Compensated absences are normally liquidated by the funds bearing the liability which are the General Fund and the Water & Sewer Fund.

NOTE 7. Long- term debt [Primary government]

Due to Hall County, Georgia (Water & Sewer Fund)

In 2004, the City of Flowery Branch, Georgia entered into an intergovernmental agreement with Hall County, Georgia. The agreement was made as a settlement in compromise between the City of Flowery Branch and Hall County over the debt structure and financial provisions of previously adopted agreements. The 2004 agreement will allow Hall County 400,000 gallons per day of Flowery Branch's wastewater treatment capacity to be phased in incrementally from the date of the agreement. Pursuant to the agreement, Hall County will provide a credit to Flowery Branch to be applied against a loan advanced to Flowery Branch in recognition of SPLOST funds expended by Hall County arising out of a 1995 intergovernmental agreement. The Capacity Assignment Credit will begin upon execution of the agreement and will continue through September 1, 2009. As of June 30, 2009, $3,056,306 of the credit has been applied with a remaining balance of $943,694 being reported in the Water and Sewer Fund financial statements.

Revenue Bond, Series 2004 (Water & Sewer Fund)

In 2004, the City issued Series 2004 Water and Sewer Revenue Bonds in the amount of $5,060,000. The proceeds from the issuance of the Bonds were for additions to and improvements of the water and sewerage system. The City funded an expansion of the sewerage treatment plant which has an historical cost of $4,303,813 and accumulated depreciation of $349,685 with the bond proceeds.

As of June 30, 2009, the total outstanding debt was $4,385,000 principal due in annual installments of $170,000 to $345,000 through October 2025. The annual interest rate of 3.99% is due April 1 and October 1 each year. Interest in the amount of $176,758 was paid in the year ended June 30, 2009.

NOTE 7. Long- term debt [Primary government] (cont)

Business -Type Activities

Year Ending	Total Payments	Principal	Interest
2010	$ 356,270	$ 185,000	$ 171,270
2011	353,789	190,000	163,789
2012	356,009	200,000	156,009
2013	357,830	210,000	147,830
2014	354,351	215,000	139,351
2015-2019	1,782,104	1,225,000	557,104
2020-2024	1,767,679	1,480,000	287,679
2024-2025	707,332	680,000	27,332
Totals	$ 6,035,364	$ 4,385,000	$ 1,650,364

Changes in long- term debt:

	July 1, 2008	Additions	Reductions	June 30, 2009	Due within 1 year
Business- type activity					
Revenue bonds	$ 4,565,000	$ -	$ 180,000	$ 4,385,000	$ 185,000
Compensated Absenses	14,771		1,016	13,755	
Hall County **	3,553,015	-	2,609,321	943,694	-
	$ 8,132,786	$ -	$ 2,790,337	$ 5,342,449	$ 185,000
Governmental activity					
Compensated Absenses	$ 40,088	$ 20,498	$ -	$ 60,586	$ -

** Reduction due to restatement of debt to original balance less $501 credit previously recognized and prior year sales of capacity per intergovernmental agreement.

Prior- period adjustment	$2,609,822
Previously recognized credit	(501)
Current period debt reduction	$2,609,321

NOTE 8. Risk management [Primary government]

The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self -Insurance Fund. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the City's fiscal year of 2009 was $143,756. The City also purchases general liability insurance through the Georgia Interlocal Management Agency. The City's policy starts May 1st and ends April 30th of each year. The premium for the year ending June 30, 2009 was $94,685. As part of these risk pools, the Government 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 Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the 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 cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 9. Capital assets [Primary government]

Depreciation expense was charged to the following functions:

Governmental activities:		Business- type activities:	
General government	$ 22,701	Water and Sewer:	$ 353,233
Public safety	52,214		
Highways and streets	110,157		
Health and welfare	5,829		
Housing and development	1,960		
	$ 192,861		

Primary Government

	Beginning Balances 7/1/2008	Increases	Decreases	Ending Balances 6/30/2009
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 195,700	$ 55,000	$ -	$ 250,700
Construction in progress	-	24,000	-	24,000
Total capital assets not being depreciated	195,700	79,000	-	274,700
Capital assets being depreciated:				
Buildings	793,980	350,000		1,143,980
Machinery and equipment	746,831	77,284	18,051	806,064
Infrastructure	1,658,531	2,460,000		4,118,531
Total capital assets being depreciated	3,199,342	2,887,284	18,051	6,068,575
Accumulated depreciation:				
Buildings	274,216	18,995		293,211
Machinery and equipment	490,064	91,495	11,171	570,388
Infrastructure	161,690	82,371	-	244,061
Total accumulated depreciation	925,970	192,861	11,171	1,107,660
Total governmental capital assets being depreciated, net	2,273,372		6,880	4,960,915
Total governmental capital assets	$ 2,469,072	$ 79,000	$ 6,880	$ 5,235,615

NOTE 9. Capital assets [Primary government](continued)

	Beginning Balances 7/1/2008	Increases	Decreases	Ending Balances 6/30/2009
Business-type activities:				
Water and Sewer				
Capital assets not being depreciated:				
Land	523,200	30,000	-	553,200
Construction in progress	1,339,234	99,061	955,616	482,679
Total capital assets not being depreciated	1,862,434	129,061	955,616	1,035,879
Capital assets being depreciated:				
Buildings	3,255,958	-	-	3,255,958
Machinery and equipment	5,285,033	298,389	17,835	5,565,587
Infrastructure	2,648,570	688,313	-	3,336,883
Total capital assets being depreciated	11,189,561	986,702	17,835	12,158,428
Accumulated depreciation:				
Buildings	742,473	65,357	-	807,830
Machinery and equipment	635,108	213,593	17,835	830,866
Infrastructure	552,803	74,283	-	627,086
Total accumulated depreciation	1,930,384	353,233	17,835	2,265,782
Total capital assets being depreciated, net	9,259,177	633,469	-	9,892,646
Business-type activity assets, net	11,121,611	762,530	955,616	10,928,525

NOTE 10. Budgets [Primary government]

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

	Budgeted Expenditures and other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund (at the legal level of control)	$ 5,449,674	$ 5,275,096	$ -
Hotel/Motel Tax Fund	$ 39,672	$ -	$ -
Grant Fund	$ 300,000	$ 19,181	$ -
Tax Allocation District Fund	$ 60,000	$ 58,149	$ -

The legal level of control for this government is at the department level, which is the basis for the Budgetary Comparison Schedule.

NOTE 11. Deferred revenue (Primary Government)

Deferred revenue in the:

Governmental fund financial statements

Business License	$ 57,160	Taxes not earned in the current year.
Sales Tax	9,438	Taxes earned in the current year but received beyond the City's period of availability.
Total governmental Deferred Revenue	$ 66,598	

NOTE 11. Deferred revenue (Primary Government)(continued)

Government wide financial statements		
Business License	$ 57,160	Taxes not earned in the current year.
Enterprise Funds		
Water and Sewer Tap Fees	$1,686,950	Developer fees paid to reserve future water and sewerage capacity.

NOTE 12. Internal fund balances and transfers

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

This government reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row titled *All Others*. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. These transfers have been eliminated from the government- wide financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires them to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenue collected in the general fund to Finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances:

	Due to:					
Due From:	Sanitation Fund	Capital Projects Fund	Water & Sewer Fund	Tax Allocation District	General Fund	Total
General fund		$ 21,817	$ 123,870	$ 18,154		$ 163,841
Water & Sewer	57,005	364,732			251,663	673,400
Grant					174	174
Capital Projects			344,467		50,400	394,867
Totals	$ 57,005	$ 386,549	$ 468,337	$ 18,154	$ 302,237	$ 1,232,282

Transfers:	To
From	Sanitation
Water & Sewer	$450.00

NOTE 13. Joint ventures

Under Georgia law, the City in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Development center (RDC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Georgia Mountains Regional Development Center
1310 W. Ridge Road
Gainesville, GA 30501

NOTE 14. Prior period adjustments

Water & Sewer Enterprise Fund: $2,609,822 – To recognize prior year credits earned per intergovernmental agreement. Refer to Note 7 for additional information.

NOTE 15. Series 2004 Revenue Bond Covenants

A. The City of Flowery Branch has approximately 986 water and sewer customers at June 30, 2009.

B. The following is a list of insurance policies and fidelity bonds paid for and in force at June 30, 2009.

Items Covered	Insurance Company	Limits
General Liabilities	Georgia Interlocal Risk Management Agency	$1,000,000
Workmans Comp.	Georgia Interlocal Risk Management Agency	$1,000,000
Building & Contents	Georgia Interlocal Risk Management Agency	$12,546,068
Vehicles	Georgia Interlocal Risk Management Agency	$1,000,000
Water Plan Equipment	Georgia Interlocal Risk Management Agency	$12,546,068
Fidelity Bond: Blanket		
City Manager & Clerk	Georgia Interlocal Risk Management Agency	$ 500,000
Public Officials	Georgia Interlocal Risk Management Agency	$1,000,000
Law Enforcement	Georgia Interlocal Risk Management Agency	$1,000,000

C. Auditor's Statement

The terms and conditions of the Series 2004 bond resolution have been examined for the fiscal year ending 6/30/09. The City is in compliance with all bond covenants.

City of Flowery Branch, Georgia

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Over / (Under)	GAAP Basis	Over / (Under)
Revenues						
Property taxes	$ 578,600	$ 578,600	$ 672,637	$ -	$ 672,637	$ 94,037
Sales taxes	410,000	410,000	336,064	-	336,064	(73,936)
Franchise taxes	358,200	358,200	416,646	-	416,646	58,446
Intergovernmental	45,800	45,800	57,917	-	57,917	12,117
License and permits	175,130	175,130	182,316	-	182,316	7,186
Fines and forfeitures	500,500	500,500	455,358	-	455,358	(45,142)
Charges for services	75,350	75,350	68,078	-	68,078	(7,272)
Interest	4,000	4,000	533	-	533	(3,467)
Transfer In	39,672	39,672	-	-	-	(39,672)
Miscellaneous	299,100	2,967,899	2,816,306	-	2,816,306	(151,593)
Prior Year Fund Balance	294,523	294,523	294,523	-	294,523	-
Total Revenues	$ 2,780,875	$5,449,674	$ 5,005,855	$ -	$ 5,005,855	$ (149,296)
Expenditures						
Current Operating:						
General government	$ 929,044	$1,290,933	$ 1,290,933	$ -	$ 1,290,933	$ -
Judicial	105,237	116,858	116,858	-	116,858	-
Public safety	814,702	814,702	804,105	-	804,105	(10,597)
Highways and streets	399,752	2,695,041	2,695,041	-	2,695,041	-
Health and welfare	13,600	13,600	12,225	-	12,225	(1,375)
Housing and development	468,540	468,540	355,934	-	355,934	(112,606)
Transfer out	50,000	50,000	-	-	-	(50,000)
Total Expenditures	$ 2,780,875	$5,449,674	$ 5,275,096	$ -	$ 5,275,096	$ (174,578)

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

(a). Prior to June 1, the City Finance Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

(b). Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.

(c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

BUDGET REQUIREMENTS

Amendments to the original budget appropriations were properly approved by the City Commissioners. For the year ended June 30, 2009, the following supplemental increases and decreases in appropriations were approved:

Fund Type	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund	$ 2,780,875	$ 2,668,799	$ -	$ 5,449,674

City of Flowery Branch, Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Capital Projects	Grant Fund	Tax Allocation District	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ 79,608	$ 174	$ -	$ 7,078	$ 86,860
Accounts receivable, net	-	-	-	1,742	1,742
Due from other governments	11,203	-	39,995	-	51,198
Due from other funds	386,549	-	18,154	-	404,703
Total assets	$ 477,360	$ 174	$ 58,149	$ 8,820	$ 544,503
Liabilities					
Accounts payable	$ -	$ -	$ 58,149	$ -	$ 58,149
Deferred revenue	$ 1,938	-	-	-	1,938
Due to other funds	394,867	174	-	-	395,041
Total Liabilities	396,805	174	58,149	-	455,128
Fund balance					
Unreserved - undesignated	80,555	-	-	8,820	89,375
Total Fund balances	80,555	-	-	8,820	89,375
Total liabilities and fund balance	$ 477,360	$ 174	$ 58,149	$ 8,820	$ 544,503

City of Flowery Branch, Georgia

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Capital Projects	Grant Fund	Tax Allocation District	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
Revenues					
Taxes	$ 90,119	$ -	$ 58,149	$ 8,854	$ 157,122
Intergovernmental	-	19,181	-	-	19,181
Interest	187	-	-	-	187
Total Revenues	90,306	19,181	58,149	8,854	176,490
Expenditures					
Current					
General Government	-	19,181	58,149	34	77,364
Capital Outlay	77,284	-	-	-	77,284
Total Expenditures	77,284	19,181	58,149	34	154,648
Excess revenues/(expenditures)	13,022	-	-	8,820	21,842
Fund balance-beginning	67,533	-	-	-	67,533
Fund balance-ending	$ 80,555	$ -	$ -	$ 8,820	$ 89,375

Certified Public Accountants

Walker & Associates

A Professional Corporation

American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants
AICPA Employee Benefit
Quality Audit Center
AICPA Governmental
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Wayne Tuck, CPA
Gail Stepp
Martha P. Smith
Teresa Standridge

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Flowery Branch, Georgia as of and for the year ended June 30, 2009 which collectively comprise the City of Flowery Branch Georgia's basic financial statements and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Flowery Branch, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Flowery Branch, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Flowery Branch, Georgia's internal control. We consider the deficiency described as A-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Flowery Branch, Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and,

accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not consider the aforementioned deficiency also to be a material weakness.

Compliance and Other Matters

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

City of Flowery Branch, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Flowery Branch, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Walker & Associates CPA's, PC
December 16, 2009

City of Flowery Branch, Georgia

Schedule of Findings and Responses
For the Year Ended June 30, 2009

Findings – Financial Statement Audit

Internal Control

A-1	Condition:	The City does not reconcile the associated customer deposit cash and liability accounts to a detailed customer deposit listing report on a monthly basis.
	Criteria:	All balance sheet accounts, including customer deposits, should have reconciliations performed each month.
	Cause:	Internal controls over customer deposit liability accounts are inadequately designed.
	Effect:	The general ledger customer deposit accounts are not being reconciled to the utility customer deposit listing report resulting in the understatement of the city's liability.
	Recommendation:	The City should reconcile the customer deposit liability accounts on a monthly basis.
	Response:	The City agrees with the finding and will begin reconciling the customer deposit liability accounts on a monthly basis.

City of Flowery Branch, Georgia

Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2009

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Road projects	$ 112,390	$ 262,713	$ 279,273	$ -	$ 279,273
Other SPLOST projects	477,659	327,336	-	-	-
Recreational facilities	-	-	-	-	-
Public safety facilities	-	-	86,071	77,284	163,355
Water system improvements	-	-	-	-	-
Sewer system improvements	-	-	-	-	-
Additional road improvements	-	-	-	-	-
Capital outlay projects	-	-	-	-	-
Totals	$ 590,049	$ 590,049	$ 365,344	$ 77,284	$ 442,628