CITY OF FLOWERY BRANCH, GEORGIA

FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2017

WALKER, PIERCE & TUCK, CPA'S, PC

CITY OF FLOWERY BRANCH, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2017
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Walker Pierce & Tuck
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Flowery Branch, 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, 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, 2017 , and the related notes to the financial statements, which collectively comprise the City'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, each major fund, and the aggregate remaining fund information of the City of Flowery Branch, Georgia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison information and the schedule of changes in net pension liability and contributions are presented, as required by accounting principles generally accepted in the United States of America, on pages 31-35 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 City of Flowery Branch, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax 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 combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Special Purpose Local Option Sales Tax are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017 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 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 City of Flowery Branch, Georgia's internal control over financial reporting and compliance.

Walker, Pierce & Tuck, CPA's, P.C.

Walker, Pierce and Tuck, CPA's, P.C.
Gainesville, Georgia
December 22, 2017

CITY OF FLOWERY BRANCH, GEORGIA

Statement of Net Position

June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 6,580,084	$ 2,680,374	$ 9,260,458
Restricted cash	116,132	1,139,625	1,255,757
Receivables (net)	128,759	166,521	295,280
Intergovernmental receivable	226,303	7,589	233,892
Prepaid expenditures	107,365	-	107,365
Accrued revenue	-	73,604	73,604
Interfund balances	1,191	(1,191)	-
Total Current Assets	7,159,834	4,066,522	11,226,356
Noncurrent Assets			
Capital assets			
Nondepreciable	4,073,863	1,230,819	5,304,682
Depreciable, net	9,877,797	10,339,922	20,217,719
Total Noncurrent Assets	13,951,660	11,570,741	25,522,401
Total Assets	21,111,494	15,637,263	36,748,757
Deferred Outflows of Resources	83,071	78,025	161,096
Total Assets and Deferred Outflows of Resources	21,194,565	15,715,288	36,909,853
Liabilities			
Current Liabilities			
Accounts payable	392,461	564,696	957,157
Accrued expenses	34,606	26,966	61,572
Retainage Payable	44,032	-	44,032
Notes payable	188,436	-	188,436
Revenue bond payable	-	253,000	253,000
Intergovernmental loan	-	66,373	66,373
Amounts held in trust	800	145,401	146,201
Unearned revenue	52,635	-	52,635
Total Current Liabilities	712,970	1,056,436	1,769,406
Long-term Liabilities			
Net pension liability	463,312	162,785	626,097
Notes payable	574,666	-	574,666
Contracts payable	3,731,030	-	3,731,030
Revenue bonds payable	-	2,257,000	2,257,000
Intergovernmental loan	-	1,368,175	1,368,175
Compensated absences	97,473	41,025	138,498
Unearned revenue	-	623,639	623,639
Total Long-term Liabilities	4,866,481	4,452,624	9,319,105
Total Liabilities	5,579,451	5,509,060	11,088,511
Deferred Inflows of Resources	8,874	3,118	11,992
Total Liabilities and Deferred Inflows of Resources	5,588,325	5,512,178	11,100,503
Net Position			
Net Investment in Capital Assets	9,457,528	7,626,193	17,083,721
Restricted for:			
Capital projects	2,438,264	-	2,438,264
Public safety	39,380	-	39,380
Tourism	50	-	50
Housing and development	204,326	-	204,326
Unrestricted	3,466,692	2,576,917	6,043,609
Total Net Position	$ 15,606,240	$ 10,203,110	$ 25,809,350

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, 2017

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	$ 979,111	$ 89,752	$ 75,593	$ 1,104,076	$ 290,310	$ -	$ 290,310
Judicial	146,756	373,705	-	-	226,949	-	226,949
Public safety	1,079,389	19,161	7,159	-	(1,053,069)	-	(1,053,069)
Public works	692,019	-	-	-	(692,019)	-	(692,019)
Recreation and culture	31,700	3,379	-	-	(28,321)	-	(28,321)
Housing and development	428,307	275,153	-	-	(153,154)	-	(153,154)
Interest on Debt	94,463	-	-	-	(94,463)	-	(94,463)
Total Governmental Activities	3,451,745	761,150	82,752	1,104,076	(1,503,767)	-	(1,503,767)
Business-type activities:							
Water and sewer	1,809,469	2,666,004	-	-	-	856,535	856,535
Total Business-type Activities	1,809,469	2,666,004	-	-	-	856,535	856,535
Total Primary Government	$ 5,261,214	$ 3,427,154	$ 82,752	$ 1,104,076	(1,503,767)	856,535	(647,232)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					1,109,080	-	1,109,080
Franchise fees					431,640	-	431,640
Excise taxes					250,160	-	250,160
Business tax					471,537	-	471,537
Sales tax					896,145	-	896,145
Hotel/Motel tax					126,825	-	126,825
Other taxes					69,396	-	69,396
Interest and investment earnings					11,519	9,888	21,407
Miscellaneous					8,074	139	8,213
Gain on disposition of assets					5,048	-	5,048
Transfers					(597,224)	597,224	-
Total General Revenues and Transfers					2,782,200	607,251	3,389,451
Change in Net Position					1,278,433	1,463,786	2,742,219
Net Position Beginning of Year					14,327,807	9,095,064	23,422,871
Prior Period Adjustment					-	(355,740)	(355,740)
Restated Beginning net Position						8,739,324	8,739,324
Ending Net Position					$ 15,606,240	$ 10,203,110	$ 25,809,350

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

CITY OF FLOWERY BRANCH, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Tax Allocation District Fund	Local Resources Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 2,731,275	$ 2,970,486	$ -	$ 878,273	$ 50	$ 6,580,084
Restricted cash	116,132	-	-	-	-	116,132
Intergovernmental receivable	79,884	146,419	-	-	-	226,303
Receivables (net)	124,420	-	-	-	4,339	128,759
Prepaid expenditures	107,365	-	-	-	-	107,365
Due from other funds	1,191	-	204,326	323,917	-	529,434
Total Assets	3,160,267	3,116,905	204,326	1,202,190	4,389	7,688,077
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 3,160,267	$ 3,116,905	$ 204,326	$ 1,202,190	$ 4,389	$ 7,688,077
Liabilities						
Accounts payable	$ 33,398	$ 354,724	$ -	$ -	$ 4,339	$ 392,461
Retainage payable	44,032	-	-	-	-	44,032
Accrued expenses	34,606	-	-	-	-	34,606
Due to other funds	204,326	323,917	-	-	-	528,243
Amounts held in trust	800	-	-	-	-	800
Unearned revenue	52,635	-	-	-	-	52,635
Total Liabilities	369,797	678,641	-	-	4,339	1,052,777
Deferred Inflows of Resources	70,769	-	-	-	-	70,769
Total Liabilities and Deferred Inflows of Resources	440,566	678,641	-	-	4,339	1,123,546
Fund Balances						
Nonspendable:						
Prepaid expenditures	107,365	-	-	-	-	107,365
Restricted for:						
Capital projects	-	2,438,264	-	-	-	2,438,264
Law enforcement	39,380	-	-	-	-	39,380
Tourism	-	-	-	-	50	50
Housing and development	-	-	204,326	-	-	204,326
Committed for:						
Capital outlay	-	-	-	1,202,190	-	1,202,190
Unassigned	2,572,956	-	-	-	-	2,572,956
Total Fund Balances	2,719,701	2,438,264	204,326	1,202,190	50	6,564,531
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,160,267	$ 3,116,905	$ 204,326	$ 1,202,190	$ 4,389	$ 7,688,077

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

CITY OF FLOWERY BRANCH, GEORGIA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Governmental Fund Balances		$ 6,564,531
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	16,486,932	
Less: Accumulated depreciation	(2,535,272)	
Total capital assets		13,951,660
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued compensated absences not reported in governmental funds		(97,473)
Notes payable		(763,102)
Contracts payable		(3,731,030)
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.		70,769
Pension items not included in fund financial statements.		
Deferred outflows of resources		83,071
Deferred inflows of resources		(8,874)
Net pension liability		(463,312)
Net Position of Governmental Activities		$ 15,606,240

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, 2017

	General Fund	Capital Projects Fund	Tax Allocation District Fund	Local Resources Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property tax	$ 1,105,604	$ -	$ -	$ -	$ -	$ 1,105,604
Sales tax	896,145	-	-	-	-	896,145
Business tax	471,537	-	-	-	-	471,537
Franchise tax	431,640	-	-	-	-	431,640
Excise tax	250,160	-	-	-	-	250,160
Hotel/Motel tax	76,095	-	-	-	50,730	126,825
Other taxes	-	-	69,396	-	-	69,396
Intergovernmental	12,982	825,377	-	62,611	-	900,970
Licenses and permits	347,941	-	-	-	-	347,941
Fines and forfeitures	353,895	-	-	-	-	353,895
Charges for services	39,504	-	-	-	-	39,504
Contributions	7,159	-	-	-	-	7,159
Interest	10,941	1,175	-	578	-	12,694
Miscellaneous	47,466	-	-	-		47,466
Total Revenue	4,051,069	826,552	69,396	63,189	50,730	5,060,936
Expenditures						
Current:						
General government	903,779	-	-	-	-	903,779
Judicial	150,300	-	-	-	-	150,300
Public safety	1,059,980	-	-	-	-	1,059,980
Public works	561,434	-	-	33,133	-	594,567
Recreation and culture	31,700	-	-	-	-	31,700
Housing and development	343,404	-	40,576	-	50,730	434,710
Debt Service:						
Interest Expenditure	-	87,375	-	7,088	-	94,463
Principal retirement	-	268,970	-	186,898	-	455,868
Capital Outlay	-	1,992,284	-	234,287	-	2,226,571
Total Expenditures	3,050,597	2,348,629	40,576	461,406	50,730	5,951,938
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,000,472	(1,522,077)	28,820	(398,217)	-	(891,002)
Other Financing Sources (Uses)						
Transfers in	174	-	39,627	1,141,245	-	1,181,046
Transfers out	(1,180,872)	(597,224)	-	-	(174)	(1,778,270)
Proceeds from sale of assets	5,048	-	-	-	-	5,048
Proceeds from the issuance of debt	-	4,000,000	-	-	-	4,000,000
Total Other Financing Sources (Uses)	(1,175,650)	3,402,776	39,627	1,141,245	(174)	3,407,824
Net Change in Fund Balances	(175,178)	1,880,699	68,447	743,028	(174)	2,516,822
Fund Balances Beginning of Year	2,894,879	557,565	135,879	459,162	224	4,047,709
Fund Balances End of Year	$ 2,719,701	$ 2,438,264	$ 204,326	$ 1,202,190	$ 50	$ 6,564,531

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, 2017

Net Changes in Fund Balances-Total Governmental Funds		$ 2,516,822
Amounts reported as governmental activities in the Statement of Activities are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:		
Capital outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.		
Capital outlay	2,339,029	
Less: Current year depreciation	(290,727)	
		2,048,302
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.		(3,544,132)
Net pension liability is not available during the current period and therefore is not reported in the funds.		
End of Year	(463,312)	
Beginning of Year	455,281	
		(8,031)
Contributions made after pension measurement date, changes in assumptions, and differences in expected and actual results of the defined benefit pension plan are reported as deferred outflows and not reported in the funds.		
End of Year	83,071	
Beginning of Year	(78,783)	
		4,288
Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absence liability at June 30, 2016	66,721	
Compensated absence liability at June 30, 2017	(97,473)	
		(30,752)
Deferred inflows of resources related to pensions are applicable to future periods and therefore are not reported in the funds.		
End of Year	(8,874)	
Beginning of Year	-	
		(8,874)
Revenues from donated assets in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		277,524
Because some revenues will not be collected for several months after the City's fiscal year end, they are considered "available" revenues and are deferred in the governmental funds.		
Deferred revenue at June 30, 2016	(47,483)	
Deferred revenue at June 30, 2017	70,769	
		23,286
Change in Net Position of Governmental Activities		$ 1,278,433

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

CITY OF FLOWERY BRANCH, GEORGIA

Statement of Net Position
Proprietary Funds
June 30, 2017

	Water and Sewer
Current Assets	
Cash and cash equivalents	$ 2,680,374
Restricted cash and cash equivalents	1,139,625
Accounts receivable (net)	166,521
Due from other governments	7,589
Accrued revenue	73,604
Total Current Assets	4,067,713
Noncurrent Assets	
Capital assets	
Non-depreciable	1,230,819
Depreciable, net	10,339,922
Total Noncurrent Assets	11,570,741
Total Assets	15,638,454
Deferred Outflows of Resources	78,025
Total Assets and Deferred Outflows of Resources	15,716,479
Liabilities	
Current Liabilities	
Accounts payable	564,696
Accrued expenses	26,966
Due to other funds	1,191
Customer deposits	145,401
Intergovernmental loan	66,373
Revenue bonds payable	253,000
Total Current Liabilities	1,057,627
Long-term Liabilities	
Net pension liability	162,785
Intergovernmental loan	1,368,175
Revenue bonds payable	2,257,000
Compensated absences	41,025
Unearned revenue	623,639
Total Long-term Liabilities	4,452,624
Total Liabilities	5,510,251
Deferred Inflows of Resources	3,118
Total Liabilities and Deferred Inflows of Resources	5,513,369
Net Position	
Net investment in capital assets	7,626,193
Unrestricted	2,576,917
Total Net Position	$ 10,203,110

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

CITY OF FLOWERY BRANCH, GEORGIA

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	Water and Sewer
Operating Revenue	
Charges for services	$ 1,906,561
Tap-on fees	759,443
Miscellaneous income	139
Total Operating Revenue	2,666,143
Operating Expenses	
Personnel services:	
Salaries and wages	486,821
Employment Taxes	34,746
Benefits	141,744
Total Personnel Services	663,311
Purchased / contracted services:	
Professional and technical	15,091
Other purchased services	6,296
Total Purchased / contracted services	21,387
Other operating expenses:	
Purchased water	389
Supplies	206,514
Repairs and maintenance	127,271
Utilities	237,753
Engineering, lab fees and training	41,559
Depreciation	330,774
Bad debts	86,060
Miscellaneous	6,994
Total Other Operating Expenses	1,037,314
Total Operating Expenses	1,722,012
Operating Income (Loss)	944,131
Nonoperating Revenues (Expenses)	
Interest income	9,888
Interest expense	(87,457)
Total Nonoperating Revenues and (Expenses)	(77,569)
Income (Loss) Before Contributions and Transfers	866,562
Transfer in	597,224
Change in Net Position	1,463,786
Net Position Beginning of Year	9,095,064
Prior Period Adjustment	(355,740)
Net position-beginning, as restated	8,739,324
Net Position End of Year	$ 10,203,110

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, 2017

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	$ 2,171,875
Payments to suppliers	(665,084)
Payments to employees	(633,283)
Net cash provided (used) by operating activities	873,508
Cash flows from capital and related financing activities:	
Transfer from other funds	597,224
Acquisition and construction of capital assets	(597,224)
Debt payments, principal and interest	(399,909)
Net cash provided (used) by capital and related financing activities	(399,909)
Cash flows from investing activities:	
Interest income	9,888
Net cash provided (used) by investing activities	9,888
Net increase (decrease) in cash and cash equivalents	483,487
Cash and cash equivalents, June 30, 2016	3,336,512
Cash and cash equivalents, June 30, 2017	$ 3,819,999
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 944,131
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	330,774
Prior Period Adjustment	(355,740)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable and accrued revenue	(7,595)
(Increase) decrease in deferred outflows of resources	4,238
(Increase) decrease in deferred inflows of resources	3,118
(Increase) decrease in due from other funds	36,943
Increase (decrease) in due to other funds	(710)
Increase (decrease) in accounts and retainage payable	330,115
Increase (decrease) in accrued expenses	5,673
Increase (decrease) in compensated absences	17,295
Increase (decrease) in deferred revenue	(448,856)
Increase (decrease) in customer deposits	11,300
Increase (decrease) in net pension liability	2,822
Net cash provided (used) by operating activities	$ 873,508

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, a 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. Currently the Development Authority is an inactive entity with no activity in the current year.

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 Position and the Statement of Activities) 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 proprietary fund are reported as separate columns in the fund financial statements.

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.

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

Local Resource Fund. This fund is used for capital purchases purposes, as approved by the City Council.

Tax Allocation District (TAD) Fund. This is a special revenue fund which accounts for the tax allocation district revenue and expenses.

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. The grant fund was inactivated and closed during fiscal year 2017.

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

The City reports the following major proprietary fund:

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

1-C Fund Equity

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

Fund Balance - Generally fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City 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 contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City 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 City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

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

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

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

Committed
Assigned
Unassigned

Net position - Net position represents the difference between assets and liabilities. 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 City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted as described in the fund balance section above. All other net position are reported as unrestricted.

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

Enterprise 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.

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Basis of Accounting - Measurement Focus

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund 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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances” and eliminated on the Statement of Position.

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 sixty days after year end. 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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. 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.

1-D Assets, Liabilities, and Equity

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 to be cash equivalents. 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, 2017, the City had no investments nor were any authorized.

Restricted Assets

These assets are held in the capital projects 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.) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund 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.

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 proprietary fund resulting from the sale of water and sewer services. Balances due in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, which was $246,722 at June 30, 2017. The collection rate for property taxes in the General Fund is in excess of 99%, consequently the City has chosen to estimate the uncollectible property tax accounts based on specific accounts that it deems to be uncollectible as of June 30, 2017.

Property Tax Calendar

The City set its millage rate for the 2016/2017 fiscal year on June 17, 2016 at 3.264 mills. Property tax bills were mailed on September 30, 2016 and were due December 31, 2016. Penalties and interest are due on all accounts not paid by the due date. Fifa's on delinquent tax accounts could be filed no earlier than April 2, 2017.

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 & Equipment	5-20	5-20
Vehicles	5	5

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.

Compensated Absences

General leave for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours outlined in the employee policy manual.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section of 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. Currently, the City has one resource that qualifies as deferred outflows in its governmental activities. This resource is its deferred charge in pension expense related to the defined benefit pension plan. The City has two resources that qualify as deferred outflows in its proprietary funds. These resources are its deferred charge in pension expense related to the defined benefit pension plan and a deferred charge on refunding. 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. The amortization is part of the interest expense for the year. The deferred charge in pension expense represents contributions made into the defined benefit pension plan after the measurement date. These contributions will be recognized as pension expense in the next physical year.

In addition to liabilities, the statement of financial position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies as deferred inflows in its governmental activities. This resource is its experienced gains in its defined benefit pension plan.

In addition to liabilities, the statement of financial position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. These items only arises under the modified accrual basis of accounting. Accordingly, the items, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines.

NOTE 2. 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 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, 2017, all bank deposits were insured or fully collateralized.

NOTE 3. LITIGATION

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

NOTE 4. RECEIVABLES

The following is a summary of amounts due from others at June 30, 2017:

Governmental Funds:			
Property taxes receivable - net	$	21,918	
Hotel Motel taxes receivable		4,339	
Fines receivables - net		38,809	
Due from other government - SPLOST		146,419	
Due from other government - LOST		79,884	
Other receivables - net		63,693	Franchise tax, excise tax, property tax for tax allocation district
Total Governmental Receivables:	$	355,062	
Business-type Funds:			
Accounts receivable - net	$	166,521	
Due from other governments - rebates		7,589	
Total Business-type Receivables:	$	174,110	

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance as of June 30, 2016	Additions	Reductions	Balance as of June 30, 2017	Due Within One Year
Governmental Activities:					
Contract payable	$ -	$ 4,000,000	$ (268,970)	$ 3,731,030	$ -
Note Payable	950,000	-	(186,898)	763,102	188,436
Compensated Absences	66,721	81,654	(50,902)	97,473	-
Net Pension Liability	455,281	8,031	-	463,312	-
Total governmental activities	$ 1,472,002	$ 4,089,685	$ (506,770)	$ 5,054,917	$ 188,436
Business-Type Activities:					
Revenue Bonds	$ 2,757,000	$ -	$ (247,000)	$ 2,510,000	$ 253,000
Intergovernmental loan	1,500,000	-	(65,452)	1,434,548	66,373
Unearned Revenue	1,072,495	-	(448,856)	623,639	-
Compensated Absences	23,730	39,775	(22,480)	41,025	-
Net Pension Liability	159,963	2,822	-	162,785	-
Total business-type activities	$ 5,513,188	$ 42,597	$ (783,788)	$ 4,771,997	$ 319,373

Deferred amounts on the City's bond refunding (which are reported as deferred outflows of resources), at June 30, 2017 are summarized as follows:

	Balance as of June 30, 2016	Additions	Reductions	Balance as of June 30, 2017
Proprietary Funds				
Water and Sewer Fund				
Deferred Charge on refunding	$ 54,582	$ -	$ (5,745)	$ 48,837

Compensated absences and net pension obligation obligations are generally liquidated by the general fund.

GOVERNMENTAL ACTIVITIES

Note Payable

In November 2015, the City entered into a loan agreement with Georgia Transportation Infrastructure Bank (GTIB), by and through the State Road and Tollway Authority. These funds were used to finance the Lights Ferry Road transportation project which was completed in 2016. Interest in the amount of $7,088 was included in interest expense during 2017.

As of June 30, 2017, the total outstanding debt was $763,102 in principal. The loan bears an interest rate of 0.82% amortized monthly, with payments of $16,166 beginning August 1, 2016, with a maturity date of July 1, 2021.

The annual requirements to amortize note payable for governmental activities outstanding as of June 30, 2017 are as follows:

June 30	Principal	Interest
2018	$ 188,436	$ 5,551
2019	189,987	3,999
2020	191,551	2,436
2021	193,128	859
	$ 763,102	$ 12,845

Contract Payable

On August 18, 2016, the City entered into a contract payable with Gainesville and Hall County Development Authority to issue $4,000,000 in tax exempt revenue bonds, series 2016 in the amount of $4,000,000. The bonds bear an interest rate of 1.56% per annum, with semi-annual interest payments beginning January 5, 2017 and annual principal payments beginning July 5, 2017, with a maturity date of July 5, 2029. These funds were used to finance the construction of the new city hall. The City is responsible for all of the principal and interest payments. Interest in the amount of $54,947 was included in interest expense during 2017. As of June 30, 2017, the project has not been completed. As of June 30, 2017, the total outstanding debt was $3,731,030 in principal. The first annual installment payment due on July 5, 2017 (fiscal year 2018) was paid by the City in June 2017. As a result, there is no payment due in fiscal year 2018.

The annual requirements to amortize the contract payable for governmental activities outstanding as of June 30, 2017 is as follows:

June 30	Principal	Interest
2018	$ -	$ -
2019	274,915	58,950
2020	280,990	54,607
2021	287,200	50,167
2022	293,547	45,629
2023-2027	1,567,964	156,491
2028-2030	1,026,414	32,670
	$ 3,731,030	$ 398,514

BUSINESS-TYPE ACTIVITIES

Revenue Bond, Series 2014 (Water & Sewer Fund)

In October 2014, the City funded the repayment of $2,860,078 of its Series 2004 Water and Sewer Revenue Bonds with the issuance of $2,990,000 of Series 2014 Water and Sewerage Revenue Bond. The reacquisition price exceeded the net carrying amount of the old debt in the amount of $63,200 which is included in deferred outflows of resources and is amortized over the term of the new bond using the straight-line method. During 2017, $5,745 was amortized and include in interest expense. The initial proceeds of $5,060,000 from the issuance of the 2004 Bonds were for additions to and improvements of the water and sewerage system which has an historical cost of $4,303,813 and accumulated depreciation of $1,210,447. The refunding was undertaken to reduce the interest rate. The Series 2014 Water and Sewerage Revenue Bonds carry an interest rate of 2.38%. Interest in the amount of $61,208 was included in interest expense during 2017.

The annual requirements to amortize the revenue bonds for business-type activities are estimated as follows:

June 30	Principal	Interest
2018	$ 253,000	$ 55,222
2019	259,000	49,093
2020	266,000	42,804
2021	272,000	36,366
2022	278,000	29,786
2023-2026	1,182,000	50,063
	$ 2,510,000	$ 263,334

Intergovernmental Loan

In August 2014, the Enterprise Funds of the City entered into a $1,500,000 loan agreement with the Georgia Environmental Facilities Authority (GEFA). These funds were used to finance the diversion of sewerage flows from the Cinnamon Cove complex to the City's existing wastewater treatment plant. Interest in the amount of $20,504 was included in interest expense during 2017.

As of June 30, 2017, the total outstanding debt was $1,434,548 in principal. The loan bears an interest rate of 1.4% amortized monthly, with payments of $7,169 beginning on July 1, 2016, with a maturity date of June 1, 2036.

The annual requirements to amortize the note payable for business-type activities are estimated as follows:

June 30	Principal	Interest
2018	$ 66,373	$ 19,655
2019	67,309	18,719
2020	68,257	17,771
2021	69,220	16,808
2022	70,194	15,834
2023-2027	366,091	64,049
2028-2032	392,619	37,521
2033-2036	334,485	9,627
	$ 1,434,548	$ 199,984

NOTE 6. RISK MANAGEMENT

The City purchased general liability insurance from One Beacon Insurance Company. The City's policy starts May 1st and ends April 30th of each year. The premium for the year ending June 30, 2017 was $83,266. 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 2017 was $70,090. As part of this risk pool, the Government is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the 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 fund. The fund is to defend and protect the members of the fund 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. 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.

NOTE 7. UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES

As of June 30, 2017, deferred inflows of resources and unearned revenue consisted of the following:

Governmental Activities:	
Deferred inflows of resources	
Defined benefit retirement plan - See Note 15	$ 8,874
Total deferred inflows of resources - governmental activities	$ 8,874
Business-type Activities	
Deferred inflows of resources	
Defined benefit retirement plan - See Note 15	$ 3,118
Total deferred inflows of resources - businesss-type activities	$ 3,118
Total Deferred Inflows of Resources - Government-wide	$ 11,992

Governmental Fund Financial Statements:

Deferred inflows of resources			
Fines	$	50,840	Non-exchange transaction considered to be a resource
Property Taxes		19,929	collected beyond the City's period of availability.
Total deferred inflows of resources	$	70,769	

Government-wide and Proprietary Fund Financial Statements:

Unearned revenue - Deposits to reserve sewage plant capacity	$	623,639	An exchange-like transaction to be considered as revenue upon the actual sale of connection permits.

Government-wide and Governmental Fund Financial Statements:

Unearned revenue - Business Licenses	$	52,635	An exchange transaction considered to be fees collected in advance of the period to which they apply.

NOTE 8. DEFERRED OUTFLOWS OF RESOURCES

As of June 30, 2017, deferred outflows of resources consisted of the following:

Governmental Activities:		
Deferred outflows of resources		
Defined benefit retirement plan - See Note 15	$	83,071
Total deferred outflows of resources - governmental activities	$	83,071
Business-type Activities		
Deferred outflows of resources		
Deferred charge on refunding - See Note 5	$	48,837
Defined benefit retirement plan - See Note 15		29,188
Total deferred outflows of resources - businesss-type activities	$	78,025
Total Deferred Outflows of Resources - Government-wide	$	161,096

NOTE 9. BUDGETS

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

Department	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Variance with Final Budget Over (Under)
General Fund			
General Government	$ 985,239	$ 903,779	$ (81,460)
Judicial	$ 155,588	$ 150,300	$ (5,288)
Public Safety	$ 1,088,719	$ 1,059,980	$ (28,739)
Public Works	$ 578,473	$ 561,434	$ (17,039)
Recreation & Culture	$ 49,810	$ 31,700	$ (18,110)
Housing & development	$ 384,438	$ 343,404	$ (41,034)
Transfers Out	$ 1,197,245	$ 1,180,872	$ (16,373)
Tax Allocation District Fund	$ 150,000	$ 40,576	$ (109,424)
Local Resources Fund	$ 1,631,897	$ 461,406	$ (1,170,491)
Hotel/Motel Tax Fund	$ 51,000	$ 50,730	$ (270)

The legal level of control for this government is at the department level, which is the basis for the Budgetary Comparison Schedule. The City did not approve a formal budget for the grant fund, and there were no expenditures for this fund.

NOTE 10. HOTEL/MOTEL TAX

In the fiscal year ending June 30, 2017, the City was levying a hotel/motel tax at the rate of 5%. During the year ending June 30, 2017, the City collected $50,730 in taxes and has contractually committed to the Lake Lanier Convention and Visitors Bureau for the expenditure of $50,730 which brings the City into full compliance with state law.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund 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.

The composition of the interfund balances as of June 30, 2017 is as follows:

	Due From:			
Due To:	General Fund	Capital Projects Fund	Water and Sewer	Total
General Fund	$ -	$ -	$ 1,191	$ 1,191
Tax Allocation District Fund	204,326	-	-	204,326
Local Resources Fund	-	323,917	-	323,917
	$ 204,326	$ 323,917	$ 1,191	$ 529,434

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 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) provide unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2017 are as follows:

	Transfer From:			
Transfer To:	General Fund	Capital Projects Fund	Grant Fund	Total
General Fund	$ -	$ -	$ 174	$ 174
Tax Allocation District Fund	39,627	-	-	39,627
Local Resources Fund	1,141,245	-	-	1,141,245
Water and Sewer	-	597,224	-	597,224
	$ 1,180,872	$ 597,224	$ 174	$ 1,778,270

NOTE 12. 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 Commission and is required to pay annual dues thereto. During the fiscal year ended June 30, 2017, the City paid $7,024 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The Commission's 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 the Commission. Separate financial statements may be obtained from:

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

NOTE 13. SERIES 2014 REVENUE BOND COVENANTS

The terms and conditions of the Series 2014 bond resolution have been examined for the fiscal year ending June 30, 2017. The City is in compliance with all covenants.

NOTE 14. CAPITAL ASSETS

	Beginning Balance 7/1/2016	Additions	Retirements	Reclassifications	Ending Balance 6/30/2017
Primary Government:					
Governmental Activities:					
Non-Depreciable Assets:					
Land	$ 1,236,450	$ 347,331	$ -	$ -	$ 1,583,781
Construction in Progress	326,490	2,163,592	-	-	2,490,082
Total non-depreciable capital assets	1,562,940	2,510,923	-	-	4,073,863
Depreciable Assets:					
Buildings & Improvements	1,143,979	-	-	-	1,143,979
Machinery & Equipment	875,937	105,630	30,400	-	951,167
Infrastructure	10,317,923	-	-	-	10,317,923
Total depreciable capital assets	12,337,839	105,630	30,400	-	12,413,069
Accumulated Depreciation:					
Buildings & Improvements	426,176	18,995	-	-	445,171
Machinery & Equipment	684,734	65,374	30,400	-	719,708
Infrastructure	1,164,035	206,358		-	1,370,393
Total accumulated depreciation	2,274,945	290,727	30,400	-	2,535,272
Total depreciable capital assets, net	10,062,894	(185,097)	-	-	9,877,797
Governmental activities capital assets, net	$ 11,625,834	$ 2,325,826	$ -	$ -	$ 13,951,660
Business-type Activities:					
Non-Depreciable Assets:					
Land	$ 553,200	$ -	$ -	$ -	$ 553,200
Construction in Progress	80,395	597,224	-	-	677,619
Total non-depreciable capital assets	633,595	597,224	-	-	1,230,819
Depreciable Assets:					
Buildings & Improvements	3,472,010	-	-	-	3,472,010
Machinery & Equipment	5,547,067	-	-	-	5,547,067
Infrastructure	6,076,800	-	-	-	6,076,800
Total depreciable capital assets	15,095,877	-	-	-	15,095,877
Accumulated Depreciation:					
Buildings & Improvements	1,278,292	69,678	-	-	1,347,970
Machinery & Equipment	1,994,878	129,969	-	-	2,124,847
Infrastructure	1,152,011	131,127	-	-	1,283,138
Total accumulated depreciation	4,425,181	330,774	-	-	4,755,955
Total depreciable capital assets, net	10,670,696	(330,774)	-	-	10,339,922
Business-type activities capital assets, net	$ 11,304,291	$ 266,450	$ -	$ -	$ 11,570,741

Depreciation expense was charged for the following functions:

Governmental Activities:		
General Government	$	12,998
Public Safety		52,000
Public Works		221,282
Health & Welfare		3,912
Housing & Development		535
Total depreciation expense - governmental activities	$	290,727
Business-type Activities:		
Water and Sewer	$	330,774
Total depreciation expense - business-type activities	$	330,774

NOTE 15. RETIREMENT PLAN

Deferred Compensation Plan

The City has an agreement with the City Manager to contribute 8% of his annual salary into a Deferred Compensation Plan, a defined contribution plan sponsored by the City. The plan holds its assets in a separate trust invested in annuity contracts in the name of the participant and consequently is not reported on the City's financial statements. As sponsor of the plan, the City may amend the plan at its discretion. For the year ending June 30, 2017, the employer contributed $7,299**.**

Defined Benefit Retirement Plan

Plan Description

Beginning on November 1, 2015, the Georgia Municipal Employees Benefit System (GMEBS) administers an agent multiple-employer defined benefit pension plan, the City of Flowery Branch Retirement Plan as defined in the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Under the GMEBS Retirement Fund, the contributions made by the City of Flowery Branch, Georgia are commingled with contributions made by other participants of the GMEBS Retirement Fund for investment purposes. The plan was effective on November 1, 2014.

The Board of Trustees of the Georgia Municipal Employees Benefit System (GMEBS) is authorized to amend the "Plan" documents pursuant to a formally adopted resolution. The adoption agreements, executed by the City Council, establish the specific benefit provisions of the Defined Benefit Plan and may be amended by a formally adopted resolution by the City Council and approved by the Plan Board of Trustees. The Plan provides for benefits upon retirement, death, disablement, and termination of employment. The pension plan's financial report is included in the report of the Georgia Municipal Employees Benefit System.

A copy of the Pension Plan financial reports can be obtained from:

Georgia Municipal Association
201 Pryor Street, NW
Atlanta, Ga. 30303-3606

Employee membership data related to the Plan, as of June 30, 2017 was as follows:

Active employees 37

Funding Policy

The City is required to contribute an actuarially determined amount annually to the Plan's trust. The Contribution amount is determined using actuarial methods and assumptions provided for by the adoption agreement and intended to satisfy the minimum

contribution requirements set forth in controlling State of Georgia statutes. The City's retirement plan is subject to minimum funding standards of the Public Retirement Systems Standard Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards $147,430. The minimum contribution amount is determined as the sum of the normal cost (including administrative expenses), the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization surplus, and interest on these amounts from the valuation date to the date contributions are paid. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contributions to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

Recommended Contribution

	Year Beginning	
	January 1, 2017	January 1, 2016
Total Benefit Normal Cost	$ 111,749	$ 101,417
Administrative Expenses	$ 5,934	$ 5,843
Expected Employee Contributions	$ -	$ -
Employer Normal Cost	$ 117,683	$ 107,260
Actuarial Accrued Liability at Valuation Date	$ 664,088	$ 527,110
Actuarial Value of Assets at Valuation Date	$ 258,668	$ 112,310
Underfunded/(Surplus) Actuarial Accrued Liability	$ 405,420	$ 414,800
Payment on Unfunded/(Surplus) Actuarial Accrued Liability	$ 34,047	$ 34,662
Full Funding Credit	$ -	$ -
Recommended Mid-Year Contribution at Valuation Date	$ 151,730	$ 141,922
Adjustment to Fiscal Year (Begins July 1, 2016)	$ 5,770	$ 5,397
Total Recommended Mid-Year Contribution, For Fiscal Year	$ 157,500	$ 147,319
Recommended Contribution As A Percentage Of Expected Payroll	9.58%	9.26%

Summary of Plan Provisions

Employer	City of Flowery Branch
Social Security	No
Participant Contribution	No
Original Effective Date	11/1/2014
Eligibility Requirements	Employees: No waiting period (must not exceed 40 hours) Officials: Not participating
Normal Retirement Age	65+5
Early Retirement	55+10
Benefit Formula	2.00%
Official's Benefits	None
Vesting	5 years
Death Benefits	Automatic Option A – immediate participation Term vest Auto A death benefit
Disability Minimum	None
Cost-of-Living	None
Other	Participants who are employed as of 11-1-14 will be entitled to receive up to 5 years of credit at no cost, which will be counted for all purposes. 3-Year Final Average Earnings No changes in plan features since last valuation.

The following chart shows the historical funding information. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Funding History

Actuarial Valuation Date	January 1, 2017
Actuarial Value of Assets (a)	$ 258,668
Actuarial Accrued Liability (b)	$ 664,088
Underfunded/(Surplus) (b) - (a)	$ 405,420
Funded Ratio (a) / (b)	38.95%
Covered Payroll	$ 1,618,606
Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	25.05%

Actuarial Cost Method. Entry Age Method.

Amortization Method. Closed level dollar for remaining underfunded liability.

Asset Valuation Method. Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation date was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Net Investment Rate of Return	7.75% (on-going basis)
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%

The mortality and economic actuarial assumptions used in the January 1, 2017 valuation were approved by the Board in December, 214 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 conducted by Segal. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be review periodically and updated if necessary.

Mortality Rates

Healthy:	RP-2000 Combined Health Mortality Table with sex-distinct rates, set forward two years for male and one year for females
Disabled:	RP-2000 Diabled Retiree Mortality Table with sex-distinct rates
Plan termination basis (all lives):	1994 Group Annuity Reserving Unisex Table

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.75%
International Equity	20%	7.45%
Real Estate	10%	4.55%
Global Fixed Income	5%	3.30%
Domestic Fixed Income	20%	1.75%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that City contributions will be made at equal rates to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. At June 30, 2017, the City reported a net pension liability. The amount recognized by the City were as follows:

City's Net Pension Liability:	
Governmental activities	$ 463,312
Business-type activities	162,785
Total Net Pension Liability	$ 626,097

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	Net Pension Liability
1% Decrease	6.75%	$768,547
Current Discount Rate	7.75%	$626,097
1% Increase	8.75%	$508,884

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

Changes in the City's net pension liability for the year ended September 30, 2016 were as follows:

Changes in the Net Pension Liability

	Total Pension Liability (TPL) (a)	Plan Net Position (FNP) (b)	Net Pension Liability (NPL) (a)-(b)
Balances at September 30, 2015	727,554	112,310	615,244
			-
Changes for the Year:			
Service Cost	$ 118,625	$ -	$ 118,625
Interest Expense	56,385	-	56,385
Benefit Changes (Changes of benefit terms)	(13,494)	-	(13,494)
Experience Losses (gains)	-	-	-
(Amortized over avg remain svc period of actives & inactives)			
Changes of Assumptions	-	-	-
Contributions - Employer/Nonemployer	-	135,830	(135,830)
Contributions - Employee	-	-	-
Contributions - State	-	-	-
Other Changes - Contribution timing differences	-	-	-
Net Investment Income	-	18,604	(18,604)
Expected Return on Plan Investments	-	-	-
Amortized Portion of Current-period	-	-	-
Differences between Actual			
and Expected Returns on Plan Investments	-	-	-
Refunds of Contributions	-	-	-
Benefits Paid	-	-	-
Plan Administrative Expenses	-	(3,771)	3,771
Contributions for Specific Liabilities	-	-	-
Other Changes	-		-
Amortization of or Change in Beginning Balances of Deferred Outflow	-	-	-
NET CHANGES:	**$ 889,070**	**$ 262,973**	**$ 626,097**
Balances at September 30, 2016	**$ 889,070**	**$ 262,973**	**$ 626,097**

Pension Expense for the Year Ended June 30, 2017

Service Cost	$ 118,625
Interest on TPL	56,385
Employee Contributions	-
Administrative Expenses	3,771
Expected Return on Assets	(13,821)
Expensed Portion of Current Year Period Differences Between Expected And Actual Experience in TPL	(1,502)
Expensed Portion of Current Year Period Assumption Changes	-
Current Year Plan Changes	-
Expensed Portion of Current Year Period Differences Between Projected and Actual Investment Earnings	-
	(955)
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	1,866
Total Pension Expense	$ 164,369

For the year ended June 30, 2017, the City of Flowery Branch recognized pension expense of $164,369.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected And Actual Experience	$ -	$ (11,992)
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,770	-
City Contributions Subsequent to the Measurement Date	110,489	-
Total	$ 112,259	$ (11,992)

The $110,489 of deferred outflow of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The deferred outflow of resources are reported on the Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities	Total
Difference Between Projected & Actual Earnings on Pension Plan Investments	$ 1,310	$ 460	$ 1,770
Difference Between Expected & Actual Experience	$ (8,874)	$ (3,118)	$ (11,992)
Employer Contributions Oct 1, 2016 - June 30, 2017	$ 81,762	$ 28,727	$ 110,489

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the pension expense as follows:

Projected Recognition of Deferred Outflows/ (Inflows)

	Year Established	Outstanding Balance at July 1, 2016	Amount recognized During FYE June 30, 2017	Outstanding Balance at June 30, 2017	Deferred Outflows/(Inflows) Recognized in Future Years 2018	2019	2020	2021	2022	2023 and thereafter
Fiscal Year Outflows										
Investment	2016	7,464	1,866	5,598	1,866	1,866	1,866	1,866	-	-
Total Outflows		$ 7,464	$ 1,866	$ 5,598	$ 1,866	$ 1,866	$ 1,866	$ 1,866	$ -	$ -
Fiscal Year Inflows										
Investment	2017	(13,494)	(1,502)	(11,992)	(1,499)	(1,499)	(1,499)	(1,499)	(1,499)	(4,497)
Demographic	2017	(4,783)	(955)	(3,828)	(957)	(957)	(957)	(957)	-	-
Total Inflows		$ (18,277)	$ (2,457)	$ (15,820)	$ (2,456)	$(2,456)	$(2,456)	$(2,456)	$(1,499)	$ (4,497)
Total		(10,813)	(591)	(10,222)	(590)	(590)	(590)	(590)	(1,499)	(4,497)

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 22, 2017.

NOTE 17. PRIOR PERIOD ADJUSTMENT

A prior period adjustment to the City's Water/Sewer Fund of $355,740 was recorded to correct the liability due to another party for sewer tap fees collected under the terms of an intergovernmental agreement. The beginning net position of the City's proprietary fund was restated from $9,095,064 to $8,739,324 due to a prior period adjustment.

CITY OF FLOWERY BRANCH, GEORGIA

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Over / (Under)	GAAP Basis	Final Budget
Revenues						
Property tax	$ 1,097,013	$ 1,097,013	$ 1,105,604	$ -	$ 1,105,604	$ 8,591
Sales tax	860,000	860,000	896,145	-	896,145	36,145
Business tax	429,000	429,000	471,537	-	471,537	42,537
Franchise tax	393,500	393,500	431,640	-	431,640	38,140
Excise tax	272,000	272,000	250,160	-	250,160	(21,840)
Hotel/Motel tax	67,000	67,000	76,095	-	76,095	9,095
Intergovernmental	11,100	11,100	12,982	-	12,982	1,882
Licenses and permits	225,300	225,300	347,941	-	347,941	122,641
Fines and forfeitures	411,000	411,000	353,895	-	353,895	(57,105)
Charges for services	20,250	20,250	39,504	-	39,504	19,254
Investment earnings	4,000	4,000	10,941	-	10,941	6,941
Contributions and donations	6,100	6,100	7,159	-	7,159	1,059
Miscellaneous	43,249	43,249	47,466	-	47,466	4,217
Total Revenues	3,839,512	3,839,512	4,051,069	-	4,051,069	211,557
Expenditures						
Current Operating:						
General government	1,068,589	985,239	903,779	-	903,779	(81,460)
Judicial	155,588	155,588	150,300	-	150,300	(5,288)
Public safety	1,088,719	1,088,719	1,059,980	-	1,059,980	(28,739)
Public works	508,573	578,473	561,434	-	561,434	(17,039)
Recreation and culture	49,810	49,810	31,700	-	31,700	(18,110)
Housing and development	370,988	384,438	343,404	-	343,404	(41,034)
Total Expenditures	3,242,267	3,242,267	3,050,597	-	3,050,597	(191,670)
Excess (Deficiency) of Revenues Over (Under) Expenditures	597,245	597,245	1,000,472	-	1,000,472	403,227
Other Financing Sources (Uses)						
Transfers in	600,000	600,000	174	-	174	(599,826)
Transfers out	(1,197,245)	(1,197,245)	(1,180,872)	-	(1,180,872)	16,373
Proceeds from sale of assets	-	-	5,048	-	5,048	5,048
Total Other Financing Sources (Uses)	(597,245)	(597,245)	(1,175,650)	-	(1,175,650)	(578,405)
Net Change in Fund Balances	$ -	$ -	(175,178)	$ -	(175,178)	$ (175,178)
Fund Balance Beginning of Year			2,894,879		2,894,879	
Fund Balance End of Year			$ 2,719,701		$ 2,719,701	

CITY OF FLOWERY BRANCH, GEORGIA

Budgetary Comparison Schedule

Tax Allocation District Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Over / (Under)	GAAP Basis	Final Budget
Revenues						
Other taxes	$ 150,000	$ 150,000	$ 69,396	$ -	$ 69,396	$ (80,604)
Total Revenues	150,000	150,000	69,396	-	69,396	(80,604)
Expenditures						
Current Operating:						
Housing and development	150,000	150,000	40,576	-	40,576	(109,424)
Total Expenditures	150,000	150,000	40,576	-	40,576	(109,424)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	28,820	-	28,820	28,820
Other Financing Sources (Uses)						
Transfers in	-	-	39,627	-	39,627	39,627
Total Other Financing Sources (Uses)	-	-	39,627	-	39,627	39,627
Net Change in Fund Balances	$ -	$ -	68,447	$ -	68,447	$ 68,447
Fund Balance Beginning of Year			135,879		135,879	
Fund Balance End of Year			$ 204,326		$ 204,326	

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 Council 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 Amendments

Amendments to the original budget appropriations were properly approved by the City Council.

Department	Original Budget	Supplemental Appropriations	Supplemental Decreases	Revised Appropriations
General Fund				
General Government	$ 1,068,589	$ -	$ 83,350	$ 985,239
Judical	155,588	-	-	155,588
Public Safety	1,088,719	-	-	1,088,719
Public Works	508,573	69,900	-	578,473
Recreation & Culture	49,810	-	-	49,810
Housing & Development	370,988	13,450	-	384,438
Transfer Out	1,197,245	-	-	1,197,245
Hotel Motel Fund	46,000	5,000	-	51,000
	$ 4,485,512	$ 88,350	$ 83,350	$ 4,490,512

CITY OF FLOWERY BRANCH, GEORGIA
Required Supplementary Information
Defined Benefit Retirement Plan
June 30, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios
City of Flowery Branch Retirement Plan
Last 10 Fiscal Years

	2017	2016
Total Pension Liability		
Service cost	$ 118,625	$ -
Interest	56,385	-
Differences between expected and actual experience	(13,494)	-
Changes of assumptions	-	-
Changes of benefit terms	-	727,554
Benefit payments, including refunds of employee contributions	-	-
Net change in Total Pension Liability	161,516	727,554
Total Pension Liability - Beginning	727,554	-
Total Pension Liability - Ending (a)	$ 889,070	$ 727,554
Plan Fiduciary Net Position		
Contributions - Employer	$ 135,830	$ 121,000
Contributions - Employee	-	-
Net investment income	18,604	(4,794)
Benefit payments, including refunds of employee contributions	-	-
Administrative expense	(3,771)	(3,896)
Other	-	-
Net change in Fiduciary Net Position	150,663	112,310
Plan Fiduciary Net Position - Beginning	112,310	-
Plan Fiduciary Net Position - Ending (b)	$ 262,973	$ 112,310
Net Pension Liability - Ending: (a)-(b)	$ 626,097	$ 615,244
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	29.58%	15.44%
Covered-employee payroll	$1,618,606	$1,566,019
Net Pension Liability as a percentage of covered-employee payroll	38.68%	39.29%

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF FLOWERY BRANCH, GEORGIA
Required Supplementary Information
Defined Benefit Retirement Plan
June 30, 2017

Schedule of Contributions
City of Flowery Branch Retirement Plan
Last 10 Fiscal Years

	2017	2016
Actuarially determined contribution	$ -	$ 131,762
Contributions in relation to the actuarially determined contribution	-	132,000
Contribution deficiency (excess)	-	(238)
Covered-employee payroll	-	1,566,019
Contributions as a percentage of covered-employee payroll		8.43%

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. 2017 information will be determined after fiscal year end and will be in the 2018 valuation report. The actuarially determined contribution is based on benefit study dated April 8, 2014. Contributions in relation to the actuarially determined contribution are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions. 2016 covered payroll is based on data collected as of August 31, 2015 for the 2016 actuarial valuation.

Changes of Assumptions
There have been no change in assumptions in the last two fiscal years.

Benefit Changes
There have been no changes in benefit provisions in the last two fiscal years.

CITY OF FLOWERY BRANCH, GEORGIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Grant Fund	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ -	$ 50	$ 50
Accounts receivable (net)	-	4,339	4,339
Total Assets	-	4,389	4,389
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	-	4,389	4,389
Liabilities			
Accounts payable	$ -	$ 4,339	$ 4,339
Total Liabilities	-	4,339	4,339
Deferred Inflows of Resources	-	-	-
Total Liabilities and Deferred Inflows of Resources	-	4,339	4,339
Fund Balance			
Restricted for:			
Tourism	-	50	50
Total Fund Balance	-	50	50
Total Liabilities, Deferred Inflows and Fund Balance	$ -	$ 4,389	$ 4,389

CITY OF FLOWERY BRANCH, GEORGIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	Grant Fund	Hotel/Motel Tax Fund	Total Nonmajor Governmental Funds
Revenues			
Hotel/Motel tax	$ -	$ 50,730	$ 50,730
Total Revenue	-	50,730	50,730
Expenditures			
Current:			
Housing and development	-	50,730	50,730
Total Expenditures	-	50,730	50,730
Other Financing Sources (Uses)			
Transfers out	(174)	-	(174)
Total Other Financing Sources (Uses)	(174)	-	(174)
Net Change in Fund Balances	(174)	-	(174)
Fund Balances Beginning of Year	174	50	224
Fund Balances End of Year	$ -	$ 50	$ 50

Walker Pierce & Tuck

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Flowery Branch, Georgia's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Flowery Branch, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Flowery Branch, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Flowery Branch, Georgia'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Walker, Pierce & Tuck CPA's P.C.

Walker, Pierce & Tuck CPA's P.C.
Gainesville, Georgia
December 22, 2017

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CITY OF FLOWERY BRANCH, GEORGIA

Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2017

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST VI					
Sewer system facilities	$ 1,300,000	$ 1,300,000	$ 760,333	$ 175,889	$ 936,222
Police vehicles and equipment	200,000	200,000	121,803	-	121,803
Roads and sidewalks	500,000	500,000	305,423	-	305,423
Administrative buildings	500,000	500,000	508,201	-	508,201
Total:	$ 2,500,000	$ 2,500,000	$ 1,695,760	$ 175,889	$ 1,871,649
SPLOST VII					
Sewer system facilities	$ 1,308,000	$ 1,308,000	$ 91,934	$ 421,335	$ 513,269
Police vehicles and equipment	231,000	231,000	31,423	57,419	88,842
Roads and sidewalks	1,113,935	1,113,935	96,450	14,020	110,470
Administrative buildings	1,616,652	1,616,652	-	2,277,190	2,277,190
Total:	$ 4,269,587	$ 4,269,587	$ 219,807	$ 2,769,964	$ 2,989,771

SPLOST VII Current Year Expenditures:

Funds from SPLOST revenue sources	$ 1,433,294
Funds from other revenue sources (bond proceeds)	1,512,559
Total SPLOST Expenditures reported at June 30, 2017	$ 2,945,853