CITY OF PEACHTREE CORNERS, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

Prepared by:
Finance Department

INTRODUCTORY SECTION

CITY OF PEACHTREE CORNERS, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council of the
City of Peachtree Corners, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the general fund of the **City of Peachtree Corners, Georgia** (the "City"), as of the year ended June 30, 2013, 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 discretely presented component unit, and the General Fund, of the City of Peachtree Corners, Georgia as of June 30, 2013, and the respective changes in financial position 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 General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP Basis), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of American 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules are the responsibility of management and was derived from and relates 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 individual fund financial statements and schedules 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 18, 2013, on our consideration of the City of Peachtree Corners, 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 Peachtree Corners, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 18, 2013

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government	Component Unit
	Governmental Activities	Development Authority
ASSETS		
Cash and cash equivalents	$ 3,210,074	$ -
Investments	-	11,508,433
Accounts receivable	146,463	-
Taxes receivable, net of allowance	6,768	-
Due from development authority	260,729	-
Prepaids	3,398	-
Capital assets:		
Depreciable, net of accumulated depreciation	87,421	-
Total assets	3,714,853	11,508,433
LIABILITIES		
Accounts payable	95,813	-
Due to primary government	-	260,729
Accrued liabilities	33,813	54,785
Compensated absences due within one year	27,259	-
Compensated absences due in more than one year	4,197	-
Capital lease due within one year	4,259	-
Capital lease due in more than one year	9,807	-
Notes payable due in more than one year	-	11,500,000
Total liabilities	175,148	11,815,514
NET POSITION		
Net investment in capital assets	73,355	
Unrestricted	3,466,350	(307,081)
Total net position	$ 3,539,705	$ (307,081)

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

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Component Unit: Development Authority
Primary government:						
Governmental activities:						
General government	$ 1,054,211	$ 122,323	$ 128,785	$ -	$ (803,103)	$ -
Housing and development	608,330	201,449	-	-	(406,881)	-
Interest on long-term debt	1,993	-	-	-	(1,993)	-
Total governmental activities	1,664,534	323,772	128,785	-	(1,211,977)	-
Total primary government	$ 1,664,534	$ 323,772	$ 128,785	$ -	(1,211,977)	-
Component Unit:						
Development Authority	$ 307,081	$ -	$ -	$ -	-	(307,081)
	$ 307,081	$ -	$ -	$ -	-	(307,081)
General revenues:						
Property taxes					2,004,463	-
Franchise taxes					361,907	-
Business taxes					2,245,322	-
Other taxes					139,673	-
Interest earned					211	-
Miscellaneous					106	-
Total general revenues					4,751,682	-
Change in net position					3,539,705	(307,081)
Net position, beginning of year					-	-
Net position, end of year					$ 3,539,705	$ (307,081)

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

CITY OF PEACHTREE CORNERS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS		General Fund
Cash and cash equivalents	$	3,210,074
Accounts receivable		146,463
Taxes receivable, net of allowance		6,768
Prepaid items		3,398
Due from component unit		260,729
Total assets	$	3,627,432
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	95,813
Accrued liabilities		33,813
Total liabilities		129,626
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxe		4,025
Total deferred inflows of resource		4,025
FUND BALANCE		
Fund balance:		
Nonspendable:		
Prepaids		3,398
Unassigned		3,490,383
Total fund balance		3,493,781
Total liabilities, deferred inflow of resources and fund balance	$	3,627,432
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balance - total governmental fund	$	3,493,781
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		87,421
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(45,522)
Some revenues are not available in the current period and, therefore, are not reported in the funds.		4,025
Net position of governmental activities	$	3,539,705

The accompanying notes are an integral part of these statements.

CITY OF PEACHTREE CORNERS, GEORGIA

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

	General Fund
Revenues:	
Property taxes	$ 2,000,438
Franchise taxes	361,907
Business taxes	2,245,322
Other taxes	139,673
Licenses and permits	323,772
Intergovernmental	128,785
Interest earned	211
Miscellaneous	106
Total revenues	5,200,214
Expenditures:	
Current:	
General government	1,117,524
Housing and development	600,982
Debt service:	
Principal	332
Interest	1,993
Total expenditures	1,720,831
Excess of revenues over expenditures	3,479,383
Other financing sources:	
Capital lease	14,398
Total other financing sources	14,398
Net change in fund balances	3,493,781
Fund balance, beginning of year	-
Fund balance, end of year	$ 3,493,781

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

CITY OF PEACHTREE CORNERS, 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, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	3,493,781
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		87,421
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		(14,066)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,025
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(31,456)
Change in net position - governmental activities	$	3,539,705

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City, which was incorporated on 2012, operates under a charter adopted July 1, 2012, as a municipal corporation governed by an elected mayor and a six-member council. The government provides such services as code enforcement, building and zoning.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The Downtown Development Authority of the City of Peachtree Corners (the "DDA") has been included as a discretely presented component unit in the accompanying financial statements. A voting majority of the DDA's governing body is appointed by the City. The DDA does not have the power to levy taxes, determine its own aggregate budget without the approval of the City of Peachtree Corners, Georgia. Financial information with regard to the component unit can be obtained from the DDA's administrative offices at 147 Technology Parkway NW, Suite 200, Peachtree Corners, Georgia 30092. Separate financial statements for the DDA are not prepared.

B. Government-wide and Fund Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, franchise taxes, business taxes, and licenses and permits associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

> The **general fund** is the City's operating fund. It accounts for all financial resources of the general government.

D. Budgets

Formal budgetary accounting is employed as a management control device for the general fund of the City. The governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual operating budget is adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund. During the fiscal period ended June 30, 2013, the original budget was not amended.

All unencumbered budget appropriations lapse at the end of each year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

H. Capital Assets

Capital assets, which include machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City will acquire from Gwinnett County and maintain thereafter the infrastructure within its boundaries in January 2014. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Furniture	7 years
Software	7 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of the long-term debt issued as other financing sources and the repayment of debt as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the 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 or contractually required to be maintained intact.

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

- **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. The authority to assign fund balances remains with the City Council.

- **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 balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Flow Assumptions – 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 in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

M. Use of Estimates

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $45,522 difference are as follows:

Capital leases	$	14,066
Compensated absences		31,456
Net adjustment to decrease fund balance - *total governmental funds* to arrive at *net position - governmental activities*	$	45,522

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $87,421 difference are as follows:

Capital outlay	$	91,209
Depreciation expense		(3,788)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive *at change in net position - governmental activities*	$	87,421

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $14,066 difference are as follows:

Issuance of capital lease	$	(14,398)
Principal retirement of long-term debt		332
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	(14,066)

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require the approval of the City Council. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

B. Excess Expenditures Over Appropriations

For the period ended June 30, 2013 expenditures of the Legislative, Protective Inspection Administration, and Planning and Zoning exceeded their appropriations by $47,666, $131,750, and $295,970, respectively. The excess of expenditures over budget were primarily funded by other departments' expenditures being less than budgeted.

NOTE 4. DEPOSITS

As of June 30, 2013, the City has $3,247,251 of cash deposited at financial institutions.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2013, all of the City's bank balances were insured and/or collateralized as defined by State Statutes.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City contracts with Gwinnett County to bill and collect property taxes. The taxes were due in a single installment on October 15 based on the assessed value of property as listed on the previous January 1 and were due 60 days following the billing date each year. Property taxes are recorded as receivables and unavailable revenues when levied as they are intended to fund that fiscal year. Revenues are recognized when available.

Receivables at June 30, 2013, for the City's General Fund, including any applicable allowances for uncollectible accounts are as follows:

	General
Receivables:	
Taxes	$ 10,926
Accounts	146,463
Total receivables	157,389
Less allowance for uncollectible	4,158
Net total receivable	$ 153,231

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Machinery and equipment	-	91,209	-	91,209
Total	-	91,209	-	91,209
Less accumulated depreciation for:				
Machinery and equipment	-	(3,788)	-	(3,788)
Total	-	(3,788)	-	(3,788)
Total capital assets being depreciated, net	-	87,421	-	87,421
Governmental activities capital assets, net	$ -	$ 87,421	$ -	$ 87,421

The total depreciation expense of $3,788 was charged to the City's general government function.

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NOTE 7. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of $500,000 at a local financial institution. The borrowing, with an interest rate of 0.99%, matures on December 31, 2012. As of June 30, 2013, all outstanding principal has been paid in full.

Total short-term borrowings interest incurred and expensed for the year ended June 30, 2013, was $1,843.

The following is a summary of the City's short-term borrowings for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ -	$ 500,000	$ (500,000)	$ -
	$ -	$ 500,000	$ (500,000)	$ -

NOTE 8. LONG-TERM DEBT

A. Primary Government

Capital Lease

In July 2011, the City entered into a capital lease to purchase document retention software through Eclipse, Inc. for $14,398. Monthly payments of $482, including interest at a rate of 12.53% began in June 2013 and will continue through May 2016. The outstanding balance at June 30, 2013 is $14,066.

The total debt service requirements to maturity for the City's capital lease is as follows:

Year Ending June 30,	
2014	$ 5,792
2015	5,782
2016	5,301
Total minimum lease payments	16,875
Less amounts representing interest	(2,809)
Present value of minimum lease payments	$ 14,066

NOTE 8. LONG-TERM DEBT (CONTINUED)

A. Primary Government (Continued)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Captial Lease	$ -	$ 14,398	$ (332)	$ 14,066	$ 4,259
Compensated absences	-	34,961	(3,505)	31,456	27,259
Governmental activity Long-term liabilities	$ -	$ 49,359	$ (3,837)	$ 45,522	$ 31,518

For governmental activities, compensated absences are liquidated by the general fund.

B. Downtown Development Authority of the City of Peachtree Corners

Notes Payable

During May 2013, the Downtown Development Authority of the City of Peachtree Corners ("DDA") entered into an agreement through a financial institution to borrow $11,500,000 for the purchase of land which was to be rezoned and sold as multi-use development projects. The terms of the note were for monthly interest only payments equal to the Wall Street Journal Prime Rate plus .25% floating with a floor of 3.5%. The interest payments are due each month beginning July 1, 2013. Principal is due in one lump sum payment in May 2015. The debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2014	$ -	$ 424,099	$ 424,099
2015	11,500,000	368,835	11,868,835
	$ 11,500,000	$ 792,934	$ 12,292,934

The following is a summary of long-term debt activity of the DDA for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ -	$ 11,500,000	$ -	$ 11,500,000	$ -

NOTE 9. OPERATING LEASES

The leases for the City Hall building and office facilities are under non-cancelable operating leases. Total costs for these leases were $70,254 for the fiscal year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	
2014	$ 113,992
2015	115,850
2016	117,708
2017	119,606
2018	80,478
Total	$ 547,634

NOTE 10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of accounts receivable from the component unit as of June 30, 2013 is as follows:

Receivable Entity	Payable Entity	Amount
General Fund	Development Authority	$ 260,729

The balances above resulted from the City making a loan to the Development Authority to help cover closing costs of the Authority's note payable for the purchase of the land held for resale.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

The government is not a defendant in any lawsuits currently.

The City has entered into several public/private contractual partnerships for outsourced services and operations. Through these contracts with the private companies, an array of operational services is provided via outsourcing. These contracts are operating contracts for which the City is continually monitoring its outsourcing needs as compared to the cost of providing these services in-house. Currently, the cost of these contracts is approximately $930,000 annually. The total is derived from the following contracts CH2M $600,000, Charles Abbot Associates $260,000, TerraMark $50,000, and Sophicity $20,000. The contract with Charles Abbott Associates (CAA) is based on CAA receiving 68% of all building fees collected.

NOTE 12. DEFINED CONTRIBUTION RETIREMENT PLAN

The City of Peachtree Corners' defined contribution retirement plan is a single employer defined contribution plan established and administered by the Georgia Municipal Association ("GMA") for all City employees. At June 30, 2013, there were 3 plan members. The City contributes 12% of eligible employees' base salary and matches 100% for each dollar of employee contributions up to 5% of the employee's salary. Employees are not required to contribute to the Plan. Employees are eligible and fully vested immediately upon entering the Plan. Plan provisions and contribution requirements are established and may be amended by the City's Council. For the fiscal year ending June 30, 2013, contributions to the Plan were $44,630 by the employees and $39,682 by the City.

NOTE 13. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of Peachtree Corners. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in this first year of incorporation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PEACHTREE CORNERS, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	$ 1,727,168	$ 1,727,168	$ 2,000,438	$ 273,270
Franchise taxes	500,000	500,000	361,907	(138,093)
Business taxes	-	-	2,245,322	2,245,322
Other taxes	-	-	139,673	139,673
Licenses and permits	-	-	323,772	323,772
Intergovernmental	-	-	128,785	128,785
Interest earned	-	-	211	211
Miscellaneous	-	-	106	106
Total revenues	2,227,168	2,227,168	5,200,214	2,973,046
Expenditures:				
Current:				
General government:				
Legislative	83,111	83,111	130,777	(47,666)
Executive	199,952	199,952	178,101	21,851
City Clerk	91,937	91,937	65,576	26,361
General administration	1,017,650	1,017,650	376,352	641,298
Financial administration	188,587	188,587	8,781	179,806
Legal	200,000	200,000	191,735	8,265
General buildings and ground	250,000	250,000	166,202	83,798
Contingency	294,046	294,046	-	294,046
Total general government	2,325,283	2,325,283	1,117,524	1,207,759
Housing and development				
Community development	201,885	201,885	173,262	28,623
Protective inspection administration	-	-	131,750	(131,750)
Planning and zoning	-	-	295,970	(295,970)
Total housing and development	201,885	201,885	600,982	(399,097)
Debt service:				
Principal	-	-	332	(332)
Interest	-	-	1,993	(1,993)
Total debt service	-	-	2,325	(2,325)
Total expenditures	2,527,168	2,527,168	1,720,831	806,337
Excess (deficiency) of revenues over expenditures	$ (300,000)	$ (300,000)	$ 3,479,383	$ 3,779,383

Continued

CITY OF PEACHTREE CORNERS, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Other financing sources:				
Capital leases	-	-	14,398	14,398
Proceeds from loan	500,000	500,000	-	(500,000)
Total other financing sources	500,000	500,000	14,398	(485,602)
Net change in fund balance	200,000	200,000	3,493,781	3,293,781
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ 200,000	$ 200,000	$ 3,493,781	$ 3,293,781

Note: See footnotes 1 and 3 of the basic financial statements for budgetary policies.

COMPONENT UNIT

CITY OF PEACHTREE CORNERS, GEORGIA

BALANCE SHEET
COMPONENT UNIT - DEVELOPMENT AUTHORITY
JUNE 30, 2013

ASSETS		
Land held for resale	$	11,508,433
Total assets	$	11,508,433
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to primary government	$	260,729
Total liabilities		260,729
FUND BALANCES		
Fund balances:		
Nonspendable - land held for resale		11,508,433
Unassigned		(260,729)
Total fund balance		11,247,704
Total liabilities and fund balance	$	11,508,433

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2013

Expenditures:		
Debt service:		
Interest and fiscal charges	$	252,296
Total expenditures		252,296
Other financing sources:		
Proceeds from loan		11,500,000
Total other financing sources		11,500,000
Net change in fund balance		11,247,704
Fund balance, beginning of year		-
Fund balance, end of year	$	11,247,704

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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*

The Honorable Mayor and Members
of the City Council of the
City of Peachtree Corners, Georgia

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and the General Fund of the City of Peachtree Corners, Georgia (the "City") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2013-001 and 2013-004, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2013-002 and 2013-003, to be significant deficiencies.

Compliance and Other Matters

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

City of Peachtree Corners, Georgia's Responses to Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 18, 2013

CITY OF PEACHTREE CORNERS, GEORGIA

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

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes _____ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes _____ no
Noncompliance material to financial statements noted?	___ yes __X__ no

Federal Awards

There was not an audit of major federal programs for the fiscal year ended June 30, 2013 as expenditures of federal awards did not exceed the $500,000 threshold.

CITY OF PEACHTREE CORNERS, GEORGIA

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

Section II – Financial Statement Findings and Responses

2013-001. Financing Arrangements and Modified Accrual Accounting

Criteria: When governmental funds are used to account for financing arrangements of the City there are two different standards for determining how to report the related liabilities. When a governmental fund issues short term notes payable (tax anticipation notes) the liability should be reported directly on the fund, rather than reporting a revenue and related debt service expenditure. However, when a governmental fund issues long-term financing agreements (capital lease) they should report an other financing source and as payments are made against the lease, a debt service expenditure should be reported.

Condition: During our testing of the City's financing arrangements we noted the City did not properly report the financing contracts incurred during the fiscal year ended June 30, 2013. The City was reporting an other financing source for the short term tax anticipation note, and upon repayment of the note, the City reported a debt service expenditure. Additionally, the City was making debt service payments on a capital lease, however the City did not report the other financing sources for the original acceptance of the capital lease.

Context/Cause: During our testing of liabilities, expenditures, and other financing sources as they relate to the financing arrangements, audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- An audit adjustment was required to remove the $500,000 of tax anticipation notes from other financing sources and debt service expenditures.
- An audit adjustment was required to record the proceeds of the lease in the amount of $14,398 and the related capital outlay in the General Fund.

Effects: Audit adjustments of approximately $514,000 were needed to correctly report the City's expenditures and other financing sources.

Recommendation: We recommend the City ensure all financing arrangements are considered during the close-out process to review the reporting and ensure the appropriate entries have been posted to reflect the necessary other financing sources or debt service payments.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that financing arrangements are reviewed and appropriately reported.

CITY OF PEACHTREE CORNERS, GEORGIA

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

Section II – Financial Statement Findings and Responses

2013-002. Expenditures and Related Liabilities

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of certain expenditures and the related liabilities.

Context/Cause: During our testing of the City's expenditures, an audit adjustment was required to correct current year accrued liabilities and the related expenditures for approximately $22,000. The accrued expenditures included the rent payment due July 2013 for the facility occupancy of the quarter ending September 2013.

Effects: An audit adjustment was needed to correctly report liabilities and expenditures.

Recommendation: We recommend the City review all expenditures to ensure they properly record the expenditures in the proper reporting period.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures and related liabilities are properly recorded.

CITY OF PEACHTREE CORNERS, GEORGIA

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

Section II – Financial Statement Findings and Responses

2013-003. Capital Asset Subsidiary Ledgers

Criteria: Internal controls should be in place to ensure that the amounts reported as capital assets are recorded in accordance with generally accepted accounting principles.

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

Context/Cause: During our testing of the City's capital assets, audit adjustments were required to correct current year capitalized additions as well as the related depreciation expense on those assets. Capital assets were understated by approximately $44,500 and depreciation expense on the related assets was understated by approximately $1,400.

Effects: Audit adjustments were needed to correctly report capital assets and the related depreciation expense for approximately $45,900.

Recommendation: We recommend the City carefully review all capital asset transactions to ensure the historical cost of capital assets includes all necessary items, as defined by GASB Statement No. 34, and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that capital asset transactions are properly recorded.

CITY OF PEACHTREE CORNERS, GEORGIA

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

Section II – Financial Statement Findings and Responses

2013-004. Segregation of Duties and General Controls

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

Context/Cause: During the course of our testwork, we noted several areas at the City in which the segregation of duties could be improved as described below:

- We noted the person preparing the manual journal entries, is also posting the entry without an independent review of the entry.
- During review of the payroll controls we noted the 941 reconciliation reports are being completed by the person who performs the payroll function and is not being reviewed and approved by a person independent of the payroll process.
- During the initial year of operations, we noted there are a limited number of employees and as such there was no segregation on the receipting and disbursement process. We noted one employee was able to perform all functions from cash receipting, reporting, preparing checks, or reconciling accounts. The employee (accounting manager) also has full access to the system to create vendors or make manual journal entries.

Effects: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City. Additionally, without additional internal controls related to financial reporting, errors could occur and not be detected.

Recommendation: We recommend that the City review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues as described above and strengthen internal controls.

Auditee's Response: We will review our operations to determine the most efficient and effective solutions to properly segregate duties and strengthen internal controls at the City.