CITY OF PEACHTREE CORNERS, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

Prepared by:
Finance Department

INTRODUCTORY SECTION

CITY OF PEACHTREE CORNERS, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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FINANCIAL SECTION

MAULDIN & JENKINS

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 business-type activities, the discretely presented component unit, and each major fund of the **City of Peachtree Corners, Georgia** (the "City"), as of the year ended June 30, 2014, 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, and each major fund of the City of Peachtree Corners, Georgia as of June 30, 2014, 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 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 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.

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 and the schedule of expenditures of special purpose local option sales tax, as required by the Official Code of Georgia 48-8-121, 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 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 individual fund financial statements and schedules 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 3, 2014, on our consideration of the City'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's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 3, 2014

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
ASSETS				
Cash and cash equivalents	$ 7,275,265	$ 724,449	$ 7,999,714	$ 1,264
Land held for resale	-	-	-	11,508,433
Accounts receivable	1,214,788	72,662	1,287,450	-
Taxes receivable, net of allowance	-	-	-	-
Prepaids	15,071	-	15,071	-
Due from other governments	495,386	-	495,386	-
Due from component unit	261,729	-	261,729	-
Capital assets:				
Depreciable, net of accumulated depreciation	17,627,307	-	17,627,307	-
Total assets	26,889,546	797,111	27,686,657	11,509,697
LIABILITIES				
Accounts payable	218,149	104,066	322,215	-
Due to primary government	-	-	-	261,729
Accrued liabilities	6,490	-	6,490	-
Unearned revenue	-	661,061	661,061	-
Compensated absences due within one year	17,661	-	17,661	-
Compensated absences due in more than one year	41,210	-	41,210	-
Capital lease due within one year	4,824	-	4,824	-
Capital lease due in more than one year	4,983	-	4,983	-
Notes payable due within one year	-	-	-	11,500,000
Total liabilities	293,317	765,127	1,058,444	11,761,729
NET POSITION				
Net investment in capital assets	17,617,500	-	17,617,500	-
Restricted for:				
Capital projects	1,679,194	-	1,679,194	-
Unrestricted	7,299,535	31,984	7,331,519	(252,032)
Total net position	$ 26,596,229	$ 31,984	$ 26,628,213	$ (252,032)

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, 2014

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	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Development Authority
Primary government:								
Governmental activities:								
General government	$ 2,495,125	$ 330,275	$ 16,252	$ -	$ (2,148,598)	$ -	$ (2,148,598)	$ -
Public works	618,244	-	-	1,550,469	932,225	-	932,225	-
Housing and development	968,196	627,142	-	-	(341,054)	-	(341,054)	-
Interest on long-term debt	1,523	-	-	-	(1,523)	-	(1,523)	-
Total governmental activities	4,083,088	957,417	16,252	1,550,469	(1,558,950)	-	(1,558,950)	-
Business-type activities:								
Solid waste	616,337	647,278	-	-	-	30,941	30,941	-
Total business-type activities	616,337	647,278	-	-	-	30,941	30,941	-
Total primary government	$ 4,699,425	$ 1,604,695	$ 16,252	$ 1,550,469	(1,558,950)	30,941	(1,528,009)	-
Component Unit:								
Development Authority	$ 434,864	$ -	$ 489,913	$ -	-	-	-	55,049
	$ 434,864	$ -	$ 489,913	$ -	-			55,049
General revenues:								
Property taxes					660,859	-	660,859	-
Sales taxes					390,950	-	390,950	-
Franchise taxes					3,281,768	-	3,281,768	-
Business taxes					2,451,150	-	2,451,150	-
Other taxes					91,629	-	91,629	-
Interest earned					8,815	1,043	9,858	-
Special Item - donation of infrastructure					17,730,303	-	17,730,303	-
Total general revenues and special item					24,615,474	1,043	24,616,517	-
Change in net position					23,056,524	31,984	23,088,508	55,049
Net position, beginning of year					3,539,705	-	3,539,705	(307,081)
Net position, end of year					$ 26,596,229	$ 31,984	$ 26,628,213	$ (252,032)

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

CITY OF PEACHTREE CORNERS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS	General Fund	SPLOST Fund	Total Governmental Funds
Cash and cash equivalents	$ 6,075,203	$ 1,200,062	$ 7,275,265
Accounts receivable	1,214,788	-	1,214,788
Due from other governments	16,254	479,132	495,386
Prepaid items	15,071	-	15,071
Due from component unit	261,729	-	261,729
Total assets	$ 7,583,045	$ 1,679,194	$ 9,262,239
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ 218,149	$ -	$ 218,149
Accrued liabilities	6,490	-	6,490
Total liabilities	224,639	-	224,639
FUND BALANCE			
Fund balance:			
Nonspendable:			
Prepaids	15,071	-	15,071
Restricted:			
Capital projects	-	1,679,194	1,679,194
Unassigned	7,343,335	-	7,343,335
Total fund balance	7,358,406	1,679,194	9,037,600
Total liabilities and fund balance	$ 7,583,045	$ 1,679,194	
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 funds.			17,627,307
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(68,678)
Net position of governmental activities			$ 26,596,229

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, 2014

	General Fund	SPLOST Fund	Total Governmental Funds
Revenues:			
Property taxes	$ 678,477	$ -	$ 678,477
Franchise taxes	3,281,768	-	3,281,768
Business taxes	2,451,150	-	2,451,150
Other taxes	468,986	-	468,986
Licenses and permits	942,425	-	942,425
Fines and forfeitures	14,992	-	14,992
Intergovernmental	16,252	1,550,469	1,566,721
Interest earned	8,815	-	8,815
Total revenues	7,862,865	1,550,469	9,413,334
Expenditures:			
Current:			
General government	2,610,537	-	2,610,537
Public works	285,000		285,000
Housing and development	968,196	-	968,196
Debt service:			
Principal	4,259	-	4,259
Interest	1,523	-	1,523
Total expenditures	3,869,515	-	3,869,515
Excess of revenues over expenditures	3,993,350	1,550,469	5,543,819
Other financing sources (uses):			
Transfers in	-	128,725	128,725
Transfers out	(128,725)	-	(128,725)
Total other financing sources (uses)	(128,725)	128,725	-
Net change in fund balances	3,864,625	1,679,194	5,543,819
Fund balance, beginning of year	3,493,781	-	3,493,781
Fund balance, end of year	$ 7,358,406	$ 1,679,194	$ 9,037,600

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, 2014

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	5,543,819
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 depreciation expense exceeded capital outlays in the current period.		(190,417)
The net effect of the donation of capital assets is to increase net position.		17,730,303
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 principal retirement of long-term debt.		4,259
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.		(27,415)
Change in net position - governmental activities	$	23,056,524

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

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

ASSETS		Solid Waste Fund
CURRENT ASSETS		
Cash and cash equivalents	$	724,449
Accounts receivable, net of allowances		72,662
Total assets		797,111
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		104,066
Unearned revenue		661,061
Total liabilities		765,127
NET POSITION		
Unrestricted		31,984
Total net position	$	31,984

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

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2014

	Solid Waste Fund
OPERATING REVENUES	
Charges for sales and services	$ 647,242
Other operating income	36
Total operating revenues	647,278
OPERATING EXPENSES	
General operating expenses	616,337
Total operating expenses	616,337
Operating income	30,941
NON-OPERATING REVENUES	
Interest income	1,043
Total non-operating revenue	1,043
Change in net position	31,984
Net position, beginning of year	-
Net position, end of year	$ 31,984

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

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

		Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	1,235,677
Payments to suppliers		(512,271)
Net cash provided by operating activities		723,406
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		1,043
Net cash provided by investing activities		1,043
Net increase in cash and cash equivalents		724,449
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	724,449
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	30,941
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Increase in accounts receivable		(72,662)
Increase in accounts payable		104,066
Increase in unearned revenue		661,061
Net cash provided by operating activities	$	723,406

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant 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, housing and development and public works.

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 or 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 and its component units. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally 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 discretely presented component units. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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 proprietary funds. Major individual governmental funds and major individual enterprise 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 proprietary fund financial statements. 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. As such, property tax revenues are recognized in the current fiscal year for the previous tax year's levy. 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 180 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, sales 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures relating to the City's 2013 Special Purpose Local Option Sales Tax agreement.

The City reports the following major enterprise fund:

The **Solid Waste Fund** accounts for the activities associated with the collection of residential garbage, including recyclables, non-recyclables and yard waste. Activity is rendered on a user charge basis.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Formal budgetary accounting is employed as a management control device for the funds 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 governmental funds. During the fiscal period ended June 30, 2014, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedule. All appropriations lapse at fiscal year end. The City does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as “internal balances.”

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

I. 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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
Infrastructure	40-100 years

Fully depreciated assets still in service are carried in the capital asset accounts.

J. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until that time. The City has no items that qualify for reporting in this category.

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 no items that qualify for reporting in this category.

K. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

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

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

M. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

- **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.

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: (1) Committed, (2) Assigned, (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the 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.

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

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 $68,678 difference are as follows:

Capital leases	$	(9,807)
Compensated absences		(58,871)
Net adjustment to decrease fund balance - *total governmental funds* to arrive at *net position - governmental activities*	$	(68,678)

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 $190,417 difference are as follows:

Capital outlay	$	162,541
Depreciation expense		(352,958)
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive *at change in net position - governmental activities*	$	(190,417)

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 "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $27,415 difference are as follows:

Compensated absences (i.e., vacation)	$ (27,415)
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$ (27,415)

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, 2014 expenditures of the Financial Administration, General Buildings and Ground, Code Enforcement, Public Works, Protective Inspection Administration, and Planning and Zoning departments exceeded their appropriations by $2,000, $316,341, $16,614, $45,000, $873 and $9,230, respectively. The excess of expenditures over budget were primarily funded by greater than anticipated revenues.

NOTE 4. DEPOSITS

As of June 30, 2014, the City has $7,765,437 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, 2014, 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, 2014, for the City's individual major funds, including any applicable allowances for uncollectible accounts are as follows:

	General	SPLOST	Sanitation
Receivables:			
Taxes	$ 3,765	$ -	$ -
Accounts	1,214,788	-	86,662
Other governments	16,254	479,132	-
Less allowance for uncollectible	3,765	-	14,000
Net total receivable	$ 1,231,042	$ 479,132	$ 72,662

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Machinery and equipment	91,209	162,541	-	253,750
Infrastructure	-	17,730,303	-	17,730,303
Total	91,209	17,892,844	-	17,984,053
Less accumulated depreciation for:				
Machinery and equipment	(3,788)	(19,714)	-	(23,502)
Infrastructure	-	(333,244)	-	(333,244)
Total	(3,788)	(352,958)	-	(356,746)
Total capital assets being depreciated, net	87,421	17,539,886	-	17,627,307
Governmental activities capital assets, net	$ 87,421	$ 17,539,886	$ -	$ 17,627,307

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

Governmental activities:	
General government	$ 19,714
Public works	333,244
Total depreciation expense - governmental activities	$ 352,958

Additions noted above include assets donated to the City from Gwinnett County. Due to the relationship between Gwinnett County and the City, these assets were added to the City's Statement of Net Position at estimated historical cost, less accumulated depreciation. The capital contribution of these assets is recognized in the City's Statement of Activities, as a special item. The governmental activities infrastructure was assumed on January 1, 2014.

NOTE 7. LONG-TERM DEBT

A. Primary Government

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Captial Lease	$ 14,066	$ -	$ (4,259)	$ 9,807	$ 4,824
Compensated absences	31,456	35,920	(8,505)	58,871	17,661
Governmental activity Long-term liabilities	$ 45,522	$ 35,920	$ (12,764)	$ 68,678	$ 22,485

For governmental activities, compensated absences are liquidated by the General Fund.

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. As of June 30, 2014 the City had $14,398 of retention software, with associated accumulated depreciation of $2,228 financed under the capital lease.

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

Year Ending June 30,	
2015	$ 5,782
2016	5,301
Total minimum lease payments	11,083
Less amounts representing interest	(1,276)
Present value of minimum lease payments	$ 9,807

NOTE 7. LONG-TERM DEBT (CONTINUED)

B. Downtown Development Authority of the City of Peachtree Corners

Notes Payable

The following is a summary of long-term debt activity of the DDA for the year ended June 30, 2014:

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

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
2015	$ 11,500,000	$ 335,706	$ 11,835,706
	$ 11,500,000	$ 335,706	$ 11,835,706

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NOTE 8. OPERATING LEASES

The leases for the City Hall building and office facilities are under non-cancelable operating leases. Total costs for these leases were $111,651 for the fiscal year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Year Ending June 30,		
2015	$	115,850
2016		117,708
2017		119,606
2018		80,478
Total	$	433,642

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of accounts receivable from the component unit as of June 30, 2014 is as follows:

Receivable Entity	Payable Entity	Amount
General Fund	Development Authority	$ 261,729

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.

Interfund transfers for the year ended June 30, 2014 were as follows:

Transfers In	Transfers Out	Amount
SPLOST Fund	General Fund	$ 128,725

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 and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

The government is the defendant in an ongoing lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of management and legal counsel, the resolution of this matter will not have a material adverse effect on the financial condition of the City.

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 $1,051,000 annually. The total is derived from the following contracts CH2MHill $909,000, Charles Abbot Associates $68,000, TerraMark $50,000, and Sophicity $24,000. The contract with Charles Abbott Associates (CAA) is based on CAA receiving 68% of all building fees collected.

NOTE 11. 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, 2014, 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, 2014, contributions to the Plan were $69,000 by the employees and $62,207 by the City.

NOTE 12. 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 Gwinnett 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 13. 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 two years 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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	$ 23,000	$ 23,000	$ 678,477	$ 655,477
Franchise taxes	1,800,000	1,800,000	3,281,768	1,481,768
Business taxes	1,800,000	1,800,000	2,451,150	651,150
Other taxes	89,000	89,000	468,986	379,986
Licenses and permits	108,800	108,800	942,425	833,625
Fines and forfeitures	-	-	14,992	14,992
Intergovernmental	-	-	16,252	16,252
Interest earned	-	-	8,815	8,815
Total revenues	3,820,800	3,820,800	7,862,865	4,042,065
Expenditures:				
Current:				
General government:				
Legislative	111,611	288,691	264,052	24,639
Executive	261,459	261,459	226,726	34,733
City Clerk	123,650	123,650	120,293	3,357
General administration	843,650	972,650	871,863	100,787
Financial administration	-	-	2,000	(2,000)
Legal	225,000	225,000	98,148	126,852
General buildings and ground	238,000	303,000	619,341	(316,341)
Code enforcement	391,500	391,500	408,114	(16,614)
Total general government	2,194,870	2,565,950	2,610,537	(44,587)
Public Works	-	240,000	285,000	(45,000)
Housing and development				
Community development	669,080	693,465	665,593	27,872
Protective inspection administration	75,000	75,000	75,873	(873)
Planning and zoning	217,500	217,500	226,730	(9,230)
Total housing and development	961,580	985,965	968,196	17,769
Debt service:				
Principal	-	-	4,259	(4,259)
Interest	-	-	1,523	(1,523)
Total debt service	-	-	5,782	(5,782)
Total expenditures	3,156,450	3,791,915	3,869,515	(77,600)
Excess of revenues over expenditures	$ 664,350	$ 28,885	$ 3,993,350	$ 3,964,465

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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Other financing uses:				
Transfers out	$ -	$ -	$ (128,725)	$ (128,725)
Total other financing uses	-	-	(128,725)	(128,725)
Net change in fund balance	664,350	28,885	3,864,625	3,835,740
Fund balance, beginning of year	3,493,781	3,493,781	3,493,781	-
Fund balance, end of year	$ 4,158,131	$ 3,522,666	$ 7,358,406	$ 3,835,740

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, 2014

ASSETS		
Cash	$	1,264
Land held for resale		11,508,433
Total assets	$	11,509,697
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to primary government	$	261,729
Total liabilities		261,729
FUND BALANCES		
Fund balances:		
Nonspendable - land held for resale		11,508,433
Unassigned		(260,465)
Total fund balance		11,247,968
Total liabilities and fund balance	$	11,509,697

CITY OF PEACHTREE CORNERS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2014

Revenues:		
Intergovernmental	$	489,913
Total revenues		489,913
Expenditures:		
Economic development		27,116
Debt service:		
Interest and fiscal charges		462,533
Total expenditures		489,649
Net change in fund balance		264
Fund balance, beginning of year		11,247,704
Fund balance, end of year	$	11,247,968

CITY OF PEACHTREE CORNERS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE YEAR ENDED JUNE 30, 2014

Project	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
2013 SPLOST Program:					
Transportation Projects	$ 19,970,315	$ 19,970,315	$ -	$ -	$ -

COMPLIANCE SECTION

MAULDIN & JENKINS

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 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 unit, and each major fund of the City of Peachtree Corners, Georgia (the "City") as of and for the fiscal year ended June 30, 2014, 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 3, 2014.

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.

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.

Internal Control Over Financial Reporting (Continued)

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'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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 3, 2014