# CITY OF LILBURN, GEORGIA

# ANNUAL FINANCIAL STATEMENTS

# FOR THE FISCAL YEAR ENDED
# JUNE 30, 2011

**CITY OF LILBURN, GEORGIA**

**ANNUAL FINANCIAL STATEMENTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

## INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members**
**Of the City Council**
**City of Lilburn**
**Lilburn, Georgia**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Lilburn, Georgia** (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lilburn, Georgia, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2011 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 6) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, including the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 16, 2012

## CITY OF LILBURN, GEORGIA
## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial performance of the City of Lilburn, Georgia (the "City") is intended to provide the readers of these financial statements with an overview of the City's financial activities for the year ended June 30, 2011.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are considered governmental funds.

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-27 of this report.

**Government-wide Financial Analysis**

Summary of the City's Net Assets
June 30, 2011 and 2010

| | Governmental activities | |
|---|---|---|
| | 2011 | 2010 |
| Assets: | | |
| Current and other assets | $ 5,562,009 | $ 6,553,588 |
| Capital assets | 14,831,754 | 13,360,628 |
| Total assets | 20,393,763 | 19,914,216 |
| Liabilities: | | |
| Long-term liabilities | 354,879 | 479,210 |
| Other liabilities | 458,072 | 350,697 |
| Total liabilities | 812,951 | 829,907 |
| Net assets: | | |
| Invested in capital assets, net of debt | 14,699,782 | 13,100,825 |
| Restricted | 2,571,341 | 3,112,671 |
| Unrestricted | 2,309,689 | 2,870,813 |
| Total net assets | $ 19,580,812 | $ 19,084,309 |

The net assets of a governmental entity may serve as an indicator of the entity's financial position. The City's net assets at June 30, 2011 were $19,580,812 as compared to $19,084,309 at June 30, 2010. At June 30, 2011, a total of $14,699,782 of net assets, or 75%, are invested in capital assets (e.g., land, buildings, infrastructure, equipment, etc.), net of related capital lease obligations. At June 30, 2010, a total of $13,100,825 of the net assets, or 69%, were invested in capital assets, net of related capital lease obligations. The increase is due to the continued construction on the Jackson Creek Trail, Greenway Trail phase II, and the Big League Dreams project. Also at June 30, 2011, the City had restricted net assets of $2,571,341 which were restricted for capital projects and public safety based on intergovernmental and other agreements. This balance was $3,112,671 at June 30, 2010 and the increase results from SPLOST collections from Gwinnett County. The remaining balances of net assets, $2,309,689 at June 30, 2011 and $2,870,813 at June 30, 2010, are considered unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Summary of Changes in the City's Net Assets
Years Ended June 30, 2011 and 2010

| | Governmental activities | |
|---|---|---|
| | 2011 | 2010 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | $ 1,172,417 | $ 1,424,708 |
| Capital grants and contributions | 1,755,994 | 2,344,122 |
| General revenues: | | |
| Property taxes | 1,666,342 | 1,764,625 |
| Franchise taxes | 863,659 | 813,407 |
| Alcoholic beverage taxes | 398,050 | 385,956 |
| Other taxes | 841,946 | 789,273 |
| Unrestricted investment earnings | 5,446 | 13,918 |
| Miscellaneous | 188,284 | 33,000 |
| Total revenues | 6,892,138 | 7,569,009 |
| Expenses: | | |
| General government | 917,554 | 1,245,714 |
| Police | 3,109,519 | 3,221,284 |
| Courts | 473,470 | 521,051 |
| Streets | 1,038,876 | 1,027,515 |
| Recreation | 193,705 | 225,017 |
| Planning and zoning | 417,059 | 429,592 |
| Economic development | 143,953 | 57,596 |
| Marketing & Events | 101,499 | 128,608 |
| | 6,395,635 | 6,856,377 |
| Change in net assets | 496,503 | 712,632 |
| Net assets, beginning of year | 19,084,309 | 18,371,677 |
| Net assets, end of year | $ 19,580,812 | $ 19,084,309 |

Net assets of the City increased by $496,503 in 2011 and $712,632 in 2010. This decrease in the change in net assets during 2011 was caused primarily by revenue decreases for fines, forfeitures, licenses, and permits due to a slowdown in the economy.

**Analysis of the City's Funds**

The net change in fund balance for the City's General Fund was a decrease from the prior year of $269,854. This decrease was a result of an overall decline in revenues that was larger than expected and an increase in expenditures, particularly in capital related expenditures in the economic development function.

The 2004 SPLOST fund has collected all of the revenue it will from the sales tax collections from the County and continues to spend the collections on projects. This fund has $978,125 remaining to be expended at June 30, 2011.

The 2009 SPLOST continues to collect sales taxes from the County with revenue of $1,390,176 in fiscal year 2011. Expenditures on projects also continue with $1,024,893 remaining in fund balance at the end of the year.

**Budgetary Highlights**

The City adopts an annual budget for the General Fund. The budget as originally adopted included expenditures of $5,520,487 and was not amended during the year. Overall actual results had expenditures of $18,910 more than what was budgeted due to greater expenditures in the planning and zoning function than expected.

**Capital Assets and Related Liabilities**

The City's investment in capital assets for its governmental activities as of year-end amounts to $14,831,754 (net of accumulated depreciation). The investment in capital assets includes land, construction in process, land improvements, buildings and improvements, infrastructure, machinery and equipment. Among the significant activity in 2011 was construction on the recreation trails program and cost associated with the Big League Dreams project.

Readers should refer to Note 5 of the financial statements for more information on capital asset activity.

The City did enter into a capital lease in the amount of $385,268 for police vehicles during fiscal year 2009. One payment of $127,831 was made during fiscal year 2011. Please refer to note 6 of the financial statements for additional details.

**Requests for Information**

The annual financial statements are designed to provide a general overview of the City's finances. Questions concerning any of the information provided should be addressed to the City Manager, City of Lilburn, 76 Main Street, Lilburn, Georgia 30047.

# CITY OF LILBURN, GEORGIA

## STATEMENT OF NET ASSETS
## JUNE 30, 2011

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Downtown Development Authority |
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,299,117 | $ 45,041 |
| Investments | 2,501,192 | 638,300 |
| Property taxes receivable, net of allowance for uncollectible accounts | 111,443 | - |
| Intergovernmental receivable | 262,090 | - |
| Advance to component unit | 295,414 | - |
| Due from other governments | - | 231,500 |
| Note receivable, long term | 92,753 | - |
| Capital assets, nondepreciable | 5,667,448 | - |
| Capital assets, depreciable, net of accumulated depreciation | 9,164,306 | - |
| Total assets | 20,393,763 | 914,841 |
| **LIABILITIES** | | |
| Accounts payable | 321,612 | - |
| Accrued liabilities | 130,866 | - |
| Advance from primary government | - | 295,414 |
| Unearned revenue | 5,594 | - |
| Long-term liabilities: | | |
| Line of credit payable due in more than one year | - | 469,488 |
| Capital lease payable due within one year | 131,972 | - |
| Compensated absences due within one year | 222,907 | - |
| Total liabilities | 812,951 | 764,902 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | 14,699,782 | - |
| Restricted for: | | |
| Debt service | 131,972 | - |
| Capital projects | 2,105,277 | - |
| Public safety | 334,092 | - |
| Unrestricted | 2,309,689 | 149,939 |
| Total net assets | $ 19,580,812 | $ 149,939 |

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

# CITY OF LILBURN, GEORGIA

## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities | Net (Expenses) Revenues and Changes in Net Assets: Component Unit: Downtown Development Authority |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General government | $ 917,554 | $ 136,344 | $ 752,812 | $ (28,398) | $ |
| Police | 3,109,519 | 920,678 | 166,821 | (2,022,020) | |
| Courts | 473,470 | - | - | (473,470) | |
| Streets | 1,038,876 | - | 666,218 | (372,658) | |
| Recreation | 193,705 | 32,931 | 170,143 | 9,369 | |
| Planning and zoning | 417,059 | 82,464 | - | (334,595) | |
| Economic development | 143,953 | - | - | (143,953) | |
| Marketing & Events | 101,499 | - | - | (101,499) | |
| Total governmental activities | $ 6,395,635 | $ 1,172,417 | $ 1,755,994 | (3,467,224) | |
| Component Unit: | | | | | |
| Downtown Development Authority | $ 55,463 | $ 47,766 | $ - | | (7,697) |
| General revenues: | | | | | |
| Property taxes | | | | 1,666,342 | - |
| Franchise taxes | | | | 863,659 | - |
| Alcoholic beverage taxes | | | | 398,050 | - |
| Other taxes | | | | 841,946 | - |
| Unrestricted investment earnings | | | | 5,446 | - |
| Miscellaneous | | | | 188,284 | - |
| Total general revenues | | | | 3,963,727 | - |
| Change in net assets | | | | 496,503 | (7,697) |
| Net assets, beginning of year | | | | 19,084,309 | 157,636 |
| Net assets, end of year | | | | $ 19,580,812 | $ 149,939 |

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

# CITY OF LILBURN, GEORGIA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2011

| | General | 2004 SPLOST | 2009 SPLOST | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 648,731 | $ 709,597 | $ 531,427 | $ 409,362 | $ 2,299,117 |
| Investments | 2,501,192 | - | - | - | 2,501,192 |
| Property taxes receivable, net of allowance for uncollectable amounts | 111,443 | - | - | - | 111,443 |
| Intergovernmental receivable | - | - | 262,090 | - | 262,090 |
| Due from other funds | 626 | 582,335 | 215,354 | 227,200 | 1,025,515 |
| Advance to component unit | 239,164 | - | 56,250 | - | 295,414 |
| Total assets | $ 3,501,156 | $ 1,291,932 | $ 1,065,121 | $ 636,562 | $ 6,494,771 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 177,362 | $ 98,253 | $ 40,228 | $ 5,769 | $ 321,612 |
| Accrued liabilities | 130,866 | - | - | - | 130,866 |
| Due to other funds | 809,335 | 215,554 | - | 626 | 1,025,515 |
| Deferred revenue | 83,473 | - | - | 5,594 | 89,067 |
| Total liabilities | 1,201,036 | 313,807 | 40,228 | 11,989 | 1,567,060 |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Advance to component unit | 239,164 | - | 56,250 | - | 295,414 |
| Restricted: | | | | | |
| Debt service | - | - | 131,972 | - | 131,972 |
| Capital construction | - | 978,125 | 836,671 | 290,481 | 2,105,277 |
| Public safety | - | - | - | 334,092 | 334,092 |
| Unassigned | 2,060,956 | - | - | - | 2,060,956 |
| Total fund balances | 2,300,120 | 978,125 | 1,024,893 | 624,573 | 4,927,711 |
| Total liabilities and fund balances | $ 3,501,156 | $ 1,291,932 | $ 1,065,121 | $ 636,562 | |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Capital assets, net of depreciation | 14,831,754 |
| Notes receivable | 92,753 |
| Other assets - property tax receivables are not available to pay for current-period expenditures, and therefore, are deferred in the funds. | 83,473 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds for compensated absences of $222,907 and a capital lease payable of $131,972 | (354,879) |
| Net assets of governmental activities | $ 19,580,812 |

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

# CITY OF LILBURN, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General | 2004 SPLOST | 2009 SPLOST | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Property taxes | $ 1,693,397 | $ - | $ - | $ - | $ 1,693,397 |
| Franchise taxes | 863,659 | - | - | - | 863,659 |
| Alcoholic beverage taxes | 398,050 | - | - | - | 398,050 |
| Other taxes | 841,946 | - | - | - | 841,946 |
| Licenses and permits | 171,693 | - | - | - | 171,693 |
| Intergovernmental | 133,125 | 69,449 | 1,390,176 | 155,439 | 1,748,189 |
| Charges for services | 179,400 | - | - | - | 179,400 |
| Fines and forfeitures | 622,054 | - | - | - | 622,054 |
| Investment income | 5,108 | 6,280 | 1,525 | 338 | 13,251 |
| Cash confiscations | - | - | - | 44,097 | 44,097 |
| Miscellaneous | 307,285 | 6,544 | - | 32,931 | 346,760 |
| Total revenues | 5,215,717 | 82,273 | 1,391,701 | 232,805 | 6,922,496 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 718,101 | - | - | - | 718,101 |
| Police | 2,765,999 | - | - | 28,329 | 2,794,328 |
| Courts | 473,192 | - | - | - | 473,192 |
| Streets | 823,579 | - | - | - | 823,579 |
| Recreation | 99,203 | - | - | - | 99,203 |
| Planning and zoning | 414,022 | - | - | - | 414,022 |
| Economic development | 143,802 | - | - | - | 143,802 |
| Marketing and events | 101,499 | - | - | - | 101,499 |
| Capital outlay | - | 441,839 | 1,843,017 | 19,655 | 2,304,511 |
| Debt service | | | | | |
| Principal retirements | - | - | 127,831 | - | 127,831 |
| Interest payments | - | - | 8,418 | - | 8,418 |
| Total expenditures | 5,539,397 | 441,839 | 1,979,266 | 47,984 | 8,008,486 |
| Excess (deficiency) of revenues over (under) expenditures | (323,680) | (359,566) | (587,565) | 184,821 | (1,085,990) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in from other funds | 40,900 | - | - | - | 40,900 |
| Transfers out to other funds | - | - | - | (40,900) | (40,900) |
| Proceeds from the sale of property | 12,926 | - | - | 4,468 | 17,394 |
| Total other financing sources (uses) | 53,826 | - | - | (36,432) | 17,394 |
| Net change in fund balances | (269,854) | (359,566) | (587,565) | 148,389 | (1,068,596) |
| **FUND BALANCES, beginning of year** | 2,569,974 | 1,337,691 | 1,612,458 | 476,184 | 5,996,307 |
| **FUND BALANCES, end of year** | $ 2,300,120 | $ 978,125 | $ 1,024,893 | $ 624,573 | $ 4,927,711 |

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

# CITY OF LILBURN, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | $ | (1,068,596) |
| 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. | | |
| Acquisition of capital assets | | 2,240,117 |
| Depreciation expense | | (679,926) |
| The net effect of various transactions related to the disposal of capital assets, including recording a note receivable reported in order to finance the sale of capital assets. | | (92,368) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements. | | (27,055) |
| 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. | | |
| Repayment of capital leases | | 127,831 |
| Change in compensated absences | | (3,500) |
| Change in net assets - governmental activities | $ | 496,503 |

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

# CITY OF LILBURN, GEORGIA

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| **Taxes:** | | | | |
| Property taxes | $ 1,710,400 | $ 1,710,400 | $ 1,693,397 | $ (17,003) |
| Franchise taxes | 879,500 | 879,500 | 863,659 | (15,841) |
| Alcoholic beverage taxes | 408,500 | 408,500 | 398,050 | (10,450) |
| Insurance premium taxes | 633,000 | 633,000 | 608,676 | (24,324) |
| Other taxes | 178,100 | 178,100 | 233,270 | 55,170 |
| Total taxes | 3,809,500 | 3,809,500 | 3,797,052 | (12,448) |
| **Licenses and permits:** | | | | |
| Alcoholic beverage fees | 73,000 | 73,000 | 57,941 | (15,059) |
| Business licenses | 36,700 | 36,700 | 31,288 | (5,412) |
| Building permits | 67,000 | 67,000 | 82,464 | 15,464 |
| Total licenses and permits | 176,700 | 176,700 | 171,693 | (5,007) |
| **Intergovernmental revenues:** | | | | |
| State grants | - | - | 11,595 | 11,595 |
| Local grants | 487,136 | 487,136 | 121,530 | (365,606) |
| Total intergovernmental revenues | 487,136 | 487,136 | 133,125 | (354,011) |
| **Charges for services:** | | | | |
| Public safety services | 160,300 | 160,300 | 139,781 | (20,519) |
| Other charges | 30,620 | 30,620 | 39,619 | 8,999 |
| Total charges for services | 190,920 | 190,920 | 179,400 | (11,520) |
| **Fines and forfeitures** | 630,150 | 630,150 | 622,054 | (8,096) |
| **Investment income** | 10,000 | 10,000 | 5,108 | (4,892) |
| **Miscellaneous revenue** | 219,225 | 289,920 | 307,285 | 17,365 |
| Total revenues | 5,523,631 | 5,594,326 | 5,215,717 | (378,609) |
| **EXPENDITURES** | | | | |
| **Current:** | | | | |
| General government | 728,007 | 728,007 | 718,101 | 9,906 |
| Police | 2,776,891 | 2,776,891 | 2,765,999 | 10,892 |
| Courts | 504,825 | 504,825 | 473,192 | 31,633 |
| Streets | 867,853 | 867,853 | 823,579 | 44,274 |
| Recreation | 131,496 | 131,496 | 99,203 | 32,293 |
| Planning and zoning | 395,438 | 395,438 | 414,022 | (18,584) |
| Economic development | - | - | 143,802 | (143,802) |
| Marketing and events | 115,977 | 115,977 | 101,499 | 14,478 |
| Total expenditures | 5,520,487 | 5,520,487 | 5,539,397 | (18,910) |
| Excess (deficiency) of revenues over (under) expenditures | 3,144 | 73,839 | (323,680) | (397,519) |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in from other funds | - | - | 40,900 | 40,900 |
| Proceeds from the sales of property | - | - | 12,926 | 12,926 |
| Total other financing sources | - | - | 53,826 | 53,826 |
| Net change in fund balances | 3,144 | 73,839 | (269,854) | (343,693) |
| **FUND BALANCES, beginning of year** | 2,569,974 | 2,569,974 | 2,569,974 | - |
| **FUND BALANCES, end of year** | $ 2,573,118 | $ 2,643,813 | $ 2,300,120 | $ (343,693) |

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The City of Lilburn, Georgia, (the "City") was incorporated in 1955 and operates under a Mayor-Council form of government and provides the following services to its citizens: public safety (police), public works (highways and streets), recreation and parks, planning and zoning, building inspection, code enforcement, municipal court services, and general and administrative services.

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component unit are presented as a discretely presented component unit. The City of Lilburn Downtown Development Authority (the "DDA") is the discretely presented component unit of the City. The seven members of the Board of Directors of the DDA are appointed by the City Council. The City also has the ability to impose its will on the DDA as the City Council can remove appointed members of the Board of Directors at will; approve the budget of the DDA; and has the ability to hire and dismiss the personnel responsible for the daily operations of the DDA. The City of Lilburn Downtown Development Authority's financial information is maintained by the City's Finance Department.

### B. Government Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but aggregate the City's governmental activities. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net assets 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.

**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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental 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 is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in a different fund.

The ***2004 SPLOST Fund*** is a capital project fund the City established to account for the financial resources provided from a one cent special purpose local option sales tax approved by voters in 2004.

The ***2009 SPLOST Fund*** is a capital project fund the City established to account for the financial resources provided from a one cent special purpose local option sales tax approved by voters in 2009.

The City aggregates other nonmajor governmental funds in a single column in the fund financial statements. These include a special revenue fund to account for the activity related to specific revenue streams and a capital projects fund to account for certain resources set aside for capital activity.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting.* 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. Sales taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus and Basis of Accounting (Continued)

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 for current obligations. 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. Revenue related to reimbursement basis grants are recognized as allowable expenditures are incurred if expected to be collected within one year 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.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### D. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase.

### E. Interfund Receivables and Payables

Activity between funds that are 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."

Activity between the City and its component unit that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "advance to component unit" and "advance from primary government" as it is not expected to be repaid within the current period.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. 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. As allowed under GASB Statement No. 34, the City did not capitalize any infrastructure purchased or donated prior to the implementation of GASB Statement No. 34.

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

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

| Asset | Years |
|---|---|
| Land improvements | 30 |
| Buildings and improvements | 20-40 |
| Machinery and equipment | 3-10 |
| Infrastructure (roads) | 10-50 |

### G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the 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 or retirements.

### H. Net Assets and 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 assets."

***Fund Balance*** – Generally, fund balance represents the difference between the assets and liabilities 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:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Assets and Fund Equity (Continued)

- ***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.

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

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund 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:

- Committed
- Assigned
- Unassigned

***Net Assets*** - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### I. 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. LEGAL COMPLIANCE - BUDGETS

### A. Budgets and Budgetary Accounting

The City of Lilburn, Georgia follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenue anticipation is designed to help insure fiscal responsibility and maintain a balanced budget. Budgeting is the responsibility of the Mayor and the City Council members, with assistance provided by the City Manager and his designated staff persons.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted by passage of an ordinance.
4. The level of legal budgetary control is the department level. Council approval is required to increase or decrease the total budget of any department.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. A project length budget is adopted for all Capital Projects Funds.

No supplementary budgetary appropriations were made during the current year.

The City expended more than the General Fund's final budget by $18,584 in Planning and Zoning and $143,802 in Economic Development. These over expenditures were funded by under expenditure of other budgeted amounts and the use of fund balance.

## NOTE 3. DEPOSITS AND INVESTMENTS

Governmental fund balances in excess of amounts required for the City's daily operating activities were invested in the Georgia Fund 1 during the year. Georgia law authorizes local governments to invest in the following types of obligations:

1. Obligations of the State of Georgia or of any other states;
2. Obligations issued by the United States;
3. Obligations fully insured or guaranteed by the United States government or governmental agency;
4. Obligations of any corporation of the United States government;
5. Prime bankers' acceptances;
6. Georgia Fund I state investment pool;
7. Georgia Extended Asset Pool (GEAP);
8. Repurchase agreements; and
9. Obligations of other political subdivisions of the State of Georgia.

Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

## NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments, with a carrying value of $2,501,192 consist of an investment in the Georgia Fund 1, a local government investment pool managed by the State of Georgia Office of the State Treasurer. As the investment in the Georgia Fund 1 represents ownership of a portion of a large pool of investments these amounts are not categorizable for custodial risk disclosure. The pooled investments are not registered with the Securities and Exchange Commission ("SEC") but are managed in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the City's investment in the Georgia Fund 1 has been determined based on the pool's share price as adjusted to market. Other investments are stated at fair value based on quoted market prices.

Investments with a carrying value of $638,300 consist of an investment in three real estate properties purchased by the Downtown Development Authority. These properties are currently vacant and the City has no future plans to use these properties for general operations. The City plans to sell these properties in the future for the City of Lilburn redevelopment project.

**Credit Risk:**

At June 30, 2011, the City's investment in the Georgia Fund 1 was rated AAAm by Standard & Poor's. At June 30, 2011, the City had the following investments:

| Investment | Maturities | Fair Value |
|---|---|---|
| Georgia Fund 1 | 59 day weighted average | $ 2,501,192 |

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The City manages interest rate risk by limiting maturities to three years.

**Custodial Credit Risk - Deposit:**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government's deposits. At June 30, 2011, all of the deposits of the City were fully collateralized in accordance with the state statutes.

## NOTE 4. RECEIVABLES

The City receives property tax assessments from Gwinnett County, Georgia. Tax bills were levied on all real and personal property as of January 1, 2010 and were mailed to taxpayers in July 2010. The due date for these taxes was December 20, 2010, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was January 1, 2011. Receivables are recorded when taxes are levied and billed.

Receivables at June 30, 2011, along with the allowance for uncollectible accounts, are as follows.

| | General | 2009 SPLOST |
|---|---|---|
| Receivables: | | |
| Property taxes receivable | $ 118,184 | $ - |
| Intergovernmental receivable | - | 262,090 |
| Allowance for uncollectible | (6,741) | - |
| Net total receivables | $ 111,443 | $ 262,090 |

The City sold a house in 2009, to an employee of the City, located at 649 Springwood Road and is financing the sale with the buyer through a three year note receivable. The note receivable carries a 5.75% interest rate and payments of $750 are due the first of each month with a balloon payment due at maturity on August 1, 2012.

At June 30, 2011, the note receivable balance is recorded in the government-wide statements and will result in future payments as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| Year ending June 30, | | | |
| 2012 | $ 3,303 | $ 5,697 | $ 9,000 |
| 2013 | 89,450 | 950 | 90,400 |
| Total | $ 92,753 | $ 6,647 | $ 99,400 |

## NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 3,996,288 | $ 782,288 | $ - | $ - | $ 4,778,576 |
| Construction in process | 1,183,403 | 1,318,682 | (89,064) | (1,524,149) | 888,872 |
| | 5,179,691 | 2,100,970 | (89,064) | (1,524,149) | 5,667,448 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 4,752,517 | 35,125 | - | 1,370,186 | 6,157,828 |
| Buildings and improvements | 2,881,931 | 17,400 | - | 2,031 | 2,901,362 |
| Machinery and equipment | 2,235,083 | 36,639 | (17,940) | 144,052 | 2,397,834 |
| Infrastructure | 1,880,842 | 49,983 | - | 7,880 | 1,938,705 |
| Total | 11,750,373 | 139,147 | (17,940) | 1,524,149 | 13,395,729 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 502,878 | 197,709 | - | - | 700,587 |
| Buildings and improvements | 1,127,892 | 99,764 | - | - | 1,227,657 |
| Machinery and equipment | 1,517,818 | 254,528 | (17,940) | - | 1,754,406 |
| Infrastructure | 420,848 | 127,925 | - | - | 548,773 |
| Total | 3,569,436 | 679,926 | (17,940) | - | 4,231,423 |
| Total capital assets, being depreciated, net | 8,180,937 | (540,779) | - | 1,524,149 | 9,164,306 |
| Governmental activities capital assets, net | $ 13,360,628 | $ 1,560,191 | $ (89,064) | $ - | $ 14,831,754 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 134,830 |
| Police | 232,739 |
| Streets | 215,129 |
| Recreation | 94,442 |
| Planning & Development | 2,786 |
| Total depreciation expense - governmental activities | $ 679,926 |

## NOTE 6. LONG-TERM LIABILITIES

Activity of the long-term liabilities of the City for the year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Compensated absences | $ 219,407 | $ 607,611 | $ 604,111 | $ 222,907 | $ 222,907 |
| Capital lease | 259,803 | - | 127,831 | 131,972 | 131,972 |
| Governmental activities long-term liabilities | $ 479,210 | $ 607,611 | $ 731,942 | $ 354,879 | $ 354,879 |

The City has entered into a lease agreement as lessee for financing the acquisition of police vehicles. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the net present value of its future minimum lease payments as of the date of its inception. This lease is for a period of 36 months and carries an interest rate of 3.24%.

The assets acquired under this capital lease are as follows:

| | |
|---|---|
| Vehicles | $ 283,144 |
| Less accumulated depreciation | (128,729) |
| Total | $ 154,415 |

The future annual requirements to amortize the capital lease obligation as of June 30, 2011 are as follows.

| Year ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2012 | $ 131,972 | $ 4,277 | $ 136,249 |
| Total | $ 131,972 | $ 4,277 | $ 136,249 |

The General Fund typically is the funding source of payment for the compensated absences payable and the 2009 SPLOST fund is the funding source of payment for the capital lease.

## NOTE 6. LONG-TERM LIABILITIES (Continued)

The Downtown Development Authority acquired a line of credit from the Bank of Atlanta on July 16, 2009. The line of credit is for up to $1,000,000 and carries an interest rate of 5%. The line of credit's original maturity date was July 15, 2010 with extensions from the Bank of Atlanta extending maturity to December 31, 2012. Interest payments are due monthly on the 15th and a balloon payment of all outstanding principal and interest being due on December 31, 2012. For the year ended June 30, 2011, draws were $168,750 and principal payments were $518,976. As of June 30, 2011, the outstanding balance is $469,488.

Activity on line of credit of the Downtown Development Authority for the year ended June 30, 2011 is as follows:

| | Beginning Balance | Draws | Payments | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Downtown Development Authority** | | | | | |
| Line of Credit | $ 819,714 | $ 168,750 | $ 518,976 | $ 469,488 | $ - |

## NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

**Due to/from other funds:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| 2004 SPLOST Fund | General Fund | $ 582,335 |
| Other Governmental Funds | 2004 SPLOST Fund | 200 |
| Other Governmental Funds | General Fund | 227,000 |
| General Fund | Other Governmental Funds | 626 |
| 2009 SPLOST Fund | 2004 SPLOST Fund | 215,354 |
| | | $ 1,025,515 |

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

**Advance to component unit:**

| Receivable | Payable | Amount |
|---|---|---|
| General Fund | DDA | $ 239,164 |
| 2009 SPLOST Fund | DDA | 56,250 |
| | | $ 295,414 |

The General Fund and 2009 SPLOST Fund (primary government) advanced funds to the Downtown Development Authority (DDA) which will not be repaid within the next fiscal year. Amounts are shown as an advance (long-term). Amounts were for DDA to purchase real estate investments within the City and the advance will be repaid when properties are sold as part of redevelopment of the City.

Interfund transfers for the year ended June 30, 2011 were made from a non-major governmental fund to the General Fund, in the amount of $40,900 to transfer resources to the fund requiring the resources for expenditure.

## NOTE 8. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (Regional Development Center - RDC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2011, the City's membership dues were paid by Gwinnett County, Georgia. The City did not pay any annual dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia.

The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Atlanta Regional Commission
3715 Northside Parkway
200 Northcreek Suite 300
Atlanta, Georgia 30327

## NOTE 9. PENSION PLAN

The City's supplemental pension plan, City of Lilburn Money Purchase Pension Plan, a defined contribution plan is administered by an insurance company, Citistreet. All full-time employees are covered after one year of service. The City is required to contribute 10% of annual covered payroll, with 100% of these funds going into a fixed-rate savings account. The City's total payroll for the fiscal year was $2,931,142, including $2,540,305 of payroll covered by the plan. Contributions by the City totaled $252,917 for the fiscal year ended June 30, 2011 and no employees contributed to the Plan. Plan provisions and contribution requirements are established by City ordinance and may be amended by the Lilburn City Council.

Effective January 1, 2009, the City has a five year vesting schedule as follows:

| | |
|---|---|
| Less than 2 years | 0% |
| At two years | 25% |
| At three years | 50% |
| At four years | 75% |
| At five years | 100% |

## NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

A part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

## NOTE 11. COMMITMENTS AND CONTINGENCIES

**Litigation:**

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

**Grant Contingencies:**

The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Fund

**Confiscated Assets Fund –** Accounts for cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug investigation for which funds are restricted by Federal and State law for public safety.

### Capital Projects Fund

**Capital Projects Fund** – Accounts for capital projects with financing other than SPLOST.

# CITY OF LILBURN, GEORGIA

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## JUNE 30, 2011

| ASSETS | Special Revenue Fund Confiscated Assets Fund | Capital Projects Fund Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| Cash and cash equivalents | $ 344,801 | $ 64,561 | $ 409,362 |
| Due from other funds | 200 | 227,000 | 227,200 |
| Total assets | $ 345,001 | $ 291,561 | $ 636,562 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **LIABILITIES** | | | |
| Accounts payable | $ 4,689 | $ 1,080 | $ 5,769 |
| Due to other funds | 626 | - | 626 |
| Deferred revenue | 5,594 | - | 5,594 |
| Total liabilities | 10,909 | 1,080 | 11,989 |
| **FUND BALANCES** | | | |
| Restricted: | | | |
| Capital construction | - | 290,481 | 290,481 |
| Public safety | 334,092 | - | 334,092 |
| Total fund balances | 334,092 | 290,481 | 624,573 |
| Total liabilities and fund balances | $ 345,001 | $ 291,561 | $ 636,562 |

# CITY OF LILBURN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Special Revenue Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| | Confiscated Assets Fund | Capital Projects Fund | |
| **Revenues** | | | |
| Cash confiscations | $ 44,097 | $ - | $ 44,097 |
| Investment income | 194 | 144 | 338 |
| Intergovernmental revenue | - | 155,439 | 155,439 |
| Miscellaneous | - | 32,931 | 32,931 |
| Total revenues | 44,291 | 188,514 | 232,805 |
| **Expenditures** | | | |
| Current: | | | |
| Police | 28,329 | - | 28,329 |
| Capital outlay | - | 19,655 | 19,655 |
| Total expenditures | 28,329 | 19,655 | 47,984 |
| Excess (deficiency) of revenues over (under) expenditures | 15,962 | 168,859 | 184,821 |
| **Other Financing Sources (Uses)** | | | |
| Proceeds from the sale of property | 4,468 | - | 4,468 |
| Transfers out to other funds | - | (40,900) | (40,900) |
| Total other financing sources (uses) | 4,468 | (40,900) | (36,432) |
| Net change in fund balances | 20,430 | 127,959 | 148,389 |
| **Fund balances, beginning of year,** | 313,662 | 162,522 | 476,184 |
| **Fund balances, end of year** | $ 334,092 | $ 290,481 | $ 624,573 |

# CITY OF LILBURN, GEORGIA

## SPECIAL REVENUE FUND
## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Confiscated Assets Fund | | |
|---|---|---|---|
| | Original & Final Budget | Actual | Variance With Final Budget |
| **Revenues:** | | | |
| Cash confiscations | $ 69,050 | $ 44,097 | $ (24,953) |
| Investment income | 750 | 194 | (556) |
| Total revenues | 69,800 | 44,291 | (25,509) |
| **Expenditures:** | | | |
| Current: | | | |
| Police | 71,800 | 28,329 | 43,471 |
| Total expenditures | 71,800 | 28,329 | 43,471 |
| Excess (deficiency) of revenues over (under) expenditures | (2,000) | 15,962 | 17,962 |
| **Other financing sources:** | | | |
| Proceeds from the sale of property | 2,000 | 4,468 | 2,468 |
| Total other financing sources | 2,000 | 4,468 | 2,468 |
| **Net change in fund balances** | - | 20,430 | 20,430 |
| **Fund balance, beginning of year** | 313,662 | 313,662 | - |
| **Fund balance, end of year** | $ 313,662 | $ 334,092 | $ 20,430 |

# CITY OF LILBURN, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2004 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | (Unaudited) Original Estimated Cost | (Unaudited) Current Estimated Cost | Prior Years Cumulative Expenditures | Total Current Year Expenditures | Total Cumulative Expenditures |
|---|---|---|---|---|---|
| **2004 SPLOST** | | | | | |
| **Roads and Bridges Improvements** | $ 4,134,168 | $ 4,134,168 | $ | $ | $ |
| Connecting Sidewalks | | | 154,564 | - | 154,564 |
| Holly Ridge Drive Improvements | | | 85,943 | - | 85,943 |
| Livable Centers Initiative Project | | | 52,225 | - | 52,225 |
| LARP Project | | | 20,516 | 23,500 | 44,016 |
| Joy Lane Project | | | 24,880 | - | 24,880 |
| Brandlwood Project | | | 8,212 | - | 8,212 |
| Main Street | | | 52,033 | 7,785 | 59,818 |
| Storm Drainage Infrastructure | | | 76,690 | - | 76,690 |
| Road Maintenance Plan Project | | | 627,067 | 8,600 | 635,667 |
| Streetscaping Projects | | | 1,915,576 | - | 1,915,576 |
| Wayfinding for Downtown | | | 33,691 | - | 33,691 |
| Maintenance Facility Relocation | | | 7,692 | - | 7,692 |
| Jackson Creek- roads and bridges | | | 74,252 | - | 74,252 |
| Camp Creek- roads and bridges | | | 488,245 | 195,123 | 683,368 |
| Killian Hill- Pedestrian Tunnel | | | 138,829 | 3,681 | 142,510 |
| Crosswalk and City Parking Program | | | 26,902 | - | 26,902 |
| City Plaza | | | - | 7,400 | 7,400 |
| Equipment | | | - | 6,399 | 6,399 |
| Phase II Greenway | | | - | 10,109 | 10,109 |
| **Total Roads, Streets, and Bridges** | 4,134,168 | 4,134,168 | 3,787,317 | 262,597 | 4,049,914 |
| **Recreational Facilities** | 3,200,500 | 3,200,500 | | | |
| City Park Renovations | | | 301,990 | 9,650 | 311,640 |
| Park Plaza | | | 30,904 | 18,145 | 49,049 |
| Camp Creek Greenway | | | 2,494,511 | - | 2,494,511 |
| City Park Signs | | | 2,859 | - | 2,859 |
| Jackson Creek Trail | | | 587,858 | - | 587,858 |
| Phase I Greenway | | | - | 1,575 | 1,575 |
| Phase II Greenway | | | - | 6,043 | 6,043 |
| Phase I Greenway- Surveillance System | | | - | 96,657 | 96,657 |
| Phase II Greenway- Surveillance System | | | - | 7,531 | 7,531 |
| Gwinnett County Park | | | 50,000 | - | 50,000 |
| Parks Improvement/Equipment | | | 21,282 | - | 21,282 |
| Big League Dreams | | | - | 15,162 | 15,162 |
| **Total Recreational Facilities** | 3,200,500 | 3,200,500 | 3,489,404 | 154,763 | 3,644,167 |
| **Public Safety Facilities and Equipment** | 1,000,000 | 1,000,000 | | | |
| Police Department Relocation | | | 259,267 | - | 259,267 |
| Police Vehicles and Equipment | | | 654,246 | - | 654,246 |
| Police Department Renovation | | | 115,756 | - | 115,756 |
| Officer Next Door | | | 17,523 | - | 17,523 |
| Neighborhood House | | | 116,380 | - | 116,380 |
| Crosswalk Safety Street Signs | | | 3,508 | - | 3,508 |
| Phase I Greenway- Surveillance System | | | - | 24,479 | 24,479 |
| **Total Public Safety Facilities and Equipment** | 1,000,000 | 1,000,000 | 1,166,680 | 24,479 | 1,191,159 |
| **Total 2004 SPLOST Expenditures** | $ 8,334,668 | $ 8,334,668 | $ 8,443,401 | $ 441,839 | $ 8,885,240 |

# CITY OF LILBURN, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2009 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | (Unaudited) Original Estimated Cost | (Unaudited) Current Estimated Cost | Prior Years Cumulative Expenditures | Total Current Year Expenditures | Total Cumulative Expenditures |
|---|---|---|---|---|---|
| **2009 SPLOST** | | | | | |
| **General Government Facilities** | $ 4,981,935 | $ 4,981,935 | $ - | $ - | $ - |
| New City Hall | | | 264,864 | 49,601 | 314,465 |
| First Avenue | | | 760 | - | 760 |
| **Total General Government Facilities** | 4,981,935 | 4,981,935 | 265,624 | 49,601 | 315,225 |
| **Roads & Bridges Improvements** | 2,789,884 | 2,789,884 | | | |
| Road Maintenance | | | 5,625 | 69,470 | 75,095 |
| Street Lights | | | - | 4,832 | 4,832 |
| Traffic Study | | | - | 3,500 | 3,500 |
| LCI Project | | | - | 6,484 | 6,484 |
| Lilburn Gateway | | | - | 4,250 | 4,250 |
| Main Street Location | | | - | 782,288 | 782,288 |
| Phase I Greenway | | | - | 691 | 691 |
| Phase II Greenway | | | - | 147,996 | 147,996 |
| Phase III Greenway | | | - | 4,305 | 4,305 |
| **Total Roads & Bridges** | 2,789,884 | 2,789,884 | 5,625 | 1,023,816 | 1,029,441 |
| **Public Safety Facilities Equipment** | 1,195,665 | 1,195,665 | | | |
| PD Evidence Room Renovation | | | - | 2,031 | 2,031 |
| Vehicle Equipment | | | - | 16,167 | 16,167 |
| Vehicles | | | - | 136,708 | 136,708 |
| Phase I Greenway- Surveillance System | | | - | 45,051 | 45,051 |
| Phase II Greenway- Surveillance System | | | - | 45,582 | 45,582 |
| **Total Public Safety Facilities Equipment** | 1,195,665 | 1,195,665 | - | 245,539 | 245,539 |
| **Recreational Facilities** | 996,387 | 996,387 | | | |
| Big League Dreams | | | - | 579,185 | 579,185 |
| Camp Creek Greenway & Trail | | | - | 1,912 | 1,912 |
| City Park | | | - | 1,085 | 1,085 |
| City Park Bandshell | | | - | 11,038 | 11,038 |
| City Park Tennis Courts | | | - | 2,478 | 2,478 |
| Greenway Trail Electric | | | - | 3,700 | 3,700 |
| Phase I Greenway | | | - | 4,779 | 4,779 |
| Phase II Greenway | | | - | 37,570 | 37,570 |
| Phase II Greenway- Surveillance System | | | - | 18,563 | 18,563 |
| **Total Recreational Facilities** | 996,387 | 996,387 | - | 660,310 | 660,310 |
| **Total 2009 SPLOST Expenditures** | $ 9,963,871 | $ 9,963,871 | $ 271,249 | $ 1,979,266 | $ 2,250,515 |

# 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*

**Honorable Mayor and Members**
**Of City Council**
**City of Lilburn**
**Lilburn, Georgia**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lilburn, Georgia (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 16, 2012 which refers to the implementation of a new accounting standard on fund balance classification. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 2011-1 through 2011-8, to be material weaknesses.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated February 16, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Mayor, City Council, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 16, 2012

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**Section I – Summary of Auditor's Results**

***Financial Statements***

| | | |
|---|---|---|
| Type of auditor's report issued | Unqualified | |
| Internal control over financial reporting: | | |
| Material weaknesses identified? | X yes | ____ no |
| Significant deficiencies identified not considered to be material weaknesses? | ____ yes | X none reported |
| Noncompliance material to financial statements noted? | ____ yes | X no |

***Federal Awards***

There was not an audit of major federal award programs as of June 30, 2011 due to the total amount of federal awards expended being less than $500,000.

## Section II – Financial Statement Findings

### Finding 2011-1 - Segregation of Duties

***Criteria:*** Segregation of employee's duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of certain duties.

***Condition/Context:*** During the course of our testwork, we noted several areas in which the segregation of duties could be improved. In some instances within the City's processes, the same person performs day-to-day accounting functions for the City with access to cash receipting or cash disbursement processes as well. Journal entries are not always reviewed and approved by someone other than the preparer. In addition, authorization is not needed in order to void transactions. We also noted segregation of duties issues within the cash receipting process within the Municipal Court.

***Effect:*** Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

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

***Recommendation:*** The City has made improvements in their procedures to segregate these functions and we recommend that the City continue with the implementation of the improvements.

***Views of Responsible Officials and Planned Corrective Action:*** The City implemented a sign off sheet on all Journal Entries beginning in January 2011 which indicates the reviewing and approval from someone other than the preparer. The City implemented a sign off sheet on voided transactions beginning in April 2011. The City will continue to implement changes and to restructure the financial functions, which will enhance the segregation of financial duties into the next year.

### Finding 2011-2 – Expenditure and related liability recognition

***Criteria:*** Generally accepted accounting principles call for liabilities in governmental funds to be reported when goods or services have been received and payment is expected to be made from current and available resources.

***Condition***: Internal controls did not detect various misstatements in the reporting of certain of the City's liability and expenditure/expense accounts.

***Context/Cause:*** During our testing of liabilities and expenses/expenditures, audit adjustments were required as follows:

- Accrued payroll was not adjusted from the prior year reporting period. As a result, liabilities and expenditures were reduced by $11,596 to properly record the accrued payroll balance in the General Fund.
- A liability was improperly recorded in the General Fund to a pension payable account. As a result, liabilities were reduced by $163,336 and revenues were increased.
- An account payable and resulting expense in the amount of $43,255 in the General Fund, $39,627 in the 2009 SPLOST Fund, and $4,669 in the Confiscated Assets Fund were not recorded, although services had been provided. As a result, expenditures and liabilities were increased.

**Finding 2011-2 – Accrued Liabilities (continued)**

***Effects:*** Audit adjustments with a value of $262,483 were needed as detailed above.

***Recommendation:*** We recommend the City ensure that liabilities are reported when goods and services have been provided.

***Views of Responsible Officials and Planned Corrective Action:*** The City agrees with the recommendation. The Finance department will work to determine that liabilities are posted when goods and services have been provided.

**Finding 2011-3 – Fund Balance**

***Criteria:*** Internal controls should be in place to ensure that fund balance agrees with the prior year audited financial statements.

***Condition***: Internal controls did not detect a misstatement in the reporting of the City's fund balance.

***Context/Cause:*** During our testing of fund balance, audit adjustments were required to correct the current year balances. The City did not properly record prior year audit entries which affected the fund balance in the 2004 SPLOST Fund. The City also posted entries directly to fund balance which affected the beginning fund balance of the General Fund.

***Effects:*** Audit adjustments totaling $2,548 and $480,600 were needed to correctly report fund balance in the 2004 SPLOST Fund and General Fund, respectively, as of July 1, 2010.

***Recommendation:*** We recommend the City carefully review all fund balance accounts to ensure audit entries are properly posted to these accounts. Additionally, no entry should be made directly to fund balance during the year, unless supported by the generally accepted accounting principles as a correction of an error or change in accounting principle.

***Views of Responsible Officials and Planned Corrective Action:*** The City agrees with the recommendation. The Finance Department will closely monitor the financial statements on a timely basis in the future, and to ensure that all fund balance accounts are correctly reported.

**Finding 2011-4 - Management of Internal Balances**

***Criteria:*** Generally accepted accounting principles (GAAP) require inter-fund transactions to be accounted for as due to and due from other funds, for amounts outstanding between funds at year end, and as transfers in order to move assets from the fund in which they were collected to the fund they are financing. GAAP also requires consideration of the collectability of receivables of all kinds whether external or internal to the City. As part of that process, the City should review the amounts included in due to/from accounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as transfers in/out during any given fiscal year and that those balances should agree between funds.

***Condition:*** Internal controls did not detect misstatements in each of the funds in the balancing of interfund to/from accounts.

***Context/Cause:*** The City's unadjusted trial balance reported significant amounts in the due to/from other funds and advance to/from other funds accounts. Various transactions were improperly posted to due to/from accounts which were repayments or additional advances. The City did not properly record an advance to the Downtown Development Authority, therefore not balancing the accounts between the primary government and the component unit.

***Effect:*** Adjustments to the 2009 SPLOST Fund were required to record an advance to the Downtown Development Authority in the amount of $56,250 and to decrease expense. Also adjustments of approximately $360,000 were required to reconcile amounts due to/from the two SPLOST Funds.

***Recommendation:*** We recommend the City review all interfund receivables and payables on a quarterly basis and consider the need for settlement between funds at that time via transfers in/out by the respective funds and moving of cash between bank accounts as necessary. We also recommend that all interfund activity be properly recorded through the due to/from and advance accounts as appropriate.

***Views of Responsible Officials and Planned Corrective Action:*** The City will take the appropriate steps to review all interfund receivables and payables on a quarterly basis and to consider the need for settlement at that time via transfers in/out by the respective funds. The Finance Department will ensure that all interfund activity be properly recorded.

**Finding 2011-5 – Property Tax Receivables and Related Deferred Revenue**

***Criteria:*** Internal controls should be in place to ensure that the amounts reported as taxes receivable, and the related deferred revenue, are accurate.

***Condition***: Internal controls did not detect a misstatement in the reporting of the City's taxes receivable and related deferred revenue.

**Finding 2011-5 – Property Tax Receivables and Related Deferred Revenue (continued)**

***Context/Cause:*** During our testing of taxes receivable and the related deferred revenue, audit adjustments were required to correct the current year end amounts, primarily related to property tax receivables. The amounts had not been accrued at year end. In addition, there are no defined cutoff procedures, monitoring process, or reconciliation to the general ledger.

***Effects:*** Audit adjustments were required, in the General Fund, to decrease property taxes receivable by $20,032, increase tax revenue by $7,022 and reduce deferred revenue by $27,054 as of June 30, 2011.

***Recommendation:*** We recommend the City carefully review these year-end closing entries in order to ensure the related journal entries are accurate in the future.

***Views of Responsible Officials and Planned Corrective Action:*** The City agrees with the recommendation above. The Finance Department will review these important journal entries and will ensure that the taxes receivable and the deferred revenue balances reconcile to the subsidiary ledgers.

**2011-6 Intergovernmental Revenue Recognition**

***Criteria:*** Intergovernmental revenues (Grant and SPLOST taxes) should be reconciled at the end of each reporting period so that any intergovernmental receivable, and related revenue, is accrued in the proper period based on the related reimbursable expenditures.

***Condition***: Internal controls were not sufficient to timely detect certain misstatements in the reporting of the City's intergovernmental revenues and the related receivables in the 2004 and 2009 SPLOST funds.

***Context/Cause:*** During our testing of grant revenues, audit adjustments were required to adjust grant and SPLOST revenue and the related receivables.

***Effects:*** Audit adjustments totaling $134,331 were needed to reduce grant revenue and the related receivable in the 2004 SPLOST Fund for amounts applicable to the prior reporting period. Audit adjustments totaling $240,232 were needed to increase SPLOST tax revenue and the related receivable in the 2009 SPLOST fund.

***Recommendation:*** We recommend the City carefully review all reimbursable expenditures and related balance sheet accounts and revenues and related receivable accounts to ensure all necessary transactions are reported in the proper period.

***Views of Responsible Officials and Planned Corrective Action:*** The City agrees with the recommendation above. The Finance Department will monitor and review revenue accounts for proper and accurate recording. The City has contracted with a Grants analyst to assist with this matter.

## Finding 2011-7 - Capital Assets

***Criteria:*** The City maintained $14.8 million in capital assets as of June 30, 2011, net of accumulated depreciation on those assets. Generally accepted accounting principles require that these assets be accounted for and, if applicable, depreciated on a systematic basis.

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

***Context/Cause:*** During fiscal year 2011, the City did not maintain its own detailed ledger of construction in progress during the year. In addition, the City expensed several items instead of recording them as capital assets.

***Effect:*** Capital asset data that is reconciled to the general ledger is important for timely preparation of financial statements and the related footnotes of capital asset data. Updated and maintained capital asset data also provides for accurate depreciation calculations for service costing data, and enhances overall property management including providing for proper insurance coverage, replacement budgeting and other planning processes, and repair and maintenance service programs. Adjustments, in the amount of $1,460,885, were made to the capital asset detail.

***Recommendation:*** We recommend that the City devote the resources necessary to ensure that the capital assets are properly recorded on an on-going timely basis.

***Views of Responsible Officials and Planned Corrective Action:*** The City agrees with the recommendation above. The Finance Department will update and maintain capital asset data on a timely basis to ensure that they are properly recorded.

## Finding 2011-8 – Financial Statements

***Criteria:*** The City is ultimately responsible for the financial statements prepared in accordance with generally accepted accounting principles.

***Condition:*** The City keeps its accounting data on a cash basis throughout the year, which is an accepted practice for many local governments. The City should have a process in place to accurately accumulate the information at year end for the conversion of that cash basis accounting data to the proper basis of accounting under generally accepted accounting principles. As is noted by the other findings in this report, a significant number of adjusting entries were required to convert the accounting data of the City to the financial statements in accordance with generally accepted accounting principles.

***Context/Cause:*** The adjusting entries are presented in other findings in this report as described. The cause of these entries is the focus of the City on the cash basis of accounting.

***Effect:*** A significant number of adjusting entries were required for the year ended June 30, 2011.

**Finding 2011-8 – Financial Statements (continued)**

***Recommendation:*** We recommend that the City devote the resources necessary to ensure that the cash basis accounting data is converted to the proper basis of accounting after year end and in preparation for the year end financial statements.

***Views of Responsible Officials and Planned Corrective Action:*** The City agrees with the recommendation above. The Finance Department will ensure that the cash basis accounting data is converted to the proper basis of accounting after year end and in preparation for the year-end financial statements.