CITY OF LILBURN, GEORGIA

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

CITY OF LILBURN, GEORGIA

ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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, 2012, 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 previously 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2013 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 combining and individual fund financial statements and schedules, including the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 7, 2013

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, 2012.

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 13-26 of this report.

Government-wide Financial Analysis

Summary of the City's Net Assets
June 30, 2012 and 2011

	Governmental activities	
	2012	2011
Assets:		
Current and other assets	$ 7,061,212	$ 5,562,009
Capital assets	14,413,552	14,831,754
Total assets	21,474,764	20,393,763
Liabilities:		
Long-term liabilities	212,046	354,879
Other liabilities	391,186	458,072
Total liabilities	603,232	812,951
Net assets:		
Invested in capital assets, net of debt	14,413,552	14,699,782
Restricted	3,220,772	2,571,341
Unrestricted	3,237,208	2,309,689
Total net assets	$ 20,871,532	$ 19,580,812

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, 2012 were $20,871,532 as compared to $19,580,812 at June 30, 2011. At June 30, 2012, a total of $14,413,552 of net assets, or 69%, are invested in capital assets (e.g., land, buildings, infrastructure, equipment, etc.). At June 30, 2011, a total of $14,669,782 of the net assets, or 75%, were invested in capital assets, net of related capital lease obligations. The decrease is due to the discontinued construction and deletion of the Main Street / Livable Centers Initiative project. Also at June 30, 2012, the City had restricted net assets of $3,220,772 which were restricted for capital projects and public safety based on intergovernmental and other agreements. This balance was $2,571,341 at June 30, 2011 and the increase results from SPLOST collections from Gwinnett County. The remaining balances of net assets, $3,237,208 at June 30, 2012 and $2,309,689 at June 30, 2011, 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, 2012 and 2011

	Governmental activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	$ 1,467,014	$ 1,172,417
Capital grants and contributions	2,970,009	1,755,994
General revenues:		
Property taxes	1,525,367	1,666,342
Franchise taxes	893,131	863,659
Alcoholic beverage taxes	458,685	398,050
Other taxes	981,706	841,946
Unrestricted investment earnings	3,222	5,446
Miscellaneous	51,118	188,284
Total revenues	8,350,252	6,892,138
Expenses:		
General government	976,379	917,554
Police	3,554,865	3,109,519
Courts	493,050	473,470
Streets	1,234,230	1,038,876
Recreation	190,410	193,705
Planning and zoning	375,026	417,059
Economic development	179,419	143,953
Marketing & Events	51,878	101,499
Interest	4,276	-
	7,059,532	6,395,635
Change in net assets	1,290,720	496,503
Net assets, beginning of year	19,580,812	19,084,309
Net assets, end of year	$ 20,871,532	$ 19,580,812

Net assets of the City increased by $1,290,720 in 2012 and $496,503 in 2011. This increase in the change in net assets during 2012 was caused primarily by increased grant revenue and the settlement of the Service Delivery Strategy with Gwinnett County.

Analysis of the City's Funds

The net change in fund balance for the City's General Fund was an increase from the prior year of $643,561. This increase was a result of an overall increase in revenues primarily due to the settlement of the Service Delivery Strategy with Gwinnett County.

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 $936,710 remaining to be expended at June 30, 2012.

The 2009 SPLOST continues to collect sales taxes from the County with total revenue of $1,641,279 in fiscal year 2012. Expenditures on projects also continue with $2,005,172 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 $5,977,939. Expenditures were transferred between departments but there were no amendments to the overall budget expenditures during the year. Overall actual results had expenditures of $143,796 less than what was budgeted due to fewer expenditures in the police 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 $14,413,552 (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 2012 was construction on the Killian Hill Road project and the disposal of the Main Street / Livable Center Initiative 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 $131,972 was made during fiscal year 2012, which paid the lease balance in full. 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, 2012

	Primary Government	Component Unit
	Governmental Activities	Downtown Development Authority
ASSETS		
Cash and cash equivalents	$ 3,800,920	$ 19,378
Investments	2,171,239	1,149,241
Property taxes receivable, net of allowance for uncollectible accounts	98,289	-
Intergovernmental receivable	285,514	-
Advance to component unit	615,800	-
Due from other governments	-	206,500
Note receivable, long term	89,450	-
Capital assets, nondepreciable	5,702,210	-
Capital assets, depreciable, net of accumulated depreciation	8,711,342	-
Total assets	21,474,764	1,375,119
LIABILITIES		
Accounts payable	254,767	1,758
Accrued liabilities	130,825	-
Advance from primary government	-	615,800
Unearned revenue	5,594	-
Long-term liabilities:		
Line of Credit payable due within one year	-	636,738
Compensated absences due within one year	212,046	-
Total liabilities	603,232	1,254,296
NET ASSETS		
Invested in capital assets	14,413,552	-
Restricted for:		
Capital projects	3,000,006	-
Public safety	220,766	-
Unrestricted	3,237,208	120,823
Total net assets	$ 20,871,532	$ 120,823

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, 2012

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 Assets: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Component Unit: Downtown Development Authority
Governmental activities:						
General government	$ 976,379	$ 213,734	$ -	$ 869,800	$ 107,155	$
Police	3,554,865	1,164,270	-	1,304,242	(1,086,353)	
Courts	493,050	-	-	-	(493,050)	
Streets	1,234,230	-	-	616,355	(617,875)	
Recreation	190,410	-	-	179,612	(10,798)	
Planning and zoning	375,026	89,010	-	-	(286,016)	
Economic development	179,419	-	-	-	(179,419)	
Marketing & Events	51,878				(51,878)	
Interest on debt	4,276	-	-	-	(4,276)	
Total governmental activities	$ 7,059,532	$ 1,467,014	$ -	$ 2,970,009	(2,622,509)	
Component Unit:						
Downtown Development Authority	$ 39,444	$ 9,028	$ 650	$ 650		(29,116)
General revenues:						
Property taxes					1,525,367	-
Franchise taxes					893,131	-
Alcoholic beverage taxes					458,685	-
Other taxes					981,706	-
Unrestricted investment earnings					3,222	-
Miscellaneous					51,118	-
Total general revenues					3,913,229	-
Change in net assets					1,290,720	(29,116)
Net assets, beginning of year					19,580,812	149,939
Net assets, end of year					$ 20,871,532	$ 120,823

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

CITY OF LILBURN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	2004 SPLOST	2009 SPLOST	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 750,726	$ 845,906	$ 1,579,974	$ 624,314	$ 3,800,920
Investments	2,171,239	-	-	-	2,171,239
Property taxes receivable, net of allowance for uncollectable amounts	98,289	-	-	-	98,289
Intergovernmental receivable	-	-	285,514	-	285,514
Due from other funds	-	-	155,120	-	155,120
Advance to component unit	239,589	264,211	72,000	40,000	615,800
Total assets	$ 3,259,843	$ 1,110,117	$ 2,092,608	$ 664,314	$ 7,126,882
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 105,425	$ 18,287	$ 87,436	$ 43,619	$ 254,767
Accrued liabilities	130,825	-	-	-	130,825
Due to other funds	-	155,120	-	-	155,120
Deferred revenue	79,912	-	-	5,594	85,506
Total liabilities	316,162	173,407	87,436	49,213	626,218
Fund balances:					
Nonspendable:					
Advance to component unit	239,589	264,211	72,000	40,000	615,800
Restricted:					
Capital construction	-	672,499	1,933,172	354,335	2,960,006
Public safety	-	-	-	220,766	220,766
Unassigned	2,704,092	-	-	-	2,704,092
Total fund balances	2,943,681	936,710	2,005,172	615,101	6,500,664
Total liabilities and fund balances	$ 3,259,843	$ 1,110,117	$ 2,092,608	$ 664,314	

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	14,413,552
Notes receivable	89,450
Other assets - property taxes receivable are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	79,912
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds for compensated absences.	(212,046)
Net assets of governmental activities	$ 20,871,532

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, 2012

	General	2004 SPLOST	2009 SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 1,528,928	$ -	$ -	$ -	$ 1,528,928
Franchise taxes	893,131	-	-	-	893,131
Alcoholic beverage taxes	458,685	-	-	-	458,685
Other taxes	981,706	-	-	-	981,706
Licenses and permits	262,640	-	-	-	262,640
Intergovernmental	1,089,759	15,555	1,640,577	208,113	2,954,004
Charges for services	554,408	-	-	-	554,408
Fines and forfeitures	538,548	-	-	-	538,548
Investment income	3,756	5,972	702	597	11,027
Cash confiscations	-	-	-	8,516	8,516
Miscellaneous	153,920	3,304	-	8,299	165,523
Total revenues	6,465,481	24,831	1,641,279	225,525	8,357,116
EXPENDITURES					
Current:					
General government	809,207	-	-	-	809,207
Police	2,923,502	-	-	124,127	3,047,629
Courts	493,790	-	-	-	493,790
Streets	925,041	-	-	-	925,041
Recreation	78,082	-	-	-	78,082
Planning and zoning	373,143	-	-	-	373,143
Economic development	179,500	-	-	-	179,500
Marketing and events	51,878	-	-	-	51,878
Capital outlay	-	66,246	524,752	112,670	703,668
Debt service					
Principal Retirements	-	-	131,972	-	131,972
Interest Payments	-	-	4,276	-	4,276
Total expenditures	5,834,143	66,246	661,000	236,797	6,798,186
Excess (deficiency) of revenues over (under) expenditures	631,338	(41,415)	980,279	(11,272)	1,558,930
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of property	12,223	-	-	1,800	14,023
Total other financing sources (uses)	12,223	-	-	1,800	14,023
Net change in fund balances	643,561	(41,415)	980,279	(9,472)	1,572,953
FUND BALANCES, beginning of year	2,300,120	978,125	1,024,893	624,573	4,927,711
FUND BALANCES, end of year	$ 2,943,681	$ 936,710	$ 2,005,172	$ 615,101	$ 6,500,664

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, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	1,572,953
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		476,838
Depreciation expense		(716,422)
The net effect of various transactions related to the disposal of capital assets, including payments received on a note receivable reported in order to finance the sale of capital assets		(181,921)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.		(3,561)
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		131,972
Change in compensated absences		10,861
Change in net assets - governmental activities	$	1,290,720

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property taxes	$ 1,537,690	$ 1,537,690	$ 1,528,928	$ (8,762)
Franchise taxes	874,500	874,500	893,131	18,631
Alcoholic beverage taxes	391,850	391,850	458,685	66,835
Insurance premium taxes	620,000	620,000	543,901	(76,099)
Other taxes	510,550	510,550	437,805	(72,745)
Total taxes	3,934,590	3,934,590	3,862,450	(72,140)
Licenses and permits:				
Alcoholic beverage fees	75,980	75,980	140,855	64,875
Business licenses	31,900	31,900	32,775	875
Building permits	61,000	61,000	89,010	28,010
Total licenses and permits	168,880	168,880	262,640	93,760
Intergovernmental revenues:				
Federal grants	7,500	7,500	15,347	7,847
State grants	12,533	12,533	-	(12,533)
Local grants	492,136	492,136	1,074,412	582,276
Total intergovernmental revenues	512,169	512,169	1,089,759	577,590
Charges for services:				
Public safety services	150,370	150,370	125,980	(24,390)
Other charges	424,820	424,820	428,428	3,608
Total charges for services	575,190	575,190	554,408	(20,782)
Fines and forfeitures	616,725	616,725	538,548	(78,177)
Investment income	6,000	6,000	3,756	(2,244)
Miscellaneous revenue	164,385	164,385	153,920	(10,465)
Total revenues	5,977,939	5,977,939	6,465,481	487,542
EXPENDITURES				
Current:				
General government	725,340	783,318	809,207	(25,889)
Police	3,051,821	3,051,821	2,923,502	128,319
Courts	493,357	493,357	493,790	(433)
Streets	936,297	936,297	925,041	11,256
Recreation	77,891	77,891	78,082	(191)
Planning and zoning	394,219	394,219	373,143	21,076
Economic development	213,175	187,084	179,500	7,584
Marketing and events	85,839	53,952	51,878	2,074
Total expenditures	5,977,939	5,977,939	5,834,143	143,796
Excess (deficiency) of revenues over (under) expenditures	-	-	631,338	631,338
OTHER FINANCING SOURCES (USES)				
Proceeds from the sales of property	-	-	12,223	12,223
Total other financing sources (uses)	-	-	12,223	12,223
Net change in fund balances	-	-	643,561	643,561
FUND BALANCES, beginning of year	2,300,120	2,300,120	2,300,120	-
FUND BALANCES, end of year	$ 2,300,120	$ 2,300,120	$ 2,943,681	$ 643,561

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. However, separate financial statements are not prepared.

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. 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 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 $25,889 in General Government; $433 in Courts; and $191 in Recreation. The Confiscated Assets Fund expended more than its budgeted expenditures by $77,204. 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 $2,171,239 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 $1,149,241 consist of an investment in six 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, 2012, the City's investment in the Georgia Fund 1 was rated AAAm by Standard & Poor's. At June 30, 2012, the City had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	48 day weighted average	$ 2,171,239

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, 2012, 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, 2011 and were mailed to taxpayers in July 2011. The due date for these taxes was December 20, 2011, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was January 1, 2012. Receivables are recorded when taxes are levied and billed (October 1).

Receivables at June 30, 2012, along with the allowance for uncollectible accounts, are as follows.

	General	2009 SPLOST
Receivables:		
Property taxes receivable	$ 105,030	$ -
Intergovernmental receivable	-	285,514
Allowance for uncollectible	(6,741)	-
Net total receivables	$ 98,289	$ 285,514

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, extended for one year. 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 October 1, 2013.

At June 30, 2012, 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,	$	$	$
2013	89,450	950	90,400
Total	$ 89,450	$ 950	$ 90,400

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 4,778,576	$ -	$ -	$ -	$ 4,778,576
Construction in process	888,872	342,188	(167,704)	(139,722)	923,634
	5,667,448	342,188	(167,704)	(139,722)	5,702,210
Capital assets, being depreciated:					
Land improvements	6,157,828	7,400	-	-	6,165,228
Buildings and improvements	2,901,362	-	-	8,463	2,909,825
Machinery and equipment	2,397,834	117,250	(331,916)	131,259	2,314,427
Infrastructure	1,938,705	10,000	-	-	1,948,705
Total	13,395,729	134,650	(331,916)	139,722	13,338,185
Less accumulated depreciation for:					
Land improvements	700,587	262,126	-	-	962,713
Buildings and improvements	1,227,657	96,616	-	-	1,324,274
Machinery and equipment	1,754,406	235,551	(321,003)	-	1,668,954
Infrastructure	548,773	122,129	-	-	670,902
Total	4,231,423	716,422	(321,003)	-	4,626,843
Total capital assets, being depreciated, net	9,164,306	(581,772)	(10,913)	139,722	8,711,342
Governmental activities capital assets, net	$ 14,831,754	$ (239,584)	$ (178,617)	$ -	$ 14,413,552

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

Governmental activities:	
General government	$ 142,066
Police	245,231
Streets	226,676
Recreation	99,511
Planning and zoning	2,938
Total depreciation expense - governmental activities	$ 716,422

NOTE 6. LONG-TERM LIABILITIES

Activity of the long-term liabilities of the City for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities:					
Compensated absences	$ 222,907	$ 140,833	$ 151,694	$ 212,046	$ 212,046
Capital lease	131,972	-	131,972	-	-
Governmental activities long-term liabilities	$ 354,879	$ 140,833	$ 283,666	$ 212,046	$ 212,046

The City had 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 and interest rate of 3.24% and was paid in full as of June 30, 2012.

The General Fund typically is the funding source of payment for the compensated absences payable.

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, 2012, draws were $167,250 and no principal payments were made. As of June 30, 2012, the outstanding balance is $636,738. The City has guaranteed the line of credit of the Downtown Development Authority and should the need arise, the City will pay the debt on behalf of the Authority.

Activity on line of credit of the Downtown Development Authority for the year ended June 30, 2012 is as follows:

	Beginning Balance	Draws	Payments	Ending Balance	Due Within One Year
Downtown Development Authority					
Line of Credit	$ 469,488	$ 167,250	$ -	$ 636,738	$ 636,738

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
2009 SPLOST Fund	2004 SPLOST Fund	$ 155,120
		$ 155,120

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	$ 239,589
2004 SPLOST Fund	DDA	264,211
2009 SPLOST Fund	DDA	72,000
Other Governmental Funds	DDA	40,000

The General Fund, 2004 SPLOST Fund, 2009 SPLOST Fund, and Other Governmental Funds (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.

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 and is required to pay annual dues thereto. During its fiscal year ended June 30, 2012, the City's membership dues were paid by Gwinnett County, Georgia. The City did not pay any annual dues. Membership in a Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia.

The Regional Commission 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 a Regional Commission. 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 $2,912,707, including $2,477,903 of payroll covered by the plan. Contributions by the City totaled $244,344 for the fiscal year ended June 30, 2012 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.

NOTE 12. SUBSEQUENT EVENT

Subsequent to year-end, on December 18, 2012, the Downtown Development Authority extended its line of credit agreement with the Bank of Atlanta to a new maturity date of March 31, 2013. Other terms, including the City's guarantee of the line credit, remained unchanged.

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, 2012

ASSETS	Special Revenue Fund Confiscated Assets Fund	Capital Projects Funds Capital Projects Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 269,979	$ 354,335	$ 624,314
Advance to component unit	-	40,000	40,000
Total assets	$ 269,979	$ 394,335	$ 664,314
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 43,619	$ -	$ 43,619
Deferred revenue	5,594	-	5,594
Total liabilities	49,213	-	49,213
FUND BALANCES			
Nonspendable	-	40,000	40,000
Restricted:			
Capital construction	-	354,335	354,335
Public safety	220,766	-	220,766
Total fund balances	220,766	394,335	615,101
Total liabilities and fund balances	$ 269,979	$ 394,335	$ 664,314

CITY OF LILBURN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	Confiscated Assets Fund	Capital Projects Fund	
Revenues			
Cash confiscations	$ 8,516	$ -	$ 8,516
Investment income	485	112	597
Intergovernmental	-	208,113	208,113
Miscellaenous	-	8,299	8,299
Total revenues	9,001	216,524	225,525
Expenditures			
Current:			
Police	124,127	-	124,127
Capital outlay	-	112,670	112,670
Total expenditures	124,127	112,670	236,797
Excess (deficiency) of revenues over (under) expenditures	(115,126)	103,854	(11,272)
Other Financing Sources			
Proceeds from the sale of property	1,800	-	1,800
Total other financing sources (uses)	1,800	-	1,800
Net change in fund balances	(113,326)	103,854	(9,472)
Fund balances, beginning of year	334,092	290,481	624,573
Fund balances, end of year	$ 220,766	$ 394,335	$ 615,101

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, 2012

	Confiscated Assets Fund		
	Original & Final Budget	Actual	Variance With Final Budget
Revenues:			
Cash confiscations	$ -	$ 8,516	$ 8,516
Investment income	-	485	485
Total revenues	-	9,001	9,001
Expenditures:			
Current:			
Police	46,923	124,127	(77,204)
Total expenditures	46,923	124,127	(77,204)
Excess of revenues over expenditures	(46,923)	(115,126)	(68,203)
Other financing sources:			
Proceeds from the sale of property	2,000	1,800	(200)
Transfers in from other funds	46,923	-	(46,923)
Total other financing uses	2,000	1,800	(47,123)
Net change in fund balances	(44,923)	(113,326)	(115,326)
Fund balance, beginning of year	334,092	334,092	-
Fund balance, end of year	$ 289,169	$ 220,766	$ (115,326)

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2004 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	(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			44,016	-	44,016
Joy Lane Project			24,880	1,034	25,914
Brandlwood Project			8,212	-	8,212
Main Street			59,818	3,550	63,368
Storm Drainage Infrastructure			76,690	-	76,690
Road Maintenance Plan Project			635,667	29,340	665,007
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			683,368	6,000	689,368
Killian Hill- Pedestrian Tunnel			142,510	95,500	238,010
Crosswalk and City Parking Program			26,902	3,100	30,002
City Plaza			7,400	550	7,950
Equipment			6,399	15,084	21,483
Phase II Greenway			10,109	-	10,109
Street Signage- State Mandate			-	13,071	13,071
Total Roads, Streets, and Bridges	4,134,168	4,134,168	4,049,914	167,229	4,217,143
Recreational Facilities	3,200,500	3,200,500			
City Park Renovations			311,640	-	311,640
Park Plaza			49,049	-	49,049
Camp Creek Greenway			2,494,511	(100,983) (1)	2,393,528
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	3,644,167	(100,983)	3,543,184
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	1,191,159	-	1,191,159
Total 2004 SPLOST Expenditures	$ 8,334,668	$ 8,334,668	$ 8,885,240	$ 66,246	$ 8,951,486

(1) Adjustment for duplicate expenditures charged in prior year(s)

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2009 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	(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			314,465	55,735	370,200
First Avenue			760	-	760
SPLOST Administration			-	43,759	43,759
Total Public Safety Facilities and Equipment	4,981,935	4,981,935	315,225	99,494	414,719
Roads & Bridges Improvements	2,789,884	2,789,884			
Road Maintenance			75,095	6,530	81,625
Street Lights			4,832	4,026	8,858
Traffic Study			3,500	375	3,875
LCI Project			6,484	35,125	41,609
Liburn Gateway			4,250	7,820	12,070
Main Street Location			782,288	60,864	843,152
Phase I Greenway			691	-	691
Phase II Greenway			147,996	-	147,996
Phase III Greenway			4,305	-	4,305
Equipment			-	19,461	19,461
Total Roads & Bridges	2,789,884	2,789,884	1,029,441	134,201	1,163,642
Public Safety Facilities Equipment	1,195,665	1,195,665			
PD Evidence Room Renovation			2,031	4,923	6,954
Equipment			-	56,642	56,642
Vehicle Equipment			16,167	26,070	42,237
Vehicles			136,708	180,969	317,677
Phase I Greenway- Surveillance System			45,051	-	45,051
Phase II Greenway- Surveillance System			45,582	77,038	122,620
104 1st Avenue			-	7,694	7,694
Total Public Safety Facilities Equipment	1,195,665	1,195,665	245,539	353,336	598,875
Recreational Facilities	996,387	996,387			
Big League Dreams			579,185	53,635	632,820
Camp Creek Greenway & Trail			1,912	-	1,912
City Park			1,085	1,400	2,485
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	8,667	13,446
Phase II Greenway			37,570	165	37,735
Phase II Greenway- Surveillance System			18,563	-	18,563
Equipment			-	10,102	10,102
Total Recreational Facilities	996,387	996,387	660,310	73,969	734,279
Total 2009 SPLOST Expenditures	$ 9,963,871	$ 9,963,871	$ 2,250,515	$ 661,000	$ 2,911,515

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 7, 2013. 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 2012-1 through 2012-4, 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 7, 2013.

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 7, 2013

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 due to the total amount of federal awards expended being less than $500,000.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings

Finding 2012-1 – 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:

- An account payable and resulting expenditure in the amounts of $10,750 in the 2004 SPLOST fund and $8,652 in the 2009 SPLOST Fund were not recorded, although services had been provided. As a result, expenditures and liabilities were increased. An entry in the amount of $100,982 was required to reduce accounts payable and related expenditures in the 2004 SPLOST fund for a prior year audit entry which was not reversed in the current year.

Effects: Audit adjustments with a value of $120,384 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 2012-2 – Recording of revenue and related receivable

Criteria: Internal controls should be in place to ensure that revenues and related receivables are recorded in accordance with generally accepted accounting principles.

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

Context/Cause: During our testing of revenues and receivables, audit adjustments were required as follows:

- An entry of $23,424 was required to increase the revenue and receivable in the 2009 SPLOST fund.
- An entry of $203,411 was required to correct the interfund balance between the 2004 SPLOST fund and 2009 SPLOST fund in order to correctly record adjustments between the SPLOST funds.

Effects: Audit adjustments totaling $226,835 were needed as detailed above.

Recommendation: We recommend the City carefully review all revenues and related receivables to ensure these are properly reported.

Finding 2012-2 – Recording of revenue and related receivable (continued)

Views of Responsible Officials and Planned Corrective Action: The City agrees with the recommendation. The Finance Department will closely monitor the all revenues and receivables to ensure proper recording.

Finding 2012-3 - Management of Internal Balances

Criteria: Generally accepted accounting principles 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 the balancing of interfund to/from accounts.

Context/Cause: During our testing of revenues and receivables, audit adjustments were required as follows:

- Reduce advance to the Downtown Development Authority for $28,334 in the 2009 SPLOST fund for amount which should have been expended.
- Record advance to the Downtown Development Authority for $1,590 in the 2004 SPLOST fund for amount that was improperly expended.
- Record advance from the primary government for $426 in the Downtown Development Authority. Amount was not recorded by the Downtown Development Authority.

Effect: Audit adjustment totaling $30,350 were required as detailed above.

Recommendation: We recommend the City review all interfund balances between the City and the Downtown Development Authority. There was substantial improvement by the City whereby all interfund balances between the funds of the primary government agreed (balanced). We recommend the City ensure open lines of communication exist with the Downtown Development Authority to ensure interfund balances agree.

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 2012-4 - Capital Assets

Criteria: The City maintained $14.4 million in capital assets as of June 30, 2012, 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 2012, the City did not maintain its own detailed ledger of construction in progress during the year. In addition, the City's capital asset detail was not reconciled to the financial records.

Effect: Audit adjustments totaling $400,970 were required as follows to correctly report capital assets:

- To add construction in progress expenditures of $342,188 to the capita asset records.
- To record depreciation expense of $8,842 on completed construction in progress projects which were not added to the capital asset system and depreciated.
- A passed audit adjustment of $39,892 to reflect the difference between the City's capital asset system and the financial statements for depreciable assets.
- A passed audit adjustment of $10,048 to reflect the difference between the City's capital asset system and the financial statements for depreciation expense and related accumulated depreciation.

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.