CITY OF LILBURN, GEORGIA

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

CITY OF LILBURN, GEORGIA

ANNUAL FINANCIAL STATEMENTS
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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lilburn, Georgia as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements and schedules, including the Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and schedules (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the City of Lilburn, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 22, 2014

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, 2014.

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 position* presents information on all of the City's assets, liabilities and deferred inflows and outflows of resources, with the difference between the assets and deferred outflows and the liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 8 and 9 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 10-13 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 14-28 of this report.

Government-wide Financial Analysis

Summary of the City's Net Position
June 30, 2014 and 2013

	Governmental activities	
	2014	2013
Assets:		
Current and other assets	$ 9,780,224	$ 8,465,202
Capital assets	13,343,920	14,175,371
Total assets	23,124,144	22,640,573
Liabilities:		
Long-term liabilities	172,522	208,321
Other liabilities	198,009	364,609
Total liabilities	370,531	572,930
Net position:		
Investment in capital assets	13,343,920	14,175,371
Restricted	6,000,354	4,877,489
Unrestricted	3,409,339	3,014,783
Total net position	$ 22,753,613	$ 22,067,643

The net position of a governmental entity may serve as an indicator of the entity's financial position. The City's net position at June 30, 2014 was $22,753,613 as compared to $22,067,643 at June 30, 2013. At June 30, 2014, a total of $13,343,920 of net position, or 59%, are invested in capital assets (e.g., land, buildings, infrastructure, equipment, etc.). At June 30, 2013, a total of $14,175,371 of the net position, or 64%, was invested in capital assets. The decrease is due to the disposal of property to Gwinnett County for construction of a new library and the disposal of construction in progress related to the Big League Dreams sports complex. Also at June 30, 2014, the City had restricted net position of $6,000,354 which was restricted for capital projects and public safety based on intergovernmental and other agreements. This balance was $4,877,489 at June 30, 2013 and the increase results from SPLOST collections from Gwinnett County. The remaining balances of net position, $3,409,339 at June 30, 2014 and $3,014,783 at June 30, 2013, 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 Position
Years Ended June 30, 2014 and 2013

	Governmental activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	$ 2,006,325	$ 1,859,272
Capital grants and contributions	2,056,153	1,973,777
General revenues:		
Property taxes	1,840,591	1,723,126
Franchise taxes	830,771	851,024
Alcoholic beverage taxes	476,590	459,066
Other taxes	1,204,562	1,142,418
Unrestricted investment earnings	2,286	2,972
Miscellaneous	52,344	50,843
Total revenues	8,469,622	8,062,498
Expenses:		
General government	2,077,085	1,399,560
Police	3,102,560	3,045,856
Courts	513,894	498,144
Streets	1,233,207	1,271,673
Recreation	366,504	165,263
Planning and zoning	329,325	370,471
Economic development	106,026	68,913
Marketing & Events	55,051	86,134
	7,783,652	6,906,014
Change in net position	685,970	1,156,484
Net position, beginning of year	22,067,643	20,911,159
Net position, end of year	$ 22,753,613	$ 22,067,643

Net position of the City increased by $685,970 in 2014 and $1,156,484 in 2013. Expenses increased due primarily to the deeding over of land to Gwinnett County for a new library branch in the City.

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 $362,896. This increase was a result of continued revenues from the settlement of the Service Delivery Strategy with Gwinnett County and increased property tax revenue.

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 $433,681 remaining to be expended at June 30, 2014.

The 2009 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 $4,165,170 remaining to be expended at June 30, 2014.

The 2014 SPLOST fund began collecting revenue from the sales tax collections form the County in FY 2014.

Budgetary Highlights

The City adopts an annual budget for the General Fund. The budget as originally adopted included expenditures of $6,193,673 with budget amendments for expenditures of $6,194,001. Overall actual results had expenditures of $105,342 less than what was budgeted due to fewer expenditures in the general government and planning & 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 $13,343,920 (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 2014 was construction on the SR29 path, purchase of land and buildings for the public works facility, and disposal of land to Gwinnett County for a new library in the City.

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

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 POSITION
JUNE 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Downtown Development Authority
ASSETS		
Cash and cash equivalents	$ 5,383,345	$ 4,348
Investments	1,636,452	2,870,153
Property taxes receivable, net of allowance for uncollectible accounts	57,975	-
Intergovernmental receivable	326,666	-
Advance to component unit	2,375,786	-
Due from other governments	-	156,500
Capital assets, nondepreciable	5,481,280	-
Capital assets, depreciable, net of accumulated depreciation	7,862,640	-
Total assets	23,124,144	3,031,001
LIABILITIES		
Accounts payable	68,636	1,757
Accrued liabilities	120,834	-
Unearned revenue	8,539	-
Advance from primary government	-	2,375,786
Long-term liabilities:		
Line of Credit payable due within one year	-	636,738
Compensated absences due within one year	172,522	-
Total liabilities	370,531	3,014,281
NET POSITION		
Investment in capital assets	13,343,920	-
Restricted for:		
Capital projects	5,903,878	-
Public safety	96,476	-
Unrestricted	3,409,339	16,720
Total net position	$ 22,753,613	$ 16,720

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Component Unit: Downtown Development Authority
Governmental activities:						
General government	$ 2,077,085	$ 241,540	$ -	$ 702,917	$ (1,132,628)	$
Police	3,102,560	1,740,260	-	475,470	(886,830)	
Courts	513,894	-	-	-	(513,894)	
Streets	1,233,207	-	-	746,709	(486,498)	
Recreation	366,504	-	-	131,057	(235,447)	
Planning and zoning	329,325	24,525	-	-	(304,800)	
Economic development	106,026	-	-	-	(106,026)	
Marketing and events	55,051	-	-	-	(55,051)	
Total governmental activities	$ 7,783,652	$ 2,006,325	$ -	$ 2,056,153	(3,721,174)	
Component Unit:						
Downtown Development Authority	$ 84,514	$ 24,503	$ 450	$ -		(59,561)
General revenues:						
Property taxes					1,840,591	-
Franchise taxes					830,771	-
Alcoholic beverage taxes					476,590	-
Other taxes					1,204,562	-
Unrestricted investment earnings					2,286	-
Miscellaneous					52,344	-
Total general revenues					4,407,144	-
Change in net position					685,970	(59,561)
Net position, beginning of year					22,067,643	76,281
Net position, end of year					$ 22,753,613	$ 16,720

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

CITY OF LILBURN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS	General	2004 SPLOST	2009 SPLOST	2014 SPLOST	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 520,458	$ 23	$ 3,933,873	$ 133,885	$ 795,106	$ 5,383,345
Investments	1,636,452	-	-	-	-	1,636,452
Property taxes receivable, net of allowance for uncollectable amounts	57,975	-	-	-	-	57,975
Intergovernmental receivable	45	-	-	323,653	2,968	326,666
Due from other funds	-	-	155,120	-	-	155,120
Advance to component unit	1,553,133	588,778	79,425	-	154,450	2,375,786
Total assets	$ 3,768,063	$ 588,801	$ 4,168,418	$ 457,538	$ 952,524	$ 9,935,344
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 65,368	$ -	$ 3,248	$ -	$ 20	$ 68,636
Accrued liabilities	120,834	-	-	-	-	120,834
Due to other funds	-	155,120	-	-	-	155,120
Unearned revenue	-	-	-	-	8,539	8,539
Total liabilities	186,202	155,120	3,248	-	8,559	353,129
Deferred inflows of resources:						
Unavailable revenue- property taxes	47,671	-	-	-	-	47,671
Total deferred inflows of resources	47,671	-	-	-	-	47,671
Fund balances:						
Nonspendable:						
Advance to component unit	1,553,133	-	-	-	-	1,553,133
Restricted:						
Capital construction	-	433,681	4,165,170	457,538	847,489	5,903,878
Public safety	-	-	-	-	96,476	96,476
Unassigned	1,981,057	-	-	-	-	1,981,057
Total fund balances	3,534,190	433,681	4,165,170	457,538	943,965	9,534,544
Total liabilities, deferred inflows of resources, and fund balances	$ 3,768,063	$ 588,801	$ 4,168,418	$ 457,538	$ 952,524	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Capital assets, net of depreciation	13,343,920
Other assets - property taxes receivable not available to pay for current-period expenditures are deferred in the funds.	47,671
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds for compensated absences.	(172,522)
Net position of governmental activities	$ 22,753,613

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, 2014

	General	2004 SPLOST	2009 SPLOST	2014 SPLOST	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 1,844,730	$ -	$ -	$ -	$ -	$ 1,844,730
Franchise taxes	830,771	-	-	-	-	830,771
Alcoholic beverage taxes	476,590	-	-	-	-	476,590
Other taxes	1,204,562	-	-	-	-	1,204,562
Licenses and permits	217,102	-	-	-	-	217,102
Intergovernmental	234,227	-	1,215,315	476,299	129,073	2,054,914
Charges for services	792,730	-	-	-	-	792,730
Fines and forfeitures	834,423	-	-	-	-	834,423
Investment income	2,074	15	1,224	-	212	3,525
Cash confiscations	-	-	-	-	9,006	9,006
Miscellaneous	202,491	-	450,000	-	2,917	655,408
Total revenues	6,639,700	15	1,666,539	476,299	141,208	8,923,761
EXPENDITURES						
Current:						
General government	1,193,912	-	-	-	-	1,193,912
Police	2,838,855	-	-	-	54,879	2,893,734
Courts	515,209	-	-	-	-	515,209
Streets	985,564	-	-	-	-	985,564
Recreation	63,982	-	-	-	-	63,982
Planning and zoning	329,580	-	-	-	-	329,580
Economic development	106,506	-	-	-	-	106,506
Marketing and events	55,051	-	-	-	-	55,051
Capital outlay	-	118,328	1,070,187	18,761	97,684	1,304,960
Total expenditures	6,088,659	118,328	1,070,187	18,761	152,563	7,448,498
Excess (deficiency) of revenues over (under) expenditures	551,041	(118,313)	596,352	457,538	(11,355)	1,475,263
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of property	10,498	-	-	-	-	10,498
Transfers out to other funds	(198,643)	-	-	-	-	(198,643)
Transfers in from other funds	-	-	-	-	198,643	198,643
Total other financing sources (uses)	(188,145)	-	-	-	198,643	10,498
Net change in fund balances	362,896	(118,313)	596,352	457,538	187,288	1,485,761
FUND BALANCES, beginning of year,	3,171,294	551,994	3,568,818	-	756,677	8,048,783
FUND BALANCES, end of year	$ 3,534,190	$ 433,681	$ 4,165,170	$ 457,538	$ 943,965	$ 9,534,544

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, 2014

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	1,485,761
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		1,267,798
Depreciation expense		(687,170)
The net effect of various transactions related to the disposal of capital assets.		(1,412,078)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.		(4,140)
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.		
Change in compensated absences		35,799
Change in net position - governmental activities	$	685,970

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, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property taxes	$ 1,606,550	$ 1,831,550	$ 1,844,730	$ 13,180
Franchise taxes	878,000	878,000	830,771	(47,229)
Alcoholic beverage taxes	468,500	468,500	476,590	8,090
Insurance premium taxes	575,000	575,000	598,168	23,168
Other taxes	518,724	518,724	606,394	87,670
Total taxes	4,046,774	4,271,774	4,356,653	84,879
Licenses and permits:				
Alcoholic beverage fees	133,200	133,200	143,105	9,905
Business licenses	34,600	34,600	49,472	14,872
Building permits	96,000	96,000	24,525	(71,475)
Total licenses and permits	263,800	263,800	217,102	(46,698)
Intergovernmental revenues:				
State grants	-	-	2,000	2,000
Local grants	235,636	235,636	232,227	(3,409)
Total intergovernmental revenues	235,636	235,636	234,227	(1,409)
Charges for services:				
Public safety services	202,266	202,266	243,856	41,590
Other charges	555,980	555,980	548,874	(7,106)
Total charges for services	758,246	758,246	792,730	34,484
Fines and forfeitures	676,400	676,400	834,423	158,023
Investment income	3,500	3,500	2,074	(1,426)
Miscellaneous revenue	199,317	199,317	202,491	3,174
Total revenues	6,183,673	6,408,673	6,639,700	231,027
EXPENDITURES				
Current:				
General government	1,325,270	1,280,193	1,193,912	86,281
Police	2,796,537	2,856,567	2,838,855	17,712
Courts	448,648	448,648	515,209	(66,561)
Streets	991,624	988,124	985,564	2,560
Recreation	70,026	70,026	63,982	6,044
Planning and zoning	369,014	362,889	329,580	33,309
Economic development	117,061	112,061	106,506	5,555
Marketing and events	75,493	75,493	55,051	20,442
Total expenditures	6,193,673	6,194,001	6,088,659	105,342
Excess (deficiency) of revenues over (under) expenditures	(10,000)	214,672	551,041	336,369
OTHER FINANCING SOURCES (USES)				
Transfers out to other funds	-	(234,672)	(198,643)	36,029
Proceeds from the sales of property	10,000	10,000	10,498	498
Total other financing sources (uses)	10,000	(224,672)	(188,145)	36,527
Net change in fund balances	-	(10,000)	362,896	372,896
FUND BALANCES, beginning of year	3,171,294	3,171,294	3,171,294	-
FUND BALANCES, end of year	$ 3,171,294	$ 3,161,294	$ 3,534,190	$ 372,896

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, 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 position 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 position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

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 ***2014 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 2014.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Position 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 position."

***Fund Balance* –** Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and any deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position 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, also by resolution.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. 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 Position - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Outflows of Resources and Deferred Inflows of Resources

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

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other sources as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

J. 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 significant supplementary budgetary appropriations related to expenditures were made during the current year.

The General Fund's court function had an excess of actual expenditures over appropriations of $66,561 for the year ended June 30,2014.

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 110% of an equivalent amount of State or U.S. obligations.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments, with a carrying value of $1,636,452 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 $2,870,153 consist of an investment in nine 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, 2014, the City's investment in the Georgia Fund 1 was rated AAAf by Standard & Poor's and had the following weighted average maturity:

Investment	Maturities	Fair Value
Georgia Fund 1	62 day weighted average	$ 1,636,452

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, 2014, 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, 2013 and were mailed to taxpayers in August 2013. The due date for these taxes was October 3, 2013, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was January 1, 2014. Receivables are recorded when taxes are levied and billed (October 1).

Receivables at June 30, 2014, along with the allowance for uncollectible accounts, are as follows.

	General	2014 SPLOST	Non Major Funds
Receivables:			
Property taxes receivable	$ 67,818	$ -	$ -
Intergovernmental receivable	45	323,653	2,968
Allowance for uncollectible	(9,843)	-	-
Net total receivables	$ 58,020	$ 323,653	$ 2,968

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 4,943,771	$ 400,350	$ (750,000)	$ -	$ 4,594,121
Construction in process	1,129,219	415,164	(657,224)	-	887,159
	6,072,990	815,514	(1,407,224)	-	5,481,280
Capital assets, being depreciated:					
Land improvements	6,165,228	-	-	-	6,165,228
Buildings and improvements	2,909,825	323,177	-	-	3,233,002
Machinery and equipment	2,368,401	129,107	(12,545)	-	2,484,963
Infrastructure	1,948,705	-	-	-	1,948,705
Total	13,392,159	452,284	(12,545)	-	13,831,898
Less accumulated depreciation for:					
Land improvements	1,225,280	262,568	-	-	1,487,848
Buildings and improvements	1,420,891	108,575	-	-	1,529,467
Machinery and equipment	1,850,575	199,206	(7,691)	-	2,042,090
Infrastructure	793,032	116,821	-	-	909,853
Total	5,289,778	687,170	(7,691)	-	5,969,258
Total capital assets, being depreciated, net	8,102,381	(234,886)	(4,854)	-	7,862,640
Governmental activities capital assets, net	$ 14,175,371	$ 580,628	$ (1,412,078)	$ -	$ 13,343,920

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

Governmental activities:	
General government	$ 136,265
Police	235,219
Streets	217,421
Recreation	95,448
Planning and zoning	2,817
Total depreciation expense - governmental activities	$ 687,170

NOTE 6. LONG-TERM LIABILITIES

Activity of the long-term liabilities of the City for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental activities:					
Compensated absences	$ 208,321	$ 231,352	$ 267,151	$ 172,522	$ 172,522
Governmental activities long-term liabilities	$ 208,321	$ 231,352	$ 267,151	$ 172,522	$ 172,522

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 March 31, 2015. Interest payments are due monthly on the 15th and a balloon payment of all outstanding principal and interest being due on March 31, 2015. As of June 30, 2014, 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, 2014 is as follows:

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

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 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	$ 1,553,133
2004 SPLOST Fund	DDA	588,778
2009 SPLOST Fund	DDA	79,425
Other Governmental Funds	DDA	154,450
		$ 2,375,786

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.

Interfund transfers are as follows:

Transfers In	Transfers Out	Amount
Non-Major Governmental Funds	General Fund	$ 198,643
		$ 198,643

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 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, 2014, 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 $3,124,542, including $2,529,590 of payroll covered by the plan. Contributions by the City totaled $252,959 for the fiscal year ended June 30, 2014 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.

As 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, 2014

ASSETS	Special Revenue Fund: Confiscated Assets Fund	Capital Projects Funds: Capital Projects Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	$ 105,035	$ 690,071	$ 795,106
Intergovernmental receivable	-	2,968	2,968
Advance to component unit	-	154,450	154,450
Total assets	$ 105,035	$ 847,489	$ 952,524
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 20	$ -	$ 20
Unearned revenue	8,539	-	8,539
Total liabilities	8,559	-	8,559
FUND BALANCES			
Nonspendable	-	-	-
Restricted:			
Capital construction	-	847,489	847,489
Public safety	96,476	-	96,476
Total fund balances	96,476	847,489	943,965
Total liabilities and fund balances	$ 105,035	$ 847,489	$ 952,524

CITY OF LILBURN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	Confiscated Assets Fund	Capital Projects Fund	
Revenues			
Cash confiscations	$ 9,006	$ -	$ 9,006
Investment income	2	210	212
Intergovernmental	20,555	108,518	129,073
Miscellaneous	2,026	891	2,917
Total revenues	31,589	109,619	141,208
Expenditures			
Current:			
Police	54,879	-	54,879
Capital outlay	-	97,684	97,684
Total expenditures	54,879	97,684	152,563
Excess (deficiency) of revenues over (under) expenditures	(23,290)	11,935	(11,355)
Other Financing Sources			
Transfers in from other funds	-	198,643	198,643
Total other financing sources	-	198,643	198,643
Net change in fund balances	(23,290)	210,578	187,288
Fund balances, beginning of year	119,766	636,911	756,677
Fund balances, end of year	$ 96,476	$ 847,489	$ 943,965

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, 2014

	Confiscated Assets Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Cash confiscations	$ -	$ -	$ 9,006	$ 9,006
Investment income	25	25	2	(23)
Intergovernmental	5,000	5,000	20,555	15,555
Miscellaneous	79,475	79,475	2,026	(77,449)
Total revenues	84,500	84,500	31,589	(52,911)
Expenditures:				
Current:				
Police	85,000	85,000	54,879	30,121
Total expenditures	85,000	85,000	54,879	30,121
Deficiency of revenues under expenditures	(500)	(500)	(23,290)	(22,790)
Other financing sources:				
Proceeds from the sale of property	500	500	-	(500)
Total other financing sources	500	500	-	(500)
Net change in fund balances	-	-	(23,290)	(23,290)
Fund balance, beginning of year	119,766	119,766	119,766	-
Fund balance, end of year	$ 119,766	$ 119,766	$ 96,476	$ (23,290)

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2004 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	(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	$ 5,154,054	$	$	$
Connecting Sidewalks			173,089	-	173,089
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			25,914	-	25,914
Brandlwood Project			8,212	-	8,212
Main Street			373,572	19,018	392,590
Storm Drainage Infrastructure			76,690	-	76,690
Road Maintenance Plan Project			665,007	7,733	672,740
Streetscaping Projects			1,915,576	63,498	1,979,074
Wayfinding for Downtown			33,691	-	33,691
Maintenance Facility Relocation			7,692	38	7,730
Jackson Creek- roads and bridges			74,252	-	74,252
Camp Creek- roads and bridges			689,368	-	689,368
Killian Hill- Pedestrian Tunnel			238,010	-	238,010
Crosswalk and City Parking Program			39,390	-	39,390
City Plaza			7,950	-	7,950
Equipment			21,483	10,509	31,992
Phase II Greenway			10,109	-	10,109
Phase III Greenway			-	3,750	3,750
Street Signage- State Mandate			22,322	9,324	31,646
LMIG			28,361	-	28,361
Legal			9,188	1,728	10,916
Total Roads, Streets, and Bridges	4,134,168	5,154,054	4,602,060	115,598	4,717,658
Recreational Facilities	3,200,500	3,543,184			
City Park Renovations			311,640	-	311,640
Park Plaza			49,049	-	49,049
Camp Creek Greenway			2,393,528	-	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	3,543,184	3,543,184	-	3,543,184
Public Safety Facilities and Equipment	1,000,000	1,191,159			
Police Department Relocation			259,267	-	259,267
Police Vehicles and Equipment			654,246	2,730	656,976
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	1,191,159	1,191,159	2,730	1,193,889
Total 2004 SPLOST Expenditures	$ 8,334,668	$ 9,888,397	$ 9,336,403	$ 118,328	$ 9,454,731

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2009 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	(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			374,200	810	375,010
First Avenue			760	-	760
Police Department Headquarters			2,500	-	2,500
SPLOST Administration			66,002	23,087	89,089
Total Public Safety Facilities and Equipment	4,981,935	4,981,935	443,462	23,897	467,359
Roads & Bridges Improvements	2,789,884	2,789,884			
Road Maintenance			81,625	14,951	96,576
Street Lights			8,858	-	8,858
Traffic Study			3,875	-	3,875
LCI Project			41,609	-	41,609
Liburn Gateway			12,070	-	12,070
Main Street Location			843,152	32,378	875,530
Multiuse Path			-	113,789	113,789
Public Works Facility			-	778,573	778,573
Phase I Greenway			691	-	691
Phase II Greenway			147,996	-	147,996
Phase III Greenway			4,305	7,500	11,805
LMIG			-	98,489	98,489
Equipment			19,461	610	20,071
Killian Hill			3,975	-	3,975
Total Roads & Bridges	2,789,884	2,789,884	1,167,617	1,046,290	2,213,907
Public Safety Facilities Equipment	1,195,665	1,195,665			
PD Evidence Room Renovation			6,954	-	6,954
Equipment			73,734	-	73,734
Vehicle Equipment			51,664	-	51,664
Vehicles			368,977	-	368,977
Phase I Greenway- Surveillance System			45,051	-	45,051
Phase II Greenway- Surveillance System			122,620	-	122,620
104 1st Avenue			7,694	-	7,694
Total Public Safety Facilities Equipment	1,195,665	1,195,665	676,694	-	676,694
Recreational Facilities	996,387	996,387			
Big League Dreams			638,458	-	638,458
Camp Creek Greenway & Trail			1,912	-	1,912
City Park			4,310	-	4,310
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			13,446	-	13,446
Phase II Greenway			37,735	-	37,735
Phase II Greenway- Surveillance System			18,563	-	18,563
Equipment			10,102	-	10,102
Total Recreational Facilities	996,387	996,387	741,742	-	741,742
Total 2009 SPLOST Expenditures	$ 9,963,871	$ 9,963,871	$ 3,029,515	$ 1,070,187	$ 4,099,702

CITY OF LILBURN, GEORGIA

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

	(Unaudited) Original Estimated Cost	(Unaudited) Current Estimated Cost	Prior Years Cumulative Expenditures	Total Current Year Expenditures	Total Cumulative Expenditures
2014 SPLOST					
General Government Facilities	$ 1,144,973	$ 1,144,973	$ -	$ -	$ -
Total Public Safety Facilities and Equipment	1,144,973	1,144,973	-	-	-
Roads & Bridges Improvements	2,289,946	2,289,946			
Equipment			-	8,713	8,713
Total Roads & Bridges	2,289,946	2,289,946	-	8,713	8,713
Public Safety Facilities Equipment	2,175,448	2,175,448			
Total Public Safety Facilities Equipment	2,175,448	2,175,448	-	-	-
Recreational Facilities	114,497	114,497			
City Park Tennis Courts			-	10,048	10,048
Total Recreational Facilities	114,497	114,497	-	10,048	10,048
Total 2014 SPLOST Expenditures	$ 5,724,864	$ 5,724,864	$ -	$ 18,761	$ 18,761

COMPLIANCE SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2013-001 through 2013-003, to be material weaknesses.

Compliance and Other Matters

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

The City's Responses to Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 22, 2014

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	X yes	no
Significant deficiencies identified not considered to be material weaknesses?	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, 2014 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, 2014

Section II – Financial Statement Findings

Finding 2014-001 – Expenditure recognition and related liabilities

Criteria: Generally accepted accounting principles ("GAAP") 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 accounts.

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

- An entry in the amount of $43,225 in the General fund and $4,669 in the Confiscated Assets fund were required to reduce accounts payable and related expenditures for a prior year audit entry which was not reversed in the current year.
- An entry in the amount of $2,730 in the 2004 SPLOST fund was required to remove a debit balance in accounts payable from a prior year audit entry which was posted in error by the City.

Effects: Audit adjustments with a value of $50,624 were needed as detailed above.

Recommendation: We recommend the City ensure that liabilities are reported when goods and services have been provided and ensure audit adjustments are properly reversed in the subsequent reporting period. We also recommend the City reconcile the accounts payable sub-ledger to the general ledger on a monthly basis.

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 2014-002 – Fiscal Year-End Financial Close and Reporting Controls

Criteria: Internal controls should be in place to ensure that all amounts reported within the financial statements are accurate and have been reconciled to subsidiary ledgers and underlying accounting records.

Condition: Due to ineffective controls surrounding the fiscal year-end financial close procedures, five audit adjustments were necessary at June 30, 2014***.***

Context/Cause: During our testing, audit adjustments were required as follows:

- To adjust the 2009 SPLOST revenue and related receivable for $265,904 in accordance with GAAP. The prior year receivable was not relieved by the City, and thus the current year revenue was overstated, prior to the adjustment.
- To adjust accrued payroll liabilities and related expenditures in the General Fund by $74,424. Although the City did record accrued expenditures at year-end, it was calculated incorrectly, and expenditures were understated, prior to the adjustment.

Section II – Financial Statement Findings (continued)

Finding 2014-002 – Fiscal Year-End Financial Close and Reporting Controls (continued)

- To adjust the 2014 SPLOST revenue and related receivable for $323,653 in accordance with GAAP. The current year receivable was not recorded by the City, and thus the current year revenue was understated.
- To adjust Downtown Development Authority advance from the primary government (City) for $515. The Downtown Development Authority expensed the advance from the City.
- To record capital assets for $14,074 which were not recorded by the City.

Effect: Audit adjustments totaling $678,570 were required as detailed above.

Recommendation: We recommend the City's Finance Department implement and/or strengthen internal controls surrounding the fiscal year-end financial close out procedures. We also recommend management reconcile account balances monthly to subsidiary ledgers so as to ensure proper and timely recording of transactions and accruals.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the recommendation above. The Finance Department will update controls and ensure account balances are adjusted for timely and accurate reporting.

Finding 2014-003 – Revenue Recognition and Deferred (Unearned) Revenue

Criteria: Generally accepted accounting principles ("GAAP") call for revenues to be reported, under the modified accrual basis of accounting, when they're realized or realizable and are earned and available.

Condition: Internal controls did not detect various misstatements in the reporting of certain of the City's revenue and unearned revenue.

Context/Cause: During our testing of cash receipts in the City's Confiscated Assets fund, we noted $2,945 of cash confiscations which did not meet the revenue recognition requirements as all eligibility requirements had not been met. An entry was required to remove the revenue and record unearned revenue.

During our testing of grant revenues, we noted $2,968 of grant expenditures for which the City had not recorded a related revenue and receivable. As the revenue was earned, in accordance with GAAP, an entry was required to properly record revenue and a related receivable in the City's Capital Projects fund.

Effect: Audit adjustments totaling $5,913 were required as detailed above.

Section II – Financial Statement Findings (continued)

Finding 2014-003 – Revenue Recognition and Deferred (Unearned) Revenue (continued)

Recommendation: We recommend the City ensure that revenues and related receivables are reported when they're realized or realizable and are earned.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the recommendation. The Finance department will work to determine that revenues are posted when the revenue recognition requirements have are met.