CITY OF LILBURN, GEORGIA

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

CITY OF LILBURN, GEORGIA

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lilburn, Georgia as of June 30, 2017, 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 Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds, as required by the Official Code of Georgia 48-8-121, 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 Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds (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.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017 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 solely 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 the effectiveness of the City's 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.



Atlanta, Georgia
November 8, 2017

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, 2017.

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 them 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, 2017 and 2016

	Governmental activities	
	2017	2016
Assets:		
Current and other assets	$ 6,975,777	$ 8,427,158
Capital assets	23,177,540	20,889,605
Total assets	30,153,317	29,316,763
Liabilities:		
Long-term liabilities	187,796	199,890
Other liabilities	319,742	942,568
Total liabilities	507,538	1,142,458
Net position:		
Investment in capital assets	23,177,540	20,889,605
Restricted	348,454	862,315
Unrestricted	6,119,785	6,422,385
Total net position	$ 29,645,779	$ 28,174,305

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, 2017 was $29,645,779 as compared to $28,174,305 at June 30, 2016. At June 30, 2017, a total of $23,177,540 of net position, or 78%, are invested in capital assets (e.g., land, buildings, infrastructure, equipment, etc.). At June 30, 2016, a total of $20,889,605 of the net position, or 74%, was invested in capital assets. The increase is primarily due to the construction on the new city hall building and the main street improvement/realignment project. Also at June 30, 2017, the City had restricted net position of $348,454 which was restricted for capital projects and public safety based on intergovernmental and other agreements. This balance was $862,315 at June 30, 2016 and the decrease results from expenses of SPLOST collections from Gwinnett County. The remaining balances of net position, $6,119,785 at June 30, 2017 and $6,422,385 at June 30, 2016, 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, 2017 and 2016

	Governmental activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	$ 2,157,141	$ 2,770,146
Capital grants and contributions	2,416,702	2,920,986
General revenues:		
Property taxes	1,967,732	1,908,260
Franchise taxes	851,516	908,555
Alcoholic beverage taxes	484,304	474,417
Other taxes	1,359,438	1,285,220
Unrestricted investment earnings	11,964	6,003
Miscellaneous	36,303	75,650
Total revenues	9,285,100	10,349,237
Expenses:		
General government	2,015,714	1,619,217
Police	3,316,090	3,326,854
Courts	408,982	759,079
Streets	1,178,755	1,138,437
Recreation	207,611	90,108
Planning and zoning	483,920	437,576
Economic development	135,141	129,357
Marketing & Events	67,413	68,284
Total expenses	7,813,626	7,568,912
Change in net position	1,471,474	2,780,325
Net position, beginning of year	28,174,305	25,393,980
Net position, end of year	$ 29,645,779	$ 28,174,305

Net position of the City increased by $1,471,474 in 2017 and $2,780,325 in 2016. Revenues declined due to a one time intergovernmental agreement with Gwinnett County and other one time grants. Expenses increased primarily due an increase in personnel costs, and insurance on the new City hall building.

Analysis of the City's Funds

The net change in fund balance for the City's governmental funds was a decrease from the prior year of $834,345. This decrease was a result of the City spending the remaining proceeds from the 2004 and 2009 SPLOST programs as well as spending capital project funds on the new city hall.

The 2004 and 2009 SPLOST funds have collected and spent all of the revenue from the sales tax collections from the County. These funds were closed out during the fiscal year ending June 30, 2017.

The 2014 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 $287 remaining to be expended at June 30, 2017.

The 2017 SPLOST fund began collecting revenues from the sales tax collections form the County in April 2017 and will continue to collect these amounts over the next five fiscal years. The fund has a fund balance of $307,861 at June 30, 2017.

The Capital Projects fund is collecting revenues from Intergovernmental agreements with the County and transfers of Title Advalorem Tax from the General Fund, to fund various capital construction projects within the City limits. The fund has a fund balance of $1,380,967 at June 30, 2017.

The Confiscated Assets fund is collecting revenue from cash confiscations and federal seizures to support police operations. The fund has $40,306 of fund balance at June 30, 2017.

Budgetary Highlights

The City adopts an annual budget for the General Fund and Confiscated Assets Fund. The budget, as originally adopted, for the General Fund included expenditures of $7,809,886 with budget amendments for expenditures resulting in a final budget of $7,812,915. Overall actual results had expenditures of $1,050,147 less than what was budgeted due to fewer expenditures in all functions (most notably general government, police, and courts). The budget, as originally adopted, for the Confiscated Asset Fund included expenditures of $5,000 with no budget amendments. Overall actual results had expenditures of $34,022 more than what was budgeted due to greater 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 $23,177,540 (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 2017 was construction on the Main Street Realignment/Improvement project, construction progress made on the new City Hall building, and the purchase of various City vehicles.

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, 2017

	Primary Government	Component Unit
	Governmental Activities	Downtown Development Authority
ASSETS		
Cash and cash equivalents	$ 3,631,390	$ 1,905
Other assets	-	4,153,698
Property taxes receivable, net of allowance for uncollectible accounts	40,429	-
Intergovernmental receivable	157,748	-
Advance to component unit	3,146,210	-
Due from other governments	-	156,500
Capital assets, nondepreciable	13,509,257	4,120
Capital assets, depreciable, net of accumulated depreciation	9,668,283	-
Total assets	30,153,317	4,316,223
LIABILITIES		
Accounts payable	215,057	1,755
Accrued liabilities	76,657	-
Unearned revenue	28,028	-
Advance from primary government	-	3,146,210
Long-term liabilities:		
Line of Credit payable, due within one year	-	608,925
Notes payable, due within one year	-	27,500
Notes payable, due in more than one year	-	492,708
Compensated absences due within one year	187,796	-
Total liabilities	507,538	4,277,098
NET POSITION (DEFICIT)		
Investment in capital assets	23,177,540	4,120
Restricted for:		
Capital projects	308,148	-
Public safety	40,306	-
Unrestricted	6,119,785	35,005
Total net position	$ 29,645,779	$ 39,125

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, 2017

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	$ 2,015,714	$ 267,282	$ -	$ 304,887	$ (1,443,545)	
Police	3,316,090	1,208,023	-	1,029,543	(1,078,524)	
Courts	408,982	-	-	-	(408,982)	
Streets	1,178,755	534,783	-	1,019,577	375,605	
Recreation	207,611	15,607	-	62,696	(129,308)	
Planning and zoning	483,920	131,446	-	-	(352,474)	
Economic development	135,141	-	-	-	(135,141)	
Marketing and events	67,413	-	-	-	(67,413)	
Total governmental activities	$ 7,813,626	$ 2,157,141	$ -	$ 2,416,702	(3,239,783)	
Component Unit:						
Downtown Development Authority	$ 302,246	$ 48,383	$ 725	$ 316,163		$ 63,025
General revenues:						
Property taxes					1,967,732	-
Franchise taxes					851,516	-
Alcoholic beverage taxes					484,304	-
Other taxes					1,359,438	-
Unrestricted investment earnings					11,964	5
Miscellaneous					36,303	-
Total general revenues					4,711,257	5
Change in net position					1,471,474	63,030
Net position (deficit), beginning of year					28,174,305	(23,905)
Net position, end of year					$ 29,645,779	$ 39,125

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

CITY OF LILBURN, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS	Major Governmental Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General	2004 SPLOST	2009 SPLOST	2014 SPLOST	2017 SPLOST	Capital Projects	Confiscated Assets	
Cash and cash equivalents	$ 2,721,963	$ -	$ -	$ 3,670	$ 193,802	$ 643,130	$ 68,825	$ 3,631,390
Property taxes receivable, net of allowance for uncollectable amounts	40,429	-	-	-	-	-	-	40,429
Intergovernmental receivable	130	-	-	288	157,330	-	-	157,748
Due from other funds	120,636	-	-	-	-	-	-	120,636
Advance to component unit	2,245,614	-	-	-	-	900,596	-	3,146,210
Total assets	$ 5,128,772	$ -	$ -	$ 3,958	$ 351,132	$ 1,543,726	$ 68,825	$ 7,096,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 125,501	$ -	$ -	$ 3,671	$ 43,271	$ 42,123	$ 491	$ 215,057
Accrued liabilities	76,657	-	-	-	-	-	-	76,657
Due to other funds	-	-	-	-	-	120,636	-	120,636
Unearned revenue	-	-	-	-	-	-	28,028	28,028
Total liabilities	202,158	-	-	3,671	43,271	162,759	28,519	440,378
Deferred inflows of resources:								
Unavailable revenue- property taxes	34,778	-	-	-	-	-	-	34,778
Total deferred inflows of resources	34,778	-	-	-	-	-	-	34,778
Fund balances:								
Nonspendable:								
Advance to component unit	2,245,614	-	-	-	-	900,596	-	3,146,210
Restricted:								
Capital construction	-	-	-	287	307,861	-	-	308,148
Public safety	-	-	-	-	-	-	40,306	40,306
Assigned:								
Capital construction		-	-	-	-	480,371	-	480,371
Unassigned	2,646,222	-	-	-	-	-	-	2,646,222
Total fund balances	4,891,836	-	-	287	307,861	1,380,967	40,306	6,621,257
Total liabilities, deferred inflows of resources, and fund balances	$ 5,128,772	$ -	$ -	$ 3,958	$ 351,132	$ 1,543,726	$ 68,825	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Capital assets, net of depreciation	23,177,540
Other assets - property taxes receivable not available to pay for current-period expenditures are deferred in the governmental funds.	34,778
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds for compensated absences.	(187,796)
Net position of governmental activities	$ 29,645,779

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, 2017

	Major Governmental Funds						Nonmajor Governmental Fund	Total
	General	2004 SPLOST	2009 SPLOST	2014 SPLOST	2017 SPLOST	Capital Projects	Confiscated Assets	Governmental Funds
REVENUES								
Property taxes	$ 1,961,942	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,961,942
Franchise taxes	851,516	-	-	-	-	-	-	851,516
Alcoholic beverage taxes	484,304	-	-	-	-	-	-	484,304
Other taxes	1,359,438	-	-	-	-	-	-	1,359,438
Licenses and permits	346,946	-	-	-	-	-	-	346,946
Intergovernmental	235,487	-	-	1,509,433	464,393	201,469	5,920	2,416,702
Charges for services	753,946	-	-	-	-	-	-	753,946
Fines and forfeitures	1,010,877	-	-	-	-	-	-	1,010,877
Investment income	11,835	-	-	-	-	104	25	11,964
Miscellaneous	78,532	-	-	-	-	128,496	-	207,028
Total revenues	7,094,823	-	-	1,509,433	464,393	330,069	5,945	9,404,663
EXPENDITURES								
Current:								
General government	1,539,301	-	-	-	-	-	-	1,539,301
Police	3,046,945	-	-	-	-	-	39,022	3,085,967
Courts	409,684	-	-	-	-	-	-	409,684
Streets	1,049,857	-	-	-	-	-	-	1,049,857
Recreation	67,968	-	-	-	-	-	-	67,968
Planning and zoning	445,942	-	-	-	-	-	-	445,942
Economic development	135,141	-	-	-	-	-	-	135,141
Marketing and events	67,930	-	-	-	-	-	-	67,930
Capital outlay	-	433,681	237,287	1,695,681	156,532	943,142	-	3,466,323
Total expenditures	6,762,768	433,681	237,287	1,695,681	156,532	943,142	39,022	10,268,113
Excess (deficiency) of revenues over (under) expenditures	332,055	(433,681)	(237,287)	(186,248)	307,861	(613,073)	(33,077)	(863,450)
OTHER FINANCING SOURCES (USES)								
Proceeds from the sale of property	6,745	-	-	-	-	3,789	18,571	29,105
Transfers out to other funds	(287,295)	-	-	-	-	-	-	(287,295)
Transfers in from other funds	-	-	-	50,000	-	237,295	-	287,295
Total other financing sources (uses)	(280,550)	-	-	50,000	-	241,084	18,571	29,105
Net change in fund balances	51,505	(433,681)	(237,287)	(136,248)	307,861	(371,989)	(14,506)	(834,345)
FUND BALANCES, beginning of year,	4,840,331	433,681	237,287	136,535	-	1,752,956	54,812	7,455,602
FUND BALANCES, end of year	$ 4,891,836	$ -	$ -	$ 287	$ 307,861	$ 1,380,967	$ 40,306	$ 6,621,257

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(834,345)
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		3,287,712
Depreciation expense		(486,745)
Disposals of capital assets		(513,032)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.		5,790
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		12,094
Change in net position - governmental activities	$	1,471,474

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, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property taxes	$ 2,085,375	$ 2,085,375	$ 1,961,942	$ (123,433)
Franchise taxes	901,000	901,000	851,516	(49,484)
Alcoholic beverage taxes	491,000	491,000	484,304	(6,696)
Insurance premium taxes	672,000	672,000	727,749	55,749
Other taxes	667,500	667,500	631,689	(35,811)
Total taxes	4,816,875	4,816,875	4,657,200	(159,675)
Licenses and permits:				
Alcoholic beverage fees	155,700	155,700	147,966	(7,734)
Business licenses	46,000	46,000	67,534	21,534
Building permits	270,000	270,000	131,446	(138,554)
Total licenses and permits	471,700	471,700	346,946	(124,754)
Intergovernmental revenues:				
State grants	1,000	1,000	3,000	2,000
Local grants	237,636	237,636	232,487	(5,149)
Total intergovernmental revenues	238,636	238,636	235,487	(3,149)
Charges for services:				
Public safety services	580,700	580,700	192,869	(387,831)
Other charges	566,400	566,400	561,077	(5,323)
Total charges for services	1,147,100	1,147,100	753,946	(393,154)
Fines and forfeitures	1,286,550	1,286,550	1,010,877	(275,673)
Investment income	3,000	3,000	11,835	8,835
Miscellaneous revenue	81,025	84,054	78,532	(5,522)
Total revenues	8,044,886	8,047,915	7,094,823	(953,092)
EXPENDITURES				
Current:				
General government	1,879,317	1,879,317	1,539,301	340,016
Police	3,303,415	3,306,444	3,046,945	259,499
Courts	815,411	815,411	409,684	405,727
Streets	1,079,029	1,079,029	1,049,857	29,172
Recreation	71,307	71,307	67,968	3,339
Planning and zoning	456,669	456,669	445,942	10,727
Economic development	136,211	136,211	135,141	1,070
Marketing and events	68,527	68,527	67,930	597
Total expenditures	7,809,886	7,812,915	6,762,768	1,050,147
Excess of revenues over expenditures	235,000	235,000	332,055	97,055
OTHER FINANCING SOURCES (USES)				
Transfers out to other funds	(250,000)	(250,000)	(287,295)	(37,295)
Proceeds from the sales of property	15,000	15,000	6,745	(8,255)
Total other financing sources (uses)	(235,000)	(235,000)	(280,550)	(45,550)
Net change in fund balances	-	-	51,505	51,505
FUND BALANCES, beginning of year	4,840,331	4,840,331	4,840,331	-
FUND BALANCES, end of year	$ 4,840,331	$ 4,840,331	$ 4,891,836	$ 51,505

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 ***2017 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 2017.

The ***Capital Projects Fund*** accounts for capital projects with financing other than SPLOST.

The City aggregates the non-major governmental funds into a single column in the fund financial statements. This includes a special revenue fund to account for the activity related to specific revenue streams.

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. Deposits and Investments

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.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Assets

The City's other assets consist of real estate properties held by the Downtown Development Authority. These properties are held with the intention of future development within the City's downtown area and are not held for income or profit purposes. As such, these assets are recorded at cost.

F. 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.

G. 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 acquisition 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment, also 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position and Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position - Net position represents the difference between assets and 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.

J. 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 as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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, liabilities, deferred inflows of resources, and deferred outflows of resources, 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

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 following funds had departments with excess of actual expenditures over appropriations for the fiscal year ended June 30, 2017:

General Fund - Transfers out	$	37,295

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 3. DEPOSITS AND OTHER ASSETS

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 OTHER ASSETS (Continued)

Investments, with a fair value of $2,249,841 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 City's investment in the Georgia Fund 1 has been valued at fair market value.

Credit Risk:

At June 30, 2017, 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	26 day weighted average	$ 2,249,841

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.

Fair Value Measurements:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City does not disclose the investment in the Georgia Fund 1 within the fair value hierarchy.

NOTE 3. DEPOSITS AND OTHER ASSETS (Continued)

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, 2017, 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, 2016 and were mailed to taxpayers in August 2016. The due date for these taxes was October 15, 2016, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was January 1, 2017. Receivables are recorded when taxes are levied and billed (October 1).

Receivables at June 30, 2017, along with the allowance for uncollectible accounts, are as follows.

	General	2014 SPLOST	2017 SPLOST
Receivables:			
Property taxes receivable	$ 50,272	$ -	$ -
Intergovernmental receivable	130	288	157,330
Allowance for uncollectible	(9,843)	-	-
Net total receivables	$ 40,559	$ 288	$ 157,330

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 5,700,202	$ -	$ (236,977)	$ -	$ 5,463,225
Construction in process	7,763,078	2,951,333	(196,869)	(2,471,510)	8,046,032
	13,463,280	2,951,333	(433,846)	(2,471,510)	13,509,257
Capital assets, being depreciated:					
Land improvements	6,165,228	-	-	41,368	6,206,596
Buildings and improvements	3,173,171	-	(96,025)	108,758	3,185,904
Machinery and equipment	2,866,034	336,379	(37,322)	-	3,165,091
Infrastructure	2,152,451	-	-	2,321,384	4,473,835
Total	14,356,884	336,379	(133,347)	2,471,510	17,031,426
Less accumulated depreciation for:					
Land improvements	2,006,630	256,478	-	-	2,263,108
Buildings and improvements	1,619,873	57,043	(16,839)	-	1,660,077
Machinery and equipment	2,220,312	99,643	(37,322)	-	2,282,633
Infrastructure	1,083,744	73,581	-	-	1,157,325
Total	6,930,559	486,745	(54,161)	-	7,363,143
Total capital assets, being depreciated, net	7,426,325	(150,366)	(79,186)	2,471,510	9,668,283
Governmental activities capital assets, net	$ 20,889,605	$ 2,800,967	$ (513,032)	$ -	$ 23,177,540

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

Governmental activities:	
General government	$ 146,023
Police	219,035
Streets	73,012
Recreation	9,735
Planning and zoning	38,940
Total depreciation expense - governmental activities	$ 486,745

NOTE 6. LONG-TERM LIABILITIES

Activity of the long-term liabilities of the City for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 199,890	$ 241,977	$ 254,071	$ 187,796	$ 187,796
Governmental activity Long-term liabilities	$ 199,890	$ 241,977	$ 254,071	$ 187,796	$ 187,796

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

The Downtown Development Authority acquired a line of credit on July 16, 2009. The line of credit was for up to $1,500,000 and carried a variable interest rate equal to the floating prime rate, with a floor of 5%. The line of credit's original maturity date was July 15, 2010 with extensions extending maturity to March 1, 2016. On May 27, 2016, the line of credit limit was restructured to reduce the amount to $1,000,000 and issue a note payable, with the same financial instutution, for $550,000. The interest rate on the note payable and the line of credit is the prime rate plus .5%, which, at June 30, 2017, was 3.5%. In June 2017, the line of credit maturity was extended to June 27, 2018. The note payable matures on April 27, 2019. As of June 30, 2017, the balance of the line of credit is $608,925 and the balance of the note payable is $520,208. The City has guaranteed the line of credit and note payable of the Downtown Development Authority and should the need arise, the City will pay the debt on behalf of the Authority.

Activity on the Downtown Development Authority's debt for the year ended June 30, 2017 is as follows:

	Beginning Balance	Draws	Payments	Ending Balance	Due Within One Year
Downtown Development Authority					
Line of Credit	$ 601,387	$ 7,538	$ -	$ 608,925	$ 608,925
Note Payable	550,000	-	29,792	520,208	27,500
	$ 1,151,387	$ 7,538	$ 29,792	$ 1,129,133	$ 636,425

NOTE 6. LONG-TERM LIABILITIES (CONTINUED)

The future debt service requirements of the note payable of the Downtown Development Authority as of June 30, 2017 is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 27,500	$ 18,207	$ 45,707
2019	492,708	17,245	509,953
Total	$ 520,208	$ 35,452	$ 555,660

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Project Fund	$ 120,636

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 Fund	Payable Fund	Amount
General Fund	DDA	$ 2,245,614
Capital Project Fund	DDA	900,596

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

Interfund transfers for the year ended June 30, 2017 are as follows:

Transfers In	Transfers Out	Amount
Capital Projects Fund	General Fund	$ 237,295
2014 SPLOST Fund	General Fund	50,000

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

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, 2017, 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 $3,387,522, including $3,183,220 of payroll covered by the plan. Contributions by the City totaled $318,322 for the fiscal year ended June 30, 2017 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.

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2004 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	(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	$ 5,151,339	$	$	$
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			392,590	433,681	826,271
Storm Drainage Infrastructure			76,690	-	76,690
Road Maintenance Plan Project			672,740	-	672,740
Streetscaping Projects			1,979,074	-	1,979,074
Wayfinding for Downtown			33,691	-	33,691
Maintenance Facility Relocation			7,730	-	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			31,992	-	31,992
Phase II Greenway			10,109	-	10,109
Phase III Greenway			3,750	-	3,750
Street Signage- State Mandate			31,646	-	31,646
LMIG			28,361	-	28,361
Legal			10,916	-	10,916
Total Roads, Streets, and Bridges	4,134,168	5,151,339	4,717,658	433,681	5,151,339
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	1,193,889			
Police Department Relocation			259,267	-	259,267
Police Vehicles and Equipment			656,976	-	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	1,193,889	1,193,889	-	1,193,889
Total 2004 SPLOST Expenditures	$ 8,334,668	$ 9,888,412	$ 9,454,731	$ 433,681	$ 9,888,412

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2009 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	(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	$ 4,366,774	$	$	$
New City Hall			4,250,294	1,725	4,252,019
First Avenue			760	-	760
Police Department Headquarters			2,500	-	2,500
SPLOST Administration			111,495	-	111,495
Total Public Safety Facilities and Equipment	4,981,935	4,366,774	4,365,049	1,725	4,366,774
Roads & Bridges Improvements	2,789,884	2,479,662			
Road Maintenance			96,576	-	96,576
Street Lights			14,008	-	14,008
Traffic Study			3,875	-	3,875
LCI Project			41,609	-	41,609
Lilburn Gateway			12,070	-	12,070
Main Street Location			875,695	-	875,695
Multiuse Path			113,789	-	113,789
Public Works Facility			784,078	-	784,078
Phase I Greenway			6,488	-	6,488
Phase II Greenway			147,996	-	147,996
Phase III Greenway			15,555	-	15,555
LMIG			98,489	-	98,489
Equipment			22,943	-	22,943
Killian Hill			3,975	-	3,975
ADA Compliance			1,088	-	1,088
Signage			5,611	-	5,611
Local Assistance Project (LAP)			255	-	255
Main Street/Lula/Poplar Improvements			-	235,562	235,562
Total Roads & Bridges	2,789,884	2,479,662	2,244,100	235,562	2,479,662
Public Safety Facilities Equipment	1,195,665	676,694			
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	676,694	676,694	-	676,694
Recreational Facilities	996,387	741,742			
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	741,742	741,742	-	741,742
Total 2009 SPLOST Expenditures	$ 9,963,871	$ 8,264,872	$ 8,027,585	$ 237,287	$ 8,264,872

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2014 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	(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	$ 1,243,151			
New City Hall			$ 719,031	$ 524,120	$ 1,243,151
Total General Government Facilities	1,144,973	1,243,151	719,031	524,120	1,243,151
Roads & Bridges Improvements	2,289,946	2,381,606			
Miscellaneous Projects			-	40,080	40,080
Greenway bridge replacement			172,456	-	172,456
Sidewalk projects			929,243	7,775	937,018
Intersection Improvements			23,752	-	23,752
Repaving Program			89,918	6,270	96,188
Main Street Realignment and Improvements			576,494	49,986	626,480
Equipment			45,720	6,062	51,782
Signage			3,113	250	3,363
Vehicles			-	36,593	36,593
Facility			21,268	-	21,268
City Hall Parking Lot			-	372,000	372,000
Total Roads & Bridges	2,289,946	2,381,606	1,861,964	519,016	2,380,980
Public Safety Facilities Equipment	2,175,448	2,263,094			
K-9 Unit			-	11,295	11,295
Vehicles			475,261	68,845	544,106
Headquarters			1,029,194	-	1,029,194
Security Equipment			144,987	195,512	340,499
City Hall- EOC Room			-	338,000	338,000
Total Public Safety Facilities Equipment	2,175,448	2,263,094	1,649,442	613,652	2,263,094
Recreational Facilities	114,497	119,192			
Equipment			-	38,893	38,893
City Park Tennis Courts			10,048	-	10,048
Signage			22,382	-	22,382
Park Improvements			47,869	-	47,869
Total Recreational Facilities	114,497	119,192	80,299	38,893	119,192
Total 2014 SPLOST Expenditures	$ 5,724,864	$ 6,007,043	$ 4,310,736	$ 1,695,681	$ 6,006,417

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2017 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017 SPLOST	(Unaudited) Original Estimated Cost	(Unaudited) Current Estimated Cost	Prior Years Cumulative Expenditures	Total Current Year Expenditures	Total Cumulative Expenditures
Roads & Bridges Improvements	$ 4,407,530	$ 4,559,544			
Misc. Projects - Consulting			$ -	$ 24,435	$ 24,435
Repaving Program			-	10,747	10,747
Main Street Realignment and Improvements			-	19,996	19,996
Equipment			-	9,177	9,177
Facility			-	100	100
	4,407,530	4,559,544	-	64,455	64,455
Recreational Facilities & Equipment	811,914	811,914	-	-	-
Public Safety Facilities & Equipment	6,379,320	6,599,340			
K-9 Unit			-	1,520	1,520
Headquarters			-	51,787	51,787
Security Equipment			-	38,770	38,770
Total Public Safety Facilities & Equipment	6,379,320	6,599,340	-	92,077	92,077
Total 2017 SPLOST Expenditures	$ 11,598,764	$ 11,970,798	$ -	$ 156,532	$ 156,532

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002, that we consider 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
November 8, 2017

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: 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, 2017 due to the total amount of federal awards expended being less than $750,000.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

Finding 2017-001 – Expenditure and revenue recognition and related liabilities and assets

Criteria: Generally accepted accounting principles ("GAAP") require that liabilities in governmental funds be reported when goods or services have been received and payment is expected to be made from current and available resources, regardless of the timing of related cash payments. GAAP also requires revenues be reported, under the modified accrual basis of accounting, when they're realized or realizable and are measurable and available.

Condition: Internal controls did not detect various misstatements in the reporting of certain of the City's expenditures and revenues and related liabilities and assets.

Context/Cause: As a result of our testing, audit adjustments were required as follows:

- To reduce expenditures and accounts payable by $122,705 in the 2014 SPLOST fund for amounts which were accrued in the prior year and not reversed by the City.
- To reduce revenues and receivable by $173,036 in the 2014 SPLOST fund for amounts which were accrued in the prior year and not reversed by the City.
- To record revenue and receivable of $157,330 in the 2017 SPLOST fund for amounts which were available, but cash payments were not received until after the City's fiscal year-end.
- To reduce grant revenue and receivables by $219,368 in the Capital Projects fund for amounts which were accrued in the prior year and not reversed by the City.

Effects: Audit adjustments in the amount of $672,439 were required as detailed above.

Recommendation: We recommend the City ensure that liabilities and related expenditures are reported when goods and services have been provided. We also recommend the City reconcile the accounts payable sub-ledger to the general ledger on a monthly basis. We also recommend the City ensure revenues and related receivables are recorded when earned.

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 and revenues are recorded when earned.

Section II – Financial Statement Findings (continued)

Finding 2017-002 – 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, certain audit adjustments were necessary at June 30, 2017***.***

Context/Cause: As a result of our testing, audit adjustments were required as follows:

- To adjust transfers out and expenditures in the General Fund for $64,000, in order to balance transfers across all funds. Amount was improperly posted to expenditures of the City.
- To record transfers of $50,000 from the General Fund to the 2014 SPLOST fund for a due to/from balance the 2014 SPLOST fund was determined to not be able to repay.
- To adjust legal fees, bank charge, interest expense, and line of credit payable by $9,233 in the Downtown Development Authority to properly record activity on the Authority's line of credit.
- Entries totaling $546,426 in the Downtown Development Authority were required to record the transfer (contribution) of capital assets from the City and the subsequent sale of those assets by the Authority.

Effect: Audit adjustments totaling $719,659 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 and account statements so as to ensure proper and timely recording of transactions. We also recommend the City communicate with the Downtown Development Authority to ensure all transactions are properly recorded by the Authority.

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.