

CITY OF LILBURN, GEORGIA

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

JUNE 30, 2013

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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, 2013, 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, 2013, 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.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinions are not modified with respect to this matter.

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.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
December 16, 2013

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

Management's discussion and analysis of the financial performance of the City of Lilburn, Georgia (the "City") is intended to provide the readers of these financial statements with an overview of the City's financial activities for the year ended June 30, 2013.

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 14-29 of this report.

Government-wide Financial Analysis

Summary of the City's Net Position
June 30, 2013 and 2012

	Governmental activities	
	2013	2012
Assets:		
Current and other assets	\$ 8,465,202	\$ 7,061,212
Capital assets	14,175,371	14,413,552
Total assets	<u>22,640,573</u>	<u>21,474,764</u>
Liabilities:		
Long-term liabilities	208,321	212,046
Other liabilities	364,609	351,559
Total liabilities	<u>572,930</u>	<u>563,605</u>
Net position:		
Net Investment in capital assets	14,175,371	14,413,552
Restricted	4,877,489	3,220,772
Unrestricted	3,014,783	3,276,835
Total net position	<u>\$ 22,067,643</u>	<u>\$ 20,911,159</u>

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, 2013 was \$22,067,643 as compared to \$20,911,159 at June 30, 2012. At June 30, 2013, a total of \$14,175,371 of net position, or 64%, are invested in capital assets (e.g., land, buildings, infrastructure, equipment, etc.). At June 30, 2012, a total of \$14,413,552 of the net position, or 69%, was invested in capital assets. The decrease is due to the sale of property and depreciation expense. Also at June 30, 2013, the City had restricted net position of \$4,877,489 which was restricted for capital projects and public safety based on intergovernmental and other agreements. This balance was \$3,220,772 at June 30, 2012 and the increase results from SPLOST collections from Gwinnett County and a decline of expenditures in the 2009 SPLOST fund. The remaining balances of net position, \$3,014,783 at June 30, 2013 and \$3,276,835 at June 30, 2012, 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, 2013 and 2012

	Governmental activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,859,272	\$ 1,467,014
Capital grants and contributions	1,973,777	2,970,009
General revenues:		
Property taxes	1,723,126	1,525,367
Franchise taxes	851,024	893,131
Alcoholic beverage taxes	459,066	458,685
Other taxes	1,142,418	981,706
Unrestricted investment earnings	2,972	3,222
Miscellaneous	50,843	51,118
Total revenues	<u>8,062,498</u>	<u>8,350,252</u>
Expenses:		
General government	1,399,560	976,379
Police	3,045,856	3,554,865
Courts	498,144	493,050
Streets	1,271,673	1,194,603
Recreation	165,263	190,410
Planning and zoning	370,471	375,026
Economic development	68,913	179,419
Marketing & Events	86,134	51,878
Interest	-	4,276
Change in net position	<u>6,906,014</u>	<u>7,019,905</u>
Net position, beginning of year, as restated	1,156,484	1,330,347
Net position, end of year	<u>\$ 20,911,159</u>	<u>\$ 19,580,812</u>
	<u>\$ 22,067,643</u>	<u>\$ 20,911,159</u>

Net position of the City increased by \$1,156,484 in 2013 and \$1,330,347 in 2012. Both revenue and expenses decreased from the prior year due to decrease in grant expenses as well as the related revenue.

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 \$227,613. This increase was a result of continued revenues from the settlement of the Service Delivery Strategy with Gwinnett County.

The 2004 SPLOST fund has collected all of the revenue it will from the sales tax collections from the County and continues to spend the collections on projects. This fund has \$551,994 remaining to be expended at June 30, 2013.

The 2009 SPLOST continues to collect sales taxes from the County with total revenue of \$1,642,019 in fiscal year 2013. Expenditures on projects also continue with \$3,568,818 remaining in fund balance at the end of the year.

Budgetary Highlights

The City adopts an annual budget for the General Fund. The budget as originally adopted included expenditures of \$6,263,055. Expenditures were transferred between departments but there were no amendments to the overall budget expenditures during the year. Overall actual results had expenditures of \$283,359 less than what was budgeted due to fewer expenditures in the general government and police function than expected.

Capital Assets and Related Liabilities

The City's investment in capital assets for its governmental activities as of year-end amounts to \$14,175,371 (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 2013 was construction on the Main Street Realignment project and the addition and disposal of 649 Springwood Road.

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, 2013**

	Primary Government	Component Unit
	Governmental Activities	Downtown Development Authority
ASSETS		
Cash and cash equivalents	\$ 4,381,993	\$ 38,781
Investments	1,436,501	2,839,703
Property taxes receivable, net of allowance for uncollectible accounts	61,441	-
Intergovernmental receivable	265,060	-
Advance to component unit	2,320,207	-
Due from other governments	-	156,500
Capital assets, nondepreciable	6,072,990	-
Capital assets, depreciable, net of accumulated depreciation	8,102,381	-
Total assets	<u>22,640,573</u>	<u>3,034,984</u>
LIABILITIES		
Accounts payable	214,438	1,758
Accrued liabilities	144,577	-
Unearned revenue	5,594	-
Advance from primary government	-	2,320,207
Long-term liabilities:		
Line of Credit payable due within one year	-	636,738
Compensated absences due within one year	208,321	-
Total liabilities	<u>572,930</u>	<u>2,958,703</u>
NET POSITION		
Net Investment in capital assets	14,175,371	-
Restricted for:		
Capital projects	4,757,723	-
Public safety	119,766	-
Unrestricted	3,014,783	76,281
Total net position	<u>\$ 22,067,643</u>	<u>\$ 76,281</u>

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Downtown Development Authority
Governmental activities:						
General government	\$ 1,399,560	\$ 216,279	\$ -	\$ 821,258	\$ (362,023)	\$ -
Police	3,045,856	1,586,042	-	334,624	(1,125,190)	-
Courts	498,144	-	-	-	(498,144)	-
Streets	1,271,673	-	-	653,644	(618,029)	-
Recreation	165,263	-	-	164,251	(1,012)	-
Planning and zoning	370,471	56,951	-	-	(313,520)	-
Economic development	68,913	-	-	-	(68,913)	-
Marketing and events	86,134	-	-	-	(86,134)	-
Total governmental activities	<u>\$ 6,906,014</u>	<u>\$ 1,859,272</u>	<u>\$ -</u>	<u>\$ 1,973,777</u>	<u>(3,072,965)</u>	
Component Unit:						
Downtown Development Authority	<u>\$ 55,162</u>	<u>\$ 9,695</u>	<u>\$ 925</u>	<u>\$ -</u>		<u>(44,542)</u>
		General revenues:				
		Property taxes			1,723,126	-
		Franchise taxes			851,024	-
		Alcoholic beverage taxes			459,066	-
		Other taxes			1,142,418	-
		Unrestricted investment earnings			2,972	-
		Miscellaneous			<u>50,843</u>	-
		Total general revenues			<u>4,229,449</u>	-
		Change in net position			1,156,484	(44,542)
		Net position, beginning of year, as restated			<u>20,911,159</u>	<u>120,823</u>
		Net position, end of year			<u>\$ 22,067,643</u>	<u>\$ 76,281</u>

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

CITY OF LILBURN, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>2004 SPLOST</u>	<u>2009 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 511,405	\$ 133,384	\$ 3,069,244	\$ 667,960	\$ 4,381,993
Investments	1,436,501	-	-	-	1,436,501
Property taxes receivable, net of allowance for uncollectable amounts	61,441	-	-	-	61,441
Intergovernmental receivable	-	-	265,060	-	265,060
Due from other funds	-	-	155,120	-	155,120
Advance to component unit	1,553,004	588,778	79,425	99,000	2,320,207
	<u>3,562,351</u>	<u>722,162</u>	<u>3,568,849</u>	<u>766,960</u>	<u>8,620,322</u>
Total assets	\$ 3,562,351	\$ 722,162	\$ 3,568,849	\$ 766,960	\$ 8,620,322
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 194,670	\$ 15,048	\$ 31	\$ 4,689	\$ 214,438
Accrued liabilities	144,577	-	-	-	144,577
Due to other funds	-	155,120	-	-	155,120
Unearned revenue	-	-	-	5,594	5,594
	<u>339,247</u>	<u>170,168</u>	<u>31</u>	<u>10,283</u>	<u>519,729</u>
Total liabilities	339,247	170,168	31	10,283	519,729
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue- property taxes	51,810	-	-	-	51,810
	<u>51,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,810</u>
Total deferred inflows of resources	51,810	-	-	-	51,810
Fund balances:					
Nonspendable:					
Advance to component unit	1,553,004	588,778	79,425	99,000	2,320,207
Restricted:					
Capital construction	-	-	3,489,393	537,911	4,027,304
Public safety	-	-	-	119,766	119,766
Unassigned	1,618,290	(36,784)	-	-	1,581,506
	<u>3,171,294</u>	<u>551,994</u>	<u>3,568,818</u>	<u>756,677</u>	<u>8,048,783</u>
Total fund balances	3,171,294	551,994	3,568,818	756,677	8,048,783
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,562,351	\$ 722,162	\$ 3,568,849	\$ 766,960	
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 depreciator					14,175,371
Other assets - property taxes receivable are not available to pay for current-period expenditures, and therefore, are deferred in the funds.					
					51,810
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds for compensated absences.					
					<u>(208,321)</u>
Net position of governmental activities					\$ 22,067,643

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, 2013

	<u>General</u>	<u>2004 SPLOST</u>	<u>2009 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 1,751,228	\$ -	\$ -	\$ -	\$ 1,751,228
Franchise taxes	851,024	-	-	-	851,024
Alcoholic beverage taxes	459,066	-	-	-	459,066
Other taxes	1,142,418	-	-	-	1,142,418
Licenses and permits	225,372	-	-	-	225,372
Intergovernmental	232,853	-	1,640,860	98,408	1,972,121
Charges for services	755,517	-	-	-	755,517
Fines and forfeitures	739,466	-	-	-	739,466
Investment income	2,972	201	1,159	296	4,628
Cash confiscations	-	-	-	7,731	7,731
Miscellaneous	182,028	-	-	-	182,028
Total revenues	<u>6,341,944</u>	<u>201</u>	<u>1,642,019</u>	<u>106,435</u>	<u>8,090,599</u>
EXPENDITURES					
Current:					
General government	1,260,256	-	-	-	1,260,256
Police	2,661,193	-	-	108,990	2,770,183
Courts	498,381	-	-	-	498,381
Streets	973,977	-	-	-	973,977
Recreation	62,795	-	-	-	62,795
Planning and zoning	368,023	-	-	-	368,023
Economic development	68,937	-	-	-	68,937
Marketing and events	86,134	-	-	-	86,134
Capital outlay	-	384,917	118,000	53,133	556,050
Total expenditures	<u>5,979,696</u>	<u>384,917</u>	<u>118,000</u>	<u>162,123</u>	<u>6,644,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>362,248</u>	<u>(384,716)</u>	<u>1,524,019</u>	<u>(55,688)</u>	<u>1,445,863</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of property	4,365	-	-	58,264	62,629
Transfers out to other funds	(139,000)	-	-	-	(139,000)
Transfers in from other funds	-	-	-	139,000	139,000
Total other financing sources (uses)	<u>(134,635)</u>	<u>-</u>	<u>-</u>	<u>197,264</u>	<u>62,629</u>
Net change in fund balances	227,613	(384,716)	1,524,019	141,576	1,508,492
FUND BALANCES, beginning of year, as restated	<u>2,943,681</u>	<u>936,710</u>	<u>2,044,799</u>	<u>615,101</u>	<u>6,540,291</u>
FUND BALANCES, end of year	<u>\$ 3,171,294</u>	<u>\$ 551,994</u>	<u>\$ 3,568,818</u>	<u>\$ 756,677</u>	<u>\$ 8,048,783</u>

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, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	1,508,492
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		459,988
Depreciation expense		(698,168)
The net effect of various transactions related to the disposal of capital assets.		(89,450)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.		(28,103)
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		<u>3,725</u>
Change in net position - governmental activities	\$	<u>1,156,484</u>

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, 2013

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 1,689,990	\$ 1,803,990	\$ 1,751,228	\$ (52,762)
Franchise taxes	927,500	927,500	851,024	(76,476)
Alcoholic beverage taxes	448,500	448,500	459,066	10,566
Insurance premium taxes	550,000	550,000	577,714	27,714
Other taxes	522,000	522,000	564,704	42,704
Total taxes	<u>4,137,990</u>	<u>4,251,990</u>	<u>4,203,736</u>	<u>(48,254)</u>
Licenses and permits:				
Alcoholic beverage fees	132,500	132,500	132,513	13
Business licenses	32,900	32,900	35,908	3,008
Building permits	131,000	131,000	56,951	(74,049)
Total licenses and permits	<u>296,400</u>	<u>296,400</u>	<u>225,372</u>	<u>(71,028)</u>
Intergovernmental revenues:				
Federal grants	5,000	5,000	-	(5,000)
State grants	5,000	5,000	-	(5,000)
Local grants	240,636	240,636	232,853	(7,783)
Total intergovernmental revenues	<u>250,636</u>	<u>250,636</u>	<u>232,853</u>	<u>(17,783)</u>
Charges for services:				
Public safety services	201,500	201,500	194,803	(6,697)
Other charges	554,504	554,504	560,714	6,210
Total charges for services	<u>756,004</u>	<u>756,004</u>	<u>755,517</u>	<u>(487)</u>
Fines and forfeitures	<u>626,400</u>	<u>626,400</u>	<u>739,466</u>	<u>113,066</u>
Investment income	<u>3,500</u>	<u>3,500</u>	<u>2,972</u>	<u>(528)</u>
Miscellaneous revenue	<u>192,125</u>	<u>192,125</u>	<u>182,028</u>	<u>(10,097)</u>
Total revenues	<u>6,263,055</u>	<u>6,377,055</u>	<u>6,341,944</u>	<u>(35,111)</u>
EXPENDITURES				
Current:				
General government	1,401,294	1,381,927	1,260,256	121,671
Police	2,729,740	2,729,740	2,661,193	68,547
Courts	504,387	508,302	498,381	9,921
Streets	978,192	980,017	973,977	6,040
Recreation	63,134	64,634	62,795	1,839
Planning and zoning	393,218	393,218	368,023	25,195
Economic development	91,793	91,793	68,937	22,856
Marketing and events	101,297	113,424	86,134	27,290
Total expenditures	<u>6,263,055</u>	<u>6,263,055</u>	<u>5,979,696</u>	<u>283,359</u>
Excess of revenues over expenditures	<u>-</u>	<u>114,000</u>	<u>362,248</u>	<u>248,248</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to other funds	-	(114,000)	(139,000)	(25,000)
Proceeds from the sales of property	-	-	4,365	4,365
Total other financing sources (uses)	<u>-</u>	<u>(114,000)</u>	<u>(134,635)</u>	<u>(20,635)</u>
Net change in fund balances	-	-	227,613	227,613
FUND BALANCES, beginning of year	<u>2,943,681</u>	<u>2,943,681</u>	<u>2,943,681</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 2,943,681</u>	<u>\$ 2,943,681</u>	<u>\$ 3,171,294</u>	<u>\$ 227,613</u>

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

CITY OF LILBURN, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in a different fund.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay for current obligations. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue related to reimbursement basis grants are recognized as allowable expenditures are incurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

D. Cash and Cash Equivalents

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

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

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

NOTES TO FINANCIAL STATEMENTS

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:

<u>Asset</u>	<u>Years</u>
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:

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Outflows of Resources and Deferred Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

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

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

No supplementary budgetary appropriations related to expenditures were made during the current year.

The Confiscated Assets Fund expended more than its budgeted expenditures by \$35,905. These over expenditures were funded by under expenditure of other budgeted amounts and the use of fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments, with a carrying value of \$1,436,501 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 \$2,839,703 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, 2013, the City's investment in the Georgia Fund 1 was rated AAf by Standard & Poor's. At June 30, 2013, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	43 day weighted average	<u>\$ 1,436,501</u>

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, 2013, all of the deposits of the City were fully collateralized in accordance with the state statutes.

NOTES TO FINANCIAL STATEMENTS

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, 2012 and were mailed to taxpayers in July 2012. The due date for these taxes was December 20, 2012, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was January 1, 2013. Receivables are recorded when taxes are levied and billed (October 1).

Receivables at June 30, 2013, along with the allowance for uncollectible accounts, are as follows.

	General	2009 SPLOST
Receivables:		
Property taxes receivable	\$ 68,182	\$ -
Intergovernmental receivable	-	265,060
Allowance for uncollectible	(6,741)	-
Net total receivables	\$ 61,441	\$ 265,060

The City sold a house in 2009, to an employee of the City, located at 649 Springwood Road and financed the sale with the buyer through a three year note receivable, extended for one year. The buyer was unable to obtain his own financing and the City took back the house and ultimately sold the property in fiscal year 2013. The activity on the property will be show as a reduction of the note receivable by \$89,450 as well as an addition and deletion to capital assets in Note 5.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,778,576	\$ 165,195	\$ -	\$ -	\$ 4,943,771
Construction in process	923,634	205,585	-	-	1,129,219
	<u>5,702,210</u>	<u>370,780</u>	<u>-</u>	<u>-</u>	<u>6,072,990</u>
Capital assets, being depreciated:					
Land improvements	6,165,228	-	-	-	6,165,228
Buildings and improvements	2,909,825	89,450	(89,450)	-	2,909,825
Machinery and equipment	2,314,427	89,208	(35,234)	-	2,368,401
Infrastructure	1,948,705	-	-	-	1,948,705
Total	<u>13,338,185</u>	<u>178,658</u>	<u>(124,684)</u>	<u>-</u>	<u>13,392,159</u>
Less accumulated depreciation for:					
Land improvements	962,713	262,567	-	-	1,225,280
Buildings and improvements	1,324,274	96,616	-	-	1,420,891
Machinery and equipment	1,668,954	216,855	(35,234)	-	1,850,575
Infrastructure	670,902	122,130	-	-	793,032
Total	<u>4,626,843</u>	<u>698,168</u>	<u>(35,234)</u>	<u>-</u>	<u>5,289,778</u>
Total capital assets, being depreciated, net	<u>8,711,342</u>	<u>(519,510)</u>	<u>(89,450)</u>	<u>-</u>	<u>8,102,381</u>
Governmental activities capital assets, net	<u>\$ 14,413,552</u>	<u>\$ (148,730)</u>	<u>\$ (89,450)</u>	<u>\$ -</u>	<u>\$ 14,175,371</u>

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

Governmental activities:	
General government	\$ 138,446
Police	238,983
Streets	220,901
Recreation	96,976
Planning and zoning	2,862
	<u>2,862</u>
Total depreciation expense - governmental activities	<u>\$ 698,168</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM LIABILITIES

Activity of the long-term liabilities of the City for the year ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 212,046	\$ 204,837	\$ 208,562	\$ 208,321	\$ 208,321
Governmental activities long-term liabilities	<u>\$ 212,046</u>	<u>\$ 204,837</u>	<u>\$ 208,562</u>	<u>\$ 208,321</u>	<u>\$ 208,321</u>

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 June 30, 2014. Interest payments are due monthly on the 15th and a balloon payment of all outstanding principal and interest being due on June 30, 2014. As of June 30, 2013, 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, 2013 is as follows:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2009 SPLOST Fund	2004 SPLOST Fund	\$ 155,120
		<u>\$ 155,120</u>

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:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	DDA	\$ 1,553,004
2004 SPLOST Fund	DDA	588,778
2009 SPLOST Fund	DDA	79,425
Other Governmental Funds	DDA	99,000
		<u>\$ 2,320,207</u>

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.

NOTES TO FINANCIAL STATEMENTS

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, 2013, the City's membership dues were paid by Gwinnett County, Georgia. The City did not pay any annual dues. Membership in a Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia.

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

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

NOTE 9. PENSION PLAN

The City's supplemental pension plan, City of Lilburn Money Purchase Pension Plan, a defined contribution plan is administered by an insurance company, Citistreet. All full-time employees are covered after one year of service. The City is required to contribute 10% of annual covered payroll, with 100% of these funds going into a fixed-rate savings account. The City's total payroll for the fiscal year was \$2,974,727, including \$2,613,670 of payroll covered by the plan. Contributions by the City totaled \$249,787 for the fiscal year ended June 30, 2013 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%

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. PRIOR PERIOD ADJUSTMENT

The City has determined the need to record a prior period adjustment for an accounts payable of \$39,627 reported as of June 30, 2012 in the 2009 SPLOST fund. The City determined they did not owe a liability as it had been satisfied in fiscal year 2012. Therefore, the following restatement of the Government Wide Net Position and the 2009 SPLOST fund balance were required:

	<u>Government-Wide Activities</u>	<u>2009 SPLOST Fund</u>
Net Position / Fund Balance as previously reported	\$ 20,871,532	\$ 2,005,172
Prior Period Adjustment	39,627	39,627
Net Position as restated	<u>\$ 20,911,159</u>	<u>\$ 2,044,799</u>

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, 2013

ASSETS	Special Revenue Fund Confiscated Assets Fund	Capital Projects Funds Capital Projects Fund	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 130,049	\$ 537,911	\$ 667,960
Advance to component unit	-	99,000	99,000
Total assets	\$ 130,049	\$ 636,911	\$ 766,960
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,689	-	\$ 4,689
Unearned revenue	5,594	-	5,594
Total liabilities	10,283	-	10,283
FUND BALANCES			
Nonspendable	-	99,000	99,000
Restricted:			
Capital construction	-	537,911	537,911
Public safety	119,766	-	119,766
Total fund balances	119,766	636,911	756,677
Total liabilities and fund balance	\$ 130,049	\$ 636,911	\$ 766,960

CITY OF LILBURN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue Fund Confiscated Assets Fund</u>	<u>Capital Projects Funds Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Cash confiscations	\$ 7,731	\$ -	\$ 7,731
Investment income	20	276	296
Intergovernmental	-	98,408	98,408
Total revenues	<u>7,751</u>	<u>98,684</u>	<u>106,435</u>
Expenditures			
Current:			
Police	108,990	-	108,990
Capital outlay	-	53,133	53,133
Total expenditures	<u>108,990</u>	<u>53,133</u>	<u>162,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,239)</u>	<u>45,551</u>	<u>(55,688)</u>
Other Financing Sources			
Proceeds from the sale of property	239	58,025	58,264
Transfers in from other funds	-	139,000	139,000
Total other financing sources	<u>239</u>	<u>197,025</u>	<u>197,264</u>
Net change in fund balances	(101,000)	242,576	141,576
Fund balances, beginning of year	<u>220,766</u>	<u>394,335</u>	<u>615,101</u>
Fund balances, end of year	<u>\$ 119,766</u>	<u>\$ 636,911</u>	<u>\$ 756,677</u>

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, 2013

	Confiscated Assets Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Cash confiscations	\$ 50,000	\$ 50,000	\$ 7,731	\$ (42,269)
Investment income	-	-	20	20
Total revenues	50,000	50,000	7,751	(42,249)
Expenditures:				
Current:				
Police	50,000	73,085	108,990	(35,905)
Total expenditures	50,000	73,085	108,990	(35,905)
Deficiency of revenues under expenditures	-	(23,085)	(101,239)	(78,154)
Other financing sources:				
Proceeds from the sale of property	-	-	239	239
Total other financing uses	-	-	239	239
Net change in fund balances	-	(23,085)	(101,000)	(77,915)
Fund balance, beginning of year	220,766	220,766	220,766	-
Fund balance, end of year	\$ 220,766	\$ 197,681	\$ 119,766	\$ (77,915)

CITY OF LILBURN, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
2004 SPLOST
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	(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			154,564	18,525	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			63,368	310,204	373,572
Storm Drainage Infrastructure			76,690	-	76,690
Road Maintenance Plan Project			665,007	-	665,007
Streetscaping Projects			1,915,576	-	1,915,576
Wayfinding for Downtown			33,691	-	33,691
Maintenance Facility Relocation			7,692	-	7,692
Jackson Creek- roads and bridges			74,252	-	74,252
Camp Creek- roads and bridges			689,368	-	689,368
Killian Hill- Pedestrian Tunnel			238,010	-	238,010
Crosswalk and City Parking Program			30,002	9,388	39,390
City Plaza			7,950	-	7,950
Equipment			21,483	-	21,483
Phase II Greenway			10,109	-	10,109
Street Signage- State Mandate			13,071	9,251	22,322
LMIG			-	28,361	28,361
Legal			-	9,188	9,188
Total Roads, Streets, and Bridges	<u>4,134,168</u>	<u>5,154,054</u>	<u>4,217,143</u>	<u>384,917</u>	<u>4,602,060</u>
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	<u>3,200,500</u>	<u>3,543,184</u>	<u>3,543,184</u>	<u>-</u>	<u>3,543,184</u>
Public Safety Facilities and Equipment	1,000,000	1,191,159			
Police Department Relocation			259,267	-	259,267
Police Vehicles and Equipment			654,246	-	654,246
Police Department Renovation			115,756	-	115,756
Officer Next Door			17,523	-	17,523
Neighborhood House			116,380	-	116,380
Crosswalk Safety Street Signs			3,508	-	3,508
Phase I Greenway- Surveillance System			24,479	-	24,479
Total Public Safety Facilities and Equipment	<u>1,000,000</u>	<u>1,191,159</u>	<u>1,191,159</u>	<u>-</u>	<u>1,191,159</u>
Total 2004 SPLOST Expenditures	<u>\$ 8,334,668</u>	<u>\$ 9,888,397</u>	<u>\$ 8,951,486</u>	<u>\$ 384,917</u>	<u>\$ 9,336,403</u>

CITY OF LILBURN, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2009 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	(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			370,200	4,000	374,200
First Avenue			760	-	760
Police Department Headquarters			-	2,500	2,500
SPLOST Administration			43,759	22,243	66,002
Total Public Safety Facilities and Equipment	<u>4,981,935</u>	<u>4,981,935</u>	<u>414,719</u>	<u>28,743</u>	<u>443,462</u>
Roads & Bridges Improvements	2,789,884	2,789,884			
Road Maintenance			81,625	-	81,625
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	-	843,152
Phase I Greenway			691	-	691
Phase II Greenway			147,996	-	147,996
Phase III Greenway			4,305	-	4,305
Equipment			19,461	-	19,461
Killian Hill			-	3,975	3,975
Total Roads & Bridges	<u>2,789,884</u>	<u>2,789,884</u>	<u>1,163,642</u>	<u>3,975</u>	<u>1,167,617</u>
Public Safety Facilities Equipment	1,195,665	1,195,665			
PD Evidence Room Renovation			6,954	-	6,954
Equipment			56,642	17,092	73,734
Vehicle Equipment			42,237	9,427	51,664
Vehicles			317,677	51,300	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	<u>1,195,665</u>	<u>1,195,665</u>	<u>598,875</u>	<u>77,819</u>	<u>676,694</u>
Recreational Facilities	996,387	996,387			
Big League Dreams			632,820	5,638	638,458
Camp Creek Greenway & Trail			1,912	-	1,912
City Park			2,485	1,825	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	<u>996,387</u>	<u>996,387</u>	<u>734,279</u>	<u>7,463</u>	<u>741,742</u>
Total 2009 SPLOST Expenditures	<u>\$ 9,963,871</u>	<u>\$ 9,963,871</u>	<u>\$ 2,911,515</u>	<u>\$ 118,000</u>	<u>\$ 3,029,515</u>

COMPLIANCE SECTION



**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, 2013, 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 16, 2013. Our report includes a reference to the implementation of new accounting standards which modified terminology and presentation of certain accounts.

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 2013-005, 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 Response 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
December 16, 2013

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

yes no

Significant deficiencies identified not considered
to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2013 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, 2013

Section II – Financial Statement Findings

Finding 2013-001 – 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/expense accounts.

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

- An account payable and resulting expenditure in the amounts of \$3,750 in the 2004 SPLOST fund was not recorded, although services had been provided. As a result, expenditures and liabilities were increased.
- An entry in the amount of \$10,750 in the 2004 SPLOST fund and \$8,652 in the 2009 SPLOST 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 \$39,627 was required to reduce accounts payable and restate beginning fund balance in the 2009 SPLOST fund and the government wide net position for a fiscal year 2011 audit entry which was not reversed in fiscal year 2012 or the current year.

Effects: Audit adjustments with a value of \$62,779 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.

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 2013-002 – Fund Balance

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

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

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

- An entry of \$9,593 was required in the General Fund for a prior year audit adjustment which was posted twice.
- An entry of \$425 was required in the Downtown Development Authority for a prior year audit adjustment which was not posted by the City.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Finding 2013-002 – Fund Balance (continued)

Effects: Audit adjustments totaling \$10,018 were needed as detailed above.

Recommendation: We recommend the City carefully review all fund balance accounts to ensure audit entries are properly posted to these accounts.

Views of Responsible Officials and Planned Corrective Action: The City agrees with the recommendation and will make sure the Finance Department reviews all fund balance accounts to ensure proper posting of audit entries.

Finding 2013-003 - Management of Internal Balances and Transfers

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

Condition: Internal controls did not detect misstatements in the balancing of interfund due to/from and interfund transfer accounts.

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

- Record a transfer out of \$60,000 in the General Fund which was reported in an expenditure account by the City.
- Entries totaling \$555 were required to balance the advance to the Downtown Development Authority in the General fund.
- Adjustments of \$175,011 were required to reconcile the Downtown Development Authority's advance from the City.

Effect: Audit adjustment totaling \$235,566 were required as detailed above.

Recommendation: We recommend the City reconcile all interfund balances between the City and the Downtown Development Authority. We recommend the City ensure open lines of communication exist with the Downtown Development Authority to properly report interfund balances. Also, interfund transfers between City funds should be reconciled.

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

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Finding 2013-004 - Capital Assets

Criteria: The City is reporting \$14.2 million in capital assets as of June 30, 2013, net of accumulated depreciation on those assets. Generally accepted accounting principles require that these assets be accounted for and, if applicable, depreciated on a systematic basis.

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

Context/Cause: During fiscal year 2013, the City did not maintain its own detailed ledger of construction in progress. In addition, the City's capital asset detail was not reconciled to the financial records.

Effect: Audit adjustments totaling \$370,780 were required as follows to correctly report capital assets:

- To capitalize construction in progress outlays of \$205,585 to the capital asset records.
- To capitalize the purchase of land for \$165,195 to the capital asset records.

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

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

Finding 2013-005 – 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, two audit adjustments were necessary at June 30, 2013.

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

- To adjust the 2009 SPLOST revenue and related receivable for \$20,454 in accordance with the accrual basis of accounting. The prior year receivable was not relieved by the City, and thus the current year revenue was overstated.
- To adjust accrued payroll liabilities and related expenditures in the General Fund by \$40,983. Although the City did record accrued expenditures at year-end, it was calculated incorrectly, and expenditures were understated.

Effect: Audit adjustment totaling \$61,437 were required as detailed above.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Finding 2013-005 - Fiscal Year-End Financial Close and Reporting Controls (continued)

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.