

**CITY OF LILBURN, GEORGIA**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2010**

**CITY OF LILBURN, GEORGIA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1 and 2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	12
Notes to Financial Statements	13-25
Supplementary Information:	
Nonmajor Governmental Fund Combining Fund Statements and Schedules:	
Nonmajor Governmental Funds – Combining Balance Sheet	26
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	27
Special Revenue Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	28
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds – 2004 SPLOST	29
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds – 2009 SPLOST	30
<b>COMPLIANCE SECTION</b>	
Schedule of Expenditures of Federal Awards	31
Note to the Schedule of Expenditures of Federal Awards	32
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 <i>Government Auditing Standards</i>	33-34
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	35-37
Schedule of Findings and Questioned Costs	38-47



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Lilburn, Georgia** (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lilburn, Georgia, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis (on pages 3 through 6) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund statements and schedules, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, and the Schedule of Expenditures of Federal Awards, 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 and individual nonmajor fund statements and schedules, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
May 18, 2011

**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, 2010.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-25 of this report.

**Government-wide Financial Analysis**

Summary of the City's Net Assets  
June 30, 2010 and 2009

	<b>Governmental activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Current and other assets	\$ 6,553,588	\$ 6,393,302
Capital assets	13,360,628	13,153,899
Total assets	<u>19,914,216</u>	<u>19,547,201</u>
<b>Liabilities:</b>		
Long-term liabilities	479,210	578,794
Other liabilities	350,697	596,730
Total liabilities	<u>829,907</u>	<u>1,175,524</u>
<b>Net assets:</b>		
Invested in capital assets, net of debt	13,100,825	12,768,631
Restricted	3,112,671	2,158,087
Unrestricted	<u>2,870,813</u>	<u>3,444,959</u>
Total net assets	<u>\$ 19,084,309</u>	<u>\$ 18,371,677</u>

The net assets of a governmental entity may serve as an indicator of the entity's financial position. The City's net assets at June 30, 2010 were \$19,084,309 as compared to \$18,371,677 at June 30, 2009. At June 30, 2010, a total of \$13,100,825 of net assets, or 69%, are invested in capital assets (e.g., land, buildings, infrastructure, equipment, etc.), net of related capital lease obligations. At June 30, 2009, a total of \$12,768,631 of the net assets, or 70%, were invested in capital assets, net of related capital lease obligations. The increase is due to the continued construction on the Jackson Creek Trail, Greenway Trail phase II, and the Livable Centers Initiative project. Also at June 30, 2010, the City had restricted net assets of \$3,112,671 which were restricted for capital projects based on intergovernmental and other agreements. This balance was \$2,158,087 at June 30, 2009 and the increase results from SPLOST collections from Gwinnett County. The remaining balances of net assets, \$2,870,813 at June 30, 2010 and \$3,444,959 at June 30, 2009, are considered unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

Summary of Changes in the City's Net Assets  
Years Ended June 30, 2010 and 2009

	<b>Governmental activities</b>	
	<b>2010</b>	<b>2009</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,424,708	\$ 1,704,402
Capital grants and contributions	2,344,122	2,033,429
General revenues:		
Property taxes	1,764,625	1,823,003
Franchise taxes	813,407	840,559
Alcoholic beverage taxes	385,956	399,197
Other taxes	789,273	809,666
Unrestricted investment earnings	13,918	78,902
Miscellaneous	33,000	131,500
Total revenues	<u>7,569,009</u>	<u>7,820,658</u>
Expenses:		
General government	1,245,714	1,730,390
Police	3,221,284	3,024,811
Courts	521,051	468,041
Streets	1,027,515	963,561
Recreation	225,017	221,115
Planning and zoning	429,592	420,814
Economic development	57,596	85,260
Marketing & Events	128,608	-
	<u>6,856,377</u>	<u>6,913,992</u>
Change in net assets	712,632	906,666
Net assets, beginning of year	<u>18,371,677</u>	<u>17,465,011</u>
Net assets, end of year	<u><u>\$ 19,084,309</u></u>	<u><u>\$ 18,371,677</u></u>

Net assets of the City increased by \$712,632 in 2010 and \$906,666 in 2009. This decrease in the change in net assets during 2010 was caused primarily by revenue decreases for fines, forfeitures, licenses, and permits due to a slow down in the economy.

## **Analysis of the City's Funds**

The net change in fund balance for the City's General Fund was a decrease from the prior year of \$609,339. This decrease was a result of an overall decline in revenues that was larger than expected and an increase in expenditures, particularly in capital related expenditures in the general government function.

## **Budgetary Highlights**

The City adopts an annual budget for the General Fund. The budget as originally adopted included expenditures of \$6,252,043 and was not amended during the year. Overall actual results had expenditures of \$385,847 less than what was budgeted due to less expenditures in the police function than expected.

## **Capital Assets**

The City's investment in capital assets for its governmental activities as of year-end amounts to \$13,360,628 (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 2010 was construction on the recreation trails program and the livable centers initiative project.

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

The City did enter into a capital lease in the amount of \$385,268 for police vehicles during fiscal year 2009. One payment of \$125,465 was made during fiscal year 2010. Please refer to note 6 of the financial statements for additional details.

## **Requests for Information**

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



**CITY OF LILBURN, GEORGIA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Downtown Development Authority</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,117,486	\$ 78,631
Investments	2,260,785	1,095,659
Property taxes receivable, net of allowance for uncollectible accounts	131,475	-
Intergovernmental receivable	514,720	-
Advance to component unit	433,066	-
Due from other governments	-	236,500
Note receivable, long term	96,056	-
Capital assets, nondepreciable	5,179,691	-
Capital assets, depreciable, net of accumulated depreciation	8,180,937	-
Total assets	<u>19,914,216</u>	<u>1,410,790</u>
<b>LIABILITIES</b>		
Accounts payable	213,520	374
Accrued liabilities	131,583	-
Advance from primary government	-	433,066
Unearned revenue	5,594	-
Long-term liabilities:		
Line of Credit payable due in more than one year	-	819,714
Capital Lease payable due within one year	127,831	-
Capital Lease payable due in more than one year	131,972	-
Compensated absences due within one year	219,407	-
Total liabilities	<u>829,907</u>	<u>1,253,154</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,100,825	-
Restricted for capital projects	3,112,671	-
Unrestricted	2,870,813	157,636
Total net assets	<u>\$ 19,084,309</u>	<u>\$ 157,636</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, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Downtown Development Authority
Governmental activities:						
General government	\$ 1,245,714	\$ 163,260	\$ -	\$ 1,668,175	\$ 585,721	\$ -
Police	3,221,284	1,037,352	-	59,378	(2,124,554)	-
Courts	521,051	-	-	-	(521,051)	-
Streets	1,027,515	-	-	-	(1,027,515)	-
Recreation	225,017	-	-	114,170	(110,847)	-
Planning and zoning	429,592	96,650	-	502,399	169,457	-
Economic development	57,596	127,446	-	-	69,850	-
Marketing & Events	128,608	-	-	-	(128,608)	-
Total governmental activities	<u>\$ 6,856,377</u>	<u>\$ 1,424,708</u>	<u>\$ -</u>	<u>\$ 2,344,122</u>	<u>(3,087,547)</u>	
Component Unit:						
Downtown Development Authority	<u>\$ 54,497</u>	<u>\$ 33,836</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(20,661)</u>
		General revenues:				
		Property taxes			1,764,625	-
		Franchise taxes			813,407	-
		Alcoholic beverage taxes			385,956	-
		Other taxes			789,273	-
		Unrestricted investment earnings			13,918	-
		Miscellaneous			33,000	-
		Total general revenues			<u>3,800,179</u>	<u>-</u>
		Change in net assets			712,632	(20,661)
		Net assets, beginning of year			<u>18,371,677</u>	<u>178,297</u>
		Net assets, end of year			<u>\$ 19,084,309</u>	<u>\$ 157,636</u>

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

**CITY OF LILBURN, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

<b>ASSETS</b>	<b>General</b>	<b>2004 SPLOST</b>	<b>2009 SPLOST</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 679,947	\$ 580,695	\$ 1,375,246	\$ 481,598	\$ 3,117,486
Investments	2,260,785	-	-	-	2,260,785
Property taxes receivable, net of allowance for uncollectable amounts	131,475	-	-	-	131,475
Intergovernmental receivable	-	134,331	380,389	-	514,720
Due from other funds	-	725,694	-	200	725,894
Advance to component unit	433,066	-	-	-	433,066
<b>Total assets</b>	<b>\$ 3,505,273</b>	<b>\$ 1,440,720</b>	<b>\$ 1,755,635</b>	<b>\$ 481,798</b>	<b>\$ 7,183,426</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 110,671	\$ 102,829	\$ -	\$ 20	\$ 213,520
Accrued liabilities	131,583	-	-	-	131,583
Due to other funds	582,517	200	143,177	-	725,894
Deferred revenue	110,528	-	-	5,594	116,122
<b>Total liabilities</b>	<b>935,299</b>	<b>103,029</b>	<b>143,177</b>	<b>5,614</b>	<b>1,187,119</b>
Fund balances:					
Reserved for long-term advances	433,066	-	-	-	433,066
Unreserved, reported in:					
General fund, undesignated	2,136,908	-	-	-	2,136,908
Capital Project funds, undesignated	-	1,337,691	1,612,458	162,522	3,112,671
Special revenue fund, undesignated	-	-	-	313,662	313,662
<b>Total fund balances</b>	<b>2,569,974</b>	<b>1,337,691</b>	<b>1,612,458</b>	<b>476,184</b>	<b>5,996,307</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,505,273</b>	<b>\$ 1,440,720</b>	<b>\$ 1,755,635</b>	<b>\$ 481,798</b>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds					
Capital assets, net of depreciator					13,360,628
Notes receivable					96,056
Other assets - property tax receivable are not available to pay for current-period expenditures, and therefore, are deferred in the funds.					
					110,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds for compensated absences of \$219,407 and capital lease payable of \$259,8C					
					(479,210)
Net assets of governmental activities					<b>\$ 19,084,309</b>

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, 2010**

	<u>General</u>	<u>2004 SPLOST</u>	<u>2009 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 1,728,278	\$ -	\$ -	\$ -	\$ 1,728,278
Franchise taxes	813,407	-	-	-	813,407
Alcoholic beverage taxes	385,956	-	-	-	385,956
Other taxes	789,273	-	-	-	789,273
Licenses and permits	238,517	-	-	-	238,517
Intergovernmental	173,548	502,399	1,522,426	145,749	2,344,122
Charges for services	166,470	-	-	-	166,470
Fines and forfeitures	761,336	-	-	-	761,336
Investment income	6,908	6,608	129	273	13,918
Cash confiscations	-	-	-	30,766	30,766
Miscellaneous	163,969	99,678	-	-	263,647
Total revenues	<u>5,227,662</u>	<u>608,685</u>	<u>1,522,555</u>	<u>176,788</u>	<u>7,535,690</u>
<b>EXPENDITURES</b>					
Current:					
General government	949,039	-	-	-	949,039
Police	2,847,529	-	-	11,124	2,858,653
Courts	519,144	-	-	-	519,144
Streets	810,562	-	-	-	810,562
Recreation	129,568	-	-	-	129,568
Planning and zoning	424,534	-	-	-	424,534
Economic development	57,212	-	-	-	57,212
Marketing and events	128,608	-	-	-	128,608
Capital outlay	-	1,152,368	26,043	57,260	1,235,671
Debt service					
Principal Retirements	-	125,465	-	-	125,465
Interest Payments	-	10,784	-	-	10,784
Total expenditures	<u>5,866,196</u>	<u>1,288,617</u>	<u>26,043</u>	<u>68,384</u>	<u>7,249,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(638,534)</u>	<u>(679,932)</u>	<u>1,496,512</u>	<u>108,404</u>	<u>286,450</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in from other funds	-	-	-	4,601	4,601
Transfers out to other funds	(4,601)	-	-	-	(4,601)
Insurance recovery proceeds	-	49,389	-	-	49,389
Proceeds from the sale of property	33,796	-	-	3,365	37,161
Total other financing sources (uses)	<u>29,195</u>	<u>49,389</u>	<u>-</u>	<u>7,966</u>	<u>86,550</u>
Net change in fund balances	(609,339)	(630,543)	1,496,512	116,370	373,000
<b>FUND BALANCES, beginning of year</b>	<u>3,179,313</u>	<u>1,968,234</u>	<u>115,946</u>	<u>359,814</u>	<u>5,623,307</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 2,569,974</u>	<u>\$ 1,337,691</u>	<u>\$ 1,612,458</u>	<u>\$ 476,184</u>	<u>\$ 5,996,307</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, 2010

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

Net change in fund balances - total governmental funds	\$	373,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		1,027,251
Depreciation expense		(681,692)
The net effect of various transactions related to the disposal of capital assets, including recording a note receivable reported in order to finance the sale of capital assets		
		(141,858)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.		
		36,347
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Repayment of capital leases		125,465
Change in compensated absences		(25,881)
		<hr/>
Change in net assets - governmental activities	\$	<u>712,632</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, 2010

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>Taxes:</b>				
Property taxes	\$ 2,178,009	\$ 2,178,009	\$ 1,728,278	\$ (449,731)
Franchise taxes	888,500	888,500	813,407	(75,093)
Alcoholic beverage taxes	434,500	434,500	385,956	(48,544)
Insurance premium taxes	630,000	630,000	626,895	(3,105)
Other taxes	176,600	176,600	162,378	(14,222)
Total taxes	<u>4,307,609</u>	<u>4,307,609</u>	<u>3,716,914</u>	<u>(590,695)</u>
<b>Licenses and permits:</b>				
Alcoholic beverage fees	117,000	117,000	77,683	(39,317)
Business licenses	69,700	69,700	33,388	(36,312)
Building permits	64,000	64,000	127,446	63,446
Total licenses and permits	<u>250,700</u>	<u>250,700</u>	<u>238,517</u>	<u>(12,183)</u>
<b>Intergovernmental revenues:</b>				
Federal grants	211,270	211,270	52,922	(158,348)
State grants	-	-	6,456	6,456
Local grants	140,000	140,000	114,170	(25,830)
Total intergovernmental revenues	<u>351,270</u>	<u>351,270</u>	<u>173,548</u>	<u>(177,722)</u>
<b>Charges for services:</b>				
Public safety services	164,025	164,025	149,380	(14,645)
Other charges	8,000	8,000	17,090	9,090
Total charges for services	<u>172,025</u>	<u>172,025</u>	<u>166,470</u>	<u>(5,555)</u>
<b>Fines and forfeitures</b>	<u>882,064</u>	<u>882,064</u>	<u>761,336</u>	<u>(120,728)</u>
<b>Investment income</b>	<u>80,000</u>	<u>80,000</u>	<u>6,908</u>	<u>(73,092)</u>
<b>Miscellaneous revenue</b>	<u>208,375</u>	<u>208,375</u>	<u>163,969</u>	<u>(44,406)</u>
Total revenues	<u>6,252,043</u>	<u>6,252,043</u>	<u>5,227,662</u>	<u>(1,024,381)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	937,537	937,537	949,039	(11,502)
Police	3,190,063	3,190,063	2,847,529	342,534
Courts	526,205	526,205	519,144	7,061
Streets	884,709	884,709	810,562	74,147
Recreation	156,450	156,450	129,568	26,882
Planning and zoning	420,878	420,878	424,534	(3,656)
Economic development	-	-	57,212	(57,212)
Marketing and events	136,201	136,201	128,608	7,593
Total expenditures	<u>6,252,043</u>	<u>6,252,043</u>	<u>5,866,196</u>	<u>385,847</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(638,534)</u>	<u>(638,534)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out to other funds	-	-	(4,601)	(4,601)
Proceeds from the sales of property	-	-	33,796	33,796
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>29,195</u>	<u>29,195</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(609,339)</u>	<u>(609,339)</u>
<b>FUND BALANCES, beginning of year</b>	<u>3,179,313</u>	<u>3,179,313</u>	<u>3,179,313</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 3,179,313</u>	<u>\$ 3,179,313</u>	<u>\$ 2,569,974</u>	<u>\$ (609,339)</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, 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component unit are presented as a discretely presented component unit. The City of Lilburn Downtown Development Authority (the "DDA") is the discretely presented component unit of the City. The seven members of the Board of Directors of the DDA are appointed by the City Council. The City also has the ability to impose its will on the DDA as the City Council can remove appointed members of the Board of Directors at will; approve the budget of the DDA; and has the ability to hire and dismiss the personnel responsible for the daily operations of the DDA. The City of Lilburn Downtown Development Authority's financial information is maintained by the City's Finance Department. However, separate financial statements are not prepared.

**B. Government Wide and Fund Financial Statements**

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

## NOTES TO FINANCIAL STATEMENTS

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### 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

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### 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. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### 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**

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**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 sickpay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

**H. Net Assets and Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Net assets in the statement of net assets are distinguished between amounts invested in capital assets (net of any related debt, if any), amounts that are restricted for use by third parties or outside requirements, and amounts that are unrestricted.

## NOTES TO FINANCIAL STATEMENTS

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

#### **I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 2. LEGAL COMPLIANCE - BUDGETS**

#### **A. Budgets and Budgetary Accounting**

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

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

No supplementary budgetary appropriations were made during the current year.

The City expended more than the General Fund's final budget by \$11,502 in General Government; \$3,656 in Planning and Zoning; and \$57,212 in Economic Development. These over expenditures were funded by under expenditure of other budgeted amounts and the use of fund balance.

## NOTES TO FINANCIAL STATEMENTS

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### 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

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### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments, with a carrying value of \$2,260,785 consist of an investment in the Georgia Fund 1, a local government investment pool managed by the State of Georgia Office of Treasury and Fiscal Services (OTFS). As the investment in the Georgia Fund 1 represents ownership of a portion of a large pool of investments these amounts are not categorizable for custodial risk disclosure. The pooled investments are not registered with the Securities and Exchange Commission ("SEC") but are managed in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the City's investment in the Georgia Fund 1 has been determined based on the pool's share price as adjusted to market. Other investments are stated at fair value based on quoted market prices.

Investments with a carrying value of \$1,095,659 consist of an investment in five real estate properties purchased by the Downtown Development Authority; three purchased in 2009 and two in 2010. 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, 2010, the City's investment in the Georgia Fund 1 was rated AAAM by Standard & Poor's. At June 30, 2010, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	46 day weighted average	<u>\$ 2,260,785</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, 2010, all of the deposits of the City were fully collateralized in accordance with the state statutes.

**NOTES TO FINANCIAL STATEMENTS**

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**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, 2009 and were mailed to taxpayers in July 2009. The due date for these taxes was December 20, 2009, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date was January 1, 2010. Receivables are recorded when taxes are levied and billed (October 1).

Receivables at June 30, 2010, along with the allowance for uncollectible accounts, are as follows.

	<u>General</u>	<u>2004 SPLOST</u>	<u>2009 SPLOST</u>
Receivables:			
Property taxes receivable	\$ 138,216	\$ -	\$ -
Intergovernmental receivable	-	134,331	380,389
Allowance for uncollectible	(6,741)	-	-
Net total receivables	<u>\$ 131,475</u>	<u>\$ 134,331</u>	<u>\$ 380,389</u>

The City sold a house in 2009, to an employee of the City, located at 649 Springwood Road and is financing the sale with the buyer through a three year note receivable. The note receivable carries a 5.75% interest rate and payments of \$750 are due the first of each month with a balloon payment due at maturity on October 1, 2013.

At June 30, 2010, the note receivable balance is recorded in the government-wide statements and will result in future payments as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2011	\$ 3,303	\$ 5,697	\$ 9,000
2012	3,303	5,697	9,000
2013	89,450	950	90,400
Total	<u>\$ 96,056</u>	<u>\$ 12,344</u>	<u>\$ 108,400</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,996,288	\$ -	\$ -	\$ -	\$ 3,996,288
Construction in process	707,466	614,767	(138,830)	-	1,183,403
	<u>4,703,754</u>	<u>614,767</u>	<u>(138,830)</u>	<u>-</u>	<u>5,179,691</u>
Capital assets, being depreciated:					
Land improvements	4,637,662	114,855	-	-	4,752,517
Buildings and improvements	2,881,931	-	-	-	2,881,931
Machinery and equipment	2,260,339	109,629	(134,885)	-	2,235,083
Infrastructure	1,692,842	188,000	-	-	1,880,842
Total	<u>11,472,774</u>	<u>412,484</u>	<u>(134,885)</u>	<u>-</u>	<u>11,750,373</u>
Less accumulated depreciation for:					
Land improvements	315,274	187,604	-	-	502,878
Buildings and improvements	1,031,113	96,779	-	-	1,127,892
Machinery and equipment	1,371,827	280,876	(134,885)	-	1,517,818
Infrastructure	304,415	116,433	-	-	420,848
Total	<u>3,022,629</u>	<u>681,692</u>	<u>(134,885)</u>	<u>-</u>	<u>3,569,436</u>
Total capital assets, being depreciated, net	<u>8,450,145</u>	<u>(269,208)</u>	<u>-</u>	<u>-</u>	<u>8,180,937</u>
Governmental activities capital assets, net	<u>\$ 13,153,899</u>	<u>\$ 345,559</u>	<u>\$ (138,830)</u>	<u>\$ -</u>	<u>\$ 13,360,628</u>

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

Governmental activities:	
General government	\$ 135,265
Police	233,325
Streets	215,659
Recreation	94,669
Planning & Development	<u>2,774</u>
Total depreciation expense - governmental activities	<u>\$ 681,692</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, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 193,526	\$ 585,602	\$ 559,721	\$ 219,407	\$ 219,407
Capital lease	<u>385,268</u>	<u>-</u>	<u>125,465</u>	<u>259,803</u>	<u>127,831</u>
Governmental activities long-term liabilities	<u>\$ 578,794</u>	<u>\$ 585,602</u>	<u>\$ 685,186</u>	<u>\$ 479,210</u>	<u>\$ 347,238</u>

The future annual requirements to amortize the capital lease obligation as of June 30, 2010 are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2011	\$ 127,831	\$ 8,418	\$ 136,249
2012	<u>131,972</u>	<u>4,277</u>	<u>136,249</u>
Total	<u>\$ 259,803</u>	<u>\$ 12,695</u>	<u>\$ 272,498</u>

The General Fund typically is the funding source of payment for the compensated absences payable and the 2004 SPLOST fund is the funding source of payment for the capital lease.

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 credits original maturity date was 7/15/2010 with an extension from the Bank of Atlanta extending maturity to December 31, 2011. Interest payments are due monthly on the 15th and a balloon payment of all outstanding principal and interest being due on December 31, 2011. For the year ended June 30, 2010, draws were \$819,174 and no principal payments were made. As of June 30, 2010, the outstanding balance is \$819,714.



**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2010 is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
2004 SPLOST Fund	General Fund	\$ 582,517
Other Governmental Funds	2004 SPLOST Fund	200
2004 SPLOST Fund	2009 SPLOST Fund	143,177
		<u>\$ 725,894</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	\$ 433,066
		<u>\$ 433,066</u>

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

Interfund transfers for the year ended June 30, 2010 were made from the General Fund to a non-major governmental fund, in the amount of \$4,601 to be used to move unrestricted General Fund revenues to finance certain programs.

## NOTES TO FINANCIAL STATEMENTS

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**NOTE 8. JOINT VENTURE**

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (Regional Development Center - RDC) and is required to pay annual dues thereto. During its fiscal year ended June 30, 2010, the City's membership dues were paid by Gwinnett County, Georgia. The City did not pay any annual dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia.

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

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

**NOTE 9. PENSION PLAN**

The City's supplemental pension plan, City of Lilburn Money Purchase Pension Plan, a defined contribution plan is administered by an insurance company, Citistreet. All full-time employees are covered after one year of service. The City is required to contribute 10% of annual covered payroll, with 100% of these funds going into a fixed-rate savings account. The City's total payroll for the fiscal year was \$2,966,515, including \$2,540,305 of payroll covered by the plan. Contributions by the City totaled \$240,259 for the fiscal year ended June 30, 2010 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

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### **NOTE 10. RISK MANAGEMENT**

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

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

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

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

### **NOTE 11. COMMITMENTS AND CONTINGENCIES**

#### **Litigation:**

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

#### **Grant Contingencies:**

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

## NONMAJOR GOVERNMENTAL FUNDS

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### **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.

### **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, 2010**

<b>ASSETS</b>	<b>Special Revenue Fund Confiscated Assets Fund</b>	<b>Capital Projects Funds Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and cash equivalents	\$ 319,076	\$ 162,522	\$ 481,598
Due from other funds	200	-	200
<b>Total assets</b>	<b>\$ 319,276</b>	<b>\$ 162,522</b>	<b>\$ 481,798</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 20	\$ -	\$ 20
Deferred revenue	5,594	-	5,594
<b>Total liabilities</b>	<b>5,614</b>	<b>-</b>	<b>5,614</b>
<b>FUND BALANCES</b>			
Unreserved, undesignated	313,662	162,522	476,184
<b>Total fund balances</b>	<b>313,662</b>	<b>162,522</b>	<b>476,184</b>
<b>Total liabilities and fund balances</b>	<b>\$ 319,276</b>	<b>\$ 162,522</b>	<b>\$ 481,798</b>

**CITY OF LILBURN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Special Revenue Funds</u> <u>Confiscated</u> <u>Assets Fund</u>	<u>Capital Projects Funds</u> <u>Capital</u> <u>Projects Fund</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
<b>Revenues</b>			
Cash confiscations	\$ 30,766	\$ -	\$ 30,766
Investment income	147	126	273
Intergovernmental revenue	-	145,749	145,749
Total revenues	<u>30,913</u>	<u>145,875</u>	<u>176,788</u>
<b>Expenditures</b>			
Current:			
Police	11,124	-	11,124
Capital outlay	-	57,260	57,260
Total expenditures	<u>11,124</u>	<u>57,260</u>	<u>68,384</u>
Excess (deficiency) of revenues over (under) expenditures	19,789	88,615	108,404
<b>Other Financing Sources</b>			
Proceeds from the sale of property	3,365	-	3,365
Transfers in from other funds	4,601	-	4,601
Total other financing sources (uses)	<u>7,966</u>	<u>-</u>	<u>7,966</u>
Net change in fund balances	27,755	88,615	116,370
<b>Fund balances, beginning of year,</b>	<u>285,907</u>	<u>73,907</u>	<u>359,814</u>
<b>Fund balances, end of year</b>	<u>\$ 313,662</u>	<u>\$ 162,522</u>	<u>\$ 476,184</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, 2010

	<b>Confiscated Assets Fund</b>		
	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenues:</b>			
Cash confiscations	\$ 56,670	\$ 30,766	\$ (25,904)
Investment income	-	147	147
Total revenues	56,670	30,913	(25,757)
<b>Expenditures:</b>			
Current:			
Police	56,670	11,124	45,546
Total expenditures	56,670	11,124	45,546
Excess of revenues over expenditures	-	19,789	19,789
<b>Other financing sources:</b>			
Proceeds from the sale of property	-	3,365	3,365
Transfers in from other funds	-	4,601	4,601
Total other financing uses	-	7,966	7,966
<b>Net change in fund balances</b>	-	27,755	27,755
<b>Fund balance, beginning of year</b>	285,907	285,907	-
<b>Fund balance, end of year</b>	\$ 285,907	\$ 313,662	\$ 27,755

# CITY OF LILBURN, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS 2004 SPLOST FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	(Unaudited) Original Estimated Cost	(Unaudited) Current Estimated Cost	Prior Years Cumulative Expenditures	Total Current Year Expenditures	Total Cumulative Expenditures
<b>2004 SPLOST</b>					
<b>Roads and Bridges Improvements</b>	\$ 4,134,168	\$ 4,134,168	\$	\$	\$
Connecting Sidewalks			154,564	-	154,564
Holly Ridge Drive Improvements			-	85,943	85,943
Livable Centers Initiative Project			-	52,225	52,225
LARP Project			-	20,516	20,516
Joy Lane Project			-	24,880	24,880
Brandlwood Project			-	8,212	8,212
Main Street			-	52,033	52,033
Storm Drainage Infrastructure			76,690	-	76,690
Road Maintenance Plan Project			605,816	21,251	627,067
Streetscaping Projects			1,824,908	90,668	1,915,576
Wayfinding for Downtown			33,691	-	33,691
Maintenance Facility Relocation			7,692	-	7,692
Jackson Creek- roads and bridges			53,506	20,746	74,252
Camp Creek- roads and bridges			-	488,245	488,245
Killian Hill- Pedestrian Tunnel			111,242	27,587	138,829
Crosswalk and City Parking Program			26,902	-	26,902
<b>Total Roads, Streets, and Bridges</b>	<u>4,134,168</u>	<u>4,134,168</u>	<u>2,895,011</u>	<u>892,306</u>	<u>3,787,317</u>
<b>Recreational Facilities</b>	3,200,500	3,200,500	-	-	
City Park Renovations			265,453	36,537	301,990
Park Plaza			-	30,904	30,904
Camp Creek Greenway			2,386,954	107,557	2,494,511
City Park Signs			2,859	-	2,859
Jackson Creek Trail			583,595	4,263	587,858
Gwinnett County Park			50,000	-	50,000
Parks Improvement/Equipment			6,600	14,682	21,282
<b>Total Recreational Facilities</b>	<u>3,200,500</u>	<u>3,200,500</u>	<u>3,295,461</u>	<u>193,943</u>	<u>3,489,404</u>
<b>Public Safety Facilities and Equipment</b>	1,000,000	1,000,000			
Police Department Relocation			259,267	-	259,267
Police Vehicles and Equipment			451,878	202,368	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
<b>Total Public Safety Facilities and Equipment</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>964,312</u>	<u>202,368</u>	<u>1,166,680</u>
<b>Total 2004 SPLOST Expenditures</b>	<u>\$ 8,334,668</u>	<u>\$ 8,334,668</u>	<u>\$ 7,154,784</u>	<u>\$ 1,288,617</u>	<u>\$ 8,443,401</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, 2010

	(Unaudited) Original Estimated Cost	(Unaudited) Current Estimated Cost	Prior Years Cumulative Expenditures	Total Current Year Expenditures	Total Cumulative Expenditures
<b>2009 SPLOST</b>					
<b>General Government Facilities</b>	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -
New City Hall			245,206	19,658	264,864
First Avenue			-	760	760
<b>Total Public Safety Facilities and Equipment</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>245,206</u>	<u>20,418</u>	<u>265,624</u>
<b>Roads &amp; Bridges Improvements</b>					
Road Maintenance			-	5,625	5,625
<b>Total Public Safety Facilities and Equipment</b>			<u>-</u>	<u>5,625</u>	<u>5,625</u>
<b>Total 2009 SPLOST Expenditures</b>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 245,206</u>	<u>\$ 26,043</u>	<u>\$ 271,249</u>

## **COMPLIANCE SECTION**

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**CITY OF LILBURN, GEORGIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:			
Pass-through programs - State of Georgia Department of Transportation:			
Highway Planning and Construction (Greenway Trail)	20.205	TEE-0006-00 (645)	\$ 408,074
Highway Planning and Construction (Mainstreet Railroad Project)	20.205	STP-0008-00 (904)	62,708
Total U.S. Department of Transportation			<u>470,782</u>
Department of Homeland Security			
Disaster Grants (Federal Emergency Management Agency)	97.036		<u>78,822</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 549,604</u></u>

The accompanying notes are an integral part of this Schedule.

**CITY OF LILBURN, GEORGIA**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**(1) Summary of Significant Accounting Policies**

***Basis of Presentation and Accounting***

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

In instances where the grant agreement requires the City to match grant awards with City funds, such matching funds are excluded in the accompanying Schedule of Expenditures of Federal Awards.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report. These programs are operated according to Federal regulations promulgated by the Federal agency providing the funding.



**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**

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lilburn, Georgia (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2010-1 through 2010-10, to be material weaknesses.

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## Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated May 18, 2011.

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
May 18, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of Lilburn, Georgia's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in finding 2010-11 in the accompanying schedule findings and questioned costs, the City did not comply with requirements regarding cash management that are applicable to its Highway Planning and Construction program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-12.

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-11 and 2010-12 to be material weaknesses.



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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
May 18, 2011

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section I – Summary of Auditor’s Results

**Financial Statements**

Type of auditor’s report issued Unqualified

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**

Internal Control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

Type of auditor’s report issued on compliance for  
major programs Qualified for Cash Management for the Highway Planning and  
Construction program, otherwise, unqualified for other  
Requirements of the major program

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?  yes  no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction program

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Section II – Financial Statement Findings**

**Finding 2010-1 - Segregation of Duties**

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

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

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

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

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

**Views of Responsible Officials and Planned Corrective Action:** An authorization sheet requiring the City Manager's and Finance Officer's review and signature on all journal entries was implemented. A sign off sheet for the review of all bank reconciliations was also implemented. The City continues to implement changes and to restructure the financial functions with the establishment of a separate Finance Department, which will enhance the segregation of financial duties into the next year. The City will implement a sign off sheet for voided transactions.

**Finding 2010-2 – Accrued Liabilities**

**Criteria:** Internal controls should be in place to ensure that the amounts reported as accrued liabilities are appropriate.

**Condition:** Internal controls were not sufficient to detect material misstatements in the reporting of the City's liabilities.

**Context/Cause:** During our testing of accounts payable and accrued payroll accounts, we found one material vendor payable that needed to be recorded and we noted that accrued payroll had not been adjusted from the prior year.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-2 – Accrued Liabilities (continued)**

**Effect:** An audit adjustment to increase accounts payable and expenditures by \$100,982 in the 2004 SPLOST Fund was required and adjustments totaling \$11,445 were needed to correctly report the accrued payroll in the General Fund.

**Recommendation:** We recommend the City routinely review all balance sheet accounts within the system and analyze them to determine if any corrections are required.

**Views of Responsible Officials and Planned Corrective Action:** The creation of the Finance Department will enable the City to closely monitor the financial statements on a timely basis in the future, and to ensure that any corrections needed are completed in a timely manner.

**Finding 2010-3 – Fund Balance**

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

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

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

**Effects:** Audit adjustments totaling approximately \$78,859 were needed to correctly report fund balance in the General Fund as of July 1, 2009.

**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 creation of the Finance Department will enable the City to closely monitor the financial statements on a timely basis in the future, and to ensure that all fund balance accounts are correctly reported. The City will request additional time with the Auditors to ensure year-end entries are accurate.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-4 - Management of Internal Balances**

**Criteria:** Generally accepted accounting principles require inter-fund transactions to be accounted for as due to and due from other funds, for amounts outstanding between funds at year end, and as transfers in order to move assets from the fund in which they were collected to the fund they are financing. Reimbursements are not transfers but reduce expenditures in the fund being reimbursed. GAAP also requires consideration of the collectability of receivables of all kinds whether external or internal to the City. As part of that process, the City should review the amounts included in due to/from accounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as transfers in/out during any given fiscal year and that those balances should agree between funds.

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

**Context/Cause:** The City's unadjusted trial balance reported significant amounts in the due to/from accounts for the General Fund, and the 2004 and 2009 SPLOST Funds as of June 30, 2010. The City did not properly record the internal transactions between both of the funds affected in certain transactions, therefore not balancing the accounts between funds.

**Effect:** Adjustments to the 2004 SPLOST Fund were required to increase the interfund receivable by \$599,597, to decrease expenditures by \$245,206 and increase accounts payable by \$354,391. The 2009 SPLOST Fund required adjustments to change the due from General Fund to a due from the 2004 SPLOST Fund in the amount of \$245,206.

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

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

**Finding 2010-5 – Receivables and Related Deferred Revenue**

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

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

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-5 – Receivables and Related Deferred Revenue (continued)**

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

**Effects:** Audit adjustments were required, in the General Fund, to increase property taxes receivable by \$54,880, reduce tax revenue by \$8,137 and increase deferred revenue by \$63,017 as of June 30, 2010.

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

**Views of Responsible Officials and Planned Corrective Action:** The City agrees with the recommendation above. With the creation of the Finance Department by the City, the ability to review these important journal entries have been enhanced and will ensure that the taxes receivable and the deferred revenue balances reconcile to the subsidiary ledgers. The City will request additional time with the Auditors to ensure year-end entries are accurate.

**2010-6 Grant Revenue Recognition**

**Criteria:** Grants should be reconciled at the end of each reporting period so that any intergovernmental receivable, and related revenue, is accrued in the proper period based on the related reimbursable expenditures.

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

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

**Effects:** Audit adjustments totaling \$134,331 were needed to record revenue and the related receivables in the 2004 SPLOST Fund.

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

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

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-7 – Recording assets in the Downtown Development Authority**

**Criteria:** Internal controls should be in place to ensure that all assets are recorded in the Downtown Development Authority (DDA). The DDA is a discretely presented component unit and uses proprietary fund accounting and, as a result, the long term assets should be recorded in the general ledger of the DDA.

**Condition:** The City expensed the purchase of three properties by the Downtown Development Authority and did not properly record the assets.

**Context/Cause:** The Downtown Development Authority purchased three properties which were not recorded as assets. The properties are currently rented by tenants and the City has no future plans to use the properties for operations of the City. Therefore, these amounts should be recorded as investments.

**Effect:** Audit adjustments of \$309,633 were required in order to reduce expenses and record investments at June 30, 2010.

**Recommendation:** We recommend the City monitor the activities in the Downtown Development Authority to ensure that all assets are properly recorded on the accrual basis of accounting.

**Views of Responsible Officials and Planned Corrective Action:** The City agrees with the recommendation above and will take steps to devote the necessary resources to ensure proper recording of assets and investments of the Downtown Development Authority.

**Finding 2010-8 - Capital Assets**

**Criteria:** The City maintained \$13.4 million in capital assets as of June 30, 2010, 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 2010, the City did not maintain its own detailed ledger of construction in progress during the year. In addition, the City expensed several items instead of recording them as capital assets.

**Effect:** Capital asset data that is reconciled to the general ledger is important for timely preparation of financial statements and the related footnotes of capital asset data. Updated and maintained capital asset data also provides for accurate depreciation calculations for service costing data, and enhances overall property management including providing for proper insurance coverage, replacement budgeting and other planning processes, and repair and maintenance service programs. Adjustments, in the amount of \$814,548, were made to the capital asset detail.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-8 - Capital Assets (continued)**

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

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

**Finding 2010-9 – Recording of Liabilities**

**Criteria:** Internal controls should be in place to ensure that long term liabilities are recorded in the Downtown Development Authority. The Downtown Development Authority is presented as a discretely presented component unit; which uses the economic measurement focus and full accrual basis of accounting.

**Condition:** The DDA did not record a line of credit payable at year end.

**Context/Cause:** The DDA entered into a line of credit agreement with the Bank of Atlanta and recorded the line of credit as proceeds (other financing sources) in the Downtown Development Authority.

**Effect:** An audit adjustment of \$819,714 was required to remove the proceeds from the Downtown Development Authority and record as a line of credit payable.

**Recommendation:** We recommend the City review the Downtown Development Authority transactions on a monthly basis to ensure long-term liabilities are recorded at the fund level. All long-term liabilities should be recognized at the fund level.

**Views of Responsible Officials and Planned Corrective Action:** The City will review all financing activity routinely and record the necessary adjustments to reflect any long-term liabilities in a timely manner.

**Finding 2010-10 – Financial Statements**

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

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



CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-10 – Financial Statements (continued)**

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

**Effect:** A significant number of adjusting entries were required for the year ended June 30, 2010.

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

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

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2010-11 – Cash Management**

**Program:** CFDA No. 20.205

**CFDA Program Title:** Highway Planning and Construction Program

**State Pass Through Award No.:** TEE-0006-00(645); STP-0008-00(904)

**Federal Award Years:** 2008

**Criteria:** In compliance with the grant award documents related to this program, these grants were reimbursement basis grants, whereby the City must ensure it expends the funds related to the grant prior to receiving funds from the pass through entity.

**Condition:** During our testing of the cash management compliance requirement for this grant program, we noted that in two instances the City requested and received reimbursement funds from the State prior to disbursing the corresponding payments to vendors to which the reimbursement was related. Additionally, we noted that in four other instances the City requested reimbursement funds from the State prior to disbursing the corresponding payments to vendors, but did not receive the funds from the State prior to the City's disbursement of funds.

**Effects or possible effects:** The City violated the terms of the reimbursement basis grant in two instances, and due to the lack of controls over the process to ensure compliance, could have more instances of noncompliance.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-11 – Cash Management (continued)**

**Questioned Costs:** None.

**Cause:** The City did not properly establish a process to ensure disbursement prior to draw requests being processed.

**Context:** Of the seven draw requests for the year, two draw downs totaling \$195,876, were requested and received prior to the City disbursing funds to the vendors. In four other draw requests, totaling \$260,218, the draw was requested, but not received, prior to the City disbursing funds to the vendors.

**Recommendation:** We recommend the City modify its draw request process to ensure that funds have been disbursed prior to the draw request being submitted to the State.

**Views of Responsible Officials and Planned Corrective Action:** The City agrees with the recommendation above. The Accounting Division and the Grants Section have established a formal reconciliation process to ensure that all grant related information be included in the contracts in the future.

**Finding 2010-12 – Suspension and Debarment**

**Program:** CFDA No. 20.205

**CFDA Program Title:** Highway Planning and Construction

**State Pass Through Award No.:** TEE-0006-00(645); STP-0008-00(904)

**Federal Award Years:** 2008

**Criteria:** In compliance with the guidance set forth in the grant agreements and with the OMB A-102 Common Rule, all grant recipients are required, during the procurement process, to ensure vendors are not cited as suspended or debarred or otherwise excluded from participation in federally funded contracts. This can be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the contract with the vendor.

**Condition:** During our testing of the Highway Planning and Construction grants, it was discovered that the City did not verify whether three contractors were noted as excluded on the Federal government's suspension and debarred lists and did not include the appropriate language in the contracts with those vendors.

**Effects or possible effects:** The City could unintentionally enter into a noncompliant contract and be forced to reimburse the Federal government for all expenditures made with the debarred or suspended contractor. Based on a review of the EPLS, none of the contractors in this case were included as suspended or debarred.

CITY OF LILBURN, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Finding 2010-12 – Suspension and Debarment (continued)**

**Questioned Costs:** None.

**Cause:** The City did not obtain suspension and debarment certifications from the contractors.

**Context:** Of the three contractors paid with Highway Planning and Construction funds, none were noted as having the proper suspension and debarment certification in their contracts.

**Recommendation:** We recommend the City follow procedures to properly include all suspension and debarment clauses in the contracts involving grant funds.

**Views of Responsible Officials and Planned Corrective Action:** The City agrees with the recommendation above. The Accounting Division and the Grants Section have established a formal reconciliation process to ensure that all grant related information be included in the contracts in the future. The City did verify the certifications but did not receive a copy of them. The City will require a “hard copy” for the original file.