

CITY OF BUFORD, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CITY OF BUFORD, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

**To the Board of Commissioners
City of Buford, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Buford, Georgia as of and for the fiscal year ended June 30, 2011, 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 of Buford, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Buford Board of Education, which represent 100% of the assets, fund balances, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Buford Board of Education, is based on the report of the other auditors.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Buford, Georgia as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, thereof 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 June 1, 2012, on our consideration of the City of Buford, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buford, Georgia's financial statements as a whole. The accompanying supplementary information which consist of the combining nonmajor fund financial statements, the Schedule of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds and the supplementary financial statements and schedules requested by management of the City of Buford are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements, the Schedule of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds and the supplementary financial statements and schedules requested by management of the City of Buford are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Wilcox & Birings, P.C.

June 1, 2012
Suwanee, Georgia

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Management of the City of Buford, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's financial activities is for the fiscal year ending June 30, 2011. Please consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended June 30, 2011 by \$132,802,340 ("net assets"). Of this amount, \$25,344,055 ("unrestricted net assets") may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below. \$93,839,883 of net assets consisted of investments in capital assets, net of related debt. The remainder of net assets consisted of amounts restricted by law, contracts, donors or debt agreements, and totaled \$13,618,402.
- The City's total net assets increased by \$7,324,848 in the fiscal year ended June 30, 2011.
- As of the close of the current fiscal year ended June 30, 2011, the City's governmental funds reported combined ending fund balances of \$42,170,411. Approximately 76.42% of this total amount, \$32,224,762 is available for use within the City's policies ("unassigned fund balances").
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$32,224,762 or 111.32% of total general fund expenditures and transfers out.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplemental 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 fiscal year. All changes in net assets are reported when 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, such as uncollected property taxes and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government (financial and administration), public safety (marshall), public services (highway and street, building inspection, culture and recreation and maintenance) and intergovernmental (school transfers). The business-type activities of the City include the City's Gas, Electric, Solid Waste and Recycling, and Waste Water and Water systems operations.

The government-wide financial statements can be found on pages 11-12 of this reporting package.

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories - governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine (9) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the 2010 GOB Capital Projects fund, which are considered to be major funds. Data from the other seven (7) funds are combined into a single, aggregated presentation, Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13 to 17 of this reporting package.

Proprietary Fund

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its gas, electric, solid waste and recycling, wastewater and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18 to 21 of this reporting package.

Fiduciary Fund

The City maintains one fiduciary fund; an agency fund related to the Buford Board of Education SPLOST funds. The basic fiduciary fund financial statement can be found on page 22 of this reporting package.

Notes to the Basic 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 basic financial statements can be found on pages 23 to 53 of this reporting package.

Supplementary Information Required by GASB 34

Supplementary information required by GASB 34 can be found on pages 54 to 57 of this reporting package.

Reports and Schedules Required by Government Auditing Standards and the State of Georgia

Reporting and schedules required by *Government Auditing Standards* and the State of Georgia can be found on pages 58 to 63 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Buford, assets exceeded liabilities by \$132,802,340 as of June 30, 2011.

The largest portion of the City's net assets, totaling \$93,839,883 (70.66%) reflects its investments in capital assets (such as land, buildings and improvements, furniture, machinery and equipment, computer equipment, vehicles, utility systems and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, totaling \$13,618,402 (10.26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$25,344,055 (19.08%) may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities current and other assets increased \$10,098,472 and unrestricted net assets decreased \$2,056,696. The City issued \$10,000,000 in general obligation bonds in the fiscal year ended June 30, 2011, and the tax rate decreased to 13.15 mills from 13.20. Revenues decreased in most categories due to the ongoing economic downturn. Also, the special revenue funds with positive net asset balances have been reclassified from unrestricted net assets to restricted net assets to match reporting in the governmental funds with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 in fiscal year 2011.

As of June 30, 2011 and June 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental activities. The unrestricted net assets of business-type activities show a negative balance of \$(2,381,748) as of June 30, 2011.

CITY OF BUFORD, GEORGIA'S CONDENSED NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total - Primary Government</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 36,274,991	\$ 46,373,463	\$ 11,488,773	\$ 9,425,795	\$ 47,763,764	\$ 55,799,258
Capital assets	<u>32,866,281</u>	<u>42,568,182</u>	<u>62,384,877</u>	<u>62,304,576</u>	<u>95,251,158</u>	<u>104,872,758</u>
Total assets	<u>69,141,272</u>	<u>88,941,645</u>	<u>73,873,650</u>	<u>71,730,371</u>	<u>143,014,922</u>	<u>160,672,016</u>
Noncurrent liabilities	109,702	9,345,317	8,331,723	6,628,364	8,441,425	15,973,681
Other liabilities	<u>1,852,263</u>	<u>3,960,773</u>	<u>7,243,742</u>	<u>7,935,222</u>	<u>9,096,005</u>	<u>11,895,995</u>
Total liabilities	<u>1,961,965</u>	<u>13,306,090</u>	<u>15,575,465</u>	<u>14,563,586</u>	<u>17,537,430</u>	<u>27,869,676</u>
Net assets:						
Invested in capital assets, net of related debt	32,866,281	38,104,515	54,298,759	55,735,368	87,165,040	93,839,883
Restricted	4,530,527	9,805,237	4,353,870	3,813,165	8,884,397	13,618,402
Unrestricted	<u>29,782,499</u>	<u>27,725,803</u>	<u>(354,444)</u>	<u>(2,381,748)</u>	<u>29,428,055</u>	<u>25,344,055</u>
Total net assets	\$ <u>67,179,307</u>	\$ <u>75,635,555</u>	\$ <u>58,298,185</u>	\$ <u>57,166,785</u>	\$ <u>125,477,492</u>	\$ <u>132,802,340</u>

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended June 30, 2011 and June 30, 2010. Governmental activities increased the City's net assets by \$8,456,248 for the year ended June 30, 2011 and by \$6,277,493 for the year ended June 30, 2010. Business-type activities decreased the City's net assets by \$1,131,400 for the year ended June 30, 2011 and increased net assets by \$2,420,233 for the year ended June 30, 2010.

CITY OF BUFORD, GEORGIA'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,888,417	\$ 2,051,322	\$ 58,011,000	\$ 55,954,642	\$ 59,899,417	\$ 58,005,964
Capital grants and Contributions	1,933,219	2,196,695	-	-	1,933,219	2,196,695
General revenues:						
Taxes	12,649,449	11,891,891	-	-	12,649,449	11,891,891
Franchise fees	711,746	804,176	-	-	711,746	804,176
Investment income	62,532	104,143	531,717	482,679	594,249	586,822
Miscellaneous	<u>335,813</u>	<u>111,904</u>	<u>2,077,801</u>	<u>2,040,843</u>	<u>2,413,614</u>	<u>2,152,747</u>
Total revenues	<u>17,581,176</u>	<u>17,160,131</u>	<u>60,620,518</u>	<u>58,478,164</u>	<u>78,201,694</u>	<u>75,638,295</u>
Expenses:						
General government	3,801,020	3,479,519	-	-	3,801,020	3,479,519
Public safety	141,646	148,171	-	-	141,646	148,171
Public services	4,536,049	4,884,396	-	-	4,536,049	4,884,396
Debt service	-	242,398	-	-	-	242,398
Intergovernmental - Board of Education	17,000,000	17,300,000	-	-	17,000,000	17,300,000
Gas system	-	-	23,784,888	21,484,952	23,784,888	21,484,952
Electric system	-	-	13,950,824	14,615,446	13,950,824	14,615,446
Solid waste and recycling	-	-	2,064,912	2,127,050	2,064,912	2,127,050
Waste water system	-	-	2,262,741	2,347,598	2,262,741	2,347,598
Water system	-	-	1,622,539	1,489,609	1,622,539	1,489,609
Enterprise Fund - Non divisional	<u>-</u>	<u>-</u>	<u>339,349</u>	<u>194,308</u>	<u>339,349</u>	<u>194,308</u>
Total expenses	<u>25,478,715</u>	<u>26,054,484</u>	<u>44,025,253</u>	<u>42,258,963</u>	<u>69,503,968</u>	<u>68,313,447</u>
Increases (decreases) in net assets before transfers	(7,897,539)	(8,894,353)	16,595,265	16,219,201	8,697,726	7,324,848
Transfers - internal	<u>14,175,032</u>	<u>17,350,601</u>	(14,175,032)	(17,350,601)	(-)	(-)
Increases (decreases) in Net assets	6,277,493	8,456,248	2,420,233	(1,131,400)	8,697,726	7,324,848
Net assets - Beginning of year	<u>60,901,814</u>	<u>67,179,307</u>	<u>55,877,952</u>	<u>58,298,185</u>	<u>116,779,766</u>	<u>125,477,492</u>
Net assets - End of year	\$ <u>67,179,307</u>	\$ <u>75,635,555</u>	\$ <u>58,298,185</u>	\$ <u>57,166,785</u>	\$ <u>125,477,492</u>	\$ <u>132,802,340</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,170,411. 23.25%, or \$9,805,237 of this total is restricted due to external limitations on its use. These uses include 1) capital projects funded by SPLOST funds (\$5,420,688), 2) construction related to the 2010 GOB Fund (\$3,882,568), 3) education purposes (\$425,948), and 4) tourism promotion (\$76,033). 0.33%, or \$140,412 of fund balances is considered unspendable because it has been used for prepaid items. 76.42% of this total amount, or \$32,224,762 constitutes unassigned fund balance. .

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$32,224,762, and total fund balance was \$32,791,122. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents 114.23% of total expenditures, while total fund balance represents 116.24% of that same amount.

The General Fund's fund balance increased by \$2,629,507 during the current fiscal year. Key factors are as follows:

- Total revenues decreased by \$1,679,080 for a percentage decrease of 10.56%. Key components of this increase were decreases in property tax revenue (\$1,431,313), decreases in sales and excise taxes (\$72,858), increases in franchise fees (\$92,430), increases in charges for services (\$162,905), decreases in investment income (\$6,335) and decreases in miscellaneous income (\$423,909).
- Total expenditures increased by \$1,577,620 for a percentage increase of 5.92%. Key components of this increase in expenditures were decreases in financial and administration (\$2,259,957), increases in Public Safety - Marshall (\$6,525), increases in Public Services - Highway and Street (\$1,153,957), increases in Public Services - Building Inspection (\$29,674), increases in Public Services - Culture and Recreation (\$2,294,791), increases in Public Services - Maintenance (\$52,630), and increases in intergovernmental payments to the City of Buford Board of Education (\$300,000) .
- Net other financing sources and uses increased by \$2,435,164. Other financing sources increased by \$3,173,428. Other financing uses increased by \$738,264.

Proprietary funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund had a negative balance of \$(2,495,633). The fund had a net asset decrease for the fiscal year totaling \$1,131,400.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

General Fund Budgetary Highlights

The City made revisions to the original budgeted expenditures as necessary during the year, as approved by the City Commission, including amending the budget in order to equal actual expenditures at the end of the fiscal year. Overall these changes resulted in an increase from the original budgeted expenditures totaling \$1,896,733 (7.21%). Financial administration increased \$76,602. Public Safety - Marshall decreased \$21,236. Public Services - Highway and Street decreased \$239,719. Public Services - Building Inspection decreased \$130,970. Public Services - Culture and Recreation increased \$2,214,387. Public Services - Maintenance decreased \$2,331. There was no change in intergovernmental expenditures for the City of Buford Board of Education.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$104,166,758, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, machinery and equipment, computer equipment, utility infrastructure, infrastructure assets, and vehicles.

Major capital asset events during the current fiscal year included the following:

- The City added land for governmental activities totaling \$928,709.
- The City added \$1,122,569 in streets.
- Construction in progress for the new community center, street and streetscape projects increased \$8,840,342.
- The City added \$1,758,062 to its Gas System, \$273,674 to its Electric System and \$1,578,674 to its Water and Wastewater System for improvements and expansion of the systems. In addition, construction in progress on utility improvements increased \$237,020 and the gas department added \$110,981 in vehicles.

**CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 8,932,474	\$ 9,861,183	\$ 202,663	\$ 202,663	\$ 9,135,137	\$ 10,063,846
Construction in progress	2,276,684	11,117,026	3,140,347	3,377,367	5,417,031	14,494,393
Utility system infrastructure	-	-	95,891,949	99,502,359	95,891,949	99,502,359
Buildings and improvements	10,667,923	10,667,923	9,734	9,734	10,677,657	10,677,657
Furniture and equipment	933,025	933,025	508,993	508,993	1,442,018	1,442,018
Sidewalks	242,877	242,877	-	-	242,877	242,877
Streets	10,475,196	11,597,765	-	-	10,475,196	11,597,765
Streetscapes & hardscapes	4,365,768	4,365,768	-	-	4,365,768	4,365,768
Vehicles	100,327	124,178	1,278,824	1,389,805	1,379,151	1,513,983
Accumulated depreciation	(5,127,993)	(6,341,563)	(38,647,633)	(42,686,345)	(43,775,626)	(49,027,908)
Total	\$ 32,866,281	\$ 42,568,182	\$ 62,384,877	\$ 62,304,576	\$ 95,251,158	\$ 104,872,758

Additional information on the City's capital assets can be found in note 5 in the notes to the basic financial statements on pages 35-37 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$16,069,208 in outstanding debt consisting of general obligation bonds, revenue bonds, and capital lease obligations. All of the debt was secured by specific revenue sources.

CITY OF BUFORD, GEORGIA'S OUTSTANDING DEBT

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
General obligation bonds	\$ -	\$ 9,500,000	\$ -	\$ -	\$ -	\$ 9,500,000
Revenue bonds	-	-	4,475,000	4,240,000	4,475,000	4,240,000
Capital lease obligations	-	-	3,026,388	2,329,208	3,026,388	2,329,208
Notes payable	-	-	710,396	-	710,396	-
Total	\$ -	\$ 9,500,000	\$ 8,211,784	\$ 6,569,208	\$ 8,211,784	\$ 16,069,208

The City's total debt (including compensated absences and other long-term operating liabilities) increased by \$7,729,400 during the current fiscal year. Activity consisted of proceeds from general obligation bonds of \$10,000,000, payments on the above debt totaling \$2,142,576, a decrease in accrued costs for landfill post closure costs of \$111,705, and a decrease in accrued compensated absences of \$16,319. Additional information on the City's long-term debt can be found in note 6 on pages 36-39 of this reporting package.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The area's economy continues to be affected by the recent economic downturn, however, with a varied mix of manufacturing, retail, office and warehousing, economic activity in and around the City remains stable with expectations that 2012 will bring further growth. The City plans to continue improvements to its infrastructure, invest in its utility systems, support planning and development in the City, and focus on delivery of services to its citizens and customers.

Design development continues on several streetscape projects with East Main Street Streetscape set to begin in early 2012. The Buford Town Park, Community Center and Playhouse Theatre construction is ongoing with the opening planned for mid-2012.

Parks and Recreation added three synthetic turf athletic fields to host youth football, lacrosse, soccer and other events. Sewer plant design for expansion is concluding with a construction timeline being developed. Work also continues with the Georgia Department of Transportation to widen Buford Highway to four lanes on the north side of the City.

General Fund budgeted revenue and transfers in for the 2012 fiscal year total \$45,341,595, an increase of \$14,517,000 or 47.01%. General fund budgeted expenditures and transfers out for the 2012 fiscal year total \$42,532,000, an increase of \$13,583,503 or 46.92%.

Budgeted revenues for the Enterprise Fund for the 2012 fiscal year include \$1,545,000 for the Waste Water System, \$880,000 for the Water System, \$3,040,000 for Solid Waste and Recycling, \$16,570,000 for the Electric System, \$31,592,000 for the Gas System and \$1,293,000 for Nondivisional revenues for a total of \$54,920,000. Budgeted expenditures and transfers out for the Enterprise Fund for fiscal year 2012 include \$2,276,500 for the Waste Water System, \$1,219,500 for the Water System, \$2,262,500 for Solid Waste and Recycling, \$15,035,500 for the Electric System, \$20,658,300 for the Gas System, and \$15,070,000 for Nondivisional expenditures and transfers out for a total of \$56,522,300.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Buford, 2300 Buford Highway, Buford, Georgia 30518.

The financial statements of the City of Buford Board of Education are audited by the Georgia Department of Audits, as allowed by Code of Georgia Annotated 50-6-6. These component financial statements can be obtained from the City of Buford Board of Education at 70 Wiley Drive, Buford, Georgia 30518.

BASIC FINANCIAL STATEMENTS

**CITY OF BUFORD, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Government			Component Unit 06/30/10 City of Buford Board of Education
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 10,742,789	\$ 14,893,655	\$ 25,636,444	\$ 5,218,530
Investments	2,607,293	12,864,203	15,471,496	200,000
Receivables - net	1,328,056	2,533,879	3,861,935	2,131,008
Due from other governments	2,045,464	-	2,045,464	7,272,066
Internal balances	29,424,539	(29,424,539)	-	-
Prepaid expenses	140,412	109,279	249,691	11,841
Inventories	-	-	-	61,305
Restricted cash and cash equivalents	-	3,330,174	3,330,174	-
Restricted investments	-	5,005,259	5,005,259	-
Unamortized portion of bond issue costs	84,910	113,885	198,795	-
Capital assets being depreciated - net	21,589,973	58,724,546	80,314,519	49,784,273
Capital assets not being depreciated	<u>20,978,209</u>	<u>3,580,030</u>	<u>24,558,239</u>	<u>249,960</u>
Total assets	\$ 88,941,645	\$ 71,730,371	\$160,672,016	\$ 64,928,983
LIABILITIES				
Accounts payable	\$ 2,638,252	\$ 2,446,836	\$ 5,085,088	\$ 2,207,648
Accrued interest	-	105,220	105,220	-
Net OPEB obligation	990,241	-	990,241	-
Other accrued liabilities	82,280	230,412	312,692	3,787,565
General obligation bonds payable due in less than one year	250,000	-	250,000	-
Capital lease obligations due in less than one year	-	735,706	735,706	-
Revenue bonds payable due in less than one year	-	250,000	250,000	-
Customer deposits	-	4,167,048	4,167,048	-
Long-term liabilities, due in more than one year:				
General obligation bonds payable	9,250,000	-	9,250,000	-
Capital lease obligations	-	1,593,502	1,593,502	-
Revenue bonds payable	-	3,990,000	3,990,000	-
Intergovernmental agreement	-	-	-	8,899,382
Accrued compensated absences	95,317	89,884	185,201	42,777
Accrued landfill closure and post closure care costs	<u>-</u>	<u>954,978</u>	<u>954,978</u>	<u>-</u>
Total liabilities	<u>13,306,090</u>	<u>14,563,586</u>	<u>27,869,676</u>	<u>14,937,372</u>
NET ASSETS				
Invested in capital assets, net of related debt	38,104,515	55,735,368	93,839,883	39,763,332
Restricted for:				
Construction	9,303,256	-	9,303,256	47,128
Municipal Competitive Trust	-	3,298,807	3,298,807	-
Debt service	-	514,358	514,358	221,952
Other purposes	501,981	-	501,981	193,420
Unrestricted	<u>27,725,803</u>	<u>(2,381,748)</u>	<u>25,344,055</u>	<u>9,765,779</u>
Total net assets	\$ 75,635,555	\$ 57,166,785	\$132,802,340	\$ 49,991,611

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government:				
Financial and administration	\$ 3,479,519	\$ 1,824,748	\$ -	\$ 706,000
Public safety:				
Marshall	148,171	-	-	-
Public services:				
Highway and street	3,294,865	-	-	478,893
Building inspection	305,937	157,734	-	-
Culture and recreation	636,080	68,840	-	1,011,802
Maintenance	647,514	-	-	-
Interest on long-term debt	242,398	-	-	-
Intergovernmental:				
Board of Education	<u>17,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>26,054,484</u>	<u>2,051,322</u>	<u>-</u>	<u>2,196,695</u>
Business-type activities:				
Gas system	21,484,952	33,248,278	-	-
Electric system	14,615,446	16,117,745	-	-
Solid waste and recycling	2,127,050	3,049,180	-	-
Wastewater system	2,347,598	1,513,312	-	-
Water system	1,489,609	887,332	-	-
Non-divisional	<u>194,308</u>	<u>1,138,795</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>42,258,963</u>	<u>55,954,642</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$68,313,447</u>	<u>\$58,005,964</u>	<u>\$ -</u>	<u>\$ 2,196,695</u>
Component Unit				
City of Buford Board of Education	<u>\$34,471,847</u>	<u>\$ 2,110,115</u>	<u>\$ 14,622,699</u>	<u>\$ 2,784,925</u>

General revenues:

Taxes:

 Property

 Sales and excise

 Franchise fees

 Investment income

 Miscellaneous

Transfers - internal activity

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Primary Government			06/30/10
Governmental Activities	Business-Type Activities	Total	City of Buford Board of Education
\$ (948,771)	\$ -	\$ (948,771)	\$ -
(148,171)	-	(148,171)	-
(2,815,972)	-	(2,815,972)	-
(148,203)	-	(148,203)	-
444,562	-	444,562	-
(647,514)	-	(647,514)	-
(242,398)	-	(242,398)	-
(17,300,000)	-	(17,300,000)	-
(21,806,467)	-	(21,806,467)	-
-	11,763,326	11,763,326	-
-	1,502,299	1,502,299	-
-	922,130	922,130	-
-	(834,286)	(834,286)	-
-	(602,277)	(602,277)	-
-	944,487	944,487	-
-	13,695,679	13,695,679	-
\$ (21,806,467)	\$ 13,695,679	\$ (8,110,788)	\$ -
\$ -	\$ -	\$ -	\$ (14,954,108)
\$ 11,119,874	\$ -	\$ 11,119,874	\$ 12,326,520
772,017	-	772,017	-
804,176	-	804,176	-
104,143	482,679	586,822	35,617
111,904	2,040,843	2,152,747	5,937,342
17,350,601	(17,350,601)	-	-
30,262,715	(14,827,079)	15,435,636	18,299,479
8,456,248	(1,131,400)	7,324,848	3,345,371
67,179,307	58,298,185	125,477,492	46,646,240
\$ 75,635,555	\$ 57,166,785	\$132,802,340	\$ 49,991,611

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	2010 GOB Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 464,095	\$ 5,036,333	\$ 5,242,361	\$ 10,742,789
Investments - certificates of deposits	2,607,293	-	-	2,607,293
Property taxes receivable - net	1,155,788	-	-	1,155,788
Sales and excise tax receivables	-	-	30,190	30,190
Other receivables	142,078	-	-	142,078
Due from other governments	648,477	-	254,844	903,321
Due from Buford Board of Education	1,142,143	-	-	1,142,143
Interfund balances	30,578,304	-	4,345	30,582,649
Prepaid items	<u>140,412</u>	<u>-</u>	<u>-</u>	<u>140,412</u>
Total assets	\$ <u>36,878,590</u>	\$ <u>5,036,333</u>	\$ <u>5,531,740</u>	\$ <u>47,446,663</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,603,233	\$ -	\$ 35,019	\$ 2,638,252
Accrued expenses	82,280	-	-	82,280
Interfund balances	4,345	1,153,765	-	1,158,110
Deferred revenue	<u>1,397,610</u>	<u>-</u>	<u>-</u>	<u>1,397,610</u>
Total liabilities	<u>4,087,468</u>	<u>1,153,765</u>	<u>35,019</u>	<u>5,276,252</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	140,412	-	-	140,412
Restricted for:				
Community Center	-	3,882,568	-	3,882,568
SPLOST construction projects	-	-	5,420,688	5,420,688
Education	425,948	-	-	425,948
Tourism promotion	-	-	76,033	76,033
Unassigned	<u>32,224,762</u>	<u>-</u>	<u>-</u>	<u>32,224,762</u>
Total fund balances	<u>32,791,122</u>	<u>3,882,568</u>	<u>5,496,721</u>	<u>42,170,411</u>
Total liabilities and fund balances	\$ <u>36,878,590</u>	\$ <u>5,036,333</u>	\$ <u>5,531,740</u>	\$ <u>47,446,663</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total fund balance - total governmental funds	\$ 42,170,411
 Amounts reported for governmental activities in the statement of net assets are different because:	
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet:	 42,568,182
 Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as deferred revenue (a liability) in governmental funds:	
Property tax revenue	1,397,610
 Long term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported in fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.:	
General obligation bonds	(9,500,000)
Less: deferred charges - general obligation bond issuance costs	84,910
Compensated absences	(95,317)
OPEB obligation	(<u>990,241</u>)
 Net assets of governmental activities	 \$ <u>75,635,555</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	2010 GOB Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes - property	\$ 10,556,440	\$ -	\$ -	\$ 10,556,440
Taxes - sales and excise	647,364	-	124,653	772,017
Franchise fees	804,176	-	-	804,176
Charges for services	2,051,322	-	-	2,051,322
Intergovernmental revenue	-	-	1,485,299	1,485,299
Investment income	56,197	47,197	6,145	109,539
Miscellaneous	<u>111,904</u>	<u>-</u>	<u>-</u>	<u>111,904</u>
Total revenues	<u>14,227,403</u>	<u>47,197</u>	<u>1,616,097</u>	<u>15,890,697</u>
EXPENDITURES				
Current operating:				
General government:				
General financial and Administration	2,970,602	-	-	2,970,602
Public safety:				
Marshall	145,264	-	-	145,264
Public services:				
Highway and street	4,050,781	-	165,792	4,216,573
Building inspection	303,030	-	-	303,030
Culture and recreation	2,796,387	6,076,264	63,580	8,936,231
Maintenance	644,169	-	-	644,169
Intergovernmental:				
Buford Board of Education	17,300,000	-	-	17,300,000
Debt Service:				
Principal retirement	-	-	500,000	500,000
Interest and agent fees	<u>-</u>	<u>-</u>	<u>242,398</u>	<u>242,398</u>
Total expenditures	<u>28,210,233</u>	<u>6,076,264</u>	<u>971,770</u>	<u>35,258,267</u>
Excess (deficiency) of revenues over (under) expenditures	(13,982,830)	(6,029,067)	644,327	(19,367,570)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of GOB 2010	-	9,915,090	-	9,915,090
Transfers in	17,350,601	-	741,719	18,092,320
Transfers out	<u>(738,264)</u>	<u>(3,455)</u>	<u>-</u>	<u>(741,719)</u>
Total other financing sources (uses)	<u>16,612,337</u>	<u>9,911,635</u>	<u>741,719</u>	<u>27,265,691</u>
Change in fund balances	2,629,507	3,882,568	1,386,046	7,898,121
Fund balances at beginning of year	<u>30,161,615</u>	<u>-</u>	<u>4,110,675</u>	<u>34,272,290</u>
Fund balances at end of year	\$ <u>32,791,122</u>	\$ <u>3,882,568</u>	\$ <u>5,496,721</u>	\$ <u>42,170,411</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds	\$ 7,898,121
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period:	10,915,471
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources, therefore, depreciation expense is not reported as an expenditure in the governmental funds:	(1,213,570)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase (decrease) during the current year in deferred revenue that is earned but not collected:	
Property tax revenue	563,434
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the government-wide statement of activities:	
Proceeds from general obligation bonds	(9,915,090)
Principal payments on general obligation bonds	500,000
Some expenses reported in the government-wide statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:	
Compensated absences	14,385
OPEB liability	(<u>306,503</u>)
Change in net assets of governmental activities	\$ <u><u>8,456,248</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund			Variance with
	Original	Final		Final budget
	Budget	Budget	Actual	Over
				(Under)
REVENUES				
Taxes - property	\$ 11,022,500	\$ 11,022,500	\$ 10,556,440	\$ (466,060)
Taxes - sales and excise	678,400	678,400	647,364	(31,036)
Franchise fees	750,000	750,000	804,176	54,176
Charges for services	1,768,695	1,768,695	2,051,322	282,627
Investment income	50,000	50,000	56,197	6,197
Miscellaneous	<u>55,000</u>	<u>55,000</u>	<u>111,904</u>	<u>56,904</u>
Total revenues	<u>14,324,595</u>	<u>14,324,595</u>	<u>14,227,403</u>	(<u>97,192</u>)
EXPENDITURES				
Current operating:				
General government:				
Financial and administration	2,894,000	2,970,602	2,970,602	-
Public safety:				
Marshall	166,500	145,264	145,264	-
Public services:				
Highway and street	4,290,500	4,050,781	4,050,781	-
Building inspection	434,000	303,030	303,030	-
Culture and recreation	582,000	2,796,387	2,796,387	-
Maintenance	646,500	644,169	644,169	-
Intergovernmental:				
Board of Education	<u>17,300,000</u>	<u>17,300,000</u>	<u>17,300,000</u>	<u>-</u>
Total expenditures	<u>26,313,500</u>	<u>28,210,233</u>	<u>28,210,233</u>	<u>-</u>
Excess (deficiency) of revenues over				
(under) expenditures	(<u>11,988,905</u>)	(<u>13,885,638</u>)	(<u>13,982,830</u>)	(<u>97,192</u>)
OTHER FINANCING SOURCES (USES)				
Transfers in	16,500,000	16,500,000	17,350,601	850,601
Transfers out	<u>-</u>	<u>(738,264)</u>	<u>(738,264)</u>	<u>-</u>
Net other financing sources (uses)	<u>16,500,000</u>	<u>15,761,736</u>	<u>16,612,337</u>	<u>850,601</u>
Change in fund balance	4,511,095	1,876,098	2,629,507	753,409
Fund balance at beginning of year	<u>30,161,615</u>	<u>30,161,615</u>	<u>30,161,615</u>	<u>-</u>
Fund balance at end of year	\$ <u>34,672,710</u>	\$ <u>32,037,713</u>	\$ <u>32,791,122</u>	\$ <u>753,409</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 14,893,655
Investments	12,864,203
Accounts receivable, net	2,533,879
Prepaid expenses	<u>109,279</u>
Total current assets	<u>30,401,016</u>
Noncurrent assets	
Restricted assets:	
Restricted cash and cash equivalents	3,330,174
Restricted investments	5,005,259
Unamortized portion of bond issue costs	113,885
Capital assets - net	<u>62,304,576</u>
Total noncurrent assets	<u>70,753,894</u>
Total assets	<u>101,154,910</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,446,836
Accrued interest	105,220
Other accrued liabilities	230,412
Capital lease obligations	735,706
Revenue bonds payable	<u>250,000</u>
Total current liabilities	<u>3,768,174</u>
Noncurrent liabilities:	
Customer deposits payable	4,167,048
Capital lease obligations	1,593,502
Revenue bonds payable	3,990,000
Accrued compensated absences	89,884
Accrued landfill closure and post closure care costs	954,978
Interfund balances	<u>29,424,539</u>
Total noncurrent liabilities	<u>40,219,951</u>
Total liabilities	<u>43,988,125</u>
NET ASSETS	
Invested in capital assets, net of related debt	55,849,253
Expendable restricted net assets:	
Restricted for:	
Debt service	514,358
Unexpendable restricted net assets	
Restricted for:	
Municipal Competitive Trust	3,298,807
Unrestricted	<u>(2,495,633)</u>
Total net assets	<u>\$ 57,166,785</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	
Gas	\$ 33,248,278
Electric	16,117,745
Solid waste and recycling	3,049,180
Wastewater	1,513,312
Water	887,332
Penalties	770,732
Service charges	<u>368,063</u>
Total charges for services	<u>55,954,642</u>
Miscellaneous:	
Refunds, reimbursements and rebates	1,790,310
Other	<u>250,533</u>
Total miscellaneous	<u>2,040,843</u>
Total operating revenues	<u>57,995,485</u>
OPERATING EXPENSES	
Utilities purchased for resale	28,581,758
Depreciation	4,038,712
Personal services	4,083,178
Contractual services	2,431,209
Materials and supplies	1,547,326
Utilities	513,296
Repairs and maintenance	310,455
Other operating	<u>360,322</u>
Total operating expenses	<u>41,866,256</u>
Income (loss) from operations	<u>16,129,229</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	482,679
Interest expense	(376,826)
Fiscal agent charges	(4,100)
Amortization	<u>(11,781)</u>
Total nonoperating revenues (expenses)	<u>89,972</u>
Income (loss) before transfers	16,219,201
TRANSFERS IN (OUT)	
Transfers out	<u>(17,350,601)</u>
Total transfers in (out)	<u>(17,350,601)</u>
Change in net assets	(1,131,400)
Total net assets at beginning of year	<u>58,298,185</u>
Total net assets at end of year	\$ <u>57,166,785</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Cash received from customers	\$ 55,838,910
Cash received from other operating sources	1,922,959
Cash payments to suppliers for goods and services	(30,187,390)
Cash payments for personal services	(4,068,735)
Net cash provided (used) by operating activities	<u>23,505,744</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers to other funds	(17,350,601)
Net cash provided (used) by noncapital financing activities	(17,350,601)
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Purchases of capital assets	(3,958,411)
Principal paid on capital debt	(1,642,576)
Interest and fiscal charges paid on capital debt	(380,926)
Net cash provided (used) by capital and related financing activities	(5,981,913)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Purchase of investments, net	(788,282)
Income from cash and investments and other	<u>482,679</u>
Net cash provided (used) by investing activities	(305,603)
Increase (decrease) in cash and cash equivalents	(132,373)
Cash and cash equivalents at beginning of year	<u>18,356,202</u>
Cash and cash equivalents at end of year	\$ <u>18,223,829</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>
<i>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	
Income (loss) from operations	\$ 16,129,229
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation	4,038,712
Change in assets and liabilities:	
Accounts receivable	(233,616)
Prepaid expenses	(38,257)
Accounts payable	61,763
Accrued compensated absences	(1,934)
Accrued landfill closure and post closure care costs	(111,705)
Other accrued liabilities	24,855
Internal balances	2,978,979
Customer deposits	<u>657,718</u>
Net cash provided (used) by operating activities	\$ <u>23,505,744</u>
 <i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</i>	
Current assets - cash and cash equivalents	\$ 14,893,655
Restricted assets - cash and cash equivalents	<u>3,330,174</u>
 Total cash and cash equivalents at end of year	 \$ <u>18,223,829</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2011**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>1,309,240</u>
Total assets	\$ <u>1,309,240</u>
LIABILITIES	
Held in trust - City of Buford Board of Education	\$ <u>1,309,240</u>
Total liabilities	\$ <u>1,309,240</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Buford, Georgia (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

These financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement established financial reporting requirements for state and local governments throughout the United States and required new information and restructured much of the information that governments have presented in the past. Comparability with reports issued in years prior to June 30, 2003 is affected. With the implementation of GASB Statement No. 34, the City has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the financial statements.

REPORTING ENTITY

The City was incorporated December 23, 1937, under Code of Georgia Annotated Title 69-1 and reincorporated under a revised City Charter in 2003. The City operates under a Commission-Manager form of government and is vested with all rights, powers, and privileges incident to a Municipal corporation. The City's charter authorizes the following services: public safety (marshall), highways and streets, culture and recreation, maintenance, sanitation and utility services, education and general administrative services.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate holding entities) for which the City may or not be financially accountable and, as such, be includable with the City's financial statements in accordance with generally accepted accounting principles. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose a specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The component unit discussed below was evaluated and should be included in the City's reporting entity in accordance with GASB Statement No. 14 because of their financial relationship with the City.

Discretely Presented Component Unit

City of Buford Board of Education - The City of Buford Board of Education ("BOE") is the governing authority of the City School System. There are five members on the Board. Four of them are elected by the public, and one is the Chairman of the City of Buford Board of Commissioners. The BOE is a legally separate entity with the power to sue or be sued. The BOE has decision-making authority, the power to designate management, the power to incur indebtedness, and the ability to significantly influence operations. The BOE controls the employment of all personnel and has the final decision on how its funds are disbursed. However, the City Council holds the authority to levy taxes and determines the amount of tax revenue flowing to the BOE. The City approves the property tax millage, levies the tax and remits the school portion of the tax to the board. In addition, the City provides additional funds as necessary to ensure that the quality of educational facilities and services provided are maintained at the highest level possible. Finally, the City may, and has in the past, approved the issuance of bonded debt for the use of the BOE and is legally responsible for that debt. Thus, the BOE is a component unit of the City because it is fiscally dependent on the City.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

REPORTING ENTITY - Continued

Discretely Presented Component Unit - Continued

The financial statements of the City of Buford Board of Education are audited by the Georgia Department of Audits, as allowed by Code of Georgia Annotated 50-6-6. These component financial statements can be obtained from the City of Buford Board of Education at 70 Wiley Drive, Buford, Georgia 30518.

Note information in these Notes to Basic Financial Statements does not include any data related to the City of Buford Board of Education. GASBS No. 14, paragraph 63 states that "determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis." Because of the fact that these financial statements are primarily concerned with the Primary Government of the City of Buford, and due to the fact that the BOE has separately issued financial statements that are readily available to users, this information is not included in these notes.

City of Buford Downtown Development Authority - This Authority, while consisting of a board of directors, has had no financial activity for the year ended June 30, 2011 or in prior years.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City of Buford's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets and report information on all of the activities of the City. The statements present summaries of governmental and business-type activities of the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets as well as infrastructure assets acquired after July 1, 1980 and long term liabilities, are included in the Statement of Net Assets. The Statement of Net Assets presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues of the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. There were no operating grants or contributions for the fiscal year ending June 30, 2011. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, transactions of a service type nature between the governmental activities and the business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental funds. An accompanying schedule is presented to reconcile and explain differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. The City has presented all funds that meet those qualifications.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures in the current period. Accordingly, revenues are recorded when received in cash, except those revenues that are subject to accrual (generally sixty days after year-end) which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City are property tax, sales tax, intergovernmental revenues and other taxes. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

2010 General Obligation Bond Construction Fund - The 2010 General Obligation Bond Construction fund is a capital projects fund used to account for the construction and financing of the Community Center funded by the 2010 General Obligation Bonds.

Other governmental funds that are not considered major include the following:

Special Revenue Fund

The Special Revenue Fund is used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Fund:

Hotel/Motel Tax Fund - used to account for receipt and allocation of the City's hotel/motel tax. Use of this tax is limited by law to promotion of tourism. The City hotel/motel tax rate for its three hotels ranged from 5% to 7% during the fiscal year ending June 30, 2011.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of governmental long term debt principal, interest, and fiscal charges. The governmental long-term debt serviced by the Debt Service Fund consists of the 2010 General Obligation Bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Capital Projects Funds

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the General and Enterprise Funds. The following is a description of the City's non-major Capital Projects Funds.

Buford 2005 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Buford 2005 SPLOST.

Buford 2009 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Buford 2009 SPLOST.

Hall County 2009 SPLOST Fund - used to account for the construction and financing of projects funded by the Hall County 2009 SPLOST.

Rest Haven 2001 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Rest Haven 2001 SPLOST.

Rest Haven 2005 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Rest Haven 2005 SPLOST.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets, under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City has presented the following major proprietary fund:

Enterprise Fund - used to account for the provision of electric, gas, water, waste water, sanitation and recycling services to the residents of the City of Buford and its surrounding areas. Activities of the fund include administration, operations and maintenance of the utility systems, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Assets and Liabilities. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The Agency funds use the accrual basis of accounting like the proprietary funds explained above. Agency funds of the City are related to Buford Board of Education SPLOST funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

USE OF RESTRICTED/UNRESTRICTED NET ASSETS

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

BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for the General and Proprietary (Enterprise) Funds. Capital Projects are budgeted over the life of the projects. Debt Service is budgeted through either the General or Proprietary (Enterprise) Fund depending on the type of debt. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the Proprietary (Enterprise) Fund is adopted on a GAAP basis, except that depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the Board of Commissioners.

Budgeting Policy

- The prior year's actual revenues and expenditures/expenses for the General and Proprietary (Enterprise) Funds are compared to budget amounts for that year.
- Adjustments are made to the prior year's budgeted revenues and expenditures/expenses to make budgeted amounts agree with actual amounts. These are the proposed budgets for the coming year.
- The proposed budgets are submitted to the Board of Commissioners, who make adjustments to the proposed budgets as it deems necessary.
- The proposed budgets are revised in accordance with the Board of Commissioners recommendations and resubmitted to the Board of Commissioners for their approval.
- After reviewing the budget revisions, the Board of Commissioners approves and adopts the budgets.
- All budget amendments must be approved by the Board of Commissioners.
- All appropriations lapse at the end of the fiscal year.

CASH AND INVESTMENTS

For purposes of the Statement of Cash Flows, the City considers cash, demand deposits, certificates of deposit, cash with agents and all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City generally holds all investments until maturity.

INTERFUND RECEIVABLES AND PAYABLES

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

TRANSACTIONS BETWEEN FUNDS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both the Governmental and Proprietary Funds.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

PAYMENTS BETWEEN CITY AND BUFORD BOARD OF EDUCATION AGENCY FUND

Resource flows between a the City and the Agency Fund related to the Buford Board of Education SPLOST funds are reported as external transactions - that is, as revenues and expenses/expenditures in the financial statements.

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable are recorded in the General and Proprietary Funds. Receivables are stated at their net realizable value (face value less the allowance for uncollectible accounts). Delinquent taxes receivable are fully reserved by the deferral of the related revenues until payment is received. Utility revenue is recorded when earned. The accrual of earned, but unbilled receivables is made at year-end and included in the accompanying financial statements. The Enterprise Fund grants credit to utility customers, all of whom are located in North Georgia Counties. Allowances for doubtful accounts totaled \$304,431 for the General Fund and \$3,259,239 for the Enterprise Fund.

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year for services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of the fund balance is not available for subsequent expenditures ("nonspendable fund balance").

RESTRICTED CASH AND INVESTMENTS

Certain funds are held in Enterprise Funds in accounts restricted for revenue bond related construction, customer deposits, debt service, and the Municipal Competitive Trust Agreement with the Municipal Electric Authority of Georgia. These funds are held in cash or investments as allowed by State law and the requirements of the related debt agreements. The investments are stated at fair value and the City records all investment revenue earned on these investments in the appropriate fund.

INVENTORIES

There are no inventories of supplies or materials recorded at June 30, 2011, as amounts stored for supplies and materials were not of a material nature at that date.

USE OF ESTIMATES

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

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

PROPERTY TAX

Property Taxes - City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after the fiscal year-end are recorded as deferred revenue in governmental funds. Taxes were levied on August 2, 2010, which is the date that the millage rate was established. Taxes are payable by November 20 and become delinquent and attach as an enforceable lien on that date. The City bills and collects property taxes, which are entirely related to and for the use of the Buford Board of Education. The millage rate for the 2010 tax digest was set at 13.15 mills.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements. Repairs and maintenance are recorded as expenses and expenditures; renewal and betterments are capitalized. The City capitalizes interest costs as part of the cost of construction of various construction projects when material. There was no capitalized interest for the year ending June 30, 2011.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Infrastructure assets capitalized have an original cost of \$10,000 or more. Depreciation has been calculated on depreciable assets using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	15-50 years
Equipment	5-10 years
Furniture and fixtures	10 years
Sidewalks	16-50 years
Streets, streetscapes and hardscapes	20-50 years
Utility Plant - Electric	20-50 years
Utility Plant - Gas	25-50 years
Utility Plant - Waste Water	25-50 years
Utility Plant - Water	25-50 years
Vehicles	5-10 years

The City has elected not to capitalize collections and works of art. Collections such as works of art and historical artifacts meet the definition of a capital asset. The requirement for capitalization is waived, however, for collections that meet the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

The sale or disposal of capital assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, drainage, sidewalks, etc. The retroactive reporting of infrastructure to June 30, 1980 is subject to an extended implementation period and was first effective for fiscal years ending in 2007. The City finalized implementation the general provisions of GASB Statement No. 34 retroactive infrastructure provisions in the fiscal year ending June 30, 2007 and all infrastructure acquired after years ending June 30, 1980 are included in these financial statements.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets during the construction period of the related project. Total interest costs incurred by the enterprise fund for the year ended June 30, 2011 were \$376,826. Total interest costs charged to expense by the enterprise fund for the year ended June 30, 2011 were \$376,826. Total interest costs capitalized by the enterprise fund for the year ended June 30, 2011 were \$0.

BOND DISCOUNTS AND ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method in the government-wide and proprietary fund financial statements. Bond discounts are presented as unamortized portion of bond issue costs; whereas, issuance costs are recorded as deferred charges.

COMPENSATED ABSENCES

The City's policy for compensated absences is as follows. Vacation is accrued at the rate of five days per year for employees with zero through three years of service, at a rate of ten days per year for employees with four years to nine years of service and at a rate of fifteen days per year for employees with ten or more years of service. Unused vacation leave, not to exceed thirty days, may be carried into the next calendar year. Any annual vacation leave above thirty days will be paid at the end of the calendar year. Sick leave accrues at the rate of five days per year. Unused sick leave may be carried into the next calendar year, not to exceed ten days.

LONG-TERM DEBT

Long-term debt is recorded on the balance sheet in the government-wide and proprietary fund financial statements, and any related interest expense is recorded on the statement of activities in the government-wide financial statements and the statement of revenues, expenses, and changes in net assets in the proprietary fund financial statements.

Long-term liabilities expected to be financed from governmental fund types are not recorded in the governmental fund financial statements. Payments of principal and interest are recorded as expenditures on the statement of revenues, expenditures and changes in fund balance in the governmental fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

FUND EQUITY

Beginning with the fiscal year ending June 30, 2011, the City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses or inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government delegates the authority.

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Commission through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 100% of the actual GAAP basis expenditures and other financing sources and uses.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits to be 110% collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia, or industrial revenue bonds or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The collateral pledged by the banks' trust department in the City's name is composed of bonds of U.S. Government Agencies. The City has no policy on custodial credit risk other than it complies with the State of Georgia requirements.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust.

Investments

State statutes authorize the City to invest only in certificates of deposit of banks and savings and loan associations which have deposits insured by the FDIC with any uninsured amounts collateralized by direct obligations of the United States or the State of Georgia; obligations of the United States and of its agencies and instrumentalities; or bonds or certificates of indebtedness of the State of Georgia and of its agencies and its instrumentalities.

As of June 30, 2011, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<u>Primary Government</u>			
<u>Governmental activities</u>			
Certificates of Deposit	N/A	365 day	\$ 2,607,293
<u>Business-type activities</u>			
Certificates of Deposit	N/A	365 day	13,701,077
Fidelity US Treasury Money Market	N/A	WAM	869,578
<u>Municipal Competitive Trust:</u>			
Intermediate Portfolio	N/A	10 year maximum	1,058,269
Intermediate Tax Restricted Portfolio	N/A	10 year maximum	<u>2,240,538</u>
Total			\$ <u>20,476,755</u>

The City is involved in an external investment pool, the Municipal Competitive Trust, which is administered by the Municipal Electric Authority of Georgia ("MEAG"), a governmental entity. The City entered into a Municipal Competitive Trust agreement with MEAG. The City purchases for resale, electric power from MEAG. The City is a beneficiary of this trust, and the City and MEAG deposit monies in the trust from time to time. All monies are held by the trustee, Municipal Competitive Trust, for the City's benefit and are invested in investment securities. The City has recorded the assets in the Enterprise Fund. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions, and is calculated based on the fair market value of net assets held in the pool at the close of each business day.

Credit Risk. The City's policy regarding credit risk is to follow state statute. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's \$869,578 investment in Fidelity US Treasury Money Market is an investment in money market funds. An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of the investment at \$1.00 per share, it is possible to lose money by investing in the funds. Fund shares are not guaranteed by the US Government. The fund is a managed portfolio and its holdings are subject to change. The fund shares are held in an investment account in the City's name. Custodial Credit Risk is not required for external investment pools; therefore, the Municipal Competitive Trust is exempt from this requirement. The City has no policy on custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The Fidelity US Treasury Money Market interest rate risk is based on WAM. The Municipal Competitive Trust interest rate risk is based on the maximum duration of maturity of its investments.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. 4.2 % of the City's investments are in the Fidelity US Treasury Money Market. External investment pools are excluded from the concentration of credit risk requirement; therefore, the Municipal Competitive Trust is exempt from this requirement.

Foreign Currency Risk. The City has no foreign currency risk as all investments are in U.S. dollar-denominated assets.

NOTE 3 - TAX AND ACCOUNT RECEIVABLES

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Current receivables:			
Property taxes	\$ 1,155,788	\$ -	\$ 1,155,788
Accounts	-	2,533,879	2,533,879
Other	<u>172,268</u>	<u>-</u>	<u>172,268</u>
Total current	<u>1,328,056</u>	<u>2,533,879</u>	<u>3,861,935</u>
Total receivables	\$ <u>1,328,056</u>	\$ <u>2,533,879</u>	\$ <u>3,861,935</u>

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSACTIONS

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made. The majority of the receivable/payable is the result of General Fund payments of Enterprise Fund payroll costs and employee benefit costs in the current and prior years. The interfund receivable/payable amounts reported between the General and Enterprise funds below are classified as long-term. All others are classified as short term.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSACTIONS - Continued

Interfund receivables and payables consisted of the following at June 30, 2011:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 30,573,959	\$ -
2010 GOB Construction Fund	-	1,153,765
Hotel/Motel Tax Fund	4,345	-
Enterprise Fund	-	<u>29,424,539</u>
Total	\$ <u>30,578,304</u>	\$ <u>30,578,304</u>

Interfund transactions consisted of the following for the year ending June 30, 2011:

	Transfers In	Transfers Out
General Fund:		
2010 GOB Bond Debt Service Fund	\$ -	\$ 738,264
Enterprise Fund	<u>17,350,602</u>	<u>-</u>
Total General Fund	<u>17,350,602</u>	<u>738,264</u>
Debt Service Fund:		
General Fund	738,264	-
2010 GOB Construction Fund	<u>3,455</u>	<u>-</u>
Total Debt Service Fund	<u>741,719</u>	<u>-</u>
Capital Project Funds:		
2010 GOB Debt Service Fund	<u>-</u>	<u>3,455</u>
Enterprise Fund:		
General Fund	<u>-</u>	<u>17,350,602</u>
Totals	\$ <u>18,092,321</u>	\$ <u>18,092,321</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund and Enterprise Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. (c) Transfer funds to finance the debt service fund in fulfillment of the 2010 GOB bond obligations.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - CAPITAL ASSETS

Following is a summary of changes in the capital assets of governmental activities:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 7,018,212	\$ 928,709	\$ -	\$ 7,946,921
Land - schools	1,914,262	-	-	1,914,262
Construction in progress	<u>2,276,684</u>	<u>8,887,241</u>	<u>(46,899)</u>	<u>11,117,026</u>
Subtotal	<u>11,209,158</u>	<u>9,815,950</u>	<u>(46,899)</u>	<u>20,978,209</u>
Other capital assets:				
Buildings and improvements	10,667,923	-	-	10,667,923
Equipment	293,676	-	-	293,676
Furniture and fixtures	639,349	-	-	639,349
Sidewalks	242,877	-	-	242,877
Streets	10,475,196	1,122,569	-	11,597,765
Streetscapes and hardscapes	4,365,768	-	-	4,365,768
Vehicles	<u>100,327</u>	<u>23,851</u>	<u>-</u>	<u>124,178</u>
Subtotal	<u>26,785,116</u>	<u>1,146,420</u>	<u>-</u>	<u>27,931,536</u>
Accumulated depreciation:				
Buildings and improvements	(1,941,755)	(355,597)	-	(2,297,352)
Equipment	(128,929)	(24,449)	-	(153,378)
Furniture and fixtures	(299,207)	(63,935)	-	(363,142)
Sidewalks	(70,744)	(15,180)	-	(85,924)
Streets	(1,701,680)	(526,105)	-	(2,227,785)
Streetscapes and hardscapes	(904,142)	(218,288)	-	(1,122,430)
Vehicles	<u>(81,536)</u>	<u>(10,016)</u>	<u>-</u>	<u>(91,552)</u>
Subtotal	<u>(5,127,993)</u>	<u>(1,213,570)</u>	<u>-</u>	<u>(6,341,563)</u>
Net other capital assets	<u>21,657,123</u>	<u>(67,150)</u>	<u>-</u>	<u>21,589,973</u>
Total capital assets	\$ <u>32,866,281</u>	\$ <u>9,748,800</u>	\$ <u>(46,899)</u>	\$ <u>42,568,182</u>

Depreciation was charged to functions as follows:

Governmental activities:

General government	
General administration	\$ 439,508
Public Safety	
Marshall	2,907
Public Services	
Highway and street	764,903
Building inspection	2,907
Maintenance	<u>3,345</u>

Total governmental activities depreciation expense \$ 1,213,570

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - CAPITAL ASSETS - Continued

Following is a summary of changes in the capital assets of business-type activities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land - gas	\$ 11,183	\$ -	\$ -	\$ 11,183
Land - sanitation	85,000	-	-	85,000
Land - water and waste water	106,480	-	-	106,480
Construction in progress	<u>3,140,347</u>	<u>237,020</u>	<u>-</u>	<u>3,377,367</u>
Subtotal	<u>3,343,010</u>	<u>237,020</u>	<u>-</u>	<u>3,580,030</u>
Other capital assets:				
Buildings - electric	3,728	-	-	3,728
Buildings - gas	6,006	-	-	6,006
Equipment - electric	123,135	-	-	123,135
Equipment - gas	193,995	-	-	193,995
Equipment - water and waste water	184,754	-	-	184,754
Furniture & fixtures - water and waste water	7,109	-	-	7,109
Utility plant - electric	17,925,487	273,674	-	18,199,161
Utility plant - gas	52,901,661	1,758,062	-	54,659,723
Utility plant - water and waste water	25,064,801	1,578,674	-	26,643,475
Vehicles - electric	305,666	-	-	305,666
Vehicles - gas	513,648	110,981	-	624,629
Vehicles - solid waste and recycling	315,999	-	-	315,999
Vehicles - water and waste water	<u>143,511</u>	<u>-</u>	<u>-</u>	<u>143,511</u>
Subtotal	<u>97,689,500</u>	<u>3,721,391</u>	<u>-</u>	<u>101,410,891</u>
Accumulated depreciation:				
Buildings - electric	(3,728)	-	-	(3,728)
Buildings - gas	(6,006)	-	-	(6,006)
Equipment - electric	(115,050)	(1,347)	-	(116,397)
Equipment - gas	(185,910)	(1,347)	-	(187,257)
Equipment - water and waste water	(184,754)	-	-	(184,754)
Furniture & fixtures - water and waste water	(6,161)	(711)	-	(6,872)
Utility plant - electric	(7,804,421)	(896,275)	-	(8,700,696)
Utility plant - gas	(17,646,098)	(2,098,042)	-	(19,744,140)
Utility plant - water and waste water	(11,616,465)	(951,320)	-	(12,567,785)
Vehicles - electric	(224,774)	(38,579)	-	(263,353)
Vehicles - gas	(460,485)	(32,098)	-	(492,583)
Vehicles - solid waste and recycling	(252,626)	(16,637)	-	(269,263)
Vehicles - water and waste water	<u>(141,155)</u>	<u>(2,356)</u>	<u>-</u>	<u>(143,511)</u>
Subtotal	<u>(38,647,633)</u>	<u>(4,038,712)</u>	<u>-</u>	<u>(42,686,345)</u>
Net other capital assets	<u>59,041,867</u>	<u>(317,321)</u>	<u>-</u>	<u>58,724,546</u>
Net capital assets	\$ <u>62,384,877</u>	\$(<u>80,301</u>)	\$ <u>-</u>	\$ <u>62,304,576</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation was charged to functions as follows:

Business-type activities:

Electric	\$ 936,200
Gas	2,131,487
Solid Waste and Recycling System	16,637
Waste Water	477,194
Water	<u>477,194</u>

Total business-type activities depreciation expense \$ 4,038,712

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

<u>Type of Debt</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ -	\$ 10,000,000	\$ (500,000)	\$ 9,500,000	\$ 250,000
Compensated absences	<u>125,427</u>	<u>-</u>	<u>(30,110)</u>	<u>95,317</u>	<u>-</u>
Total general long-term debt	\$ <u>125,427</u>	\$ <u>10,000,000</u>	\$ (<u>530,110</u>)	\$ <u>9,595,317</u>	\$ <u>250,000</u>
Business-type activities:					
Revenue bonds payable	\$ 4,475,000	\$ -	\$ (235,000)	\$ 4,240,000	\$ 250,000
Notes payable	710,396	-	(710,396)	-	-
Capital lease obligations	3,026,388	-	(697,180)	2,329,208	735,706
Accrued landfill closure and post closure care	1,066,683	-	(111,705)	954,978	-
Compensated absences	<u>91,818</u>	<u>-</u>	<u>(1,934)</u>	<u>89,884</u>	<u>-</u>
Total proprietary fund debt	\$ <u>9,370,285</u>	\$ <u>-</u>	\$ (<u>1,756,215</u>)	\$ <u>7,614,070</u>	\$ <u>985,706</u>

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - LONG-TERM DEBT - Continued

GOVERNMENTAL ACTIVITIES

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

GENERAL OBLIGATION BONDS PAYABLE

City of Buford General Obligation Bonds - 2010 Issue

The City of Buford General Obligation Bonds - 2010 issue are dated October 21, 2010 and payable in the original amount of \$10,000,000. The bonds were issued for the purpose of providing funds to be used to pay the cost of acquiring, constructing, and equipping certain additional facilities, including a multi-purpose facility to house and in furtherance of the following: (i) recreation and athletics, including, but not limited to a passive park, (ii) fine arts, including, but not limited to a theater, (iii) education, (iv) public meeting space and community-wide events and programs, and (v) administrative offices, and other buildings and facilities useful in connection therewith and acquiring property, real and personal, necessary therefor, and paying expenses incident thereto, including the costs of issuing the bonds. The bonds bear an interest rate of 3.50%, with a final maturity date of July 1, 2030.

The following is a summary of the maturity of the bonds and interest thereon:

Amount of original issue	\$ 10,000,000
Less: amount redeemed	<u>500,000</u>
Net amount outstanding June 30, 2011 - total general obligation bonds payable	9,500,000
Less: current maturities	<u>250,000</u>
Long-term maturities	\$ <u>9,250,000</u>

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

GENERAL OBLIGATION BONDS PAYABLE

<u>Governmental-type Activities</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 250,000	\$ 167,616	\$ 417,616
2013	500,000	320,226	820,226
2014	500,000	301,839	801,839
2015	500,000	284,339	784,339
2016-2020	2,500,000	1,159,890	3,659,890
2021-2025	2,500,000	722,510	3,222,510
2026-2030	2,500,000	284,315	2,784,315
2031	<u>250,000</u>	<u>4,340</u>	<u>254,340</u>
Total	\$ <u>9,500,000</u>	\$ <u>3,245,075</u>	\$ <u>12,745,075</u>

COMPENSATED ABSENCES

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The General Fund has been used to liquidate compensated absences from Governmental Activities in prior years.

Noncurrent portion

\$ 95,317

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

REVENUE BONDS PAYABLE

On March 1, 1998, the City issued the 1998 Water and Sewerage System Revenue Bonds in the amount of \$5,800,000. The bonds bear interest at an average interest rate of 4.43%, payable semi-annually on January 1 and July 1. Principal payments on the bonds are due each July 1.

The \$5,800,000 proceeds of the 1998 Water and Sewerage System Revenue Bonds, along with \$28,632 of accrued interest on those bonds and \$168,668 from the Sinking Fund Account of the 1978 Water and Sewerage System Revenue Bonds, were used as follows:

- \$5,004,391 was deposited in the Construction Account to be used to pay for improvements and extensions of the City's Water and Sewerage System.
- \$529,033 was deposited in the Debt Service Reserve Account.
- \$82,800 was deposited into the Escrow account to be used to refund the remaining 1978 Water and Sewerage System Revenue Bonds.
- \$114,500 was deposited into the Sinking Fund Account.
- The remaining \$266,576 was used to pay issuance costs and other related costs.

As part of the bond ordinance for the 1998 series bonds, the City is required to make monthly cash transfers to the City of Buford Series 1998 Sinking Fund. The purpose of the sinking fund is to pay principal and interest as they become due. As of June 30, 2011, all required transfers have been made to the sinking fund.

Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Water and Sewerage System and will revise them as necessary to provide net revenues (excluding bond interest expense, depreciation, amortization, and operating transfers): (1) equal to at least 110% of the debt service requirement for the then current sinking fund year, (2) sufficient to maintain the Debt Service Reserve Fund in an amount equal to at least the debt service reserve requirement, and (3) sufficient to make the payments then required to be made into the Renewal and Extension Fund. At June 30, 2011, the net revenues (excluding bond interest expense, depreciation, amortization, and operating transfers) of the Water and Sewerage System are sufficient to comply with these requirements.

The following is a summary of the maturity of the bonds and interest thereon:

Amount of original issue	\$ 5,800,000
Less: amount redeemed	<u>1,560,000</u>
Net amount outstanding June 30, 2011	4,240,000
Less: current maturities	<u>250,000</u>
Long-term maturities	\$ <u>3,990,000</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - LONG-TERM DEBT - Continued

NOTES PAYABLE

On May 1, 2000 the City entered into a note payable with the Georgia Environmental Facilities Authority related to water system plant and improvements totaling \$1,541,682. Terms of the note called for 64 quarterly payments of \$34,649 through May 1, 2016. As of December 1, 2006, the payment method was changed to a monthly basis and the amount was amended to \$11,513 per month. The note was paid off during the fiscal year ending June 30, 2011.

CAPITAL LEASES

The City has financed gas line extensions and system improvements to the City's Gas System under two capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital leases payable and the related assets have been recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases are \$1,755,000, and \$5,800,000. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011:

June 30, 2012	\$ 851,047
June 30, 2013	852,355
June 30, 2014	661,181
June 30, 2015	<u>188,499</u>
Total minimum lease payments	2,553,082
Amount representing interest	(<u>223,874</u>)
Present value of lease obligations for Enterprise Fund	2,329,208
Less: current maturities	<u>735,706</u>
Long-term maturities	\$ <u>1,593,502</u>

Gas line extensions and system improvements under capital leases in capital assets at June 30, 2011, include the following:

Utility plant - gas system	\$ 10,560,000
Less: accumulated depreciation	(<u>3,679,358</u>)
Total	\$ <u>6,880,642</u>

Total depreciation expense on these gas line extensions and improvements for the year ended June 30, 2011, was \$422,400. This depreciation is included in the total depreciation expense shown in note 5.

COMPENSATED ABSENCES

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The Proprietary Fund has been used to liquidate compensated absences from Business-type Activities in prior years.

Noncurrent portion	\$ <u><u>89,884</u></u>
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CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - LONG-TERM DEBT - Continued

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

REVENUE BONDS PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 250,000	\$ 210,440	\$ 460,440
2013	260,000	198,565	458,565
2014	270,000	186,085	456,085
2015	285,000	172,990	457,990
2016-2020	1,870,000	621,164	2,491,164
2021-2022	<u>1,305,000</u>	<u>109,838</u>	<u>1,414,838</u>
Total	\$ <u>4,240,000</u>	\$ <u>1,499,082</u>	\$ <u>5,739,082</u>

CAPITAL LEASES PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 735,706	\$ 115,341	\$ 851,047
2013	777,691	74,664	852,355
2014	629,512	31,669	661,181
2015	<u>186,299</u>	<u>2,200</u>	<u>188,499</u>
Total	\$ <u>2,329,208</u>	\$ <u>223,874</u>	\$ <u>2,553,082</u>

NOTE 7 - RESTRICTED GOVERNMENT-WIDE ASSETS

Business-type activities

Restricted assets are composed of the following at June 30, 2011:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust	\$ -	\$ 3,298,807	\$ 3,298,807
Restricted for Customer Deposits	3,330,174	836,874	4,167,048
1998 Water & Sewerage Bond Debt Reserve Fund	-	514,358	514,358
1998 Water & Sewerage Bond Sinking Fund	<u>-</u>	<u>355,220</u>	<u>355,220</u>
Total	\$ <u>3,330,174</u>	\$ <u>5,005,259</u>	\$ <u>8,335,433</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 8 - RESTRICTED FUND ASSETS

Enterprise Fund

Restricted assets are composed of the following at June 30, 2011:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust	\$ -	\$ 3,298,807	\$ 3,298,807
Restricted for Customer Deposits	3,330,174	836,874	4,167,048
1998 Water & Sewerage Bond Debt Reserve Fund	-	514,358	514,358
1998 Water & Sewerage Bond Sinking Fund	<u>-</u>	<u>355,220</u>	<u>355,220</u>
Total	\$ <u>3,330,174</u>	\$ <u>5,005,259</u>	\$ <u>8,335,433</u>

NOTE 9 - LIABILITIES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2011:

Customer Deposits	\$ 4,167,048
Accrued Interest on 1998 Water and Sewer Revenue Bonds	105,220
Current Portion of 1998 Water and Sewer Revenue Bonds	<u>250,000</u>
Total	\$ <u>4,522,268</u>

NOTE 10 - LIABILITIES PAYABLE FROM FUND RESTRICTED ASSETS

Enterprise Fund

Liabilities payable from restricted assets are composed of the following at June 30, 2011:

Customer Deposits	\$ 4,167,048
Accrued Interest on 1998 Water and Sewer Revenue Bonds	105,220
Current Portion of 1998 Water and Sewer Revenue Bonds	<u>250,000</u>
Total	\$ <u>4,522,268</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - FUND BALANCE

The City governmental fund balances are restricted for specific purposes or as required by bond ordinances or higher levels of governments. The restrictions are as follows:

Governmental Funds

General Fund restrictions for education total \$425,948.

Capital Projects Funds restrictions for assets that are reserved for 2010 General Obligation Bond funded projects total \$3,882,568.

Capital Projects Funds restrictions for assets that are reserved for SPLOST funded projects total \$5,420,688.

Hotel/Motel Tax Fund restrictions for assets that are reserved for uses as specified by state law for Hotel/Motel Taxes total \$76,033.

Nonspendable fund balances in the General Fund related to prepaid items total \$140,412.

NOTE 12 - RESTRICTED NET ASSETS

Governmental Activities

Restricted net assets are comprised of the following at June 30, 2011:

Restricted for:

SPLOST projects	\$ 5,420,688
2010 General Obligation Bond projects	3,882,568
Education	425,948
Hotel/Motel Taxes	<u>76,033</u>

Total net assets restricted for governmental-type activities \$ 9,805,237

Business-type Activities

Restricted net assets are comprised of the following at June 30, 2011:

Restricted for:

Municipal Competitive Trust	\$ 3,298,807
Debt service	<u>514,358</u>

Total net assets restricted for business-type activities \$ 3,813,165

NOTE 13 - PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Buford Retirement Plan ("The BRP"), provides retirement and death benefits to plan members and beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Commission. The BRP is affiliated with the Georgia Municipal Employees Benefit System ("GMEBS"), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for the BRP, that authority rests with the City of Buford. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by written request to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Significant Accounting Policies

The City uses accounting policies consistent with recognition of liabilities and expenses in the Government-Wide and Governmental Fund financial statements as described in Note 1. Employer contributions are recognized in the period in which the contributions are due. The information provided is available in actuarial valuations prepared as of January 1, 2011. The plan year runs from July 1 to June 30 annually.

Funding Policy

BRP members are not required and do not contribute to BRP. BRP is a noncontributory plan. The City is required to contribute at an actuarially determined rate; the rate was 12.11% of annual covered payroll for the plan year ending June 30, 2011. The rate is 13.15% of annual covered payroll for the plan year beginning July 1, 2011. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees. The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines of GASB Statement No. 27.

Plan Changes

There were no changes in plan provisions or actuarial assumptions at January 1, 2011. At January 1, 2010 the plan provisions valued and actuarial assumptions changes from the preceding valuation were as follows:

- ❖ Valuation date - the valuation date was changed from May 1 to January 1.
- ❖ Mortality assumption - the mortality table for healthy participants was changed from the 1983 Group Annuity Mortality Table without Margin to the sex-distinct RP-2000 Combined Mortality Table set forward two years in age for males and one year in age for females. The mortality table for disabled participants was changed from the 1944 Railroad Retirement Board Male Ultimate Disabled Mortality to the sex-distinct RP-2000 Disabled Retiree Mortality Table set forward two years in age for males and one year in age for females.
- ❖ Salary increase assumption - the salary increase assumption was changed from 5.50% each year to a table based on age and service.
- ❖ Net investment return assumption - the investment return assumption was changed from 8.00% to 7.75% per annum.
- ❖ Inflation assumption - the inflation assumption was changed from 5.00% to 3.50% per annum.
- ❖ Asset method - the asset method was changed to temporarily widen the corridor.

Effect of Plan Changes on the Actuarial Accrued Liability

There was no effect from the plan changes on the Actuarial Accrued Liability.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLAN - Continued

Effect of Plan Changes on Recommended Contributions

There was no effect from the plan changes on the recommended contribution.

Method used to determine the Actuarial Value of Assets

Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

Annual Pension Cost

For the plan year ending June 30, 2011, the annual pension cost (APC) of \$593,556 was equal to the required and actual contributions. For the plan year beginning July 1, 2011, the annual pension cost is \$654,230.

APC TREND INFORMATION

<u>Plan Year Beginning</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
05/01/06	\$197,248	100%	\$0
05/01/07	\$230,119	100%	\$0
05/01/08	\$275,972	100%	\$0
05/01/09	\$598,520	100%	\$0
07/01/10	\$593,556	100%	\$0
01/01/11	\$654,230	N/A	N/A

The required contribution was determined as part of the January 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included the following:

- Net investment rate of return 7.75% per year
- Projected salary increases 3.50% per year
Plus age and service based merit increases
- Cost of living adjustments 0.00% per year

The BRP's unfunded actuarial accrued liability is being amortized using the closed level dollar method over 30 years from 1982 (the original unfunded accrued liability) and changes in the unfunded actuarial accrued liabilities over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods from the end of the year in which such changes arise.

Plan Membership as of January 1, 2011 actuarial valuation

Retirees and beneficiaries receiving benefits	36
Terminated plan members entitled to, but not yet receiving benefits	13
Active plan members	<u>108</u>
Total	<u>157</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - PENSION PLAN - Continued

REQUIRED SUPPLEMENTARY INFORMATION

The schedule of funding progress presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded (Surplus) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
05/01/04	\$3,878,988	\$3,857,632	\$(21,356)	100.55%	\$3,211,544	00.00%
05/01/05	4,038,954	3,919,072	(119,882)	103.06%	3,386,510	00.00%
05/01/06	4,230,728	4,160,053	(70,675)	101.70%	3,581,837	00.00%
05/01/07	4,481,312	4,422,411	(58,901)	101.33%	4,113,304	00.00%
05/01/08	4,756,582	4,888,293	131,711	97.31%	4,583,970	02.87%
05/01/09	3,330,796	6,181,956	2,851,160	53.88%	4,563,060	62.48%
01/01/10	4,326,615	6,665,538	2,338,923	64.91%	4,818,975	48.54%
01/01/11	4,746,044	7,173,312	2,427,268	66.16%	4,889,678	49.64%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2011.

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THEN PENSIONS - OPEB

Plan Description

City employees participate in a postemployment benefit plan sponsored by the City (the "Plan"). GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* require that employers providing post-employment benefits other than pensions record and disclose annual other post-employment benefit (OPEB) cost and a net OPEB obligation in their financial statements and disclose other information about their OPEB plans, including the unfunded actuarial liability (UAAL).

The Plan allows employees to continue medical, prescription drug, dental and life insurance coverage beyond retirement, depending on whether the retiree had those coverages at the time they retire. Spouse benefits are the same as benefits for retirees except for life insurance. Benefits are payable to a spouse regardless of when the retiree dies. Retiree and spouse contribution rates are periodically reset by City ordinance. Membership in the Plan by City retirees is voluntary. The authority to establish and amend benefit provisions of the Plan rests with the City and is established by ordinance. The Plan does not issue separate financial statements. The City currently pays 100% of the premium. Employees eligible for the plan include the following:

Elected officials:

The official and their dependents are eligible for a period equal to their years of service.

Appointed positions and department heads:

The employees and their dependents are eligible for a period equal to their years of service in which they held an appointed position.

Regular employees:

After thirty years of service, the employee and their dependents are eligible for life.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - POST EMPLOYMENT BENEFITS OTHER THEN PENSIONS - OPEB - Continued

Plan Membership

Current retirees, beneficiaries and dependents	15
Current active participants	110
Terminated participants entitled but not yet eligible	<u>0</u>
Total	<u>125</u>

Summary of Significant Accounting Policies

The City uses accounting policies consistent with recognition of liabilities and expenses in the Government-Wide financial statements as described in Note 1 and with GASB Statements No. 43 and 45. The City has chosen the pay-as-you-go method of funding the Plan, and as of June 30, 2011, the Plan reported no assets.

Funding policy

The City has chosen the pay-as-you-go method of funding the Plan, and recorded OPEB cost of \$420,024 for the year ended June 30, 2011 and a net OPEB obligation of \$306,503 based upon an actuarial valuation performed as of March 1, 2008 for the year ending June 30, 2011. This was recorded in the General Fund. The actuarial cost method was projected unit credit. The City's UAAL totaled \$3,993,207 as of March 1, 2008 for the year ended June 30, 2011, and will be included in annual cost over an amortization period of 25 years using the level dollar (closed) method. The OPEB obligation and UAAL were computed using an investment rate of return of 4.00, an inflation rate of 3.00%, a medical and drug cost trend rate of 9.00% graded to 5.00% over 8 years and a dental cost trend rate of 7.00% graded to 5.00% over 4 years.

Annual OPEB COST AND NET OPEB OBLIGATION

The City's first actuarial valuation was performed for the Plan as of March 31, 2008 to determine the funded status of the Plan as of that date as well as the employer's annual required contribution (ARC) for the period according to the parameters of GASB 45. The ARC is the amount calculated to determine the annual cost of the Plan for accounting purposes *as if* the Plan were being funded through contributions to a trust fund. The GASB standards do not require that the contributions actually be made to a trust fund. The ARC is used to measure annual plan costs on an accrual basis. The calculation represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years. The City's annual OPEB cost of \$420,024 is reduced by the current year contributions in the amount of \$113,521. The City's annual OPEB cost, the percentage of annual cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011 based on a pay-as-you-go plan, is as follows:

Net OPEB Obligation (NOO):

<u>Fiscal Year Ending</u>	<u>OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
06/30/09	\$420,024	17.86%	\$345,024
06/30/10	\$420,024	19.36%	\$338,714
06/30/11	\$420,024	27.03%	\$306,503

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THEN PENSIONS - OPEB - Continued

REQUIRED SUPPLEMENTARY INFORMATION:

The schedule of funding progress presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The AAL and NOO are based on a pay-as-you-go plan.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/(c)
03/01/08	\$ 0	\$3,993,207	\$ 3,993,207	0%	\$4,668,009	85.54%

Net OPEB Obligation (NOO)

Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a+b+c) (d)	Actual Contribution Amount (e)	Net Increase In NOO (d-e) (f)	NOO as of 06/30/11 (g)
\$ 420,024	\$ 0	\$ 0	\$ 420,024	\$ 75,000	\$ 345,024	\$ 345,024
420,024	0	0	420,024	81,310	338,714	683,738
420,024	0	0	420,024	113,521	306,503	990,241

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 1, 2008.

NOTE 15 - HOTEL/MOTEL LODGING TAX

The City has levied a hotel/motel lodging tax. The amount of total tax collected in excess of a specified percentage is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions in compliance with state law for the year ending June 30, 2011 is as follows:

Total hotel/motel tax receipts collected at 7%	\$ 68,246
Total hotel/motel tax receipts collected at 5%	<u>56,407</u>
Total collections for year ended June 30, 2011	124,653
Less: 42.84% of hotel/motel tax collected @ 7%	(29,237)
60.00% of hotel/motel tax collected @ 5%	<u>(33,844)</u>
Tax collected to be expended for the promotion of tourism, conventions and trade shows	61,572
Expenditures for promotion of tourism, conventions and trade shows	<u>(63,580)</u>
Collections over (under) expenditures for year ended June 30, 2011	(2,008)
Hotel/motel tax funds to be expended for year ended June 30, 2009/2010 per Review Board	<u>14,890</u>
Hotel/motel tax funds to be expended at June 30, 2011	\$ <u>12,882</u>

The City expenditures in compliance with state law totaled 100% of the amounts collected for the year ending June 30, 2011.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

The City had no excess expenditures or expenses over appropriations for the year ending June 30, 2011.

NOTE 17 - DEFICIT FUND BALANCES/RETAINED EARNINGS

There were no deficit fund balances/retained earnings at June 30, 2011.

NOTE 18 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergencies.

In accordance with Section 457 of the Internal Revenue Code, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and liabilities of the deferred compensation plans are not included in the accompanying financial statements.

NOTE 19 - LITIGATION

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City, and accordingly, no provision for losses has been recorded.

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES

The City has *Potential Liability under MEAG and MGAG Contracts* as follows:

Electrical System. The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia ("MEAG") pursuant to which the City purchases electric power and energy for resale to its customers. MEAG was created by the State of Georgia for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of Georgia which owned and operated electric distribution systems as of March 18, 1975.

Under the terms of its Power Sales Contracts with MEAG, the City is obligated to take from MEAG, and MEAG is obligated to provide, all electric power and energy required by the City in excess of the amount received by the City as an allotment from federally owned projects through the Southeastern Power Administration ("SEPA"). Effective October 1, 1996, the City entered into a new 20-year contract with SEPA under which the City is entitled to receive 2,356 kW of energy. Such allotment of SEPA power has been assigned by the City to MEAG and is transmitted to the City by MEAG through Georgia's Integrated Transmission System for a separate charge. Under its Power Sales Contracts with MEAG, the City has the right to receive additional power as needed from the Integrated Transmission System. The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

MEAG has issued bonds for the purpose of providing power generation and transmission and telecommunication facilities. The City is contingently liable for their pro rata share of the bonds as a power purchase cost until they are retired. The City's contingent contractual obligation varies by individual MEAG project and totals approximately \$84,048,503 as of June 30, 2011. The contingent obligations of the City are general obligations of the City to which the City's full faith credit and taxing powers are pledged.

Gas System. The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Municipal Gas Authority of Georgia ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with MGAG, the City is obligated to take from MGAG, and MGAG is obligated to provide, all of the City's natural gas requirements. The price paid by the City to MGAG under its contracts is intended to cover the City's share of all the costs of MGAG, including scheduled debt service of MGAG. Such payments are required to be made by the City whether or not MGAG's facilities or natural gas properties or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with MGAG. To the extent the required payments are not made from the revenues of the System or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for its pro-rata share of MGAG's debt in the amount of \$20,355,343 of as June 30, 2011. The contingent obligations of the City are general obligations of the City to which the City's full faith credit and taxing powers are pledged.

NOTE 21 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses in these areas are all covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 22 - TRANSACTIONS WITH COMPONENT UNITS AND OTHER RELATED ENTITIES

The City incurred the following expenditures and transfers relating to the City of Buford Board of Education, a component unit of the City. For additional information, see Note 1.

General Fund

Amounts due from Buford Board of Education	<u>\$ 1,142,143</u>
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Transfers and expenditures to City of Buford Board of Education	<u>\$17,300,000</u>
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Agency Fund

Amounts from SPLOST funds held in trust for the City of Buford Board of Education from the Agency Fund as of June 30, 2011 totaled \$1,309,240.

In addition, The City of Buford Housing Authority is a related organization of the City. The Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Authority. The Authority reports independently. The City received payment in lieu of taxes from the Authority for the year ended June 30, 2011 totaling \$6,195.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 23 - SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM

The Gwinnett County Board of Commissioners approves execution of contractual agreements with the cities of the county in regards to SPLOST allocations. Subsequent to that approval, the City executes contracts with the County to receive those funds. The City's allocation is based upon a base amount, population and land area. Parks and Recreation allocations must be used for recreational facilities and Transportation allocations must be used for roads, streets, bridges, sidewalks or bicycle paths as defined by Official Code of Georgia Annotated Section 48-8-111(a)(1).

The SPLOST 2005 agreement with Gwinnett County originally funded projects in the estimated amount of \$7,829,062. This included \$5,579,062 for roads, street and bridges, \$1,000,000 for recreational facilities, \$1,000,000 for administrative facilities, and \$250,000 for parking facilities. . The estimated amounts have been amended to \$6,117,944 for roads, streets and bridges, \$1,000,000 for recreational facilities, \$1,000,000 for administrative facilities and \$250,000 for parking facilities for a total of \$8,367,944.

The SPLOST 2009 agreement with Gwinnett County originally funded projects in the estimated amount of \$9,637,101. Estimated project budgets include \$5,960,000 for roads, street and bridges, \$1,677,101 for recreational facilities, and \$2,000,000 for water and sewer capital improvements. The estimated amounts have been amended to \$5,122,392 for roads, streets and bridges, \$1,441,404 for recreational facilities and \$1,718,924 for water and sewer capital improvements for a total of \$8,282,720.

The City has reached an agreement with the City of Rest Haven to expend their 2001 and 2005 SPLOST funds and has received \$90,874 for 2001 recreational facilities and \$546,785 for roads, streets and bridges for a total of \$637,659.

The City has reached an agreement with Hall County to expend their 2009 SPLOST funds for roads, streets and bridges and has received \$25,732 to date.

Revenues related to the SPLOST 2005 Gwinnett County Agreement totaled \$4,767 for the year ended June 30, 2011. Revenues related to SPLOST 2009 totaled \$1,469,472 from the Gwinnett County agreement and \$11,060 from the Hall County Agreement. SPLOST revenues from all sources totaled \$1,485,299 during the year ended June 30, 2011. The following is a schedule of the activity relating to these projects for the year ending June 30, 2011:

Gross Special Sales Tax Received and Receivable	\$ <u>1,485,299</u>
Project Expenditures:	
SPLOST - Gwinnett 05 - roads, streets and bridges	<u>165,792</u>
Total project expenditures	<u>165,792</u>
Net (over) under expended for year ended June 30, 2011	\$ <u>1,319,507</u>

NOTE 24 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the 10 county metro Atlanta area, is a member of the Atlanta Regional Commission ("ARC"). The City pays no annual dues to ARC. Membership in a Regional Development Center ("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 each county commission chairman in the region, one mayor from each county (except Fulton County) chosen by a caucus of mayors, one mayor from the northern half and one mayor from the southern half of Fulton County elected by a caucus of mayors within northern and southern Fulton County, the mayor of the City of Atlanta, one member of the Atlanta City Council, fifteen private citizens, one from each of the 15 multi-jurisdictional districts of roughly equal population, elected by the 23 public officials, and one member appointed by the Board of the Georgia Department of Community Affairs. OCGA Section 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, 40 Courtland St, NE, Atlanta, GA 30303 or the Northeast Georgia Regional Development Center, 305 Research Drive, Athens, GA 30610.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 25 - GRANTS

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed by management to have a direct and material effect on the financial statements taken as a whole.

NOTE 26 - MUNICIPAL COMPETITIVE TRUST AGREEMENT

The City has entered into a Municipal Competitive Trust (the "trust") agreement with the Municipal Electric Authority of Georgia ("MEAG"). The City purchases for resale, electric power from MEAG. The City is a beneficiary of the trust, and the City and MEAG may deposit monies in the trust. Monies are held by the trustee for the cities benefit on an individual participant basis, and are invested in investment securities. The City has recorded the assets in the Enterprise Fund. The trust was established in 1999 to accumulate funds to be utilized by MEAG participants to mitigate the high cost of power plants and the impact of possible deregulation of the electric industry in Georgia. It is comprised of the Flexible Operating, Reserve Funded Debt, and Credit Support Operating accounts. Related earnings on investments in those accounts are retained and accounted for as part of the trust. The Flexible Operating account is unrestricted and funds may be used by the City for any purposes. Monies in the Credit Support Operating account and the Reserved Funded Debt account may be withdrawn on or after December 31, 2018 and December 31, 2025, respectively if not otherwise expended by those dates. As of June 30, 2011, amounts in the accounts include \$8,092,825 in the Flexible Operating account, \$2,240,538 in the Reserve Funded Debt account and \$1,058,269 in the Credit Support Operating account.

NOTE 27 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

An accrual has been recorded to account for the accrual of estimated closure and post closure costs of the municipal solid waste landfill located at Peachtree Industrial Boulevard and McEver Road (The "landfill").

GASB Statement No. 18, *"Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs"* establishes standards of accounting and financial reporting for municipal solid waste landfill ("MSWLF") closure and post closure care costs that are required to be incurred by federal, state or local laws and/or regulations. The landfill is subject to the closure, post closure and long-term financial assurance requirements of the United States Environmental Protection Agency ("EPA"), and the Georgia Department of Natural Resources Environmental Protection Division ("EPD"). The closure, post closure and long-term financial assurance requirements relating to the landfill can be found in the Official Code of the State of Georgia at Section 12-8-20, et al, otherwise known as the "Georgia Comprehensive Solid Waste Management Act" and the "Rules of Georgia Department of Natural Resources Environmental Protection Division Chapter 391-3-4 Solid Waste Management".

The landfill ceased accepting waste in 1986. In 1998 the landfill was capped with a minimum of two-foot thick soil cover to close the site under existing EPD rules and regulations, then grassed, and has since been routinely maintained by the City to preserve its integrity. Since February 1997, the landfill has been the subject of routine ground water and methane monitoring and reporting in conformance with EPD rules and regulations.

On July 5, 2002, the City and its engineering firm filed an "Assessment of Corrective Measures for Municipal Solid Waste Landfill" with the EPD which addressed recommended actions by the City to meet EPD requirements for the landfill as related to closure and post closure. The recommended actions included (1) reduction of leachate generation at the source that contributes to ground water contamination, (2) control or reduction of the existing ground water contamination plume, and (3) control of landfill methane gas that may contribute to ground water contamination as well as directly impact nearby structures. The recommended actions included a landfill cap, natural attenuation, reactive zones, methane control and monitoring. The City has determined that the estimated costs per the assessment are reasonable and probable in determining whether to accrue the estimated costs.

NOTE 27 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued

GASB 18 requires that all closure and post-closure costs be recognized by the time the landfill was closed, and further states that all accounting changes adopted to conform to the provisions of the Statement should be applied retroactively for MSWLF's that are no longer accepting wastes. It also states the adjustments resulting from a change to comply with this statement should be treated as an adjustment of prior periods. For these reasons, an adjustment to beginning retained earnings was made during the year ended June 30, 2002 to reflect the accrual of a liability in the enterprise fund in the amount of \$1,195,450. This accrual is being reviewed periodically by engineers, and additional expense of \$292,244 was recognized and accrued for the year ending June 30, 2007.

The recognition of the liability for closure and post closure care requirements is based on 100% landfill capacity used to date as the landfill ceased accepting waste in 1986. All estimated closure and post closure care is included in this estimate, however, changes in the amounts accrued may occur due to change in requirements of and decisions made by the EPD in relation to the landfill, inflation and changes in technology.

The City is listed on the State of Georgia's Hazardous Site Inventory and, as such, is eligible for reimbursement of certain costs. Any reimbursable amounts have not been included in cost estimates due to the uncertainty of amounts to be reimbursed. The City is not under any closure and post closure financial assurance requirements per EPD rule 391-3-4-.13 due to its closing prior to October 8, 1993.

There are no assets restricted for payment of closure and post closure care costs.

NOTE 28 - SUBSEQUENT EVENTS

Subsequent to June 30, 2011 the Environmental Protection Division ("EPD") rescinded Consent Order No. EPD-WQ-4222. The Order was executed on December 15, 2003 to address operational and sludge capacity issues at the City's Southside Water Pollution Control Plant ("WPCP"). The Order was amended on June 6, 2006 and again on September 3, 2009 to extend the construction completion date for the Phase III expansion required as a condition of the Order. Based on the EDP's review of information submitted by the City, the corrective actions required have successfully addressed the operational and sludge capacity issues at the WPCP, and therefore, completion of the Phase III upgrades are no necessary and do not have to be constructed.

The management of the City has evaluated subsequent events through June 1, 2012.

NOTE 29 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Current Economic Environment

The current economic environment presents municipalities with unprecedented circumstances and challenges, which in some cases could result in declines in the volume of tax collections, other general revenues, municipal utility billings; constraints on liquidity and difficulty obtaining financing. These financial statements have been prepared using fair values and information currently available to the City, which are susceptible to change in the future based on economic conditions.

**SUPPLEMENTARY INFORMATION
REQUIRED BY GASB 34**

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Fund:

Hotel/Motel Tax Fund - used to account for receipt and allocation of the City's hotel/motel tax. Use of this tax is limited by law to promotion of tourism. The City hotel/motel tax rate for its three hotels ranged from 5% to 7% during the fiscal year ending June 30, 2011.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of governmental long term debt principal, interest, and fiscal charges. The governmental long-term debt serviced by the Debt Service Fund consists of the 2010 General Obligation Bonds.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the General and Enterprise Funds. The following is a description of the City's Capital Projects Funds.

2010 General Obligation Bond Construction Fund - used to account for the construction and financing of the Community Center funded by the 2010 General Obligation Bonds. This is a major fund for the fiscal year ending June 30, 2011.

Buford 2005 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Buford 2005 SPLOST.

Buford 2009 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Buford 2009 SPLOST.

Hall County 2009 SPLOST Fund - used to account for the construction and financing of projects funded by the Hall County 2009 SPLOST.

Rest Haven 2001 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Rest Haven 2001 SPLOST.

Rest Haven 2005 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Rest Haven 2005 SPLOST.

**CITY OF BUFORD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011**

	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 53,574	\$ -	\$ 5,188,787	\$ 5,242,361
Sales and excise tax receivable	30,190	-	-	30,190
Due from other governments	-	-	254,844	254,844
Due from other funds	<u>4,345</u>	<u>-</u>	<u>-</u>	<u>4,345</u>
Total assets	<u>\$ 88,109</u>	<u>\$ -</u>	<u>\$ 5,443,631</u>	<u>\$ 5,531,740</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	<u>\$ 12,076</u>	<u>\$ -</u>	<u>\$ 22,943</u>	<u>\$ 35,019</u>
Total liabilities	<u>12,076</u>	<u>-</u>	<u>22,943</u>	<u>35,019</u>
FUND BALANCES				
Restricted for:				
Tourism Promotion	76,033			
SPLOST construction projects	<u>-</u>	<u>-</u>	<u>5,420,688</u>	<u>5,496,721</u>
Total fund balances	<u>76,033</u>	<u>-</u>	<u>5,420,688</u>	<u>5,496,721</u>
Total liabilities and fund balances	<u>\$ 88,109</u>	<u>\$ -</u>	<u>\$ 5,443,631</u>	<u>\$ 5,531,740</u>

CITY OF BUFORD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENNDING JUNE 30, 2011

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes - sales and excise	\$ 124,653	\$ -	\$ -	\$ 124,653
Intergovernmental revenue	-	-	1,485,299	1,485,299
Investment income	<u>70</u>	<u>679</u>	<u>5,396</u>	<u>6,145</u>
Total revenues	<u>124,723</u>	<u>679</u>	<u>1,490,695</u>	<u>1,616,097</u>
EXPENDITURES				
Current operating:				
Public services:				
Culture and recreation	63,580	-	-	63,580
Capital outlay	-	-	165,792	165,792
Debt service:				
Principal retirement	-	500,000	-	500,000
Interest and fiscal agent fees	<u>-</u>	<u>242,398</u>	<u>-</u>	<u>242,398</u>
Total expenditures	<u>63,580</u>	<u>742,398</u>	<u>165,792</u>	<u>971,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,143</u>	(<u>741,719</u>)	<u>1,324,903</u>	<u>644,327</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	741,719	162,153	903,872
Transfers in	<u>-</u>	<u>-</u>	(<u>162,153</u>)	(<u>162,153</u>)
Total other financing sources (uses)	<u>-</u>	<u>741,719</u>	<u>-</u>	<u>741,719</u>
Change in fund balances	61,143	-	1,324,903	1,386,046
Fund balances - beginning	<u>14,890</u>	<u>-</u>	<u>4,095,785</u>	<u>4,110,675</u>
Fund balances - ending	\$ <u><u>76,033</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,420,688</u></u>	\$ <u><u>5,496,721</u></u>

**CITY OF BUFORD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
AS OF JUNE 30, 2011**

	NON-MAJOR CAPITAL PROJECTS FUNDS					TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
	BUFORD 2005 SPLOST	BUFORD 2009 SPLOST	HALL COUNTY 2009 SPLOST	REST HAVEN 2001 SPLOST	REST HAVEN 2005 SPLOST	
Assets						
Cash and cash equivalents	\$ 1,655,134	\$ 2,923,816	\$ 24,389	\$ 19,599	\$ 565,849	\$ 5,188,787
Due from other governments	<u>-</u>	<u>253,501</u>	<u>1,343</u>	<u>-</u>	<u>-</u>	<u>254,844</u>
Total assets	\$ <u>1,655,134</u>	\$ <u>3,177,317</u>	\$ <u>25,732</u>	\$ <u>19,599</u>	\$ <u>565,849</u>	\$ <u>5,443,631</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ <u>22,943</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,943</u>
Total liabilities	<u>22,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,943</u>
Fund balances						
Restricted-SPLOST Capital projects	<u>1,632,191</u>	<u>3,177,317</u>	<u>25,732</u>	<u>19,599</u>	<u>565,849</u>	<u>5,420,688</u>
Total fund balances	<u>1,632,191</u>	<u>3,177,317</u>	<u>25,732</u>	<u>19,599</u>	<u>565,849</u>	<u>5,420,688</u>
Total liabilities and fund balances	\$ <u>1,655,134</u>	\$ <u>3,177,317</u>	\$ <u>25,732</u>	\$ <u>19,599</u>	\$ <u>565,849</u>	\$ <u>5,443,631</u>

CITY OF BUFORD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	NON-MAJOR CAPITAL PROJECTS FUNDS					TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
	BUFORD 2005 SPLOST	BUFORD 2009 SPLOST	HALL COUNTY 2009 SPLOST	REST HAVEN 2001 SPLOST	REST HAVEN 2005 SPLOST	
Revenues						
Intergovernmental revenue	\$ 4,767	\$ 1,469,472	\$ 11,060	\$ -	\$ -	\$ 1,485,299
Investment income	<u>2,322</u>	<u>2,332</u>	<u>17</u>	<u>4</u>	<u>721</u>	<u>5,396</u>
Total revenues	<u>7,089</u>	<u>1,471,804</u>	<u>11,077</u>	<u>4</u>	<u>721</u>	<u>1,490,695</u>
Expenditures						
Capital outlay	<u>165,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,792</u>
Total expenditures	<u>165,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,792</u>
Excess(deficiency) of revenues over(under) expenditures	(158,703)	1,471,804	11,077	4	721	1,324,903
Other financing sources(uses)						
Transfers in	-	-	-	90,874	71,279	162,153
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,279)</u>	<u>(90,874)</u>	<u>(162,153)</u>
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,595</u>	<u>(19,595)</u>	<u>-</u>
Changes in fund balances	(158,703)	1,471,804	11,077	19,599	(18,874)	1,324,903
Fund balances-beginning	<u>1,790,894</u>	<u>1,705,513</u>	<u>14,655</u>	<u>-</u>	<u>584,723</u>	<u>4,095,785</u>
Fund balances-ending	<u>\$ 1,632,191</u>	<u>\$ 3,177,317</u>	<u>\$ 25,732</u>	<u>\$ 19,599</u>	<u>\$ 565,849</u>	<u>\$ 5,420,688</u>

**REPORT AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE STATE OF GEORGIA**

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CERTIFIED PUBLIC ACCOUNTANTS

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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

**To the Board of Commissioners
City of Buford, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Buford, Georgia as of and for the fiscal year ended June 30, 2011, which collectively comprise the City of Buford, Georgia's basic financial statements and have issued our report thereon dated June 1, 2012. 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. We did not audit the financial statements of the City of Buford Board of Education, which represent 100% of the assets, fund balances, and revenues of discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Buford Board of Education, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Buford, Georgia'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 of Buford, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Buford, Georgia's internal control over financial reporting.

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 on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Commissioners
City of Buford, Georgia

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Buford, Georgia'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*.

This report is intended solely for the information and use of management, and the City Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox & Birings, P.C.

Suwanee, Georgia
June 1, 2012

**CITY OF BUFORD, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

PRIOR YEAR COMPLIANCE FINDINGS AND RESPONSES

FINDING CONTROL NUMBER AND STATUS:

- Finding 2010-1 Cleared, Further Action Not Warranted

Finding 2010-1

Prior year audits for the fiscal years ending June 30, 2008 through June 30, 2010 noted findings of noncompliance regarding the City's expenditures of hotel/motel tax revenues. While these findings were immaterial in relation to the financial statements of the City, the Georgia Department of Community Affairs Hotel Motel Tax Performance Review Board is required to conduct investigations of noncompliance issues and to submit written reports of its findings and recommendations to the Commissioner of the Department of Community Affairs. The Review Board performed a review of the City's compliance with hotel/motel laws for the fiscal years ending June 30, 2008 through June 30, 2010. This included a review of the City's hotel/motel tax ordinances, budget plans, contractual arrangements and related matters. The Review Board issued its Report of Findings on November 12, 2010 which contained the following findings:

DCA Finding #1 - Tax Rate Increased Without Legal Authority:

Title 48, Chapter 13, Section 51, of the Official Code of Georgia authorizes local governments to impose a hotel/motel (lodging) excise tax. Section 51 is comprised of 10 subsections, (a) through (j). Subsections (a) and (b) provide the various taxing options/authorizations. Each of these taxing authorizations is subject to very specific legal restrictions. One of these restrictions is that local governments can no longer change from their current authorization (irrespective of the rate) to a tax rate higher than five percent without the enactment of a local Act by the General Assembly. However, in December of 2009 the City adopted an ordinance amending the *City of Buford Code of Ordinances* to increase the City's hotel/motel tax rate from five percent to a seven percent rate as provided in O.C.G.A. 48-13-51(a) (4.5). The City passed, and is apparently enforcing, this ordinance in direct violation of State law. Without the enactment of a local Act of the General Assembly the City could not legally increase their tax rate. Additionally, even with such an Act, the legal requirements of subsection (b), instead of subsection (a), would apply.

- **DCA recommendation:** The City has notified the Review Board that it plans to adopt a resolution to facilitate the introduction of legislation authorizing an increase in the tax rate during the 2011 General Assembly. However, in the interim, the City has agreed to repeal the ordinance increasing the tax and notify the hotels that the tax levy will be five percent until this legislative authorization is in place.
- **The City has complied with this finding and taken corrective actions. On November 8, 2010 the City repealed its existing ordinance which levied taxes at a rate of 7%, and adopted a new ordinance providing for a 5% rate. Local hotels were notified of the rate change. During the 2011 Georgia General Assembly, a local act (HB 623) was passed and subsequently signed by the Governor. HB 623 allowed the City to increase its hotel/motel excise tax rate from 5% to 7% consistent and pursuant to O.C.G.A 48-13-51 (b). On June 6, 2011, the City repealed the ordinance levying taxes at a rate of 5% and adopted a new ordinance providing for a 7% rate, effective July 1, 2011. Local hotels were again notified of this rate change.**

**CITY OF BUFORD, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

DCA Finding #2 - Contractual Arrangements Not In Accordance With State Law:

The City of Buford occupies parts of both Gwinnett and Hall Counties. In January and May of 2010 the City entered into contracts with the Gwinnett Convention and Visitors Bureau and the Lake Lanier Convention and Visitors Bureau (in Hall County) respectively to provide tourism promotion services on behalf of the City within their Counties (contract amount determined by the hotel/motel tax revenues collected in each county). The contracts with both Visitors Bureaus state that the City will remit to the contractors 28.58% of the revenue collected within their respective counties to "promote tourism in the City of Buford" and 28.58% for the promotion of tourism, conventions, and trade shows, including without limitation, the operation of, maintenance and marketing of a conference center facility. The contracts further stipulate that half of this total amount (or 28.58%) to be remitted to the contractors is delegated to the City to be expended "...at the City's sole and absolute discretion in furtherance of the promotion of tourism and trade..."

While based strictly on the contract, it is unclear what the intent might be. However, further inquiry indicates that the amount delegated to the City is not being remitted to the Visitors Bureaus, but is being retained by the City to expend directly, apparently based on the assumption that the expenditure requirements of O.C.G.A 48-13-51 (a) (4.5) apply, and could be met in this manner. However, the City does not have the legal authority to either collect or expend the tax in accordance with this taxing authorization. Instead, the expenditure requirements of O.C.G.A 48-13-51 (a) (3) apply, which restricts 40% of the total amount collected for the promotion of tourism through a contract or contracts with eligible private sector nonprofit organizations. Therefore, the difference between the 28.58% actually being used by the Visitors Bureaus, and the 40% restricted for such purposes (11.42%) is not being expended in accordance with State Law.

- **DCA recommendation:** The City should revise its contracts with eligible nonprofit organizations to ensure that a minimum of 40% of the hotel/motel tax revenues are being expended through these entities for the purpose of promoting tourism, conventions and tradeshow on behalf of the City. There should be no provisions in the contracts directing the nonprofit organizations to accept and pay invoices for expenditures incurred by City personnel.
- **The City has complied with this finding and taken corrective actions. Per the ordinance passed on June 6, 2011, (a) In each fiscal year during which the tax is collected under paragraph (2) of subsection (b) of Code Section 48-13-51 of the O.C.G.A., an amount equal to not less than 50 percent of the total amount of taxes collected that exceed the amount of taxes that would be collected at a rate of 5% shall be expended for promoting tourism, conventions and trade shows by the destination marketing organization designated by the City of Buford; provided, however, the City of Buford may exercise its option under paragraph (2) of subsection (e) of Code Section 48-13-51 of the O.G.C.A. to contract with an entity qualified under such provision; and (b) The remaining amount of taxes collected that exceed the amount of taxes that would be collected at the rate of 5% which are not otherwise expended under subsection (a) of this section shall be expended for tourism product development.**

The ordinance was given full force and effect as of June 6, 2011, and the new tax rate was effective as of July 1, 2011. At this time the City has entered into agreement with and designates the Gwinnett Convention and Visitors Bureau and Lake Lanier Convention and Visitors Bureau as its qualified entities.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

DCA Finding #3 - Restricted Revenues Expended for Unallowable Purposes:

Per the Review Board's report, the net balance of restricted hotel/motel tax revenues not expended for allowable purposes for the fiscal years ending June 30, 2008 through June 30, 2010 totaled \$14,890.

- **DCA Recommendation:** The City should implement appropriate policies and procedures to ensure that the restricted hotel/motel tax revenues be expended only for purposes that fall within the legal definition of promoting tourism, conventions, and tradeshow. Additionally, the City should transfer into the Hotel/Motel Tax Special Revenue Fund \$14,890 to replace those restricted funds expended for unallowable purposes.

- **The City recorded a receivable between the General Fund and the Hotel/Motel Tax Fund in the amount of \$14,890 in the audited financial statements for the fiscal year ending June 30, 2010. The amount was transferred into the Hotel/Motel Tax Fund during the fiscal year ending June 30, 2011.**

CITY OF BUFORD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED AND EXPENDITURES INCURRED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

PROJECT DESCRIPTION:	AMOUNT ESTIMATED FOR EACH PROJECT	AMOUNT EXPENDED IN PRIOR YEARS	AMOUNT EXPENDED IN CURRENT YEAR	ESTIMATED PERCENTAGE OF COMPLETION OF EACH PROJECT
Rest Haven-Recreational facilities-01	90,874	71,279	-	78.44%
Gwinnett County-Roads, streets, bridges-05	6,117,944	5,436,056	165,792	91.56%
Gwinnett County-Recreational facilities-05	1,000,000	-	-	00.00%
Gwinnett County-Administrative facilities-05	1,000,000	1,000,000	-	100.00%
Gwinnett County-Parking facilities-05	250,000	250,000	-	100.00%
Rest Haven-Roads, streets, bridges-05	546,785	-	-	00.00%
Hall County-Roads, streets, bridges-09	25,372	-	-	00.00%
Gwinnett County-Roads, streets, bridges-09	5,122,392	-	-	00.00%
Gwinnett County-Recreational facilities-09	1,441,404	-	-	00.00%
Gwinnett County-Water & Sewer-09	<u>1,718,924</u>	<u>-</u>	<u>-</u>	00.00%
Totals	<u>\$ 17,313,695</u>	<u>\$ 6,757,335</u>	<u>\$ 165,792</u>	

Amounts estimated for each project are as follows:

	AMOUNT ORIGINALLY ESTIMATED FOR EACH PROJECT	ADDITIONS (DELETIONS) TO PROJECT BUDGET	AMOUNT CURRENTLY ESTIMATED FOR EACH PROJECT
Rest Haven-Recreational facilities-01	\$ -	\$ 90,874	\$ 90,874
Gwinnett County-Roads, streets, bridges-05	5,579,062	538,882	6,117,944
Gwinnett County-Recreational facilities-05	1,000,000	-	1,000,000
Gwinnett County-Administrative facilities-05	1,000,000	-	1,000,000
Gwinnett County-Parking facilities-05	250,000	-	250,000
Rest Haven-Roads, Streets, bridges-05	296,785	250,000	546,785
Hall County-Roads, Streets, Bridges-09	25,372	-	25,372
Gwinnett County-Roads, streets, bridges-09	5,960,000	(837,608)	5,122,392
Gwinnett County-Recreational facilities-09	1,677,101	(235,697)	1,441,404
Gwinnett County-Water & Sewer-09	<u>2,000,000</u>	<u>(281,076)</u>	<u>1,718,924</u>
Totals	<u>\$ 17,788,320</u>	<u>\$ (474,625)</u>	<u>\$ 17,313,695</u>

**SUPPLEMENTARY FINANCIAL STATEMENTS
AND SCHEDULES REQUESTED
BY MANAGEMENT OF THE CITY OF BUFORD**

GENERAL FUND

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
GENERAL FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ 464,095
Investments - certificates of deposit	2,607,293
Property taxes receivable - net	1,155,788
Other receivables	142,078
Due from other governments	648,477
Due from Buford Board of Education	1,142,143
Prepaid items	140,412
Due from 2010 GOB Construction Fund	1,153,765
Due from Enterprise Fund	<u>29,424,539</u>

Total assets \$ 36,878,590

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 2,603,233
Accrued expenses	82,280
Due to Hotel/Motel Tax Fund	4,345
Deferred revenue	<u>1,397,610</u>

Total liabilities 4,087,468

FUND BALANCE

Restricted for:	
Education and scholarships	425,948
Prepaid items	140,412
Unassigned	<u>32,224,762</u>

Total fund balance 32,791,122

Total liabilities and fund balance \$ 36,878,590

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
REVENUES			
Taxes - property	\$11,022,500	\$10,556,440	\$ (466,060)
Taxes - sales and excise	678,400	647,364	(31,036)
Franchise fees	750,000	804,176	54,176
Charges for services	1,768,695	2,051,322	282,627
Investment income	50,000	56,197	6,197
Miscellaneous	<u>55,000</u>	<u>90,917</u>	<u>35,917</u>
Total revenues	<u>14,324,595</u>	<u>14,206,416</u>	<u>(118,179)</u>
EXPENDITURES			
Current operating:			
General government:			
Financial and general administration	6,671,479	6,671,479	-
Public safety:			
Marshall	145,264	145,264	-
Public services:			
Highway and street	2,655,567	2,655,567	-
Building inspection	303,030	303,030	-
Culture and recreation	490,724	490,724	-
Maintenance	644,169	644,169	-
Intergovernmental:			
Buford Board of Education	<u>17,300,000</u>	<u>17,300,000</u>	<u>-</u>
Total expenditures	<u>28,210,233</u>	<u>28,210,233</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,885,638)</u>	<u>(14,003,817)</u>	<u>(118,179)</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	16,500,000	17,350,602	850,602
Transfers out	<u>(738,264)</u>	<u>(738,264)</u>	<u>-</u>
Net other financing sources	<u>15,761,736</u>	<u>16,612,338</u>	<u>850,602</u>
Excess (deficiency) of revenues and other sources(uses) over (under) expenditures	<u>1,876,098</u>	<u>2,608,521</u>	<u>732,423</u>
Fund balance at beginning of year	<u>30,182,601</u>	<u>30,182,601</u>	<u>-</u>
Fund balance at end of year	\$ <u>32,058,699</u>	\$ <u>32,791,122</u>	\$ <u>732,423</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	GENERAL FUND		VARIANCE OVER (UNDER)
	BUDGET	ACTUAL	
Taxes - property:			
Property tax	\$ 10,500,000	\$ 9,884,414	\$(615,586)
Motor vehicle and motor home tax	370,000	409,709	39,709
Intangible tax	50,000	71,833	21,833
Railroad tax	2,500	2,562	62
Real estate transfer tax	25,000	31,221	6,221
Hall County equity distribution	25,000	28,620	3,620
Penalty & interest - FIFA	<u>50,000</u>	<u>128,081</u>	<u>78,081</u>
Total taxes - property	<u>11,022,500</u>	<u>10,556,440</u>	(466,060)
Taxes - sales and excise:			
Local option sales and use tax	8,000	7,543	(457)
Alcoholic beverage excise tax	70,000	66,027	(3,973)
Insurance premium tax	600,000	573,404	(26,596)
Margin tax - Jackson EMC	<u>400</u>	<u>390</u>	<u>(10)</u>
Total taxes - sales and excise	<u>678,400</u>	<u>647,364</u>	(31,036)
Franchise fees:			
Electric	500,000	587,190	87,190
Cable television	140,000	116,102	(23,898)
Telephone	<u>110,000</u>	<u>100,884</u>	<u>(9,116)</u>
Total franchise fees	<u>750,000</u>	<u>804,176</u>	54,176
Charges for services:			
Business and occupation tax	1,100,000	1,331,541	231,541
Penalty and interest - business	2,000	3,510	1,510
Alcoholic beverage - beer	450,000	458,659	8,659
Caterer's alcohol permit	1,000	1,000	-
Amusement device license	-	300	300
Special events permit	-	670	670
Special assessment fee	-	7,604	7,604
Building inspection	100,000	131,450	31,450
Rezoning and variances	40,000	25,600	(14,400)
Erosion and sediment control	5,000	684	(4,316)
In lieu of taxes - Housing Authority	6,195	6,195	-
Recreation - tennis	40,000	60,664	20,664
Buford community activities	10,000	7,135	(2,865)
Buford Middle School tennis	-	1,041	1,041
Cemetery fees	4,000	1,050	(2,950)
Court - Municipal	10,000	13,807	3,807
History books	<u>500</u>	<u>412</u>	<u>(88)</u>
Total charges for services	\$ <u>1,768,695</u>	\$ <u>2,051,322</u>	\$ <u>282,627</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Investment income	\$ <u>50,000</u>	\$ <u>56,197</u>	\$ <u>6,197</u>
Miscellaneous:			
Miscellaneous	50,000	57,516	7,516
Over and under	-	11,649	11,649
Rebates and refunds	5,000	7,833	2,833
Ring fund contributions	-	12,840	12,840
Rental income	-	150	150
City surplus E-Gov Sales	<u>-</u>	<u>929</u>	<u>929</u>
Total miscellaneous	<u>55,000</u>	<u>90,917</u>	<u>35,917</u>
Total revenues	\$ <u>14,324,595</u>	\$ <u>14,206,416</u>	\$(<u>118,179</u>)

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Current Operating:			
General Government:			
Financial and General Administration:			
Parks and Recreation - new football fields	\$ 2,223,887	\$ 2,223,887	\$ -
Salaries - regular employees	1,219,405	1,219,405	-
Main Street TEA Project Phase V	460,567	460,567	-
Little Mill grading	378,978	378,978	-
Group insurance	355,254	355,254	-
Little Mill paving	305,707	305,707	-
Sites and Land	222,709	222,709	-
Legal and accounting	201,419	201,419	-
Little Mill Road Safety Improvement	193,085	193,085	-
General supplies and materials	99,313	99,313	-
Property tax refunds	96,031	96,031	-
Engineer fees	92,964	92,964	-
Payroll tax	87,335	87,335	-
Retirement	77,162	77,162	-
Ring Fund expense	73,403	73,403	-
Rental of equipment and vehicle	60,847	60,847	-
Computer expense	59,764	59,764	-
Energy - electricity	53,614	53,614	-
Repairs and maintenance	39,580	39,580	-
Telephone	37,013	37,013	-
Workers compensation	34,247	34,247	-
Buford community activities	29,501	29,501	-
Tourism promotion	28,275	28,275	-
Blasting and explosives	27,573	27,573	-
Little Mill clearing and grubbing	24,649	24,649	-
American Legion lease	24,000	24,000	-
Miscellaneous	22,648	22,648	-
Dues and subscriptions	22,646	22,646	-
School	22,286	22,286	-
Insurance - property and liability	21,619	21,619	-
Lawn care	17,806	17,806	-
Energy - gasoline and diesel	9,394	9,394	-
Postage and freight	9,102	9,102	-
Cleaning - City Hall	9,032	9,032	-
Administrative expense	5,980	5,980	-
County property taxes	5,140	5,140	-
Advertising	4,658	4,658	-
Lee Street Hardscape Project #8002	4,655	4,655	-
Mobile telephone expense	4,438	4,438	-
Printing and binding	3,975	3,975	-
Election expense	700	700	-
Government Deals sales fees	301	301	-
Education and training	263	263	-
Zoning Board	200	200	-
Bank charges	165	165	-
Shop supplies	128	128	-
Demo - Old Middle School Gym	<u>61</u>	<u>61</u>	<u>-</u>
Total Financial and General Administration	\$ <u>6,671,479</u>	\$ <u>6,671,479</u>	\$ <u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Current Operating - continued:			
Public Safety:			
Marshall:			
Salaries - regular employees	\$ 101,984	\$ 101,984	\$ -
Group insurance	13,516	13,516	-
Payroll tax	7,787	7,787	-
Retirement	5,936	5,936	-
Energy - gasoline and diesel	4,000	4,000	-
Repairs and maintenance	3,246	3,246	-
Workers compensation	2,586	2,586	-
Insurance - property and liability	1,431	1,431	-
General supplies and materials	1,255	1,255	-
Energy - electricity	817	817	-
Telephone	767	767	-
Printing and binding	645	645	-
Miscellaneous	640	640	-
Mobile telephone expense	477	477	-
Dues and subscriptions	<u>177</u>	<u>177</u>	<u>-</u>
Total Marshall	\$ <u>145,264</u>	\$ <u>145,264</u>	\$ <u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Current Operating - continued:			
Public Services:			
Highway and Street:			
Salaries - regular employees	\$ 1,146,498	\$ 1,146,498	\$ -
Group insurance	344,732	344,732	-
Repairs and maintenance	179,011	179,011	-
Retirement	160,260	160,260	-
Temporary employees	128,948	128,948	-
Highway lawn maintenance	95,122	95,122	-
Street paving	87,815	87,815	-
Payroll tax	87,109	87,109	-
Workers compensation	64,332	64,332	-
General supplies and materials	61,394	61,394	-
Energy - electricity	43,253	43,253	-
Energy - gasoline and diesel	38,012	38,012	-
Insurance - property and liability	37,180	37,180	-
Prisoner detail	36,212	36,212	-
Shop supplies	34,325	34,325	-
Engineer fees	33,054	33,054	-
Stormwater repairs	27,619	27,619	-
Vehicles	23,851	23,851	-
LCI - Hill Street project	13,939	13,939	-
Mobile telephone expense	3,686	3,686	-
Computer expense	2,500	2,500	-
Telephone	2,321	2,321	-
Miscellaneous	1,805	1,805	-
Rental of equipment and vehicle	1,503	1,503	-
Rental of land and building	739	739	-
Printing and binding	234	234	-
Education and training	80	80	-
Postage and freight	33	33	-
Total Highway and Street	\$ 2,655,567	\$ 2,655,567	\$ -

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Current Operating - continued:			
Public Services - continued:			
Building Inspection:			
Salaries - regular employees	\$ 136,129	\$ 136,129	\$ -
Engineering	81,821	81,821	-
Group insurance	27,911	27,911	-
Retirement	11,871	11,871	-
Payroll tax	10,453	10,453	-
Energy - gasoline and diesel	8,000	8,000	-
Workers compensation	7,253	7,253	-
Zoning Board	4,650	4,650	-
Insurance - property and liability	4,293	4,293	-
Advertising	2,619	2,619	-
Mobile telephone expense	1,761	1,761	-
Refund to customer	1,675	1,675	-
Printing and binding	1,635	1,635	-
Repairs and maintenance	1,047	1,047	-
General supplies and materials	827	827	-
Miscellaneous	586	586	-
Dues and subscriptions	349	349	-
Education and training	<u>150</u>	<u>150</u>	<u>-</u>
Total Building Inspection	\$ <u>303,030</u>	\$ <u>303,030</u>	\$ <u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Current Operating - continued:			
Public Services - continued:			
Culture and Recreation:			
Salaries - regular employees	\$ 196,925	\$ 196,925	\$ -
Payments to others	54,675	54,675	-
Group insurance	53,705	53,705	-
Ballfield expense	42,753	42,753	-
Energy - electricity	31,600	31,600	-
Tennis expense	25,834	25,834	-
Retirement	17,807	17,807	-
Payroll tax	15,223	15,223	-
Contract labor	14,789	14,789	-
Workers compensation	9,669	9,669	-
Repairs and maintenance	7,208	7,208	-
General supplies and materials	5,766	5,766	-
Insurance - property and liability	5,718	5,718	-
Energy - gasoline and diesel	4,000	4,000	-
Telephone	1,635	1,635	-
Mobile telephone expense	880	880	-
Printing and binding	801	801	-
Rental of equipment and vehicle	760	760	-
Advertising	600	600	-
Miscellaneous	<u>376</u>	<u>376</u>	<u>-</u>
Total Culture and Recreation	\$ <u>490,724</u>	\$ <u>490,724</u>	\$ <u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Current Operating - continued:			
Public Services - continued:			
Maintenance:			
Salaries - regular employees	\$ 385,150	\$ 385,150	-
Group insurance	90,381	90,381	-
Retirement	47,484	47,484	-
Payroll tax	29,307	29,307	-
Lawn care	26,839	26,839	-
Repairs and maintenance	18,033	18,033	-
Workers compensation	14,791	14,791	-
Energy - electricity	11,390	11,390	-
Insurance - property and liability	8,581	8,581	-
General supplies and materials	6,039	6,039	-
Energy - gasoline and diesel	6,000	6,000	-
Rental of equipment and vehicle	134	134	-
Miscellaneous	<u>40</u>	<u>40</u>	<u>-</u>
Total Maintenance	\$ <u>644,169</u>	\$ <u>644,169</u>	\$ <u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE OVER (UNDER)</u>
Intergovernmental:			
Buford Board of Education:			
Monthly transfer	<u>\$17,300,000</u>	<u>\$17,300,000</u>	<u>-</u>
Total Buford Board of Education	<u>\$17,300,000</u>	<u>\$17,300,000</u>	\$ <u>-</u>
 Total expenditures	 <u>\$28,210,233</u>	 <u>\$28,210,233</u>	 \$ <u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

SPECIAL REVENUE FUND

- **Hotel/Motel Tax Fund**

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ 53,574
Hotel/Motel tax receivable	30,190
Due from General Fund	<u>4,345</u>
Total assets	\$ <u>88,109</u>

LIABILITIES

Accounts payable	\$ <u>12,076</u>
Total liabilities	<u>12,076</u>

FUND BALANCE

Restricted - tourism and promotion	<u>76,033</u>
Total fund balance	<u>76,033</u>
Total liabilities and fund balance	\$ <u>88,109</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND
JUNE 30, 2011

REVENUES

Hotel/Motel tax revenue	\$ 124,653
Investment income	<u>70</u>
Total revenues	<u>124,723</u>

EXPENDITURES

Tourism and promotion	<u>63,580</u>
Total expenditures	<u>63,580</u>

Excess (deficiency) of revenues over (under) expenditures	61,143
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Fund balance at beginning of year	<u>14,890</u>
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Fund balance at end of year	\$ <u>76,033</u>
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SEE INDEPENDENT AUDITORS' REPORT.

DEBT SERVICE FUND

- **2010 General Obligation Bond Fund**

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
DEBT SERVICE FUND
2010 GENERAL OBLIGATION BOND FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents

\$ -

Total assets

\$ -

FUND BALANCE

Restricted - debt service

\$ -

Total fund balance

\$ -

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
2010 GENERAL OBLIGATION BOND FUND
JUNE 30, 2011

REVENUES	
Investment income	\$ <u>679</u>
Total revenues	<u>679</u>
EXPENDITURES	
Principal	500,000
Interest	238,264
Fiscal charges	<u>4,134</u>
Total expenditures	<u>742,398</u>
Excess (deficiency) of revenues over (under) expenditures	(741,719)
OTHER FINANCING SOURCES	
Transfers in - General Fund	738,264
Transfers in - 2010 GOB Construction Fund	<u>3,455</u>
Total transfers in	<u>741,719</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources	<u>-</u>
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>

SEE INDEPENDENT AUDITORS' REPORT.

CAPITAL PROJECT FUNDS

- **City of Buford 2005 SPLOST Fund**
- **City of Buford 2009 SPLOST Fund**
- **City of Buford 2009 Hall County SPLOST Fund**
- **City of Buford 2001 Rest Haven SPLOST Fund**
- **City of Buford 2005 Rest Haven SPLOST Fund**
- **2010 GOB Construction Fund**

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
CAPITAL PROJECT FUND
CITY OF BUFORD 2005 SPLOST FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents \$ **1,655,134**

Total assets \$ **1,655,134**

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable \$ **22,943**

Total liabilities **22,943**

FUND BALANCE

Restricted - SPLOST projects \$ **1,632,191**

Total fund balance \$ **1,632,191**

Total liabilities and fund balance \$ **1,655,134**

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
CITY OF BUFORD 2005 SPLOST FUND
JUNE 30, 2011**

REVENUES

SPLOST revenues	\$ 4,767
Investment income	<u>2,322</u>
Total revenues	<u>7,089</u>

EXPENDITURES

Streets - Buford Highway engineering	112,584
Streets - Sawnee Avenue	<u>53,208</u>
Total expenditures	<u>165,792</u>

Excess (deficiency) of revenues over (under) expenditures	(<u>158,703</u>)
--	--------------------

Fund balance at beginning of year	<u>1,790,894</u>
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Fund balance at end of year	\$ <u>1,632,191</u>
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SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
CAPITAL PROJECT FUND
CITY OF BUFORD 2009 SPLOST FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents
SPLOST receivable

\$ 2,923,816
253,501

Total assets

\$ 3,177,317

FUND BALANCE

Restricted - SPLOST projects

\$ 3,177,317

Total fund balance

\$ 3,177,317

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
CITY OF BUFORD 2009 SPLOST FUND
JUNE 30, 2011

REVENUES	
SPLOST revenues	\$ 1,469,472
Investment income	<u>2,332</u>
Total revenues	<u>1,471,804</u>
 EXPENDITURES	
	<u>-</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>1,471,804</u>
 Fund balance at beginning of year	 <u>1,705,513</u>
 Fund balance at end of year	 \$ <u>3,177,317</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
CAPITAL PROJECT FUND
CITY OF BUFORD 2009 HALL COUNTY SPLOST FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ 24,389
SPLOST receivable	<u>1,343</u>
Total assets	\$ <u>25,732</u>

FUND BALANCE

Restricted - SPLOST projects	\$ <u>25,732</u>
Total fund balance	\$ <u>25,732</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
CITY OF BUFORD 2009 HALL COUNTY SPLOST FUND
JUNE 30, 2011

REVENUES	
SPLOST revenues	\$ 11,060
Investment income	<u>17</u>
Total revenues	<u>11,077</u>
EXPENDITURES	
	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,077</u>
Fund balance at beginning of year	<u>14,655</u>
Fund balance at end of year	\$ <u>25,732</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
CAPITAL PROJECT FUND
CITY OF BUFORD 2001 REST HAVEN SPLOST FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ <u>19,599</u>
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Total assets	\$ <u><u>19,599</u></u>
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FUND BALANCE

Restricted - SPLOST projects	\$ <u>19,599</u>
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Total fund balance	\$ <u><u>19,599</u></u>
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SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
CITY OF BUFORD 2001 REST HAVEN SPLOST FUND
JUNE 30, 2011

REVENUES	
Investment income	\$ <u>4</u>
Total revenues	<u>4</u>
EXPENDITURES	
	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	4
OTHER FINANCING SOURCES(USES)	
Transfers in	90,874
Transfers out	(<u>71,279</u>)
Total other financing sources(uses)	<u>19,595</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	19,599
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u><u>19,599</u></u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
CAPITAL PROJECT FUND
CITY OF BUFORD 2005 REST HAVEN SPLOST FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ <u>565,849</u>
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Total assets	\$ <u><u>565,849</u></u>
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FUND BALANCE

Restricted - SPLOST projects	\$ <u>565,849</u>
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Total fund balance	\$ <u><u>565,849</u></u>
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SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
CITY OF BUFORD 2005 REST HAVEN SPLOST FUND
JUNE 30, 2011

REVENUES	
Investment income	\$ <u>721</u>
Total revenues	<u>721</u>
EXPENDITURES	
	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	721
OTHER FINANCING SOURCES(USES)	
Transfers in	71,279
Transfers out	(<u>90,874</u>)
Total other financing sources(uses)	(<u>19,595</u>)
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(18,874)
Fund balance at beginning of year	<u>584,723</u>
Fund balance at end of year	\$ <u>565,849</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
CAPITAL PROJECT FUND
2010 GOB CONSTRUCTION FUND
JUNE 30, 2011**

ASSETS

Cash and cash equivalents	\$ <u>5,036,333</u>
---------------------------	---------------------

Total assets	\$ <u>5,036,333</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to General Fund	\$ <u>1,153,765</u>
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Total liabilities	<u>1,153,765</u>
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FUND BALANCE

Restricted - construction	\$ <u>3,882,568</u>
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Total fund balance	\$ <u>3,882,568</u>
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Total liabilities and fund balance	\$ <u>5,036,333</u>
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SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUND
2010 GOB CONSTRUCTION FUND
JUNE 30, 2011**

REVENUES	
Investment income	\$ <u>47,197</u>
Total revenues	<u>47,197</u>
EXPENDITURES	
Capital outlay	<u>6,076,264</u>
Excess (deficiency) of revenues over (under) expenditures	(6,029,067)
OTHER FINANCING SOURCES(USES)	
Proceeds from bond issuance	9,915,090
Transfers out	(<u>3,455</u>)
Total other financing sources(uses)	<u>9,911,635</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	3,882,568
Fund balance at beginning of year	<u>-</u>
Fund balance at end of year	\$ <u>3,882,568</u>

SEE INDEPENDENT AUDITORS' REPORT.

ENTERPRISE FUND

**CITY OF BUFORD, GEORGIA
STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2011**

ASSETS

Current assets:

Cash and cash equivalents	\$ 14,893,655
Investments	12,864,203
Accounts receivable, net	2,533,879
Prepaid expenses	<u>109,279</u>
Total current assets	<u>30,401,016</u>

Noncurrent assets:

Restricted cash and cash equivalents	3,330,174
Restricted investments	5,005,259
Unamortized portion of bond issue costs	113,885
Net capital assets	<u>62,304,576</u>
Total noncurrent assets	<u>70,753,894</u>

Total assets **\$ 101,154,910**

LIABILITIES

Current liabilities:

Accounts payable	\$ 2,446,836
Accrued interest	105,220
Other accrued liabilities	230,412
Capital lease obligations	735,706
Revenue bonds payable	<u>250,000</u>
Total current liabilities	<u>3,768,174</u>

Noncurrent liabilities:

Customer deposits payable	4,167,048
Capital lease obligations	1,593,502
Revenue bonds payable	3,990,000
Accrued compensated absences	89,884
Accrued landfill closure and post closure care costs	954,978
Due to General Fund	<u>29,424,539</u>
Total noncurrent liabilities	<u>40,219,951</u>

Total liabilities **43,988,125**

NET ASSETS

Invested in capital assets, net of related debt	55,849,253
Restricted for:	
Municipal Competitive Trust	3,298,807
Debt service	514,358
Unrestricted	<u>(2,495,633)</u>

Total net assets **57,166,785**

Total liabilities and net assets **\$ 101,154,910**

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Electric System</u>	<u>Gas System</u>	<u>Solid Waste and Recycling</u>	<u>Waste Water System</u>	<u>Water System</u>	<u>Non Divisional</u>	<u>Total</u>
OPERATING REVENUES							
Utility charges	\$ 15,584,162	\$ 33,130,548	\$ 2,319,295	\$ 1,448,897	\$ 857,319	\$ -	\$ 53,340,221
Refunds	360,358	988,373	-	-	-	-	1,348,731
Penalties	-	-	-	-	-	770,732	770,732
Off-system sales	443,855	-	-	-	-	-	443,855
Landfill host fee	-	-	442,677	-	-	-	442,677
Force agreements - Gwinnett County	-	423,679	-	-	-	-	423,679
Utility service charge	-	-	-	-	-	368,063	368,063
BFI monthly lease	-	-	287,208	-	-	-	287,208
Connection fees	9,379	117,730	-	14,400	20,100	-	161,609
CDBG Grant	-	-	-	-	108,468	-	108,468
Miscellaneous income	-	-	-	-	-	63,492	63,492
Internet convenience fee	-	-	-	-	-	62,770	62,770
Security light revenue	48,600	-	-	-	-	-	48,600
Industrial permit surcharge	-	-	-	33,454	-	-	33,454
Electric pole rental	31,749	-	-	-	-	-	31,749
Sewer allocation surcharges	-	-	-	16,561	-	-	16,561
Reimbursements - landfill closure	-	-	16,500	-	-	-	16,500
Vendors compensation	-	-	-	-	-	15,803	15,803
Fire line meters revenue	-	-	-	-	9,913	-	9,913
Reimbursements - utility expansion	1,400	-	-	-	-	-	1,400
Total operating revenues	<u>16,479,503</u>	<u>34,660,330</u>	<u>3,065,680</u>	<u>1,513,312</u>	<u>995,800</u>	<u>1,280,860</u>	<u>57,995,485</u>
OPERATING EXPENSES							
Utilities purchased	12,359,740	16,136,929	-	-	-	-	28,496,669
Depreciation	936,200	2,131,487	16,637	477,194	477,194	-	4,038,712
Salaries and wages - regular employees	508,998	1,239,633	217,770	426,775	389,491	-	2,782,667
United Waste	-	-	1,608,062	-	-	-	1,608,062
General supplies and materials	183,051	531,437	16,720	275,013	134,365	-	1,140,586
Group insurance	118,078	279,228	59,094	73,376	108,608	-	638,384
Energy - electricity	88,339	15,352	-	214,874	86,725	-	405,290
Repairs and maintenance	33,600	120,927	24,604	80,395	32,596	-	292,122
Retirement	53,420	112,776	29,678	29,678	47,484	-	273,036
Engineering	3,559	27,248	-	147,066	64,745	-	242,618
Energy - gasoline and diesel	42,424	42,424	42,424	42,344	42,424	-	212,040
Payroll tax	38,340	94,133	16,449	32,185	29,372	-	210,479
Electric Cities of Georgia - marketing	158,462	-	-	-	-	-	158,462
Postage and freight	31,467	108,799	-	4,393	-	-	144,659
Bad debt expense	-	-	-	-	-	131,428	131,428
Workers compensation	22,288	49,609	12,088	12,347	16,825	-	113,157
Contract labor	-	-	-	91,241	-	-	91,241
Subscribed regulatory compliance and MGAG fees	-	85,089	-	-	-	-	85,089
Landfill monitoring	-	-	67,001	-	-	-	67,001

Chemical analysis	-	-	-	66,765	-	-	66,765
Insurance - property and liability	12,869	27,173	7,150	7,150	11,441	-	65,783
AMR conversion	-	62,934	-	-	-	-	62,934
County property taxes	-	62,553	-	-	-	-	62,553
Temporary employees	-	1,310	-	58,361	-	-	59,671
Bank charges	-	-	-	-	-	50,695	50,695
Energy - water and sewer	-	-	-	44,130	-	-	44,130
Leak survey and cathodic	-	38,675	-	-	-	-	38,675
Telephone	1,765	11,458	-	14,743	8,894	-	36,860
Braselton franchise fees	-	35,602	-	-	-	-	35,602
Refunds to customers	300	24,829	5,000	6	20	-	30,155
Dues and subscriptions	12,343	13,709	-	885	1,223	-	28,160
Mobile telephone expense	4,872	18,650	5	1,284	2,206	-	27,017
Miscellaneous	2,900	10,908	3,412	3,547	1,376	-	22,143
Water and sewer plant repairs	-	-	-	11,711	6,622	-	18,333
Printing and binding	110	10,394	649	335	4,750	-	16,238
Subscribed sales force	-	10,010	-	-	-	-	10,010
Web payment chargebacks	-	-	-	-	-	9,682	9,682
Auburn franchise fees	-	7,315	-	-	-	-	7,315
Drinking water program	-	-	-	-	7,250	-	7,250
Penalties and fines	-	-	-	6,440	-	-	6,440
Rental of equipment and vehicle	346	4,156	-	1,137	444	-	6,083
Advertising	-	5,185	307	160	395	-	6,047
Education and training	1,975	1,190	-	1,430	1,189	-	5,784
Computer expense	-	5,119	-	262	263	-	5,644
Collection fees	-	-	-	-	-	2,503	2,503
Carl franchise fees	-	1,807	-	-	-	-	1,807
Rental of land and building	-	125	-	150	-	-	275
Total operating expenses	<u>14,615,446</u>	<u>21,328,173</u>	<u>2,127,050</u>	<u>2,125,377</u>	<u>1,475,902</u>	<u>194,308</u>	<u>41,866,256</u>
Income (loss) from operations	<u>1,864,057</u>	<u>13,332,157</u>	<u>938,630</u>	<u>(612,065)</u>	<u>(480,102)</u>	<u>1,086,552</u>	<u>16,129,229</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income	125,119	244,691	-	26,675	-	86,194	482,679
Interest expense	-	(153,679)	-	(210,440)	(12,707)	-	(376,826)
Fiscal agent charges	-	(3,100)	-	-	(1,000)	-	(4,100)
Amortization	-	-	-	(11,781)	-	-	(11,781)
Total nonoperating revenues (expenses)	<u>125,119</u>	<u>87,912</u>	<u>-</u>	<u>(195,546)</u>	<u>(13,707)</u>	<u>86,194</u>	<u>89,972</u>
Income (loss) before transfers	1,989,176	13,420,069	938,630	(807,611)	(493,809)	1,172,746	16,219,201
TRANSFERS							
Transfers out	-	-	-	-	-	(17,350,601)	(17,350,601)
Change in net assets	<u>\$ 1,989,176</u>	<u>\$ 13,420,069</u>	<u>\$ 938,630</u>	<u>\$ (807,611)</u>	<u>\$ (493,809)</u>	<u>\$ (16,177,855)</u>	<u>\$ (1,131,400)</u>
Net assets at beginning of year							<u>58,298,185</u>
Net assets at end of year							<u>\$ 57,166,785</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - ELECTRIC SYSTEM
FOR THE YEAR ENDED JUNE 30, 2011

	ELECTRIC SYSTEM		VARIANCE OVER (UNDER)
	BUDGET	ACTUAL	
OPERATING REVENUES			
Utility charges	\$ 16,250,000	\$ 15,584,162	\$(665,838)
Off-system sales	500,000	443,855	(56,145)
Electric refunds and rebates	350,000	360,358	10,358
Connection fees	50,000	9,379	(40,621)
Security light revenue	50,000	48,600	(1,400)
Electric pole rental	10,000	31,749	21,749
Reimbursements - utility expansion	<u>50,000</u>	<u>1,400</u>	<u>(48,600)</u>
Total operating revenues	<u>17,260,000</u>	<u>16,479,503</u>	<u>(780,497)</u>
OPERATING EXPENSES			
Utilities purchased	12,359,740	12,359,740	-
Depreciation	936,200	936,200	-
Salaries and wages - regular employees	508,998	508,998	-
General supplies and materials	183,051	183,051	-
Electric Cities of Georgia - marketing	158,462	158,462	-
Group insurance	118,078	118,078	-
Energy - electricity	88,339	88,339	-
Retirement	53,420	53,420	-
Energy - gasoline and diesel	42,424	42,424	-
Payroll tax	38,340	38,340	-
Repairs and maintenance	33,600	33,600	-
Postage and freight	31,467	31,467	-
Workers compensation	22,288	22,288	-
Insurance - property and liability	12,869	12,869	-
Dues and subscriptions	12,343	12,343	-
Mobile telephone expense	4,872	4,872	-
Engineering fees	3,559	3,559	-
Miscellaneous	2,900	2,900	-
Education and training	1,975	1,975	-
Telephone	1,765	1,765	-
Rental of equipment and vehicle	346	346	-
Refunds to customers	300	300	-
Printing and binding	<u>110</u>	<u>110</u>	<u>-</u>
Total operating expenses	<u>14,615,446</u>	<u>14,615,446</u>	<u>-</u>
Income (loss) from operations	<u>2,644,554</u>	<u>1,864,057</u>	<u>(780,497)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	<u>75,000</u>	<u>125,119</u>	<u>50,119</u>
Total nonoperating revenues (expenses)	<u>75,000</u>	<u>125,119</u>	<u>50,119</u>
Change in net assets	\$ <u>2,719,554</u>	\$ <u>1,989,176</u>	\$(<u>730,378</u>)

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - GAS SYSTEM
FOR THE YEAR ENDED JUNE 30, 2011

	GAS SYSTEM		VARIANCE OVER (UNDER)
	BUDGET	ACTUAL	
OPERATING REVENUES			
Utility charges	\$ 31,400,000	\$ 33,130,548	\$ 1,730,548
Refunds and rebates	940,000	988,373	48,373
Force agreements - Gwinnett County	-	423,679	423,679
Connection fees	<u>150,000</u>	<u>117,730</u>	<u>(32,270)</u>
Total operating revenues	<u>32,490,000</u>	<u>34,660,330</u>	<u>2,170,330</u>
OPERATING EXPENSES			
Utilities purchased	16,136,929	16,136,929	-
Depreciation	2,131,487	2,131,487	-
Salaries and wages - regular employees	1,239,633	1,239,633	-
General supplies and materials	531,437	531,437	-
Group insurance	279,228	279,228	-
Repairs and maintenance	120,927	120,927	-
Retirement	112,776	112,776	-
Postage and freight	108,799	108,799	-
Payroll tax	94,133	94,133	-
Subscribed regulatory compliance and MGAG fees	85,089	85,089	-
AMR conversion	62,934	62,934	-
County property taxes	62,553	62,553	-
Workers compensation	49,609	49,609	-
Energy - gasoline and diesel	42,424	42,424	-
Leak survey and cathodic	38,675	38,675	-
Braselton franchise fee	35,602	35,602	-
Engineering fees	27,248	27,248	-
Insurance - property and liability	27,173	27,173	-
Refunds to customers	24,829	24,829	-
Mobile telephone expense	18,650	18,650	-
Energy - electricity	15,352	15,352	-
Dues and subscriptions	13,709	13,709	-
Telephone	11,458	11,458	-
Miscellaneous	10,908	10,908	-
Printing and binding	10,394	10,394	-
Subscribed sales force	10,010	10,010	-
Auburn franchise fees	7,315	7,315	-
Advertising	5,185	5,185	-
Computer expense	5,119	5,119	-
Rental of equipment and vehicle	4,156	4,156	-
Carl franchise fees	1,807	1,807	-
Temporary employees	1,310	1,310	-
Education and training	1,190	1,190	-
Rental of land and building	<u>125</u>	<u>125</u>	<u>-</u>
Total operating expenses	<u>21,328,173</u>	<u>21,328,173</u>	<u>-</u>
Income (loss) from operations	<u>11,161,827</u>	<u>13,332,157</u>	<u>2,170,330</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	100,000	244,691	144,691
Interest expense	(153,679)	(153,679)	-
Fiscal agents fees	<u>(3,100)</u>	<u>(3,100)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(56,779)</u>	<u>87,912</u>	<u>144,691</u>
Change in net assets	\$ <u>11,105,048</u>	\$ <u>13,420,069</u>	\$ <u>2,315,021</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SOLID WASTE AND RECYCLING
FOR THE YEAR ENDED JUNE 30, 2011

	VARIANCE		
	SOLID WASTE AND RECYCLING		OVER
	BUDGET	ACTUAL	(UNDER)
OPERATING REVENUES			
Utility charges	\$ 2,220,000	\$ 2,319,295	\$ 99,295
Landfill host fee	470,000	442,677	(27,323)
BFI monthly lease	300,000	287,208	(12,792)
Landfill closure reimbursement	-	16,500	16,500
Total operating revenues	2,990,000	3,065,680	75,680
OPERATING EXPENSES			
United Waste	1,608,062	1,608,062	-
Salaries and wages - regular employees	217,770	217,770	-
Landfill monitoring	67,001	67,001	-
Group insurance	59,094	59,094	-
Energy - gasoline and diesel	42,424	42,424	-
Retirement	29,678	29,678	-
Repairs and maintenance	24,604	24,604	-
General supplies and materials	16,720	16,720	-
Depreciation	16,637	16,637	-
Payroll tax	16,449	16,449	-
Workers compensation	12,088	12,088	-
Insurance - property and liability	7,150	7,150	-
Refunds to customers	5,000	5,000	-
Miscellaneous	3,412	3,412	-
Printing and binding	649	649	-
Advertising	307	307	-
Mobile telephone expense	5	5	-
Total operating expenses	2,127,050	2,127,050	-
Income (loss) from operations	862,950	938,630	75,680
Change in net assets	\$ 862,950	\$ 938,630	\$ 75,680

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WASTE WATER SYSTEM
FOR THE YEAR ENDED JUNE 30, 2011

	<u>WASTE WATER SYSTEM</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER</u>
			<u>(UNDER)</u>
OPERATING REVENUES			
Utility charges	\$ 1,500,000	\$ 1,448,897	(51,103)
Sewer allocation surcharges	100,000	16,561	(83,439)
Industrial permit surcharge	95,000	33,454	(61,546)
Connection fees	50,000	14,400	(35,600)
Total operating revenues	1,745,000	1,513,312	(231,688)
OPERATING EXPENSES			
Depreciation	477,194	477,194	-
Salaries and wages - regular employees	426,775	426,775	-
General supplies and materials	275,013	275,013	-
Energy - electricity	214,874	214,874	-
Engineering	147,066	147,066	-
Contract labor	91,241	91,241	-
Repairs and maintenance	80,395	80,395	-
Group insurance	73,376	73,376	-
Chemical analysis	66,765	66,765	-
Temporary employees	58,361	58,361	-
Energy - water and sewer	44,130	44,130	-
Energy - gasoline and diesel	42,344	42,344	-
Payroll tax	32,185	32,185	-
Retirement	29,678	29,678	-
Telephone	14,743	14,743	-
Workers compensation	12,347	12,347	-
Water and sewer plant repairs	11,711	11,711	-
Insurance - property and liability	7,150	7,150	-
Penalties and fines	6,440	6,440	-
Postage and freight	4,393	4,393	-
Miscellaneous	3,547	3,547	-
Education and training	1,430	1,430	-
Mobile telephone expense	1,284	1,284	-
Rental of equipment and vehicle	1,137	1,137	-
Dues and subscriptions	885	885	-
Printing and binding	335	335	-
Computer expense	262	262	-
Advertising	160	160	-
Rental of land and building	150	150	-
Refund to customer	6	6	-
Total operating expenses	2,125,377	2,125,377	-
Income (loss) from operations	(380,377)	(612,065)	(231,688)
NONOPERATING REVENUES (EXPENSES)			
Interest income	15,000	26,675	11,675
Interest expense	(210,440)	(210,440)	-
Amortization	(11,781)	(11,781)	-
Total nonoperating revenues (expenses)	(207,221)	(195,546)	11,675
Change in net assets	\$ (587,598)	\$ (807,611)	\$ (220,013)

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER SYSTEM
FOR THE YEAR ENDED JUNE 30, 2011

	WATER SYSTEM		VARIANCE OVER (UNDER)
	BUDGET	ACTUAL	
OPERATING REVENUES			
Utility charges	\$ 855,000	\$ 857,319	\$ 2,319
CDBG Grant	80,000	108,468	28,468
Connection fees	20,000	20,100	100
Fire line meters	<u>2,000</u>	<u>9,913</u>	<u>7,913</u>
Total operating revenues	<u>957,000</u>	<u>995,800</u>	<u>38,800</u>
OPERATING EXPENSES			
Depreciation	477,194	477,194	-
Salaries and wages - regular employees	389,491	389,491	-
General supplies and materials	134,365	134,365	-
Group insurance	108,608	108,608	-
Energy - electricity	86,725	86,725	-
Engineering	64,745	64,745	-
Retirement	47,484	47,484	-
Energy - gasoline and diesel	42,424	42,424	-
Repairs and maintenance	32,596	32,596	-
Payroll tax	29,372	29,372	-
Workers compensation	16,825	16,825	-
Insurance - property and liability	11,441	11,441	-
Telephone	8,894	8,894	-
Drinking water program	7,250	7,250	-
Water and sewer plant repairs	6,622	6,622	-
Printing and binding	4,750	4,750	-
Mobile telephone expense	2,206	2,206	-
Miscellaneous	1,376	1,376	-
Dues and subscriptions	1,223	1,223	-
Education and training	1,189	1,189	-
Rental of equipment and vehicle	444	444	-
Advertising	395	395	-
Computer expense	263	263	-
Refunds to customers	<u>20</u>	<u>20</u>	<u>-</u>
Total operating expenses	<u>1,475,902</u>	<u>1,475,902</u>	<u>-</u>
Income (loss) from operations	(<u>518,902</u>)	(<u>480,102</u>)	<u>38,800</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(12,707)	(12,707)	-
Fiscal agents fees	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Total nonoperating revenues (expenses)	(<u>13,707</u>)	(<u>13,707</u>)	<u>-</u>
Change in net assets	\$ (<u>532,609</u>)	\$ (<u>493,809</u>)	\$ <u>38,800</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF BUFORD, GEORGIA
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - NON DIVISIONAL
FOR THE YEAR ENDED JUNE 30, 2011

	NON DIVISIONAL		VARIANCE
	BUDGET	ACTUAL	OVER
			(UNDER)
OPERATING REVENUES			
Penalties	\$ 900,000	\$ 770,732	\$(129,268)
Utility service charge	470,000	368,063	(101,937)
Internet convenience fee	100,000	62,770	(37,230)
Vendors compensation	18,000	15,803	(2,197)
Miscellaneous revenue	<u>50,000</u>	<u>63,492</u>	<u>13,492</u>
Total operating revenues	<u>1,538,000</u>	<u>1,280,860</u>	<u>(257,140)</u>
OPERATING EXPENSES			
Bad debt expense	131,428	131,428	-
Bank charges	50,695	50,695	-
Web payment chargebacks	9,682	9,682	-
Collection fees	<u>2,503</u>	<u>2,503</u>	<u>-</u>
Total operating expenses	<u>194,308</u>	<u>194,308</u>	<u>-</u>
Income (loss) from operations	<u>1,343,692</u>	<u>1,086,552</u>	<u>(257,140)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>125,000</u>	<u>86,194</u>	<u>(38,806)</u>
Total nonoperating revenues (expenses)	<u>125,000</u>	<u>86,194</u>	<u>(38,806)</u>
Income (loss) before transfers	1,468,692	1,172,746	(295,946)
TRANSFERS			
Transfers out	<u>(17,350,601)</u>	<u>(17,350,601)</u>	<u>-</u>
Change in net assets	\$(15,881,909)	\$(16,177,855)	\$(295,946)

SEE INDEPENDENT AUDITORS' REPORT.

AGENCY FUND

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
AGENCY FUND
BUFORD BOARD OF EDUCATION SPLOST 2007 FUND
JUNE 30, 2011**

ASSETS

Cash

\$ 1,309,240

Total assets

\$ 1,309,240

LIABILITIES

Due to City of Buford Board of Education

\$ 1,309,240

Total liabilities

\$ 1,309,240

SEE INDEPENDENT AUDITORS' REPORT.