

CITY OF BUFORD, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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, 2012, 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, net assets, revenues, and expenses 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, 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 December 30, 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 and the Schedule of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and the Schedule of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds 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 & Bivings, P.C.

December 30, 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, 2012**

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, 2012. 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, 2012 by \$132,922,831 ("net assets"). Of this amount, \$20,422,359 ("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. \$103,468,656 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 \$ 9,031,816.
- The City's total net assets increased by \$120,941 in the fiscal year ended June 30, 2012.
- As of the close of the current fiscal year ended June 30, 2012, the City's governmental funds reported combined ending fund balances of \$16,613,559. Approximately 64.89% of this total amount, \$10,781,129 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 \$10,781,129 or 29.90% 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 and 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 Utilities Fund, which consists of the City's Gas, Electric, Solid Waste and Recycling, and Waste Water and Water systems operations, and the Buford Community Center, Town Park and Theatre.

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 which is considered to be a major fund. Data from the other eight (8) 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 Funds

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 enterprise funds to account for its gas, electric, solid waste and recycling, wastewater and water operations (Utilities Fund) and to account for the operations of the Buford Community Center Fund.

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

The basic proprietary funds 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 54 of this reporting package.

Supplementary Information Required by GASB 34

Supplementary information required by GASB 34 can be found on pages 55 to 60 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 61 to 64 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 \$132,922,831 as of June 30, 2012.

The largest portion of the City's net assets, totaling \$103,468,656 (77.84%) 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 \$9,031,816 (6.79%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$20,422,359 (15.37%) may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities current and other assets decreased \$25,186,141, mainly due to the reduction in interfund receivables that were received and used to fund operations and completion of capital projects. Unrestricted net assets decreased \$11,454,454, mainly due to completion of capital projects. The property tax rate decreased to 13.10 mills from 13.15. Revenues showed a slight decrease in total with most categories being stagnant due to the ongoing economic downturn

As of June 30, 2012 and June 30, 2011, 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 positive balance of \$9,971,844 as of June 30, 2012, and 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 21,187,322	\$ 46,373,463	\$ 21,333,577	\$ 9,425,795	\$ 42,520,899	\$ 55,799,258
Capital assets	<u>57,250,355</u>	<u>42,568,182</u>	<u>60,869,035</u>	<u>62,304,576</u>	<u>118,119,390</u>	<u>104,872,758</u>
Total assets	<u>78,437,677</u>	<u>88,941,645</u>	<u>82,202,612</u>	<u>71,730,371</u>	<u>160,640,289</u>	<u>160,672,016</u>
Noncurrent liabilities	7,109,769	8,355,076	5,474,172	6,628,364	12,583,941	14,983,440
Other liabilities	<u>7,146,807</u>	<u>4,951,014</u>	<u>7,986,710</u>	<u>7,935,222</u>	<u>15,133,517</u>	<u>12,886,236</u>
Total liabilities	<u>14,256,576</u>	<u>13,306,090</u>	<u>13,460,882</u>	<u>14,563,586</u>	<u>27,717,458</u>	<u>27,869,676</u>
Net assets:						
Invested in capital assets, net of related debt	48,081,019	38,104,515	55,387,637	55,735,368	103,468,656	93,839,883
Restricted	5,649,567	9,805,237	3,382,249	3,813,165	9,031,816	13,618,402
Unrestricted	<u>10,450,515</u>	<u>27,725,803</u>	<u>9,971,844</u>	<u>(2,381,748)</u>	<u>20,422,359</u>	<u>25,344,055</u>
Total net assets	\$ <u>64,181,101</u>	\$ <u>75,635,555</u>	\$ <u>68,741,730</u>	\$ <u>57,166,785</u>	\$ <u>132,922,831</u>	\$ <u>132,802,340</u>

CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended June 30, 2012 and June 30, 2011. Governmental activities decreased the City's net assets by \$11,454,454 for the year ended June 30, 2012 and by \$8,456,248 for the year ended June 30, 2011. Business-type activities increased the City's net assets by \$11,574,945 for the year ended June 30, 2012 and decreased net assets by \$1,131,400 for the year ended June 30, 2011.

CITY OF BUFORD, GEORGIA'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,323,995	\$ 2,051,322	\$ 48,795,917	\$ 55,954,642	\$ 51,119,912	\$ 58,005,964
Capital grants and Contributions	2,068,605	2,196,695	-	-	2,068,605	2,196,695
General revenues:						
Taxes	11,087,942	11,891,891	-	-	11,087,942	11,891,891
Franchise fees	868,879	804,176	-	-	868,879	804,176
Investment income	94,659	104,143	466,022	482,679	560,681	586,822
Miscellaneous	<u>119,593</u>	<u>111,904</u>	<u>1,728,958</u>	<u>2,040,843</u>	<u>1,848,551</u>	<u>2,152,747</u>
Total revenues	<u>16,563,673</u>	<u>17,160,131</u>	<u>50,990,897</u>	<u>58,478,164</u>	<u>67,554,570</u>	<u>75,638,295</u>
Expenses:						
General government	4,114,163	3,479,519	-	-	4,114,163	3,479,519
Public safety	154,911	148,171	-	-	154,911	148,171
Public services	5,681,436	4,884,396	-	-	5,681,436	4,884,396
Debt service	167,617	242,398	-	-	167,617	242,398
Intergovernmental - Board of Education	17,900,000	17,300,000	-	-	17,900,000	17,300,000
Gas system	-	-	17,627,826	21,484,952	17,627,826	21,484,952
Electric system	-	-	15,209,772	14,615,446	15,209,772	14,615,446
Solid waste and recycling	-	-	2,321,244	2,127,050	2,321,244	2,127,050
Wastewater system	-	-	2,376,642	2,347,598	2,376,642	2,347,598
Water system	-	-	1,615,655	1,489,609	1,615,655	1,489,609
Utilities Fund - Nondivisional	-	-	200,884	194,308	200,884	194,308
Community Center	<u>-</u>	<u>-</u>	<u>63,929</u>	<u>-</u>	<u>63,929</u>	<u>-</u>
Total expenses	<u>28,018,127</u>	<u>26,054,484</u>	<u>39,415,952</u>	<u>42,258,963</u>	<u>67,434,079</u>	<u>68,313,447</u>
Increases (decreases) in net assets before transfers	(11,454,454)	(8,894,353)	11,574,945	16,219,201	120,491	7,324,848
Transfers - internal	<u>-</u>	<u>17,350,601</u>	<u>-</u>	<u>(17,350,601)</u>	<u>-</u>	<u>-</u>
Increases (decreases) in Net assets	(11,454,454)	8,456,248	11,574,945	(1,131,400)	120,491	7,324,848
Net assets - Beginning of year	<u>75,635,555</u>	<u>67,179,307</u>	<u>57,166,785</u>	<u>58,298,185</u>	<u>132,802,340</u>	<u>125,477,492</u>
Net assets - End of year	\$ <u>64,181,101</u>	\$ <u>75,635,555</u>	\$ <u>68,741,730</u>	\$ <u>57,166,785</u>	\$ <u>132,922,831</u>	\$ <u>132,802,340</u>

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 \$16,613,559. \$5,649,567 (34.01%) of this total is restricted due to external limitations on its use. These uses include 1) capital projects funded by SPLOST funds (\$4,585,733), 2) debt service related to the 2010 GOB Bond (\$476,803), 3) education purposes (\$431,204), and 4) tourism promotion (\$155,827). \$182,863 (1.10%) of fund balances is considered unspendable because it has been used for prepaid items. \$10,781,129 (64.89%) 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 \$10,781,129, and total fund balance was \$11,395,196. 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 30.60% of total expenditures, while total fund balance represents 32.35% of that same amount.

The General Fund's fund balance decreased by \$21,395,926 during the current fiscal year. Key factors are as follows:

- Total revenues increased by \$434,699 (3.06%). Key components of this increase were decreases in property tax revenue (\$425,580), increases in sales and excise taxes (\$43,388), increases in franchise fees (\$64,703), decreases in charges for services (\$11,166), increases in intergovernmental revenue (\$749,829), increases in investment income (\$5,836) and increases in miscellaneous income (\$7,689).

The significant changes in property taxes were due mainly due to decreased property values and a decrease in the millage rate, while the increase in intergovernmental income related to the TEA Main Street Streetscape Phase V grant (\$254,939), the CDBG grant (\$211,051) and the Service Delivery Agreement settlement payment from Gwinnett County (\$283,783).

- Total expenditures increased by \$7,018,747 (24.88%). Key components of this increase in expenditures were increases in financial and administration (\$479,208), increases in Public Safety - Marshall (\$6,739), increases in Public Services - Highway and Street (\$367,278), decreases in Public Services - Building Inspection (\$34,733), increases in Public Services - Culture and Recreation (\$5,555,881), increases in Public Services - Maintenance (\$44,374), and increases in intergovernmental payments to the City of Buford Board of Education (\$600,000).

Significant changes in financial and administration included increases in land purchased (\$205,617) and group insurance (\$120,671).

Significant changes in public services - highway and street included increases related to street paving (\$428,401), repairs and maintenance (\$167,373), the Harris Street improvements (\$165,341), group insurance (\$117,602), the Main Street Streetscape project (\$99,877), general supplies and materials (\$79,164), the LCI Hill Street project (\$77,565); and decreases in the Little Mill Road project of \$916,222.

Significant changes in public services - culture and recreation included an increase in expenditures for construction of the Buford Community Center, Town Park and Theatre of \$7,774,323 and a decrease in expenditures for the synthetic turf football fields of \$2,223,887.

- Net other financing sources and uses decreased by \$17,441,385. Other financing sources decreased by \$17,350, 601 due to the payments from the Utilities Fund being considered as payment of the interfund receivable from prior years rather than a transfer in 2012. Other financing uses for transfers to the 2010 GOB debt service fund increased by \$90,784.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - CONTINUED

Proprietary funds

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

Unrestricted net assets of the proprietary funds had a balance of \$9,971,845, consisting of the Utilities fund balance of \$10,035,774 and the Buford Community Center fund of \$(63,929). The funds had a net asset increase for the fiscal year totaling \$11,574,945, consisting of the Utilities Fund's increase of \$11,638,874 and the Buford Community Center fund's decrease of \$63,929.

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 \$846,980 (2.46%). Financial administration increased \$296,810. Public Safety - Marshall decreased \$16,997. Public Services - Highway and Street decreased \$2,125,941. Public Services - Building Inspection decreased \$50,203. Public Services - Culture and Recreation increased \$2,738,768. Public Services - Maintenance increased \$4,543. There was no change in intergovernmental expenditures for the City of Buford Board of Education. The changes were primarily due to the fact that expenditures in Highway and Street for LCI – Hill Street Improvements were lower than expected due to delays in the project and the expenditures in Culture and Recreation were higher due to higher costs than expected for the Buford Community Center, Town Park and Theatre.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$118,119,391, 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 \$428,326.
- The City added synthetic football fields at the sports complex totaling \$2,200,000.
- The City added \$767,488 in streets.
- Construction in progress for the new community center, street and streetscape projects increased \$12,537,073.
- The City added \$1,812,689 to its Gas System, \$582,148 to its Electric System and \$201,449 to its Water and Wastewater System for improvements and expansion of the systems. In addition, the solid waste and recycling department added \$69,206 in vehicles.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS - CONTINUED

CAPITAL ASSETS AT YEAR-END (NET OF ACCUMULATED DEPRECIATION)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 10,289,509	\$ 9,861,183	\$ 202,663	\$ 202,663	\$ 10,492,172	\$ 10,063,846
Construction in progress	23,641,783	11,117,026	3,397,967	3,377,367	27,039,750	14,494,393
Utility system infrastructure	-	-	102,098,645	99,502,359	102,098,645	99,502,359
Buildings and improvements	10,680,239	10,667,923	9,734	9,734	10,689,973	10,677,657
City parks	2,200,000	-	-	-	2,200,000	-
Furniture and equipment	940,525	933,025	531,493	508,993	1,472,018	1,442,018
Sidewalks	242,877	242,877	-	-	242,877	242,877
Streets	12,365,253	11,597,765	-	-	12,365,253	11,597,765
Streetscapes & hardscapes	4,365,768	4,365,768	-	-	4,365,768	4,365,768
Vehicles	135,692	124,178	1,474,129	1,389,805	1,609,821	1,513,983
Accumulated depreciation	(7,611,291)	(6,341,563)	(46,845,595)	(42,686,345)	(54,456,886)	(49,027,908)
Total	\$ <u>57,250,355</u>	\$ <u>42,568,182</u>	\$ <u>60,869,036</u>	\$ <u>62,304,576</u>	\$ <u>118,119,391</u>	\$ <u>104,872,758</u>

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.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$14,833,502 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 9,250,000	\$ 9,500,000	\$ -	\$ -	\$ 9,250,000	\$ 9,500,000
Revenue bonds	-	-	3,990,000	4,240,000	3,990,000	4,240,000
Capital lease obligations	-	-	<u>1,593,502</u>	<u>2,329,208</u>	<u>1,593,502</u>	<u>2,329,208</u>
Total	\$ <u>9,250,000</u>	\$ <u>9,500,000</u>	\$ <u>5,583,502</u>	\$ <u>6,569,208</u>	\$ <u>14,833,502</u>	\$ <u>16,069,208</u>

The City's total debt (including compensated absences and other long-term operating liabilities) decreased by \$1,344,464 during the current fiscal year. Activity consisted of payments on the above debt totaling \$1,235,706, a decrease in accrued costs for landfill post closure costs of \$117,290, and an increase in accrued compensated absences of \$8,532. Additional information on the City's long-term debt can be found in note 6 on pages 37-41 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2013 will bring further growth. In fact, industrial and user activity increased along with a steady number of housing starts in 2012, which is a positive development for the year ahead. The City plans to continue improvements to its infrastructure, further invest in its utility systems, support planning and development in the City, and focus on delivery of services to its citizens and customers.

The East Main Street Streetscape was completed in 2012 and the Buford Community Center and Theatre construction opened shortly after fiscal year end and began hosting a number of events, weddings, receptions with very strong demand.

Parks and Recreation completed the synthetic turf athletic fields at the Buford Youth Sports Complex and this facility plays host to youth football, lacrosse, soccer and other events.

Sewer plant design for expansion concluded with a timeline for expansion being developed. Numerous gas, electric and road projects were completed. 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 2013 fiscal year total \$32,486,095. General Fund budgeted expenditures and transfers out for the 2013 fiscal year total \$33,959,000.

Budgeted revenues for the Utilities Fund for the 2013 fiscal year include \$1,578,000 for the Waste Water System, \$872,500 for the Water System, \$3,123,000 for Solid Waste and Recycling, \$17,435,000 for the Electric System, \$29,403,430 for the Gas System and \$810,000 for Nondivisional revenues for a total of \$53,221,930. Budgeted expenditures and transfers out for fiscal year 2013 include \$2,446,500 for the Waste Water System, \$1,145,000 for the Water System, \$2,475,000 for Solid Waste and Recycling, \$15,800,603 for the Electric System, \$18,189,500 for the Gas System, and \$16,040,000 for Nondivisional expenditures and transfers out for a total of \$56,096,603.

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, 2012**

	Primary Government			Component Unit 06/30/11 City of Buford Board of Education
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 6,623,090	\$ 6,419,408	\$ 13,042,498	\$ 5,916,179
Investments	3,539,830	12,035,791	15,575,621	200,000
Receivables - net	2,003,000	2,446,865	4,449,865	1,959,359
Due from other governments	409,055	-	409,055	6,610,219
Internal balances	8,348,820	(8,348,820)	-	-
Prepaid expenses	182,863	138,281	321,144	206,594
Inventories	-	-	-	35,281
Restricted cash and cash equivalents	-	3,938,148	3,938,148	-
Restricted investments	-	4,601,800	4,601,800	-
Unamortized portion of bond issue costs	80,664	102,103	182,767	-
Capital assets being depreciated - net	23,319,063	57,268,406	80,587,469	49,696,522
Capital assets not being depreciated	<u>33,931,292</u>	<u>3,600,630</u>	<u>37,531,922</u>	<u>145,000</u>
Total assets	\$ <u>78,437,677</u>	\$ <u>82,202,612</u>	\$ <u>160,640,289</u>	\$ <u>64,769,154</u>
LIABILITIES				
Accounts payable	\$ 2,975,402	\$ 1,879,190	\$ 4,854,592	\$ 1,094,144
Accrued interest	161,432	99,282	260,714	-
Other accrued liabilities	23,391	172,130	195,521	3,825,514
General obligation bonds payable due in less than one year	500,000	-	500,000	-
Capital lease obligations due in less than one year	-	777,691	777,691	181,315
Revenue bonds payable due in less than one year	-	260,000	260,000	-
Customer deposits	-	4,798,417	4,798,417	-
Long-term liabilities, due in more than one year:				
General obligation bonds payable	8,750,000	-	8,750,000	-
Capital lease obligations	-	815,811	815,811	181,315
Revenue bonds payable	-	3,730,000	3,730,000	-
Intergovernmental agreement	-	-	-	6,629,597
Accrued compensated absences	103,060	90,673	193,733	-
Net OPEB obligation	1,743,291	-	1,743,291	-
Accrued landfill closure and post-closure care costs	<u>-</u>	<u>837,688</u>	<u>837,688</u>	<u>-</u>
Total liabilities	<u>14,256,576</u>	<u>13,460,882</u>	<u>27,717,458</u>	<u>11,911,885</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,081,019	55,387,637	103,468,656	43,211,924
Restricted for:				
Construction	4,585,733	-	4,585,733	742,183
Municipal Competitive Trust	-	2,867,887	2,867,887	-
Debt service	476,803	514,362	991,165	199,633
Other purposes	587,031	-	587,031	225,642
Unrestricted	<u>10,450,515</u>	<u>9,971,844</u>	<u>20,422,359</u>	<u>8,477,887</u>
Total net assets	\$ <u>64,181,101</u>	\$ <u>68,741,730</u>	\$ <u>132,922,831</u>	\$ <u>52,857,269</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	\$ 4,114,163	\$ 2,065,169	\$ -	\$ -
Public safety:				
Marshall	154,911	-	-	-
Public services:				
Highway and street	3,862,171	21,800	-	868,605
Building inspection	271,205	142,518	-	-
Culture and recreation	856,172	94,508	-	1,200,000
Maintenance	691,888	-	-	-
Interest on long-term debt	167,617	-	-	-
Intergovernmental:				
Board of Education	<u>17,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>28,018,127</u>	<u>2,323,995</u>	<u>-</u>	<u>2,068,605</u>
Business-type activities:				
Gas system	17,627,826	25,954,230	-	-
Electric system	15,209,772	16,389,224	-	-
Solid waste and recycling	2,321,244	2,977,606	-	-
Wastewater system	2,376,642	1,690,187	-	-
Water system	1,615,655	854,706	-	-
Non-divisional utility	200,884	929,964	-	-
Community Center	<u>63,929</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>39,415,952</u>	<u>48,795,917</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$67,434,079</u>	<u>\$ 51,119,912</u>	<u>\$ -</u>	<u>\$ 2,068,605</u>
Component Unit				
City of Buford Board of Education	<u>\$36,289,146</u>	<u>\$ 2,329,215</u>	<u>\$ 15,260,513</u>	<u>\$ 2,837,465</u>

General revenues:

Taxes:

 Property
 Sales and excise
 Franchise fees
 Investment income
 Miscellaneous

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 06/30/11 City of Buford Board of Education
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$(2,048,994)	\$ -	\$(2,048,994)	\$ -
(154,911)	-	(154,911)	-
(2,971,766)	-	(2,971,766)	-
(128,687)	-	(128,687)	-
438,336	-	438,336	-
(691,888)	-	(691,888)	-
(167,617)	-	(167,617)	-
(17,900,000)	-	(17,900,000)	-
(23,625,527)	-	(23,625,527)	-
-	8,326,404	8,326,404	-
-	1,179,452	1,179,452	-
-	656,362	656,362	-
-	(686,455)	(686,455)	-
-	(760,949)	(760,949)	-
-	729,080	729,080	-
-	(63,929)	(63,929)	-
-	9,379,965	9,379,965	-
\$(23,625,527)	\$ 9,379,965	\$(14,245,562)	\$ -
\$ -	\$ -	\$ -	\$(15,861,953)
\$ 10,227,557	\$ -	\$ 10,227,557	\$ 11,761,804
860,385	-	860,385	-
868,879	-	868,879	-
94,659	466,022	560,681	3,212
119,593	1,728,958	1,848,551	6,962,595
12,171,073	2,194,980	14,366,053	18,727,611
(11,454,454)	11,574,945	120,941	2,865,658
75,635,555	57,166,785	132,802,340	49,991,611
\$ 64,181,101	\$ 68,741,730	\$132,922,831	\$ 52,857,269

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 398,531	\$ 6,224,559	\$ 6,623,090
Investments - certificates of deposits	3,539,830	-	3,539,830
Property taxes receivable - net	1,273,098	-	1,273,098
Sales and excise tax receivables	-	49,714	49,714
Other receivables	680,188	-	680,188
Due from other governments	130,066	278,989	409,055
Interfund balances	9,548,820	14,696	9,563,516
Prepaid items	<u>182,863</u>	<u>-</u>	<u>182,863</u>
Total assets	\$ <u>15,753,396</u>	\$ <u>6,567,958</u>	\$ <u>22,321,354</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,825,807	\$ 149,595	\$ 2,975,402
Accrued expenses	23,391	-	23,391
Interfund balances	14,696	1,200,000	1,214,696
Deferred revenue	<u>1,494,306</u>	<u>-</u>	<u>1,494,306</u>
Total liabilities	<u>4,358,200</u>	<u>1,349,595</u>	<u>5,707,795</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	182,863	-	182,863
Restricted for:			
SPLOST construction projects	-	4,585,733	4,585,733
Debt service	-	476,803	476,803
Education	431,204	-	431,204
Tourism promotion	-	155,827	155,827
Unassigned	<u>10,781,129</u>	<u>-</u>	<u>10,781,129</u>
Total fund balances	<u>11,395,196</u>	<u>5,218,363</u>	<u>16,613,559</u>
Total liabilities and fund balances	\$ <u>15,753,396</u>	\$ <u>6,567,958</u>	\$ <u>22,321,354</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, 2012**

Total fund balance - total governmental funds	\$ 16,613,559
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**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:	57,250,355
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**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	1,494,306
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**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	(9,250,000)
Less: deferred charges - general obligation bond issuance costs	80,664
Accrued interest payable	(161,432)
Compensated absences	(103,060)
OPEB obligation	(<u>1,743,291</u>)

Net assets of governmental activities	\$ <u>64,181,101</u>
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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, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes - property	\$ 10,130,860	\$ -	\$ 10,130,860
Taxes - sales and excise	690,752	169,633	860,385
Franchise fees	868,879	-	868,879
Charges for services	2,040,156	-	2,040,156
Intergovernmental revenue	749,829	1,602,615	2,352,444
Investment income	62,033	32,626	94,659
Miscellaneous	<u>119,593</u>	<u>-</u>	<u>119,593</u>
Total revenues	<u>14,662,102</u>	<u>1,804,874</u>	<u>16,466,976</u>
EXPENDITURES			
Current operating:			
General government:			
General financial and Administration	3,449,810	-	3,449,810
Public safety:			
Marshall	152,003	-	152,003
Public services:			
Highway and street	4,418,059	-	4,418,059
Building inspection	268,297	-	268,297
Culture and recreation	8,352,268	-	8,352,268
Maintenance	688,543	-	688,543
Intergovernmental:			
Buford Board of Education	17,900,000	-	17,900,000
Debt Service:			
Principal retirement	-	250,000	250,000
Interest and agent fees	-	167,617	167,617
Capital outlay	<u>-</u>	<u>6,377,232</u>	<u>6,377,232</u>
Total expenditures	<u>35,228,980</u>	<u>6,794,849</u>	<u>42,023,829</u>
Excess (deficiency) of revenues over (under) expenditures	(20,566,878)	(4,989,975)	(25,556,853)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	879,289	879,289
Transfers out	(829,048)	(50,241)	(879,289)
Total other financing sources (uses)	(829,048)	829,048	-
Change in fund balances	(21,395,926)	(4,160,927)	(25,556,853)
Fund balances at beginning of year	<u>32,791,122</u>	<u>9,379,290</u>	<u>42,170,412</u>
Fund balances at end of year	\$ <u>11,395,196</u>	\$ <u>5,218,363</u>	\$ <u>16,613,559</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, 2012**

Net change in fund balances - total governmental funds **\$(25,556,853)**

**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:** **15,951,901**

**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:** **(1,269,728)**

**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 **96,697**

**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:**

Principal payments on general obligation bonds **250,000**
Amortization expense **(4,246)**

**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:**

Accrued interest **(161,432)**
Compensated absences **(7,743)**
OPEB liability **(753,050)**

Change in net assets of governmental activities **\$(11,454,454)**

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, 2012

	General Fund			Variance with
	Original	Final		Final budget
	Budget	Budget	Actual	Over
				(Under)
REVENUES				
Taxes - property	\$ 10,182,500	\$ 10,182,500	\$ 10,130,860	\$ (51,640)
Taxes - sales and excise	648,400	648,400	690,752	42,352
Franchise fees	775,000	775,000	868,879	93,879
Charges for services	1,870,695	1,870,695	2,040,156	169,461
Intergovernmental	2,680,000	2,680,000	749,829	(1,930,171)
Investment income	30,000	30,000	62,033	32,033
Miscellaneous	55,000	55,000	119,593	64,593
Total revenues	<u>16,241,595</u>	<u>16,241,595</u>	<u>14,662,102</u>	<u>(1,579,493)</u>
EXPENDITURES				
Current operating:				
General government:				
Financial and administration	3,153,000	3,449,810	3,449,810	-
Public safety:				
Marshall	169,000	152,003	152,003	-
Public services:				
Highway and street	6,544,000	4,418,059	4,418,059	-
Building inspection	318,500	268,297	268,297	-
Culture and recreation	5,613,500	8,352,268	8,352,268	-
Maintenance	684,000	688,543	688,543	-
Intergovernmental:				
Board of Education	17,900,000	17,900,000	17,900,000	-
Total expenditures	<u>34,382,000</u>	<u>35,228,980</u>	<u>35,228,980</u>	<u>-</u>
Excess (deficiency) of revenues over				
(under) expenditures	<u>(18,140,405)</u>	<u>(18,987,385)</u>	<u>(20,566,878)</u>	<u>(1,579,493)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,240,000	3,240,000	-	(3,240,000)
Transfers out	(640,000)	(829,048)	(829,048)	-
Net other financing sources (uses)	<u>2,600,000</u>	<u>2,410,952</u>	<u>(829,048)</u>	<u>(3,240,000)</u>
Change in fund balance	<u>(15,540,405)</u>	<u>(16,576,433)</u>	<u>(21,395,926)</u>	<u>(4,819,493)</u>
Fund balance at beginning of year	<u>32,791,122</u>	<u>32,791,122</u>	<u>32,791,122</u>	<u>-</u>
Fund balance at end of year	<u>\$ 17,250,717</u>	<u>\$ 16,214,689</u>	<u>\$ 11,395,196</u>	<u>\$ (4,819,493)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,418,833	\$ 575	\$ 6,419,408
Investments	12,035,791	-	12,035,791
Accounts receivable, net	2,446,865	-	2,446,865
Prepaid expenses	<u>138,281</u>	<u>-</u>	<u>138,281</u>
Total current assets	<u>21,039,770</u>	<u>575</u>	<u>21,040,345</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and cash equivalents	3,938,148	-	3,938,148
Restricted investments	4,601,800	-	4,601,800
Unamortized portion of bond issue costs	102,103	-	102,103
Capital assets - net	<u>60,869,036</u>	<u>-</u>	<u>60,869,036</u>
Total noncurrent assets	<u>69,511,087</u>	<u>-</u>	<u>69,511,087</u>
Total assets	<u>\$ 90,550,857</u>	<u>\$ 575</u>	<u>\$ 90,551,432</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,851,885	\$ 27,305	\$ 1,879,190
Accrued interest	99,282	-	99,282
Other accrued liabilities	171,655	475	172,130
Capital lease obligations	777,691	-	777,691
Revenue bonds payable	<u>260,000</u>	<u>-</u>	<u>260,000</u>
Total current liabilities	<u>3,160,513</u>	<u>27,780</u>	<u>3,188,293</u>
Noncurrent liabilities:			
Customer deposits payable	4,798,417	-	4,798,417
Capital lease obligations	815,811	-	815,811
Revenue bonds payable	3,730,000	-	3,730,000
Accrued compensated absences	90,673	-	90,673
Accrued landfill closure and post-closure care costs	837,688	-	837,688
Interfund balances	<u>8,312,096</u>	<u>36,724</u>	<u>8,348,820</u>
Total noncurrent liabilities	<u>18,584,685</u>	<u>36,724</u>	<u>18,621,409</u>
Total liabilities	<u>21,745,198</u>	<u>64,504</u>	<u>21,809,702</u>
NET ASSETS			
Invested in capital assets, net of related debt	55,387,637	-	55,387,637
Expendable restricted net assets:			
Restricted for:			
Debt service	514,362	-	514,362
Unexpendable restricted net assets:			
Restricted for:			
Municipal Competitive Trust - Electric	2,867,887	-	2,867,887
Unrestricted	<u>10,035,773</u>	<u>(63,929)</u>	<u>9,971,844</u>
Total net assets	<u>\$ 68,805,659</u>	<u>\$ (63,929)</u>	<u>\$ 68,741,730</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for services:			
Gas	\$ 25,954,230	\$ -	\$ 25,954,230
Electric	16,389,224	-	16,389,224
Solid waste and recycling	2,977,606	-	2,977,606
Wastewater	1,690,187	-	1,690,187
Water	854,706	-	854,706
Penalties	600,545	-	600,545
Service charges	<u>329,419</u>	<u>-</u>	<u>329,419</u>
Total charges for services	<u>48,795,917</u>	<u>-</u>	<u>48,795,917</u>
Miscellaneous:			
Refunds, reimbursements and rebates	1,629,794	-	1,629,794
Other	<u>99,164</u>	<u>-</u>	<u>99,164</u>
Total miscellaneous	<u>1,728,958</u>	<u>-</u>	<u>1,728,958</u>
Total operating revenues	<u>50,524,875</u>	<u>-</u>	<u>50,524,875</u>
OPERATING EXPENSES			
Utilities purchased for resale	24,803,000	-	24,803,000
Personal services	4,597,612	14,169	4,611,781
Depreciation	4,159,250	-	4,159,250
Contractual services	2,452,464	-	2,452,464
Materials and supplies	1,691,585	39,614	1,731,199
Utilities	509,669	9,963	519,632
Repairs and maintenance	484,509	-	484,509
Other operating	<u>323,946</u>	<u>183</u>	<u>324,129</u>
Total operating expenses	<u>39,022,035</u>	<u>63,929</u>	<u>39,085,964</u>
Income (loss) from operations	11,502,840	(63,929)	11,438,911
NONOPERATING REVENUES (EXPENSES)			
Interest and investment earnings	466,022	-	466,022
Interest expense	(313,906)	-	(313,906)
Amortization expense	(11,782)	-	(11,782)
Fiscal agents fees	<u>(4,300)</u>	<u>-</u>	<u>(4,300)</u>
Total nonoperating revenues (expenses)	<u>136,034</u>	<u>-</u>	<u>136,034</u>
Change in net assets	11,638,874	(63,929)	11,574,945
Total net assets at beginning of year	<u>57,166,785</u>	<u>-</u>	<u>57,166,785</u>
Total net assets at end of year	\$ <u>68,805,659</u>	\$(<u>63,929</u>)	\$ <u>68,741,730</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Cash received - customers	\$ 48,882,931	\$ 475	\$ 48,883,406
Cash received - other operating sources	1,728,958	100	1,729,058
Cash payments - suppliers for goods and services	(30,393,417)	-	(30,393,417)
Cash payments - personal services	(4,643,149)	-	(4,643,149)
Cash payments - other funds	(21,112,442)	-	(21,112,442)
Net cash provided (used) by operating activities	(5,537,119)	575	(5,536,544)
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>			
Purchases of capital assets	(2,723,710)	-	(2,723,710)
Principal paid on capital debt	(985,706)	-	(985,706)
Interest and fiscal charges paid on capital debt	(318,206)	-	(318,206)
Net cash provided (used) by capital and related financing activities	(4,027,622)	-	(4,027,622)
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>			
Purchase and sales of investments, net	1,231,871	-	1,231,871
Income from cash and investments and other	466,022	-	466,022
Net cash provided (used) by investing activities	1,697,893	-	1,697,893
Increase (decrease) in cash and cash equivalents	(7,866,848)	575	(7,866,273)
Cash and cash equivalents at beginning of year	18,223,829	-	18,223,829
Cash and cash equivalents at end of year	\$ 10,356,981	\$ 575	\$ 10,357,556

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
<i>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</i>			
Income (loss) from operations	\$ 11,502,840	\$(63,929)	\$ 11,438,911
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Cash flows reported in other categories:			
Depreciation	4,159,250	-	4,159,250
Change in assets and liabilities:			
Accounts receivable	87,014	-	87,014
Prepaid expenses	(29,003)	-	(29,003)
Accounts payable	(594,951)	27,305	(567,646)
Accrued compensated absences	789	-	789
Accrued landfill closure and post-closure care costs	(117,290)	-	(117,290)
Other accrued liabilities	(64,695)	-	(64,695)
Internal balances	(21,112,442)	36,724	(21,075,718)
Customer deposits	<u>631,369</u>	<u>475</u>	<u>631,844</u>
Net cash provided (used) by operating activities	\$(<u>5,537,119</u>)	\$ <u>575</u>	\$(<u>5,536,544</u>)
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:</i>			
Current assets - cash and cash equivalents	\$ 6,418,833	\$ 575	\$ 6,419,408
Restricted assets - cash and cash equivalents	<u>3,938,148</u>	<u>-</u>	<u>3,938,148</u>
Total cash and cash equivalents at end of year	\$ <u>10,356,981</u>	\$ <u>575</u>	\$ <u>10,357,556</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2012**

Agency Fund

ASSETS

Cash and cash equivalents

\$ 1,020,367

Total assets

\$ 1,020,367

LIABILITIES

Held in trust - City of Buford Board of Education

\$ 1,020,367

Total liabilities

\$ 1,020,367

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NOTES TO BASIC FINANCIAL STATEMENTS

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.

The amounts on the government-wide financial statements are from the BOE's audited financial statements for the year ending June 30, 2011, which was released on September 13, 2012 and are the latest available as of the date of our report.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012 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, 2012. 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.

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 was 7% during the fiscal year ending June 30, 2012.

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 following is a description of the City's Debt Service Fund:

2010 General Obligation Bond Debt Service Fund

The governmental long-term debt serviced by the Debt Service Fund relates to the 2010 General Obligation Bonds used to finance the construction of the Buford Community Center, Town Park and Theatre.

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.

2010 General Obligation Bond Construction Fund - used to account for the construction and financing of the Buford Community Center, Town Park and Community Theatre funded by the 2010 General Obligation Bonds.

Proprietary Funds Financial Statements

Proprietary Funds 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 and aggregated non-major funds.

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 funds. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

The City has presented the following major proprietary fund:

Utilities 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.

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

Buford Community Center Fund - used to account for the activity of the Buford Community Center, Town Park and Theatre, which will be opened in early fiscal year 2013.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - CONTINUED

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.

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, CASH EQUIVALENTS 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.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, Special Revenue, Capital Project 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 \$323,749 for the General Fund and \$3,323,762 for the Enterprise Fund. No allowance was considered necessary for any receivables in the special revenue or capital project funds.

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, 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, 2012, 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, 2012**

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 1, 2011, 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 2011 tax digest was set at 13.10 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 and in the fund financial statements for proprietary funds. 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, 2012.

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.

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 Utilities Fund for the year ended June 30, 2012 were \$313,906. Total interest costs charged to expense by the Utilities Fund for the year ended June 30, 2012 were \$313,906. Total interest costs capitalized by the Utilities Fund for the year ended June 30, 2012 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 funds financial statements. Bond discounts are presented as unamortized portion of bond issue costs; whereas, issuance costs are recorded as deferred charges.

COMPENSATED ABSENCES

Compensated absences are 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 funds financial statements. 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 funds 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 funds financial statements.

Long-term liabilities expected to be financed from governmental fund types are not recorded in the governmental funds 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 funds financial statements.

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 cannot be spent because they are not in a spendable form, such as prepaid expenses or inventory, or because they are legally or contractually required to be maintained intact.

Restricted fund balance - constraints are placed on the use of specific purposes by their providers, such as grantors, creditors and bondholders, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND EQUITY - CONTINUED

Committed fund balance - amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City of Buford Board of Commissioners. The Board of Commissioners is the City's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - amounts that are constrained by the City's intent to use for a specific purpose, but are neither restricted nor committed. The intent should be expressed by the Board of Commission.

Unassigned fund balance – the residual classification representing fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund. These are 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).

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

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk - 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's policy on custodial credit risk is to comply with the requirements of the State of Georgia.

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.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

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, 2012, 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	\$ 3,539,830
<u>Business-type activities</u>			
Certificates of Deposit	N/A	365 day	12,896,060
Fidelity US Treasury Money Market	N/A	WAM	873,644
<u>Municipal Competitive Trust:</u>			
Intermediate Portfolio	N/A	10 year maximum	550,154
Intermediate Tax Restricted Portfolio	N/A	10 year maximum	<u>2,317,733</u>
Total			\$ <u>20,177,421</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.

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 \$873,644 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.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Investments - Continued

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. 4.32 % 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	\$ 1,273,098	\$ -	\$ 1,273,098
Accounts	-	2,446,865	2,446,865
Other	<u>729,902</u>	<u>-</u>	<u>729,902</u>
Total current	<u>2,003,000</u>	<u>2,446,865</u>	<u>4,449,865</u>
Total receivables	\$ <u>2,003,000</u>	\$ <u>2,446,865</u>	\$ <u>4,449,865</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, however, they are being paid as funds are available. All others are classified as short term.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSACTIONS - CONTINUED

Interfund receivables and payables consisted of the following at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>General Fund:</u>		
SPLOST 2009 Fund	\$ 1,200,000	\$ -
Hotel/Motel Tax Fund	-	14,696
Buford Community Center Fund	36,724	-
Utilities Fund	<u>8,312,096</u>	<u>-</u>
Total General Fund	<u>9,548,820</u>	<u>14,696</u>
<u>Proprietary Fund:</u>		
Utility Fund - to General Fund	<u>-</u>	<u>8,312,096</u>
<u>Non-Major Governmental Fund:</u>		
SPLOST 2009 Fund - to General Fund	-	1,200,000
Hotel/Motel Tax Fund - from General Fund	<u>14,696</u>	<u>-</u>
Total Non-Major Governmental Fund	<u>14,696</u>	<u>1,200,000</u>
<u>Non-Major Proprietary Fund:</u>		
Buford Civic Center Fund	<u>-</u>	<u>36,724</u>
Total	\$ <u>9,563,516</u>	\$ <u>9,563,516</u>

Interfund transactions consisted of the following for the year ending June 30, 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
2010 GOB Bond Debt Service Fund	\$ <u>-</u>	\$ <u>829,048</u>
Total General Fund	<u>-</u>	<u>829,048</u>
<u>Debt Service Fund:</u>		
General Fund	829,048	-
2010 GOB Construction Fund	<u>50,241</u>	<u>-</u>
Total Debt Service Fund	<u>879,289</u>	<u>-</u>
<u>Capital Project Funds:</u>		
2010 GOB Debt Service Fund	<u>-</u>	<u>50,241</u>
Totals	\$ <u>879,289</u>	\$ <u>879,289</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, 2012

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 7,946,921	\$ 428,326	\$ -	\$ 8,375,247
Land - schools	1,914,262	-	-	1,914,262
Construction in progress	<u>11,117,026</u>	<u>12,537,073</u>	<u>(12,316)</u>	<u>23,641,783</u>
Subtotal	<u>20,978,209</u>	<u>12,965,399</u>	<u>(12,316)</u>	<u>33,931,292</u>
Other capital assets:				
Buildings and improvements	10,667,923	12,316	-	10,680,239
City parks	-	2,200,000	-	2,200,000
Equipment	293,676	7,500	-	301,176
Furniture and fixtures	639,349	-	-	639,349
Sidewalks	242,877	-	-	242,877
Streets	11,597,765	767,488	-	12,365,253
Streetscapes and hardscapes	4,365,768	-	-	4,365,768
Vehicles	<u>124,178</u>	<u>11,514</u>	<u>-</u>	<u>135,692</u>
Subtotal	<u>27,931,536</u>	<u>2,998,818</u>	<u>-</u>	<u>30,930,354</u>
Accumulated depreciation:				
Buildings and improvements	(2,297,352)	(355,598)	-	(2,652,950)
City parks	-	-	-	-
Equipment	(153,378)	(22,142)	-	(175,520)
Furniture and fixtures	(363,142)	(63,935)	-	(427,077)
Sidewalks	(85,924)	(15,180)	-	(101,104)
Streets	(2,227,785)	(579,888)	-	(2,807,673)
Streetscapes and hardscapes	(1,122,430)	(218,288)	-	(1,340,718)
Vehicles	<u>(91,552)</u>	<u>(14,697)</u>	<u>-</u>	<u>(106,249)</u>
Subtotal	<u>(6,341,563)</u>	<u>(1,269,728)</u>	<u>-</u>	<u>(7,611,291)</u>
Net other capital assets	<u>21,589,973</u>	<u>1,729,090</u>	<u>-</u>	<u>23,319,063</u>
Total capital assets	\$ <u>42,568,182</u>	\$ <u>14,694,489</u>	\$ <u>(12,316)</u>	\$ <u>57,250,355</u>

Depreciation was charged to functions as follows:

Governmental activities:

General government	
General administration	\$ 331,887
Public Safety	
Marshall	2,908
Public Services	
Highway and street	905,972
Building inspection	2,908
Culture and recreation	22,708
Maintenance	<u>3,345</u>

Total governmental activities depreciation expense \$ 1,269,728

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS - CONTINUED

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
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>3,377,367</u>	<u>20,600</u>	<u>-</u>	<u>3,397,967</u>
Subtotal	<u>3,580,030</u>	<u>20,600</u>	<u>-</u>	<u>3,600,630</u>
Other capital assets:				
Buildings - electric	3,728	-	-	3,728
Buildings - gas	6,006	-	-	6,006
Equipment - electric	123,135	7,500	-	130,635
Equipment - gas	193,995	7,500	-	201,495
Equipment - water and waste water	184,754	7,500	-	192,254
Furniture & fixtures - water and waste water	7,109	-	-	7,109
Utility plant - electric	18,199,161	582,148	-	18,781,309
Utility plant - gas	54,659,723	1,812,689	-	56,472,412
Utility plant - water and waste water	26,643,475	201,449	-	26,844,924
Vehicles - electric	305,666	5,000	-	310,666
Vehicles - gas	624,629	10,118	-	634,747
Vehicles - solid waste and recycling	315,999	69,206	-	385,205
Vehicles - water and waste water	<u>143,511</u>	<u>-</u>	<u>-</u>	<u>143,511</u>
Subtotal	<u>101,410,891</u>	<u>2,703,110</u>	<u>-</u>	<u>104,114,001</u>
Accumulated depreciation:				
Buildings - electric	(3,728)	-	-	(3,728)
Buildings - gas	(6,006)	-	-	(6,006)
Equipment - electric	(116,397)	(1,348)	-	(117,745)
Equipment - gas	(187,257)	(1,347)	-	(188,604)
Equipment - water and waste water	(184,754)	-	-	(184,754)
Furniture & fixtures - water and waste water	(6,872)	(237)	-	(7,109)
Utility plant - electric	(8,700,696)	(909,958)	-	(9,610,654)
Utility plant - gas	(19,744,140)	(2,151,444)	-	(21,895,584)
Utility plant - water and waste water	(12,567,785)	(1,003,208)	-	(13,570,993)
Vehicles - electric	(263,353)	(37,359)	-	(300,712)
Vehicles - gas	(492,583)	(37,712)	-	(530,295)
Vehicles - solid waste and recycling	(269,263)	(16,637)	-	(285,900)
Vehicles - water and waste water	<u>(143,511)</u>	<u>-</u>	<u>-</u>	<u>(143,511)</u>
Subtotal	<u>(42,686,345)</u>	<u>(4,159,250)</u>	<u>-</u>	<u>(46,845,595)</u>
Net other capital assets	<u>58,724,546</u>	<u>(1,456,140)</u>	<u>-</u>	<u>57,268,406</u>
Net capital assets	\$ <u>62,304,576</u>	\$(<u>1,435,540</u>)	\$ <u>-</u>	\$ <u>60,869,036</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Business-type activities:

Electric	\$	948,664
Gas		2,190,503
Solid Waste and Recycling System		16,637
Waste Water		501,723
Water		<u>501,723</u>

Total business-type activities depreciation expense \$ 4,159,250

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

<u>Type of Debt</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 9,500,000	\$ -	\$ (250,000)	\$ 9,250,000	\$ 500,000
Compensated absences	<u>95,317</u>	<u>7,743</u>	<u>-</u>	<u>103,060</u>	<u>-</u>
Total general long-term debt	\$ <u>9,595,317</u>	\$ <u>7,743</u>	\$ (<u>250,000</u>)	\$ <u>9,353,060</u>	\$ <u>500,000</u>
Business-type activities:					
Revenue bonds payable	\$ 4,240,000	\$ -	\$ (250,000)	\$ 3,990,000	\$ 260,000
Capital lease obligations	2,329,208	-	(735,706)	1,593,502	777,691
Accrued landfill closure and post closure care	954,978	-	(117,290)	837,688	-
Compensated absences	<u>89,884</u>	<u>789</u>	<u>-</u>	<u>90,673</u>	<u>-</u>
Total proprietary fund debt	\$ <u>7,614,070</u>	\$ <u>789</u>	\$ (<u>1,102,996</u>)	\$ <u>6,511,863</u>	\$ <u>1,037,691</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, 2012

NOTE 6 - LONG-TERM DEBT - CONTINUED

GOVERNMENTAL ACTIVITIES

As of June 30, 2012, 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>750,000</u>
Net amount outstanding June 30, 2012 - total general obligation bonds payable	9,250,000
Less: current maturities	<u>500,000</u>
Long-term maturities	\$ <u>8,750,000</u>

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012, 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>
2013	\$ 500,000	\$ 320,226	\$ 820,226
2014	500,000	301,839	801,839
2015	500,000	284,339	784,339
2016	500,000	266,839	766,839
2017	500,000	250,034	750,034
2018-2022	2,500,000	984,699	3,484,699
2023-2027	2,500,000	547,007	3,047,007
2028-2031	<u>1,750,000</u>	<u>122,476</u>	<u>1,872,476</u>
Total	\$ <u>9,250,000</u>	\$ <u>3,077,459</u>	\$ <u>12,327,459</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	\$ <u>103,060</u>
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**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - LONG-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2012, 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, 2012, 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, 2012, 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>1,810,000</u>
Net amount outstanding June 30, 2012	3,990,000
Less: current maturities	<u>260,000</u>
Long-term maturities	\$ <u>3,730,000</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT - CONTINUED

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, 2012:

June 30, 2013	\$ 852,355
June 30, 2014	661,181
June 30, 2015	<u>188,499</u>
Total minimum lease payments	1,702,035
Amount representing interest	(<u>108,533</u>)
Present value of lease obligations	1,593,502
Less: current maturities	<u>777,691</u>
Long-term maturities	\$ <u>815,811</u>

Gas line extensions and system improvements under capital leases in capital assets at June 30, 2012, include the following:

Utility plant - gas system	\$ 10,560,000
Less: accumulated depreciation	(<u>4,524,158</u>)
Total	\$ <u>6,035,842</u>

Total depreciation expense on these gas line extensions and improvements for the year ended June 30, 2012, 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>90,673</u>
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ANNUAL DEBT SERVICE REQUIREMENTS - CONTINUED

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012, are as follows:

REVENUE BONDS PAYABLE

	<u>Business-type Activities</u>		
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 260,000	\$ 198,565	\$ 458,565
2014	270,000	186,085	456,085
2015	285,000	172,990	457,990
2017	300,000	158,882	458,882
2018	385,000	144,033	529,033
2029-2022	<u>2,490,000</u>	<u>428,085</u>	<u>2,918,085</u>
Total	\$ <u>3,990,000</u>	\$ <u>1,288,640</u>	\$ <u>5,278,640</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - LONG-TERM DEBT - CONTINUED

ANNUAL DEBT SERVICE REQUIREMENTS - CONTINUED

CAPITAL LEASES PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>1,593,502</u>	\$ <u>108,533</u>	\$ <u>1,702,035</u>

NOTE 7 - RESTRICTED GOVERNMENT-WIDE ASSETS

Business-type activities

Restricted assets are composed of the following at June 30, 2012:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust	\$ -	\$ 2,867,887	\$ 2,867,887
Restricted for Customer Deposits	3,938,148	860,269	4,798,417
1998 Water & Sewerage Bond Debt Reserve Fund	-	514,358	514,358
1998 Water & Sewerage Bond Sinking Fund	<u>-</u>	<u>359,286</u>	<u>359,286</u>
Total	\$ <u>3,938,148</u>	\$ <u>4,601,800</u>	\$ <u>8,539,948</u>

NOTE 8 - RESTRICTED FUND ASSETS

Proprietary Funds

Restricted assets are composed of the following at June 30, 2012:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust	\$ -	\$ 2,867,887	\$ 2,867,887
Restricted for Customer Deposits	3,938,148	860,269	4,798,417
1998 Water & Sewerage Bond Debt Reserve Fund	-	514,358	514,358
1998 Water & Sewerage Bond Sinking Fund	<u>-</u>	<u>359,286</u>	<u>359,286</u>
Total	\$ <u>3,938,148</u>	\$ <u>4,601,800</u>	\$ <u>8,539,948</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012:

Customer Deposits	\$ 4,798,417
Accrued Interest on 1998 Water and Sewer Revenue Bonds	99,282
Current Portion of 1998 Water and Sewer Revenue Bonds	<u>260,000</u>
Total	\$ <u>5,157,699</u>

NOTE 10 - LIABILITIES PAYABLE FROM FUND RESTRICTED ASSETS

Proprietary Funds

Liabilities payable from restricted assets are composed of the following at June 30, 2012:

Customer Deposits	\$ 4,798,417
Accrued Interest on 1998 Water and Sewer Revenue Bonds	99,282
Current Portion of 1998 Water and Sewer Revenue Bonds	<u>260,000</u>
Total	\$ <u>5,157,699</u>

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

Nonspendable:

Prepaid items - \$182,863.

Restricted for:

General Fund for education - \$431,204.

Capital Projects Funds for assets that are reserved for SPLOST funded projects - \$4,585,733.

Debt Service Funds for payment of 2010 General Obligation Bonds debt service - \$476,803.

Hotel/Motel Tax Fund for tourism and promotion - \$155,827.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - RESTRICTED NET ASSETS

Governmental Activities

Restricted net assets are comprised of the following at June 30, 2012:

Restricted for:

SPLOST projects	\$ 4,585,733
2010 General Obligation Bond debt service	476,803
Education	431,204
Hotel/Motel Taxes	<u>155,827</u>

Total net assets restricted for governmental-type activities \$ 5,649,567

Business-type Activities

Restricted net assets are comprised of the following at June 30, 2012:

Restricted for:

Municipal Competitive Trust	\$ 2,867,887
Debt service	<u>514,362</u>

Total net assets restricted for business-type activities \$ 3,382,249

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.

Eligibility Requirements

Employees: with 30 or more hours a week: 1 year

Officials: no waiting period

Normal Retirement Age

Employees: 65+5 or 60+30 or Rule of 75; minimum age of 50 (participant must be actively employed at the time when the 60+30 and Rule of 75 is satisfied in order to qualify)

Officials: 65 Or 60+30 (participant must be actively employed at the time 60+30 is satisfied in order to qualify)

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLAN - CONTINUED

Early Retirement Age

Employees and officials: 55 +10

Benefit Formula

Employees: 1.00% to 1.75%

Officials Benefits

\$76

Vesting

Employees and officials: 10 years

Significant Accounting Policies

The City uses accounting policies consistent with recognition of liabilities and expenses in the Government-Wide, Governmental Funds and Proprietary Funds 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, 2012 for the plan year beginning July 1, 2012. 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 13.15% of annual covered payroll for the plan year ending June 30, 2012. The rate is 12.56% of annual covered payroll for the plan year beginning July 1, 2012. 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, 2012.

Effect of Plan Changes on the Actuarial Accrued Liability

As there were no plan changes, there was no effect from any plan changes on the Actuarial Accrued Liability.

Effect of Plan Changes on Recommended Contributions

As there were no plan changes, there was no effect from any plan changes on the recommended contribution.

Annual Pension Cost

For the plan year ending June 30, 2012, the annual pension cost (APC) of \$654,230 was equal to the required and actual contributions. For the plan year beginning July 1, 2012, the annual pension cost is \$682,696.

NOTE 13 - PENSION PLAN - CONTINUED

Funding Status and Funding Progress

As Of January 1, 2012, the most recent valuation date, the actuarial value of plan assets was \$5,257,336, the actuarial accrued liability for benefits was \$7,693,665, and the actuarial value of assets as a percentage of that actuarial accrued liability was 68.33% (funded ration). The unfunded actuarial accrued liability was \$2,435,329. The covered payroll (annual payroll of active employees covered in the plan) was \$5,342,698, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 45.60%.

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, 2012.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, 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.

Methods and Assumptions

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect as of the date of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method:

Projected unit credit

Amortization Method:

Closed level dollar method

Remaining Amortization Period:

Varies for the bases, with a net effective amortization period of 11 years

Asset Valuation Method

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.

Actuarial Assumptions

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

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLAN - CONTINUED

Plan Membership as of January 1, 2012 actuarial valuation

Retirees and beneficiaries receiving benefits	34
Terminated plan members entitled to, but not yet receiving benefits	14
Active plan members	<u>111</u>
Total	<u>159</u>

Trend information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information is presented below.

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	100%	\$0
01/01/12	\$682,696	N/A	N/A

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: officials and their dependents are eligible for a period equal to their years of service.

Appointed positions and department heads: 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, 2012**

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

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, 2012, 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 \$753,050 for the year ended June 30, 2012 and a net OPEB obligation of \$1,743,291 based upon an actuarial valuation performed as of January 1, 2012 for the year ending June 30, 2012. This was recorded in the General Fund.

Annual OPEB Cost and Net OPEB Obligation

The City's latest actuarial valuation was performed for the Plan as of January 1, 2012 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 recorded annual OPEB cost includes the annual required contribution of \$946,388 plus interest of \$79,382, reduced by the current year contributions in the amount of \$140,326 and ARC adjustments of \$132,394 for a net total of \$753,050.

The City's annual OPEB cost, the percentage of annual cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012 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%	675,315			
	06/30/11	420,024	27.03%	964,189			
	06/30/12	946,388	15.26%	1,743,291			

<u>Annual Required Contribution (a)</u>	<u>Interest on Existing NOO (b)</u>	<u>ARC Adjustment (c)</u>	<u>Annual OPEB Cost (a+b+c) (d)</u>	<u>Actual Contribution Amount (e)</u>	<u>Net Increase In NOO (d-e) (f)</u>	<u>NOO as of 06/30/12 (g)</u>
420,024	\$ 0	\$ 0	\$ 420,024	\$ 75,000	\$ 345,024	\$ 345,024
420,024	13,801	(22,224)	411,601	81,310	330,291	675,315
420,024	27,013	(44,642)	402,395	113,521	288,874	964,189
946,388	38,568	(65,528)	919,428	140,326	779,102	1,743,291

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

Funding Status and Funding Progress

As of January 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$8,711,905, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,250,809, and the ration of the unfunded actuarial liability to the covered payroll was 165.92%.

The projection of future benefit payments for an ongoing plan involves 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, 2012.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, 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.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. . Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method:

Projected unit credit

Amortization Method:

Level dollar closed, 25 years

Remaining Amortization Period:

22 years as of July 11, 2011

Asset Valuation Method

Market value

Actuarial Assumptions

Net investment rate of return	4.00% per year
Inflation rate	3.50% per year
Cost of living adjustments	0.00% per year
Medical and drug cost trend rate	9.00% graded to 5% over 8 years
Dental cost trend rate	5.00%

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012 is as follows:

Total hotel/motel tax receipts collected at 7%	169,633
Less: 42.84% of hotel/motel tax collected at 7% (July 1, 2011 to March 31, 2012)	(51,385)
Less: 57.14% of hotel/motel tax collected @ 7% (April 1, 2012 to June 30, 2012)	(28,408)
 Tax collected to be expended for the promotion of tourism, conventions and trade shows	 89,840
 Expenditures for promotion of tourism, conventions and trade shows	 (89,840)
 Collections over (under) expenditures for year ended June 30, 2012	 -
 Hotel/motel tax funds to be expended for year ended June 30, 2011	 <u>12,882</u>
 Hotel/motel tax funds to be expended at June 30, 2012	 \$ <u>12,882</u>

The City expenditures in compliance with state law totaled 100% of the amounts collected for the year ending June 30, 2012.

NOTE 16 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

The City had no excess expenditures or expenses over appropriations for the year ending June 30, 2012.

NOTE 17 - DEFICIT FUND BALANCES/RETAINED EARNINGS

There were no deficit fund balances/retained earnings at June 30, 2012.

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.

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 \$84,154,061 as of June 30, 2012. 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 \$19,899,789 of as June 30, 2012. 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.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Transfers and expenditures to City of Buford Board of Education **\$17,900,000**

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, 2012 totaled \$1,020,367.

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, 2012 totaling \$6,195.

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 \$4,824,094 for roads, streets and bridges, \$1,357,465 for recreational facilities and \$1,618,824 for water and sewer capital improvements for a total of \$7,800,383. 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 2005 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 \$41,538 to date.

There were no revenues related to the SPLOST 2005 Gwinnett County Agreement, the Rest Haven 2001 SPLOST or the Rest Haven 2005 SPLOST for the year ended June 30, 2012. Revenues related to SPLOST 2009 totaled \$1,586,809 from the Gwinnett County agreement and \$15,806 from the Hall County Agreement. SPLOST revenues from all sources totaled \$1,602,615 during the year ended June 30, 2012. The following is a schedule of the activity relating to these projects for the year ending June 30, 2012:

Gross Special Sales Tax Received and Receivable	\$ <u>1,602,615</u>
Project Expenditures:	
SPLOST - Gwinnett 2005 - Parks and recreation	1,000,000
SPLOST - Gwinnett 2005 - Roads, streets and bridges	237,570
SPLOST - Gwinnett 2009 - Parks and recreation	<u>1,200,000</u>
Total project expenditures	<u>2,437,570</u>
Net (over) under expended for year ended June 30, 2012	<u>\$ (834,955)</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 Commission ("RC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of an RC in Georgia. The ARC 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 the ARC. Separate financial statements may be obtained from Atlanta Regional Commission, 40 Courtland St, NE, Atlanta, GA 30303 or the Northeast Georgia Regional Commission, 305 Research Drive, Athens, GA 30610.

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 Utility 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, 2012, amounts in the accounts include \$8,890,010 in the Flexible Operating account, \$2,317,733 in the Reserve Funded Debt account and \$550,154 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".

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

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.

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 remaining liability as of June 30, 2012 totaled \$837,688.

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

The management of the City has evaluated subsequent events through December 30, 2012.

Per request of the City of Buford, and pursuant to Section 3.01 of the resolutions dated as of April 7, 1998 and January 23, 2000 (the "Agreements"), between the Municipal Gas Authority of Georgia (the "Issuer") and The Bank of New York Mellon Trust Company, N.A. as Trustee (the "Trustee"), the Issuer has directed the Trustee to redeem the whole \$1,045,000 principal amount of the Issuer's City of Buford Series 2000 and \$270,000 principal amount of the City of Buford Series 1998 (the "Bonds") at a redemption price equal to the principal amount of the bonds to be redeemed plus accrued interest thereon to the redemption date in the following amount on the following dates in accordance with the optional redemption provisions set forth in Section 3.01 of the Indenture:

Optional Redemption Date February 1, 2013

City of Buford Series 1998 \$270,000 due 11-01-2013

City of Buford Series 2000 \$510,000 due 11-01-2013

City of Buford Series 2000 \$535,000 due 11-01-2014

The amounts were wired to the Trustee on December 26, 2012. See capital leases in Note 6.

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**

**CITY OF BUFORD, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

CITY OF BUFORD RETIREMENT PLAN

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%
01/01/12	5,257,336	7,693,665	2,436,329	68.33%	5,342,698	45.60%

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, 2012.

**CITY OF BUFORD, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

CITY OF BUFORD POSTEMPLOYMENT BENEFIT PLAN

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%
01/01/12	0	8,711,905	8,711,905	0%	5,250,809	165.92%

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 06/30/12 (g)
\$ 420,024	\$ 0	\$ 0	\$ 420,024	\$ 75,000	\$ 345,024	\$ 345,024
420,024	13,801	(22,224)	411,601	81,310	330,291	675,315
420,024	27,013	(44,642)	402,395	113,521	288,874	964,189
946,388	38,568	(65,528)	919,428	140,326	779,102	1,743,291

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, 2012.

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 was 7% during the fiscal year ending June 30, 2012.

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 Proprietary Funds. The following is a description of the City's 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.

2010 General Obligation Bond Construction Fund - used to account for the construction and financing of the Buford Community Center, Town Park and Theatre funded by the 2010 General Obligation Bonds.

**CITY OF BUFORD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 112,723	\$ 476,803	\$ 5,635,033	\$ 6,224,559
Sales and excise tax receivable	49,714	-	-	49,714
Due from other governments	-	-	278,989	278,989
Due from other funds	<u>14,696</u>	<u>-</u>	<u>-</u>	<u>14,696</u>
Total assets	<u>\$ 177,133</u>	<u>\$ 476,803</u>	<u>\$ 5,914,022</u>	<u>\$ 6,567,958</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 21,306	\$ -	\$ 128,289	\$ 149,595
Due to other funds	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
Total liabilities	<u>21,306</u>	<u>-</u>	<u>1,328,289</u>	<u>1,349,595</u>
FUND BALANCES				
Restricted for:				
Tourism Promotion	155,827	-	-	155,827
Debt Service	-	476,803	-	476,803
SPLOST construction projects	<u>-</u>	<u>-</u>	<u>4,585,733</u>	<u>4,585,733</u>
Total fund balances	<u>155,827</u>	<u>476,803</u>	<u>4,585,733</u>	<u>5,218,363</u>
Total liabilities and fund balances	<u>\$ 177,133</u>	<u>\$ 476,803</u>	<u>\$ 5,914,022</u>	<u>\$ 6,567,958</u>

CITY OF BUFORD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENNDING JUNE 30, 2012

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes - sales and excise	\$ 169,633	\$ -	\$ -	\$ 169,633
Intergovernmental revenue	-	-	1,602,615	1,602,615
Investment income	-	15,131	17,495	32,626
Total revenues	169,633	15,131	1,620,110	1,804,874
EXPENDITURES				
Current operating:				
Public services:				
Culture and recreation	89,840	-	-	89,840
Capital outlay	-	-	6,287,392	6,287,392
Debt service:				
Principal retirement	-	250,000	-	250,000
Interest and fiscal agent fees	-	167,617	-	167,617
Total expenditures	89,840	417,617	6,287,392	6,794,849
Excess (deficiency) of revenues over (under) expenditures	79,793	(402,486)	(4,667,282)	(4,989,975)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	879,289	-	879,289
Transfers out	-	-	(50,241)	(50,241)
Total other financing sources (uses)	-	879,289	(50,241)	829,048
Change in fund balances	79,793	476,803	(4,717,523)	(4,160,927)
Fund balances - beginning	76,034	-	9,303,256	9,379,290
Fund balances - ending	\$ 155,827	\$ 476,803	\$ 4,585,733	\$ 5,218,363

**CITY OF BUFORD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
AS OF JUNE 30, 2012**

	NON-MAJOR CAPITAL PROJECTS FUNDS					
	BUFORD 2005 SPLOST	BUFORD 2009 SPLOST	HALL COUNTY 2009 SPLOST	REST HAVEN 2001 SPLOST	REST HAVEN 2005 SPLOST	2010 GOB CONSTRUCTION
Assets						
Cash and cash equivalents	\$ 522,910	\$ 4,487,970	\$ 38,705	\$ 19,599	\$ 565,849	\$ -
Due from other governments	<u>-</u>	<u>276,156</u>	<u>2,833</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ 522,910	\$ 4,764,126	\$ 41,538	\$ 19,599	\$ 565,849	\$ -
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 128,289	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	128,289	1,200,000	-	-	-	-
Fund balances						
Restricted:						
Capital projects	<u>394,621</u>	<u>3,564,126</u>	<u>41,538</u>	<u>19,599</u>	<u>565,849</u>	<u>-</u>
Total fund balances	394,621	3,564,126	41,538	19,599	565,849	-
Total liabilities and fund balances	\$ 522,910	\$ 4,764,126	\$ 41,538	\$ 19,599	\$ 565,849	\$ -

**TOTAL
NON-MAJOR
CAPITAL
PROJECTS
FUNDS**

\$ 5,635,033
278,989
\$ 5,914,022

\$ 128,289
1,200,000
1,328,289

4,585,733
4,585,733

\$ 5,914,022

CITY OF BUFORD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	NON-MAJOR CAPITAL PROJECTS FUNDS					
	BUFORD 2005 SPLOST	BUFORD 2009 SPLOST	HALL COUNTY 2009 SPLOST	REST HAVEN 2001 SPLOST	REST HAVEN 2005 SPLOST	2010 GOB CONSTRUCTION
Revenues						
Intergovernmental revenue	\$ -	\$ 1,586,809	\$ 15,806	\$ -	\$ -	\$ -
Investment income	-	-	-	-	-	<u>17,495</u>
Total revenues	<u>-</u>	<u>1,586,809</u>	<u>15,806</u>	<u>-</u>	<u>-</u>	<u>17,495</u>
Expenditures						
Capital outlay	<u>1,237,570</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,849,822</u>
Total expenditures	<u>1,237,570</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,849,822</u>
Excess (deficiency) of revenues over (under) expenditures	(1,237,570)	386,809	15,806	-	-	(3,832,327)
Other financing sources (uses)						
Transfers out	-	-	-	-	-	(50,241)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,241)</u>
Changes in fund balances	(1,237,570)	386,809	15,806	-	-	(3,882,568)
Fund balances-beginning	<u>1,632,191</u>	<u>3,177,317</u>	<u>25,732</u>	<u>19,599</u>	<u>565,849</u>	<u>3,882,568</u>
Fund balances-ending	<u>\$ 394,621</u>	<u>\$ 3,564,126</u>	<u>\$ 41,538</u>	<u>\$ 19,599</u>	<u>\$ 565,849</u>	<u>\$ -</u>

**TOTAL
NON-MAJOR
CAPITAL
PROJECTS
FUNDS**

\$ 1,602,615
17,495

\$ 1,620,110

6,287,392

6,287,392

(4,667,282)

(50,241)

(50,241)

(4,717,523)

9,303,256

\$ 4,585,733

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

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4485 Tench Road, Suite 1320

Suwanee, GA 30024

Phone: 770-904-0419

Fax: 770-904-5299

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, 2012, which collectively comprise the City of Buford, Georgia's basic financial statements and have issued our report thereon dated December 30, 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. Other auditors audited the financial statements of the City of Buford Board of Education, as described in our report on the City of Buford, Georgia's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

Management of the City of Buford, Georgia, is responsible for establishing and maintaining effective 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 and corrected 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, the City Board of Commissioners, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Wilcox & Birings, P.C.

Suwanee, Georgia
December 30, 2012

**CITY OF BUFORD, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

PRIOR YEAR COMPLIANCE FINDINGS AND RESPONSES

FINDING CONTROL NUMBER AND STATUS:

- No Findings in 2011, Further Action Not Warranted

CITY OF BUFORD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED AND EXPENDITURES INCURRED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>AMOUNT ESTIMATED FOR EACH PROJECT</u>	<u>AMOUNT EXPENDED IN PRIOR YEARS</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION OF EACH PROJECT</u>
<u>PROJECT DESCRIPTION:</u>				
Rest Haven-Recreational facilities-01	\$ 90,874	\$ 71,279	\$ -	78.44%
Gwinnett County-Roads, streets, bridges-05	6,117,944	5,601,848	237,570	95.45%
Gwinnett County-Recreational facilities-05	1,000,000	-	1,000,000	100.00%
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	41,538	-	-	00.00%
Gwinnett County-Roads, streets, bridges-09	4,824,094	-	-	00.00%
Gwinnett County-Recreational facilities-09	1,357,465	-	1,200,000	88.40%
Gwinnett County-Water & Sewer-09	<u>1,618,824</u>	<u>-</u>	<u>-</u>	00.00%
Totals	\$ <u>16,847,524</u>	\$ <u>6,923,127</u>	\$ <u>2,437,570</u>	

Amounts estimated for each project are as follows:

	<u>AMOUNT ORIGINALLY ESTIMATED FOR EACH PROJECT</u>	<u>ADDITIONS (DELETIONS) TO PROJECT BUDGET</u>	<u>AMOUNT CURRENTLY ESTIMATED FOR EACH PROJECT</u>
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	25,732	15,806	41,538
Gwinnett County-Roads, streets, bridges-09	5,960,000	(1,135,906)	4,824,094
Gwinnett County-Recreational facilities-09	1,677,101	(319,636)	1,357,465
Gwinnett County-Water & Sewer-09	<u>2,000,000</u>	<u>(381,176)</u>	<u>1,618,824</u>
Totals	\$ <u>17,788,680</u>	\$ <u>(941,156)</u>	\$ <u>16,847,524</u>