

CITY OF BUFORD, GEORGIA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**CITY OF BUFORD, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to Government-Wide Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	23
Notes to Basic Financial Statements	24

**CITY OF BUFORD, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
TABLE OF CONTENTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SUPPLEMENTARY INFORMATION REQUIRED BY GASB 34:

City of Buford Retirement Plan - Required Supplementary Information	54
City of Buford Postemployment Benefit Plan - Required Supplementary Information	55
Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	57
Combining Balance Sheet - Nonmajor Capital Projects Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	59

REPORTS AND SCHEDULES REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND THE SINGLE AUDIT ACT:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	62
Schedule of Expenditures of Federal Awards	64
Notes to Schedule of Expenditures of Federal Awards	65
Schedule of Findings and Questioned Costs	66
Schedule of Prior Year Audit Findings	67
Corrective Action Plan	68

SCHEDULE REQUIRED BY THE STATE OF GEORGIA:

Schedule of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds	69
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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

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 (the "City") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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 position, revenues, and expenses of the discretely presented component unit. Those financial statements were audited by other auditors whose report 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 from material misstatement.

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

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

To the Board of Commissioners
City of Buford, Georgia

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, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the City of Buford Retirement Plan on page 53 and the City of Buford Postemployment Benefit Plan on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the City of Buford, Georgia's financial statements as a whole. The accompanying supplementary information which consist of the combining nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards, 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, the Schedule of Expenditures of Federal Awards, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards, and the Schedule of Projects Constructed and Expenditures Incurred with Special Sales Tax Proceeds are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

1

To the Board of Commissioners
City of Buford, Georgia

OTHER REPORTING REQUIRED BY GOVERNMENTAL AUDITING STANDARDS AND OMB CIRCULAR A-133

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

In accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we have also issued our report dated January 13, 2015, on our consideration of the City's internal control over compliance and on our tests of its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Buford, Georgia's major federal programs for the year ended June 30, 2014.

The purpose of that report is to describe the scope of our testing of internal control over compliance and the results of that testing of its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Buford, Georgia's major federal programs.

That report is an integral part of an audit performed in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* in considering the City's internal control over compliance in relation to its compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of City of Buford, Georgia, Arkansas' major federal programs.

Wilcox & Bivings, P.C.

Suwanee, Georgia
January 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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, 2014 by \$142,541,161 ("net position"). Of this amount, \$21,249,669 ("unrestricted net position") 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. \$111,441,142 of net position consisted of net investment in capital assets. The remainder of net position consisted of amounts restricted by law, contracts, donors or debt agreements, and totaled \$ 9,850,350.
- The City's total net position increased by \$7,757,523 in the fiscal year ended June 30, 2014.
- As of the close of the current fiscal year ended June 30, 2014, the City's governmental funds reported combined ending fund balances of \$11,037,414. 25.54% of this total amount, \$2,819,208 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 \$2,819,208 or 9.29% of total general fund expenditures and transfers out, which totaled \$30,333,761.

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

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position 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 (public safety, marshal and code enforcement), 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 12-13 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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 ten 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 nine 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 14 to 18 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 19 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 23 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 24 to 53 of this reporting package.

Supplementary Information Required by GASB 34

Supplementary information required by GASB 34 consisting of pension and OPEB disclosures and nonmajor governmental funds can be found on pages 54 to 59 of this reporting package.

Reports and Schedules Required by *Government Auditing Standards* and the Single Audit Act

Reporting and schedules required by *Government Auditing Standards* and the Single Audit Act can be found on pages 60 to 68 of this reporting package.

Schedule Required by the State of Georgia

A schedule required by the State of Georgia related to SPLOST funds of the City can be found on page 69 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 \$142,541,161 as of June 30, 2014.

The largest portion of the City's net position, totaling \$111,441,142 (78.18%) 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 position, totaling \$9,850,350 (6.91%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$21,249,669 (14.91%) may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities statement of position elements were for the most part steady in fiscal year 2014. The business-type activities current and other assets increased \$6,293,150 and unrestricted net position increased \$7,464,780, mainly due to increased revenue from utility charges in fiscal year 2014. The property tax rate decreased to 13.00 mills from 13.05.

As of June 30, 2014 and June 30, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental activities. The unrestricted net position of business-type activities show a positive balance of \$20,489,867 as of June 30, 2014, and a positive balance of \$13,025,087 as of June 30, 2013.

CITY OF BUFORD, GEORGIA'S CONDENSED NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total - Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 12,686,954	\$ 11,013,987	\$ 30,720,322	\$ 24,427,172	\$ 43,407,276	\$ 35,441,159
Capital assets	<u>61,913,915</u>	<u>60,239,302</u>	<u>56,958,291</u>	<u>59,033,270</u>	<u>118,872,206</u>	<u>119,272,572</u>
Total assets	<u>74,600,869</u>	<u>71,253,289</u>	<u>87,678,613</u>	<u>83,460,442</u>	<u>162,279,482</u>	<u>154,713,731</u>
Noncurrent liabilities	10,335,736	10,125,736	5,892,486	8,177,098	16,228,222	18,302,834
Other liabilities	<u>971,829</u>	<u>824,757</u>	<u>2,538,270</u>	<u>802,505</u>	<u>3,510,099</u>	<u>1,627,262</u>
Total liabilities	<u>11,307,565</u>	<u>10,950,493</u>	<u>8,430,756</u>	<u>8,979,603</u>	<u>19,738,321</u>	<u>19,930,096</u>
Net position:						
Investment in capital assets, net of related debt	54,482,851	52,312,482	56,958,291	59,033,270	111,441,142	111,345,752
Restricted	8,050,651	6,910,735	1,799,699	2,422,482	9,850,350	9,333,217
Unrestricted	<u>759,802</u>	<u>1,079,579</u>	<u>20,489,867</u>	<u>13,025,087</u>	<u>21,249,669</u>	<u>14,104,666</u>
Total net position	\$ <u>63,293,304</u>	\$ <u>60,302,796</u>	\$ <u>79,247,857</u>	\$ <u>74,480,839</u>	\$ <u>142,541,161</u>	\$ <u>134,783,635</u>

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014 and June 30, 2013. Governmental activities increased the City's net position by \$2,990,505 for the year ended June 30, 2014 and decreased net position by \$3,878,304 for the year ended June 30, 2013. Business-type activities increased the City's net position by \$4,767,018 for the year ended June 30, 2014 and increased net position by \$5,739,109 for the year ended June 30, 2013.

CITY OF BUFORD, GEORGIA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,353,294	\$ 2,104,543	\$ 63,032,709	\$ 54,000,074	\$ 65,386,003	\$ 56,104,617
Capital grants and Contributions	3,770,916	2,711,577	-	-	3,770,916	2,711,577
Operating grants	-	-	-	3,200	-	3,200
General revenues:						
Taxes	11,368,652	11,287,107	-	-	11,368,652	11,287,107
Franchise fees	832,023	821,713	-	-	832,023	821,713
Investment income	24,144	73,942	378,843	210,196	402,987	284,138
Miscellaneous	<u>158,297</u>	<u>106,868</u>	<u>2,447,326</u>	<u>1,894,797</u>	<u>2,605,623</u>	<u>2,001,665</u>
Total revenues	<u>18,507,326</u>	<u>17,105,750</u>	<u>65,858,878</u>	<u>56,108,267</u>	<u>84,366,204</u>	<u>73,214,017</u>
Expenses:						
General government	6,218,994	4,264,884	-	-	6,218,994	4,264,884
Public safety	323,018	219,866	-	-	323,018	219,866
Public services	4,241,905	5,675,960	-	-	4,241,905	5,675,960
Debt service	267,024	325,668	-	-	267,024	325,668
Intergovernmental - Board of Education	18,400,000	18,900,000	-	-	18,400,000	18,900,000
Gas system	-	-	23,198,146	18,908,906	23,198,146	18,908,906
Electric system	-	-	16,805,428	15,880,984	16,805,428	15,880,984
Solid waste and recycling	-	-	2,125,361	2,233,067	2,125,361	2,233,067
Wastewater system	-	-	2,231,142	2,342,139	2,231,142	2,342,139
Water system	-	-	1,614,673	1,648,017	1,614,673	1,648,017
Utilities Fund - Nondivisional	-	-	228,937	77,749	228,937	77,749
Community Center	-	-	<u>954,053</u>	<u>875,972</u>	<u>954,053</u>	<u>875,972</u>
Total expenses	<u>29,450,941</u>	<u>29,386,378</u>	<u>47,157,740</u>	<u>41,966,834</u>	<u>76,608,681</u>	<u>71,353,212</u>
Increases (decreases) in net position before transfers	(10,943,615)	(12,280,628)	18,701,138	14,141,433	7,757,523	1,860,805
Transfers - internal	<u>13,934,120</u>	<u>8,402,324</u>	(13,934,120)	(8,402,324)	-	-
Increases (decreases) in net position	2,990,505	(3,878,304)	4,767,018	5,739,109	7,757,523	1,860,805
Net position - beginning of year	<u>60,302,799</u>	<u>64,181,103</u>	<u>74,480,839</u>	<u>68,741,730</u>	<u>134,783,638</u>	<u>132,922,833</u>
Net position - end of year	\$ <u>63,293,304</u>	\$ <u>60,302,799</u>	\$ <u>79,247,857</u>	\$ <u>74,480,839</u>	\$ <u>142,541,161</u>	\$ <u>134,783,638</u>

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 \$11,037,414. \$8,050,651 (72.94%) of this total is restricted due to external limitations on its use. These uses include 1) capital projects funded by SPLOST funds (\$7,097,399), 2) debt service related to the 2010 GOB Bond (\$445,599), 3) education purposes (\$493,733, and 4) tourism promotion (\$13,920). \$167,555 (1.52%) of fund balances is considered unspendable because it has been used for prepaid items. \$2,819,208 (25.54%) 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 \$2,819,208, and total fund balance was \$3,480,496. 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 9.79% of total expenditures, while total fund balance represents 12.08% of that same amount.

The General Fund's fund balance increased by \$246,833 during the current fiscal year. Key factors are as follows:

- Total revenues increased by \$827,825. The main components of this increase were a decrease in property tax revenue of \$752,467, an increase in the new imposed motor vehicle title ad valorem tax fee of \$394,361 and an increase in intergovernmental revenue of \$986,429. Factors of the decrease in property tax revenue included a decrease the in millage rate from 13.05 to 13.00. The increase in intergovernmental revenue was due to the LCI and CDBG grants.
- Total expenditures only slightly decreased by \$52,887. Key components of this decrease in expenditures were increases in in Public Services - Highway and Street of \$246,788 and a budgeted decrease in intergovernmental payments to the City of Buford Board of Education of \$500,000. Significant changes in public services - highway and street included an increase in street paving of \$248,967.
- Other financing sources increased by \$5,806,497, due to an increase in budgeted transfers from the Utilities Fund. Other financing uses decreased by \$443,651 due to a decrease in transfers to the 2010 GOB debt service fund due to early principal retirement of paid in the prior year and an increase in transfers to the Buford Community Center, Town Park, and Theatre.

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 position of the proprietary funds had a balance of \$20,489,867, consisting of the Utilities Fund balance of \$20,502,636 and the Buford Community Center Fund of \$(12,769). The funds had a net position increase for the fiscal year totaling \$4,767,018, consisting of the Utilities Fund's increase of \$4,514,375 and the Buford Community Center fund's increase of \$252,643.

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 a decrease from the original budgeted expenditures totaling \$1,749,257 (6.46%). Financial administration increased \$1,753,884. Public Safety increased \$65,018. Public Services - Highway and Street decreased \$158,739. Public Services - Building Inspection increased \$62,432. Public Services - Culture and Recreation increased \$29,823. Public Services - Maintenance decreased \$3,161. There was no change in intergovernmental expenditures for the City of Buford Board of Education.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$118,872,206, 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's governmental activities expended \$2,169,371 on construction in progress including \$1,420,319 on the Hill Street LCI project, \$260,174 on School Drive improvements, \$165,507 on Buford Highway engineering costs, and \$158,527 on the Lee Street Hardscape project.
- The City added a youth baseball park for \$99,351.
- The City added land for various governmental activities totaling \$1,126,735 and sold the Makita property acquired in fiscal year 2013 to the Buford Board of Education at its cost of \$905,960.
- The City added \$818,133 in streets, \$325,437 in sidewalks and \$236,228 in Streetscape projects.
- The City added \$986,852 to its Gas System, \$28,309 to its Electric System and \$482,254 to its Water and Waste Water System for improvements and expansion of the systems.
- The Electric Department and Gas Department added \$125,162 and \$64,473 in new trucks, respectively.
- Construction in progress totaled \$309,790 for the Gas System, \$175,580 for the Electric System and \$14,234 for the Water and Wastewater System.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 11,698,517	\$ 11,477,742	\$ 202,663	\$ 202,663	\$ 11,901,180	\$ 11,680,405
Construction in progress	3,742,503	3,254,201	3,897,572	3,397,967	7,640,075	6,652,168
Utility system infrastructure	-	-	105,988,535	104,491,121	105,988,535	104,491,121
Buildings and improvements	31,793,104	31,750,690	9,734	9,734	31,802,838	31,760,424
City parks	4,523,238	4,423,887	-	-	4,523,238	4,423,887
Furniture and equipment	978,525	940,525	548,234	531,493	1,526,759	1,472,018
Sidewalks	612,087	286,650	-	-	612,087	286,650
Streets	13,830,768	13,012,635	-	-	13,830,768	13,012,635
Streetscapes & hardscapes	6,283,065	4,365,768	-	-	6,283,065	4,365,768
Vehicles	210,306	178,676	1,708,528	1,517,645	1,918,834	1,696,321
Accumulated depreciation	(11,758,198)	(9,451,472)	(55,396,975)	(51,117,353)	(67,155,173)	(60,568,265)
Total	\$ 61,913,915	\$ 60,239,302	\$ 56,958,291	\$ 59,033,270	\$ 118,872,206	\$ 119,272,570

Additional information on the City's capital assets can be found in note 5 in the notes to the basic financial statements on pages 36-38 of this reporting package.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$7,503,236 in outstanding debt consisting of general obligation bonds.

CITY OF BUFORD, GEORGIA'S OUTSTANDING DEBT

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total-Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ <u>7,503,236</u>	\$ <u>8,003,236</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,503,236</u>	\$ <u>8,003,236</u>
Total	\$ <u>7,503,236</u>	\$ <u>8,003,236</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,503,236</u>	\$ <u>8,003,236</u>

The City's total debt (including compensated absences and other long-term operating liabilities) decreased from \$8,922,004 to \$8,294,379 during the current fiscal year, a decrease of \$627,625. Activity consisted of principal payments on general obligation bonds totaling \$500,000, a decrease in accrued costs for landfill post closure costs of \$129,312, and an increase in accrued compensated absences of \$1,687. Additional information on the City's long-term debt can be found in note 6 on pages 38-40 of this reporting package.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The area's economy continues to improve as Buford has come out of the recession with an uptick in business activity including housing, light manufacturing and warehousing and retail. Warehousing has been a particularly strong segment of the local economy with several projects underway and others planned. 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 South Hill Street Streetscape and Pedestrian Facility project was completed in 2014. A number of other capital projects are in the planning stages for 2015 and beyond. Buford Community Center and Theatre continues to host events, weddings, receptions and meetings with demand for the facility remaining strong.

Buford Youth Sports Complex was completed and this facility plays host to youth football, lacrosse, soccer and other events.

Water and sewer plant infrastructure evaluation continues along with sewer distribution system study for capital improvements. Numerous gas and electric extension and improvement projects were completed in 2014 and will continue in 2015. Work also continues with the Georgia Department of Transportation to widen Buford Highway to four lanes on the north side of the City.

Fiscal Year 2015 Budget

General Fund budgeted revenue and transfers in for the 2015 fiscal year total \$34,453,495, while General Fund budgeted expenditures and transfers out for the 2015 fiscal year total \$30,706,100.

Budgeted revenues for the Utilities Fund for the 2015 fiscal year include \$2,488,000 for the Waste Water System, \$1,403,000 for the Water System, \$3,430,000 for Solid Waste and Recycling, \$18,160,000 for the Electric System, \$35,071,827 for the Gas System and \$1,014,000 for Nondivisional revenues for a total of \$61,566,827. Budgeted expenditures and transfers out for fiscal year 2015 include \$3,981,000 for the Waste Water System, \$1,798,000 for the Water System, \$2,254,500 for Solid Waste and Recycling, \$16,522,000 for the Electric System, \$19,787,000 for the Gas System, and \$19,030,000 for Nondivisional expenditures and transfers out for a total of \$63,372,500.

**CITY OF BUFORD, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 POSITION
JUNE 30, 2014**

	Primary Government			Component Unit 06/30/12 City of Buford Board of Education
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 7,785,598	\$ 12,226,874	\$ 20,012,472	\$ 6,826,515
Investments	2,466,894	8,586,232	11,053,126	200,000
Receivables - net	913,217	2,748,972	3,662,189	1,997,265
Due from other governments	1,281,518	-	1,281,518	6,698,309
Prepaid expenses	167,555	144,521	312,076	164,746
Inventories	-	-	-	21,950
Restricted cash and cash equivalents	-	4,304,924	4,304,924	-
Restricted investments	-	2,708,799	2,708,799	-
Unamortized portion of bond issue costs	72,172	-	72,172	-
Capital assets being depreciated - net	46,472,895	52,858,056	99,330,951	49,656,824
Capital assets not being depreciated	<u>15,441,020</u>	<u>4,100,235</u>	<u>19,541,255</u>	<u>145,000</u>
Total assets	\$ <u>74,600,869</u>	\$ <u>87,678,613</u>	\$ <u>162,279,482</u>	\$ <u>65,710,609</u>
LIABILITIES				
Accounts payable	\$ 303,967	\$ 2,332,338	\$ 2,636,305	\$ 1,776,195
Accrued interest	130,227	-	130,227	-
Other accrued liabilities	37,635	205,932	243,567	3,713,422
Deferred revenue	-	-	-	233,040
General obligation bonds payable due in less than one year	500,000	-	500,000	-
Capital lease obligations due in less than one year	-	-	-	181,315
Customer deposits	-	5,214,024	5,214,024	-
Long-term liabilities, due in more than one year:				
General obligation bonds payable	7,003,236	-	7,003,236	-
Intergovernmental agreement	-	-	-	4,200,349
Accrued compensated absences	112,681	93,241	205,922	-
Net OPEB obligation	3,219,819	-	3,219,819	-
Accrued landfill closure and post-closure care costs	<u>-</u>	<u>585,221</u>	<u>585,221</u>	<u>-</u>
Total liabilities	<u>11,307,565</u>	<u>8,430,756</u>	<u>19,738,321</u>	<u>10,104,321</u>
NET POSITION				
Investment in capital assets, net of related debt	54,482,851	56,958,291	111,441,142	45,601,476
Restricted for:				
Construction	7,097,399	-	7,097,399	648,268
Municipal Competitive Trust	-	1,799,699	1,799,699	-
Education	493,733	-	493,733	-
Debt service	445,599	-	445,599	207,561
Other purposes	13,920	-	13,920	32,135
Unrestricted	<u>759,802</u>	<u>20,489,867</u>	<u>21,249,669</u>	<u>9,116,848</u>
Total net position	\$ <u>63,293,304</u>	\$ <u>79,247,857</u>	\$ <u>142,541,161</u>	\$ <u>55,606,288</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	\$ 6,218,994	\$ 1,930,277	\$ -	\$ -
Public safety:				
Public safety, Marshal and Code enforcement	323,018	-	-	-
Public services:				
Highway and street	1,980,240	12,892	-	3,770,916
Building inspection	249,932	291,948	-	-
Culture and recreation	1,349,394	118,177	-	-
Maintenance	662,339	-	-	-
Interest on long-term debt	267,024	-	-	-
Intergovernmental:				
Board of Education	<u>18,400,000</u>	-	-	-
Total governmental activities	<u>29,450,941</u>	<u>2,353,294</u>	<u>-</u>	<u>3,770,916</u>
Business-type activities:				
Gas system	23,198,146	37,955,373	-	-
Electric system	16,805,428	17,002,386	-	-
Solid waste and recycling	2,125,361	3,546,257	-	-
Wastewater system	2,231,142	2,144,701	-	-
Water system	1,614,673	859,858	-	-
Non-divisional utility	228,937	1,082,918	-	-
Community Center	<u>954,053</u>	<u>441,216</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>47,157,740</u>	<u>63,032,709</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$76,608,681</u>	<u>\$ 65,386,003</u>	<u>\$ -</u>	<u>\$ 3,770,916</u>
Component Unit				
City of Buford Board of Education	<u>\$38,394,122</u>	<u>\$ 2,805,544</u>	<u>\$ 15,500,682</u>	<u>\$ 152,512</u>

General revenues:

Taxes:

 Property

 Sales and excise

 Franchise fees

 Investment income

 Miscellaneous

Transfers - internal activity

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

Net (Expense) Revenue and Changes in Net Position			Component Unit 06/30/12 City of Buford Board of Education
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$(4,288,717)	\$ -	\$(4,288,717)	\$ -
(323,018)	-	(323,018)	-
1,803,568	-	1,803,568	-
42,016	-	42,016	-
(1,231,217)	-	(1,231,217)	-
(662,339)	-	(662,339)	-
(267,024)	-	(267,024)	-
<u>(18,400,000)</u>	<u>-</u>	<u>(18,400,000)</u>	<u>-</u>
<u>(23,326,731)</u>	<u>-</u>	<u>(23,326,731)</u>	<u>-</u>
-	14,757,227	14,757,227	-
-	196,958	196,958	-
-	1,420,896	1,420,896	-
-	(86,441)	(86,441)	-
-	(754,815)	(754,815)	-
-	853,981	853,981	-
<u>-</u>	<u>(512,837)</u>	<u>(512,837)</u>	<u>-</u>
<u>-</u>	<u>15,874,969</u>	<u>15,874,969</u>	<u>-</u>
<u>\$(23,326,731)</u>	<u>\$ 15,874,969</u>	<u>\$(7,451,762)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(19,935,384)</u>
\$ 9,729,570	\$ -	\$ 9,729,570	\$ 9,427,679
1,639,082	-	1,639,082	3,037,224
832,023	-	832,023	-
24,144	378,843	402,987	17
158,297	2,447,326	2,605,623	1,591,074
<u>13,934,120</u>	<u>(13,934,120)</u>	<u>-</u>	<u>8,628,409</u>
<u>26,317,236</u>	<u>(11,107,951)</u>	<u>15,209,285</u>	<u>22,684,403</u>
2,990,505	4,767,018	7,757,523	2,749,019
<u>60,302,799</u>	<u>74,480,839</u>	<u>134,783,638</u>	<u>52,857,269</u>
<u>\$ 63,293,304</u>	<u>\$ 79,247,857</u>	<u>\$ 142,541,161</u>	<u>\$ 55,606,288</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 246,292	\$ 7,539,306	\$ 7,785,598
Investments - certificates of deposits	2,466,894	-	2,466,894
Property taxes receivable - net	700,209	-	700,209
Sales and excise tax receivables	-	62,648	62,648
Other receivables	150,360	-	150,360
Due from other governments	865,582	415,936	1,281,518
Interfund balances	421,128	-	421,128
Prepaid items	<u>167,555</u>	<u>-</u>	<u>167,555</u>
Total assets	\$ <u>5,018,020</u>	\$ <u>8,017,890</u>	\$ <u>13,035,910</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 264,123	\$ 39,844	\$ 303,967
Accrued expenses	37,635	-	37,635
Interfund balances	-	421,128	421,128
Deferred revenue	<u>1,235,766</u>	<u>-</u>	<u>1,235,766</u>
Total liabilities	<u>1,537,524</u>	<u>460,972</u>	<u>1,998,496</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	167,555		167,555
Restricted for:			
SPLOST construction projects	-	7,097,399	7,097,399
Tourism, conventions and trade shows	-	13,920	13,920
Debt service	-	445,599	445,599
Education	493,733	-	493,733
Unassigned	<u>2,819,208</u>	<u>-</u>	<u>2,819,208</u>
Total fund balances	<u>3,480,496</u>	<u>7,556,918</u>	<u>11,037,414</u>
Total liabilities and fund balances	\$ <u>5,018,020</u>	\$ <u>8,017,890</u>	\$ <u>13,035,910</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balance - total governmental funds	\$ 11,037,414
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet:	61,913,915
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	1,235,766
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 position:	
General obligation bonds	(7,503,236)
Less: deferred charges - general obligation bond issuance costs	72,172
Accrued interest payable	(130,227)
Compensated absences	(112,681)
OPEB obligation	(<u>3,219,819</u>)
Net position of governmental activities	\$ <u>63,293,304</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes - property	\$ 9,550,088	\$ -	\$ 9,550,088
Intergovernmental revenue	1,397,532	2,373,384	3,770,916
Charges for services	2,353,294	-	2,353,294
Taxes - sales and excise	1,428,148	210,934	1,639,082
Franchise fees	832,023	-	832,023
Miscellaneous income	158,297	-	158,297
Investment income	<u>17,268</u>	<u>6,876</u>	<u>24,144</u>
Total revenues	<u>15,736,650</u>	<u>2,591,194</u>	<u>18,327,844</u>
EXPENDITURES			
Current operating:			
General government:			
Financial and administration	5,428,384	-	5,428,384
Public safety:			
Public Safety, Marshal and Code enforcement	323,018	-	323,018
Public services:			
Highway and street	3,102,761	1,276,438	4,379,199
Building inspection	249,932	-	249,932
Culture and recreation	640,323	61,090	701,413
Maintenance	662,339	-	662,339
Intergovernmental:			
Buford Board of Education	18,400,000	-	18,400,000
Debt Service:			
Principal retirement	-	500,000	500,000
Interest and agent fees	<u>-</u>	<u>275,702</u>	<u>275,702</u>
Total expenditures	<u>28,806,757</u>	<u>2,113,230</u>	<u>30,919,987</u>
Excess (deficiency) of revenues over (under) expenditures	(13,070,107)	477,964	(12,592,143)
OTHER FINANCING SOURCES (USES)			
Transfers in	14,843,944	767,024	15,610,968
Transfers out	<u>(1,527,004)</u>	<u>(149,844)</u>	<u>(1,676,848)</u>
Total other financing sources (uses)	<u>13,316,940</u>	<u>617,180</u>	<u>13,934,120</u>
Change in fund balances	246,833	1,095,144	1,341,977
Fund balances at beginning of year	<u>3,233,663</u>	<u>6,461,774</u>	<u>9,695,437</u>
Fund balances at end of year	\$ <u>3,480,496</u>	\$ <u>7,556,918</u>	\$ <u>11,037,414</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, 2014**

Net change in fund balances - total governmental funds	\$ 1,341,977
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:	3,981,340
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:	(2,306,726)
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	179,482
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 position. 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	500,000
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	8,678
Compensated absences	3,582
OPEB liability	(713,582)
Change in net position of governmental activities	\$ <u>2,990,505</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund			Variance with
	Original	Final	Actual	Final budget
	Budget	Budget		Over
				(Under)
REVENUES				
Taxes - property	\$ 9,692,500	\$ 9,692,500	\$ 9,550,088	\$ (142,412)
Charges for services	2,025,195	2,025,195	2,353,294	328,099
Taxes - sales and excise	1,038,400	1,038,400	1,428,148	389,748
Intergovernmental	920,000	920,000	1,397,532	477,532
Franchise fees	885,000	885,000	832,023	(52,977)
Miscellaneous	57,500	57,500	158,297	100,797
Investment income	65,000	65,000	17,268	(47,732)
Total revenues	<u>14,683,595</u>	<u>14,683,595</u>	<u>15,736,650</u>	<u>1,053,055</u>
EXPENDITURES				
Current operating:				
General government:				
Financial and administration	3,674,500	5,428,384	5,428,384	-
Public safety:				
Public safety, Marshal and				
Code enforcement	258,000	323,018	323,018	-
Public services:				
Highway and street	3,261,500	3,102,761	3,102,761	-
Building inspection	187,500	249,932	249,932	-
Culture and recreation	610,500	640,323	640,323	-
Maintenance	665,500	662,339	662,339	-
Intergovernmental:				
Board of Education	18,400,000	18,400,000	18,400,000	-
Total expenditures	<u>27,057,500</u>	<u>28,806,757</u>	<u>28,806,757</u>	<u>-</u>
Excess (deficiency) of revenues over				
(under) expenditures	<u>(12,373,905)</u>	<u>(14,123,162)</u>	<u>(13,070,107)</u>	<u>1,053,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	17,000,000	17,000,000	14,843,944	(2,156,056)
Transfers out	(1,360,000)	(1,527,004)	(1,527,004)	-
Net other financing sources (uses)	<u>15,640,000</u>	<u>15,472,996</u>	<u>13,316,940</u>	<u>(2,156,056)</u>
Change in fund balance	3,266,095	1,349,834	246,833	(1,103,001)
Fund balance at beginning of year	<u>3,233,663</u>	<u>3,233,663</u>	<u>3,233,663</u>	<u>-</u>
Fund balance at end of year	\$ <u>6,499,758</u>	\$ <u>4,583,497</u>	\$ <u>3,480,496</u>	\$ <u>(1,103,001)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,226,874	\$ -	\$ 12,226,874
Investments	8,586,232	-	8,586,232
Accounts receivable, net	2,748,972	-	2,748,972
Prepaid expenses	<u>130,553</u>	<u>13,968</u>	<u>144,521</u>
Total current assets	<u>23,692,631</u>	<u>13,968</u>	<u>23,706,599</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and cash equivalents	4,304,924	-	4,304,924
Restricted investments	2,708,799	-	2,708,799
Capital assets - net	<u>56,958,291</u>	<u>-</u>	<u>56,958,291</u>
Total noncurrent assets	<u>63,972,014</u>	<u>-</u>	<u>63,972,014</u>
Total assets	\$ <u>87,664,645</u>	\$ <u>13,968</u>	\$ <u>87,678,613</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,306,283	\$ 26,055	\$ 2,332,338
Other accrued liabilities	<u>205,250</u>	<u>682</u>	<u>205,932</u>
Total current liabilities	<u>2,511,533</u>	<u>26,737</u>	<u>2,538,270</u>
Noncurrent liabilities:			
Customer deposits payable	5,214,024	-	5,214,024
Accrued compensated absences	93,241	-	93,241
Accrued landfill closure and post-closure care costs	<u>585,221</u>	<u>-</u>	<u>585,221</u>
Total noncurrent liabilities	<u>5,892,486</u>	<u>-</u>	<u>5,892,486</u>
Total liabilities	<u>8,404,019</u>	<u>26,737</u>	<u>8,430,756</u>
NET POSITION			
Investment in capital assets	56,958,291	-	56,958,291
Unexpendable restricted net position:			
Restricted for:			
Municipal Competitive Trust - Electric	1,799,699	-	1,799,699
Unrestricted	<u>20,502,636</u>	<u>(12,769)</u>	<u>20,489,867</u>
Total net position	\$ <u>79,260,626</u>	\$ <u>(12,769)</u>	\$ <u>79,247,857</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF BUFORD, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for services:			
Gas	\$ 37,955,373	\$ -	\$ 37,955,373
Electric	17,002,386	-	17,002,386
Solid waste and recycling	3,546,257	-	3,546,257
Wastewater	2,144,701	-	2,144,701
Water	859,858	-	859,858
Penalties	828,574	-	828,574
Service charges	254,344	-	254,344
Buford Community Center	<u>-</u>	<u>441,216</u>	<u>441,216</u>
Total charges for services	<u>62,591,493</u>	<u>441,216</u>	<u>63,032,709</u>
Miscellaneous:			
Other	<u>35,181</u>	<u>5,498</u>	<u>40,679</u>
Total miscellaneous	<u>35,181</u>	<u>5,498</u>	<u>40,679</u>
Total operating revenues	<u>62,626,674</u>	<u>446,714</u>	<u>63,073,388</u>
OPERATING EXPENSES			
Utilities purchased for resale	31,492,561	-	31,492,561
Personal services	4,720,499	220,127	4,940,626
Depreciation	4,279,622	-	4,279,622
Contractual services	2,209,366	203,145	2,412,511
Materials and supplies	1,911,988	62,599	1,974,587
Utilities	595,373	118,709	714,082
Repairs and maintenance	549,342	59,156	608,498
Event expenses	-	236,912	236,912
Other operating	<u>444,936</u>	<u>53,405</u>	<u>498,341</u>
Total operating expenses	<u>46,203,687</u>	<u>954,053</u>	<u>47,157,740</u>
Income (loss) from operations	16,422,987	(507,339)	15,915,648
NONOPERATING REVENUES (EXPENSES)			
Refunds and rebates	1,481,426	-	1,481,426
Off-system sales	924,425	-	924,425
Investment income	378,841	2	378,843
Miscellaneous income	896	-	896
Fiscal agents fees	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Total nonoperating revenues (expenses)	<u>2,785,488</u>	<u>2</u>	<u>2,785,490</u>
Income (loss) before transfers	19,208,475	(507,337)	18,701,138
TRANSFERS IN (OUT)			
Transfers in	-	759,980	759,980
Transfers out	<u>(14,694,100)</u>	<u>-</u>	<u>(14,694,100)</u>
Total transfers in (out)	<u>(14,694,100)</u>	<u>759,980</u>	<u>(13,934,120)</u>
Change in net position	4,514,375	252,643	4,767,018
Total net position at beginning of year	<u>74,746,251</u>	<u>(265,412)</u>	<u>74,480,839</u>
Total net position at end of year	\$ <u>79,260,626</u>	\$(<u>12,769</u>)	\$ <u>79,247,857</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Utilities Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Cash received - customers	\$ 62,516,495	\$ 441,216	\$ 62,957,711
Cash received - other operating sources	35,181	6,591	41,772
Cash payments - suppliers for goods and services	(37,684,780)	(796,894)	(38,481,674)
Cash payments - personal services	(4,715,229)	(220,127)	(4,935,356)
Cash payments - other funds	(987)	987	-
Net cash provided (used) by operating activities	<u>20,150,680</u>	<u>(568,227)</u>	<u>19,582,453</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</i>			
Transfers from other funds	-	568,225	568,225
Transfers to other funds	(14,694,100)	-	(14,694,100)
Net cash provided (used) by noncapital financing activities	<u>(14,694,100)</u>	<u>568,225</u>	<u>(14,125,875)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>			
Purchases of capital assets	(2,204,644)	-	(2,204,644)
Fiscal charges paid	(100)	-	(100)
Net cash provided (used) by capital and related financing activities	<u>(2,204,744)</u>	<u>-</u>	<u>(2,204,744)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>			
Purchase and sales of investments, net	(616,545)	-	(616,545)
Income from cash and investments and other	<u>2,785,589</u>	<u>2</u>	<u>2,785,591</u>
Net cash provided (used) by investing activities	<u>2,169,044</u>	<u>2</u>	<u>2,169,046</u>
Increase (decrease) in cash and cash equivalents	5,420,880	-	5,420,880
Cash and cash equivalents at beginning of year	<u>11,110,918</u>	<u>-</u>	<u>11,110,918</u>
Cash and cash equivalents at end of year	\$ <u>16,531,798</u>	\$ <u>-</u>	\$ <u>16,531,798</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	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	\$ 16,422,987	\$(507,339)	\$ 15,915,648
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Cash flows reported in other categories:			
Depreciation	4,279,622	-	4,279,622
Change in assets and liabilities:			
Accounts receivable	(74,998)	1,093	(73,905)
Prepaid expenses	10,100	(165)	9,935
Accounts payable	(65,848)	(59,377)	(125,225)
Accrued compensated absences	5,270	-	5,270
Accrued landfill closure and post-closure care costs	(129,313)	-	(129,313)
Other accrued liabilities	10,885	(3,426)	7,459
Internal balances	(987)	987	-
Customer deposits	(307,038)	-	(307,038)
Net cash provided (used) by operating activities	\$ <u>20,150,680</u>	\$(<u>568,227</u>)	\$ <u>19,582,453</u>
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS:</i>			
Current assets - cash and cash equivalents	\$ 12,226,874	\$ -	\$ 12,226,874
Restricted assets - cash and cash equivalents	<u>4,304,924</u>	<u>-</u>	<u>4,304,924</u>
Total cash and cash equivalents at end of year	\$ <u>16,531,798</u>	\$ <u>-</u>	\$ <u>16,531,798</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CITY OF BUFORD, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
BUFORD BOARD OF EDUCATION SPLOST IV FUND
JUNE 30, 2014**

Agency Fund

ASSETS

Cash and cash equivalents **\$ 9,951,298**

Total assets **\$ 9,951,298**

LIABILITIES

Held in trust - City of Buford Board of Education **\$ 9,951,298**

Total liabilities **\$ 9,951,298**

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 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 (public safety, marshal and code enforcement), highways and streets, culture and recreation, maintenance, sanitation and utility services, education and general administrative services.

For financial reporting purposes, the accompanying financial statements include all the operations over which the City is financially accountable. The City is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, *"The Financial Reporting Entity"*, as amended by GASB 39, *"Determining Whether Certain Organizations are Component Units"*, the criteria for inclusion in the reporting entity involve those cases where the City or its officials appoint a voting majority of the organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Applying this definition, the City has determined that the component unit and/or joint venture reportable within the accompanying financial statements is the City of Buford Board of Education.

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. There are no blended component units. 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 Discretely presented component unit discussed below was evaluated and should be included in the City's reporting entity in accordance with GASB Statement No. 14 as amended by GASB 39 because of their financial relationship with the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

REPORTING ENTITY - CONTINUED

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, 2012, which were released on August 5, 2013 and are the latest available as of the date of our report.

The financial statements of the City of Buford Board of Education noted above were 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, 2014 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 Position and a Statement of Activities and Changes in Net Position 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 Position. The Statement of Activities presents changes in net position. 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, 2014. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - CONTINUED

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 Position 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.

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 position and changes in net position 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, 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - CONTINUED

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.

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.

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

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

Gwinnett County 2014 SPLOST Fund - used to account for the construction and financing of projects funded by the Gwinnett County 2014 SPLOST.

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

Hall County 2012 SPLOST Fund - used to account for the construction and financing of projects funded by the Hall County 2012 SPLOST.

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

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

Proprietary Funds Financial Statements

Proprietary Funds Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION - CONTINUED

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.

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.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 Utilities Fund grants credit to utility customers, all of whom are located in North Georgia Counties. Allowances for doubtful accounts totaled \$568,005 for the General Fund and \$3,458,739 for the Utilities 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 the Utilities Fund in accounts restricted for 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, 2014, as amounts stored for supplies and materials were not of a material nature at that date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 5, 2013, 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 2013 tax digest was set at 13.00 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, 2014.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS - CONTINUED

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, drainage, sidewalks, etc. The City finalized implementation of the general provisions of GASB Statement No. 34 related to retroactive infrastructure provisions in the fiscal year ending June 30, 2007. All infrastructure acquired after years ending June 30, 1980 are included in these financial statements.

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. There were no interest costs incurred by the Utilities Fund for the year ended June 30, 2014, therefore no interest costs were charged to expense or capitalized for the year ended June 30, 2014.

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 position 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 position 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND EQUITY - CONTINUED

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.

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 POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets represents historical cost of assets, less 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 positions 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.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Deposits - continued

Custodial credit risk - continued

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

Investments

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

As of June 30, 2014, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<u>Primary Government</u>			
<u>Governmental activities</u>			
Certificates of Deposit	N/A	365 day	\$ 2,466,894
<u>Business-type activities</u>			
Certificates of Deposit	N/A	365 day	9,495,332
Municipal Competitive Trust:			
Intermediate Portfolio	N/A	10 year maximum	1,084
Intermediate Tax Restricted Portfolio	N/A	10 year maximum	<u>1,798,615</u>
Total			\$ <u>13,761,925</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 position held in the pool at the close of each business day.

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

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Investments - Continued

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

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

Concentration of Credit Risk - the City places no limit on the amount that the City may invest in any one issuer. 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	\$ 700,209	\$ -	\$ 700,209
Accounts	-	2,748,972	2,748,972
Other	<u>213,008</u>	<u>-</u>	<u>213,008</u>
Total current	<u>913,217</u>	<u>2,748,972</u>	<u>3,662,189</u>
Total receivables	\$ <u>913,217</u>	\$ <u>2,748,972</u>	\$ <u>3,662,189</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. All interfund receivable/payable amounts are classified as short-term.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSACTIONS - CONTINUED

Interfund receivables and payables consisted of the following at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>General Fund:</u>		
Hotel/Motel Tax Fund	\$ <u>421,128</u>	\$ <u>-</u>
Total General Fund	<u>421,128</u>	<u>-</u>
<u>Non-Major Governmental Fund:</u>		
Hotel/Motel Tax Fund - from General Fund	<u>-</u>	<u>421,128</u>
Total Non-Major Governmental Fund	<u>-</u>	<u>421,128</u>
Total	\$ <u>421,128</u>	\$ <u>421,128</u>

Interfund transactions consisted of the following for the year ending June 30, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Utilities Fund	\$ 14,694,100	\$ -
Hotel/Motel Tax Fund	149,844	-
2010 GOB Debt Service Fund	-	767,024
Buford Civic Center Fund	<u>-</u>	<u>759,980</u>
Total General Fund	<u>14,843,944</u>	<u>1,527,004</u>
<u>Special Revenue Fund:</u>		
Hotel/Motel Tax Fund - to General Fund	<u>-</u>	<u>149,844</u>
Total Special Revenue Fund	<u>-</u>	<u>149,844</u>
<u>Debt Service Fund:</u>		
2010 GOB Debt Service Fund - from General Fund	<u>767,024</u>	<u>-</u>
Total Debt Service Fund	<u>767,024</u>	<u>-</u>
<u>Proprietary Fund:</u>		
Utilities Fund - to General Fund	-	14,694,100
Buford Civic Center Fund - from General Fund	<u>759,980</u>	<u>-</u>
Total Proprietary Fund	<u>759,980</u>	<u>14,694,100</u>
Totals	\$ <u>16,370,948</u>	\$ <u>16,370,948</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSACTIONS - CONTINUED

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 Utilities 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.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 9,563,480	\$ 1,126,735	\$ (905,960)	\$ 9,784,255
Land - schools	1,914,262	-	-	1,914,262
Construction in progress	<u>3,254,201</u>	<u>2,169,371</u>	<u>(1,681,069)</u>	<u>3,742,503</u>
Subtotal	<u>14,731,943</u>	<u>3,296,106</u>	<u>(2,587,029)</u>	<u>15,441,020</u>
Other capital assets:				
Buildings and improvements	31,750,690	42,414	-	31,793,104
City parks	4,423,887	99,351	-	4,523,238
Equipment	301,176	38,000	-	339,176
Furniture and fixtures	639,349	-	-	639,349
Sidewalks	286,650	325,437	-	612,087
Streets	13,012,635	818,133	-	13,830,768
Streetscapes and hardscapes	4,365,768	1,917,297	-	6,283,065
Vehicles	<u>178,676</u>	<u>31,630</u>	<u>-</u>	<u>210,306</u>
Subtotal	<u>54,958,831</u>	<u>3,272,262</u>	<u>-</u>	<u>58,231,093</u>
Accumulated depreciation:				
Buildings and improvements	(3,360,132)	(1,058,356)	-	(4,418,488)
City parks	(176,955)	(176,955)	-	(353,910)
Equipment	(198,032)	(20,920)	-	(218,952)
Furniture and fixtures	(491,011)	(63,935)	-	(554,946)
Sidewalks	(117,652)	(17,916)	-	(135,568)
Streets	(3,433,058)	(650,632)	-	(4,083,690)
Streetscapes and hardscapes	(1,559,006)	(302,342)	-	(1,861,348)
Vehicles	<u>(115,626)</u>	<u>(15,670)</u>	<u>-</u>	<u>(131,296)</u>
Subtotal	<u>(9,451,472)</u>	<u>(2,306,726)</u>	<u>-</u>	<u>(11,758,198)</u>
Net other capital assets	<u>45,507,359</u>	<u>965,536</u>	<u>-</u>	<u>46,472,895</u>
Total capital assets	\$ <u>60,239,302</u>	\$ <u>4,261,642</u>	\$ <u>(2,587,029)</u>	\$ <u>61,913,915</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Governmental activities:

General government	
Financial and administration	\$ 333,016
Public Safety	
Public safety, Marshal and Code enforcement	-
Public Services	
Highway and street	1,074,325
Building inspection	-
Culture and recreation	899,385
Maintenance	-

Total governmental activities depreciation expense \$ 2,306,726

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land - Gas	\$ 11,183	\$ -	\$ -	\$ 11,183
Land - Sanitation	85,000	-	-	85,000
Land - Water & waste water	106,480	-	-	106,480
Construction in progress - Gas	-	309,790	-	309,790
Construction in progress - Electric	-	175,581	-	175,581
Construction in progress - Water & waste water	<u>3,397,967</u>	<u>14,234</u>	-	<u>3,412,201</u>
Subtotal	<u>3,600,630</u>	<u>499,605</u>	-	<u>4,100,235</u>
Other capital assets:				
Buildings - Electric	3,728	-	-	3,728
Buildings - Gas	6,006	-	-	6,006
Equipment - Electric	130,635	-	-	130,635
Equipment - Gas	201,495	16,741	-	218,236
Equipment - Water & waste water	192,254	-	-	192,254
Furniture & fixtures - Water & waste water	7,109	-	-	7,109
Utility plant - Electric	18,964,347	28,309	-	18,992,656
Utility plant - Gas	58,561,476	986,851	-	59,548,327
Utility plant - Water & waste water	26,965,298	482,254	-	27,447,552
Vehicles - Electric	310,666	125,162	-	435,828
Vehicles - Gas	634,747	64,473	-	699,220
Vehicles - Solid waste & recycling	428,721	-	-	428,721
Vehicles - Water & waste water	<u>143,511</u>	<u>1,248</u>	-	<u>144,759</u>
Subtotal	\$ <u>106,549,993</u>	\$ <u>1,705,038</u>	\$ -	\$ <u>108,255,031</u>

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - CAPITAL ASSETS - CONTINUED

Accumulated depreciation:

Buildings - Electric	\$(3,728)	\$ -	\$ -	\$(3,728)
Buildings - Gas	(6,006)	-	-	(6,006)
Equipment - Electric	(119,843)	(2,097)	-	(121,940)
Equipment - Gas	(190,702)	(2,098)	-	(192,800)
Equipment - Water & waste water	(185,504)	(750)	-	(186,254)
Furniture & fixtures - Water & waste water	(7,109)	-	-	(7,109)
Utility plant - Electric	(10,554,295)	(948,217)	-	(11,502,512)
Utility plant - Gas	(24,154,346)	(2,296,103)	-	(26,450,449)
Utility plant - Water and waste water	(14,579,753)	(984,971)	-	(15,564,724)
Vehicles - Electric	(306,666)	(1,000)	-	(307,666)
Vehicles - Gas	(560,064)	(24,220)	-	(584,284)
Vehicles - Solid waste & recycling	(305,826)	(20,166)	-	(325,992)
Vehicles - Water & waste water	(143,511)	-	-	(143,511)
Subtotal	(51,117,353)	(4,279,622)	-	(55,396,975)
Net other capital assets	55,432,640	(2,574,584)	-	52,858,056
Net capital assets	\$ 59,033,270	\$(2,074,979)	\$ -	\$ 59,958,291

Depreciation was charged to functions as follows:

Business-type activities:

Electric	\$ 951,314
Gas	2,322,420
Solid Waste and Recycling System	20,166
Waste Water	492,861
Water	<u>492,861</u>

Total business-type activities depreciation expense \$ 4,279,622

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

Type of Debt	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due within One Year
Governmental activities:					
General Obligation Bonds	\$ 8,003,236	\$ -	\$(500,000)	\$ 7,503,236	\$ 500,000
Compensated absences	<u>116,263</u>	<u>-</u>	<u>3,582</u>	<u>112,681</u>	<u>-</u>
Total general long-term debt	\$ 8,119,499	\$ -	\$(503,582)	\$ 7,615,917	\$ 500,000
Business-type activities:					
Accrued landfill closure and post closure care	714,533	-	(129,312)	585,221	-
Compensated absences	<u>87,972</u>	<u>5,269</u>	<u>-</u>	<u>93,241</u>	<u>-</u>
Total proprietary fund debt	\$ 802,505	\$ 5,269	\$(129,312)	\$ 678,462	\$ -

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, 2014

NOTE 6 - LONG-TERM DEBT - CONTINUED

GOVERNMENTAL ACTIVITIES

As of June 30, 2014, 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	(2,496,764)
Net amount outstanding June 30, 2014 - total general obligation bonds payable	7,503,236
Less: current maturities	<u>500,000</u>
Long-term maturities	\$ <u>7,003,236</u>

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014, 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>
2015	\$ 500,000	\$ 258,238	\$ 758,238
2016	500,000	240,738	740,738
2017	500,000	223,238	723,238
2018	500,000	205,738	705,738
2019	500,000	188,238	688,238
2020-2024	2,500,000	678,691	3,178,691
2025-2029	<u>2,503,236</u>	<u>241,191</u>	<u>2,744,427</u>
Total	\$ <u>7,503,236</u>	\$ <u>2,036,072</u>	\$ <u>9,539,308</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>112,681</u>
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**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - LONG-TERM DEBT - CONTINUED

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

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>93,241</u>
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NOTE 7 - RESTRICTED GOVERNMENT-WIDE ASSETS

Business-type activities

Restricted assets are composed of the following at June 30, 2014:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust	\$ -	\$ 1,799,699	\$ 1,799,699
Restricted for Customer Deposits	<u>4,304,924</u>	<u>909,100</u>	<u>5,214,024</u>
Total	\$ <u>4,304,924</u>	\$ <u>2,708,799</u>	\$ <u>7,013,723</u>

NOTE 8 - RESTRICTED FUND ASSETS

Proprietary Funds

Restricted assets are composed of the following at June 30, 2014:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust	\$ -	\$ 1,799,699	\$ 1,799,699
Restricted for Customer Deposits	<u>4,304,924</u>	<u>909,100</u>	<u>5,214,024</u>
Total	\$ <u>4,304,924</u>	\$ <u>2,708,799</u>	\$ <u>7,013,723</u>

NOTE 9 - LIABILITIES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2014:

Customer Deposits	\$ <u>5,214,024</u>
Total	\$ <u>5,214,024</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 10 - LIABILITIES PAYABLE FROM FUND RESTRICTED ASSETS

Proprietary Funds

Liabilities payable from restricted assets are composed of the following at June 30, 2014:

Customer Deposits	\$ <u>5,214,024</u>
Total	\$ <u>5,214,024</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. As of June 30, 2014, the restrictions are as follows:

Governmental Funds

Nonspendable:

Prepaid items	\$ 167,555
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Restricted for:

General Fund for education	493,733
Special Revenue Fund for tourism, conventions and trades shows	13,920
Capital Projects Funds for assets that are reserved for SPLOST funded projects	7,097,399
Debt Service Funds for payment of 2010 General Obligation Bonds debt service	445,599

NOTE 12 - RESTRICTED NET POSITION

Governmental Activities

Restricted net position is comprised of the following at June 30, 2014:

Restricted for:

SPLOST funded projects	\$ 7,097,399
Education	493,733
2010 General Obligation Bonds debt service	445,599
Tourism, conventions and trade shows	<u>13,920</u>
Total net position restricted for governmental-type activities	\$ <u>8,050,651</u>

Business-type Activities

Restricted net position is comprised of the following at June 30, 2014:

Restricted for:

Municipal Competitive Trust	\$ <u>1,799,699</u>
Total net position restricted for business-type activities	\$ <u>1,799,699</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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)

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, 2014 for the plan year beginning July 1, 2014. The plan year runs from July 1 to June 30 annually.

NOTE 13 - PENSION PLAN - CONTINUED

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 13.79% of annual covered payroll for the plan year ending June 30, 2014. The rate was 14.60% of annual covered payroll for the plan year ending June 30, 2015. 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, methods or actuarial assumptions at January 1, 2014.

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, 2014, the annual pension cost (APC) of \$734,655 was equal to the required and actual contributions. For the plan year ending June 30, 2015, the annual pension cost is \$758,076.

Funding Status and Funding Progress

As Of January 1, 2014, the most recent valuation date, the actuarial value of plan assets was \$6,572,276, the actuarial accrued liability for benefits was \$9,423,951, and the actuarial value of assets as a percentage of that actuarial accrued liability was 69.74% (funded ratio). The unfunded actuarial accrued liability was \$2,851,675. The covered payroll (annual payroll of active employees covered in the plan) was \$5,104,546, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 55.87%.

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, 2014.

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

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - PENSION PLAN - CONTINUED

Methods and Assumptions - Continued

Amortization Method:

Closed level dollar method for remaining unfunded liability

Remaining Amortization Period:

Varies for the bases, with a net effective amortization period of 10 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 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

Plan Membership as of January 1, 2014 actuarial valuation

Retirees and beneficiaries receiving benefits	39
Terminated plan members entitled to, but not yet receiving benefits	14
Active plan members	103
Active elected officials	<u>1</u>
Total	<u>157</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	100%	\$0
01/01/13	\$734,655	100%	\$0
01/01/14	\$758,076	100%	\$0

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.

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, 2014, 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 \$713,582 for the year ended June 30, 2014 and a net OPEB obligation of \$3,219,819 based upon an actuarial valuation performed as of January 1, 2012 for the year ending June 30, 2014. 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 \$100,249, reduced by the current year contributions in the amount of \$151,939 and the ARC adjustments of \$181,116 for a net total of \$713,582.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The City's annual OPEB cost, the percentage of annual cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014 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	411,601	19.75%	675,315
06/30/11	402,395	28.21%	964,189
06/30/12	919,428	15.26%	1,743,291
06/30/13	907,061	15.89%	2,506,237
06/30/14	865,521	17.55%	3,219,819

<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 06/30/14 (g)</u>
\$ 420,024	\$ -	\$ -	\$ 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
946,388	69,732	(109,059)	907,061	144,115	762,946	2,506,237
946,388	100,249	(181,116)	865,521	151,939	713,582	3,219,819

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 ratio 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

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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%

NOTE 15 - HOTEL/MOTEL LODGING TAX

The City has levied a hotel/motel lodging tax under OCGA 48-13-51(b). The City levies excise taxes at the rate of 7%. 3/7 (42.86%) goes into the general fund; 2/7 (28.57%) is remitted to the Cities destination marketing organizations (e.g. Gwinnett Convention and Visitors Bureau and Lanier Convention and Visitors Bureau); the remaining 2/7 (28.57%) is spent on "tourism product development" such as our community center or as defined in 48-13-50.2 under the definition tourism product development. A summary of the transactions for the year ending June 30, 2014 follows:

Total hotel/motel tax receipts collected @ 7%	\$ 210,934
Less: 71.43% of hotel/motel tax collected @ 7%	(150,670)
Tax collected to be expended for the promotion of tourism, conventions and trade shows	60,264
Expenditures for promotion of tourism, conventions and trade shows	(61,090)
Collections over (under) expenditures for year ended June 30, 2014	(826)
Hotel/motel tax funds to be expended for year ended June 30, 2013	<u>13,583</u>
Hotel/motel tax funds to be expended at June 30, 2014	\$ <u>12,757</u>

The City expenditures are in compliance with state law and totaled 101.3% of the amounts collected for the year ending June 30, 2014. Remaining funds to be expended at the year ended 2014 are the result of collections from lawsuits for prior years and interest income.

NOTE 16 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

The City had no excess expenditures or expenses over appropriations for the year ending June 30, 2014.

NOTE 17 - DEFICIT FUND BALANCES/RETAINED EARNINGS

The Buford Community Center Fund had a deficit in retained earnings at June 30, 2014 totaling \$12,769.

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 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 \$83,828,413 as of June 30, 2014. 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.

CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

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

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, 2014. The contingent obligations of the City are general obligations of the City to which the City's full faith credit and taxing powers are pledged.

NOTE 21 - RISK MANAGEMENT

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

NOTE 22 - TRANSACTIONS WITH COMPONENT UNITS AND OTHER RELATED ENTITIES

For the year ended June 30, 2014, 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	<u>\$18,400,000</u>
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Agency Fund

Amounts from SPLOST funds held in trust for the City of Buford Board of Education totaled \$9,951,298 as of June 30, 2014.

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, 2014 totaling \$6,195.

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, including interest earned, to \$6,233,687 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 \$4,627,295 for roads, streets and bridges, \$1,302,087 for recreational facilities and \$1,552,783 for water and sewer capital improvements for a total of \$7,482,165.

On August 13, 2013 the City signed the "Intergovernmental Agreement for Use and Distribution of Proceeds Generated by the 2013 Special Purpose Local Option Sales Tax Referendum". This agreement concerns the distribution of proceeds for the April 1, 2014 through March 31, 2017 Special Purpose Local Option Sales Tax ("SPLOST") for Gwinnett County. The City's estimated total is \$5,960,995, of which \$4,172,696 is allocated to recreational facilities and equipment and \$1,788,299 is allocated to transportation (roads, streets, bridges, drainage, sidewalks and related facilities and equipment).

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 and 2012 SPLOST funds for roads, streets and bridges and has received \$74,372 for Hall County 2009 SPLOST and \$1,366,667 for 2012 Hall County SPLOST 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, 2014. Revenues related to SPLOST 2009 totaled \$1,174,669 from the Gwinnett County agreement and \$17,162 from the Hall County Agreement. Revenues related to SPLOST 2012 for the Hall County agreement totaled \$760,000. Revenues related to SPLOST 2014 totaled \$421,553 from the Gwinnett County agreement. SPLOST revenues from all sources totaled \$2,373,384 during the year ended June 30, 2014. The following is a schedule of the activity relating to these projects for the year ending June 30, 2014:

Gross Special Sales Tax Received and Receivable	\$ <u>2,373,384</u>
Project Expenditures:	
SPLOST - Gwinnett County - Roads, streets and bridges - 09	1,188,679
SPLOST - Hall County - Roads, streets and bridges - 12	<u>87,759</u>
Total project expenditures	<u>1,276,438</u>
Net (over) under expended for year ended June 30, 2014	\$ <u>1,096,946</u>

**CITY OF BUFORD, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Utilities 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, 2014, amounts in the accounts include \$3,089,550 in the Flexible Operating account, \$1,798,615 in the Reserve Funded Debt account and \$1,084 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, 2014 totaled \$585,221.

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 January 13, 2015.

On January 5, 2015, the City Commission adopted an Ordinance and Resolution to regulate and provide for the calling of a special municipal election on March 17, 2015 to determine the issuance or non-issuance of City of Buford General Obligation Bonds in the aggregate principal amount of \$35,000,000 for the purpose of acquisition, construction and equipping certain additional Buford City School facilities, the addition of classrooms to existing schools, renovation of existing facilities and technology and preventive maintenance thereto in furtherance of K-12 education in the Buford City School district and other buildings and facilities useful in connection therewith, and acquiring property, real and personal, necessary thereof, and paying expenses incident thereto; to provide for the date and the maximum interest rate or rates of interest which such bonds shall bear, and the schedule of maturities of said bond issue; to provide for the levy of and collection of taxes to service said bond issue, and for other related purposes.

For the fiscal year ended June 30, 2015, the City will be required to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement will require the City to change how it reports its pension plan in its financial statements and related notes. The City will be required to report its Net Pension Liability on its Statement of Net Position, as well as, deferred outflows of resources related to pensions, and deferred inflows of resources related to pensions. The adoption of this standard will result in an adjustment to its Governmental Activities unassigned net position (deficit) as of July 1, 2014.

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, 2014**

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%
01/01/13	5,890,062	8,617,483	2,727,421	68.35%	5,236,165	52.09%
01/01/14	6,572,276	9,423,951	2,851,675	69.74%	5,104,546	55.87%

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, 2014.

**CITY OF BUFORD, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	\$ -	\$3,993,207	\$ 3,993,207	0%	\$4,668,009	85.54%
01/01/12	-	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 06/30/13 (g)
\$ 420,024	\$ -	\$ -	\$ 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
946,388	69,732	(109,059)	907,061	144,115	762,946	2,506,237
946,388	100,249	(181,116)	865,521	151,939	713,582	3,219,819

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

Nonmajor Governmental Funds are funds in which total fund assets, liabilities, revenues or expenditures are less than 10% of total governmental funds, and total fund assets, liabilities, revenues or expenditures are less than 5% of total governmental and business-type funds. These funds are made up of funds used to account for resources, which are required legally or by sound financial management to be accounted for in a fund other than the General Fund.

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, 2014.

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.

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

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

Gwinnett County 2014 SPLOST Fund - used to account for the construction and financing of projects funded by the City of Buford 2014 SPLOST.

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

Hall County 2012 SPLOST Fund - used to account for the construction and financing of projects funded by the Hall County 2012 SPLOST.

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

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

**CITY OF BUFORD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014**

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 390,523	\$ 445,599	\$ 6,703,184	\$ 7,539,306
Sales and excise tax receivable	62,648	-	-	62,648
Due from other governments	<u>-</u>	<u>-</u>	<u>415,936</u>	<u>415,936</u>
Total assets	\$ <u>453,171</u>	\$ <u>445,599</u>	\$ <u>7,119,120</u>	\$ <u>8,017,890</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 18,123	\$ -	\$ 21,721	\$ 39,844
Due to other funds	<u>421,128</u>	<u>-</u>	<u>-</u>	<u>421,128</u>
Total liabilities	<u>439,251</u>	<u>-</u>	<u>21,721</u>	<u>460,972</u>
FUND BALANCES				
Restricted for:				
Tourism, conventions and trade shows	13,920	-	-	13,920
Debt Service	-	445,599	-	445,599
SPLOST construction projects	<u>-</u>	<u>-</u>	<u>7,097,399</u>	<u>7,097,399</u>
Total fund balances	<u>13,920</u>	<u>445,599</u>	<u>7,097,399</u>	<u>7,556,918</u>
Total liabilities and fund balances	\$ <u>453,171</u>	\$ <u>445,599</u>	\$ <u>7,119,120</u>	\$ <u>8,017,890</u>

CITY OF BUFORD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENNDING JUNE 30, 2014

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes - sales and excise	\$ 210,934	\$ -	\$ -	\$ 210,934
Intergovernmental revenue	-	-	2,373,384	2,373,384
Investment income	<u>337</u>	<u>-</u>	<u>6,539</u>	<u>6,876</u>
Total revenues	<u>211,271</u>	<u>-</u>	<u>2,379,923</u>	<u>2,591,194</u>
EXPENDITURES				
Current operating:				
Public services:				
Culture and recreation	61,090		-	61,090
Capital outlay	-		1,276,438	1,276,438
Debt service:				
Principal retirement	-	500,000	-	500,000
Interest and fiscal agent fees	<u>-</u>	<u>275,702</u>	<u>-</u>	<u>275,702</u>
Total expenditures	<u>61,090</u>	<u>775,702</u>	<u>1,276,438</u>	<u>2,113,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,181</u>	<u>(775,702)</u>	<u>1,103,485</u>	<u>477,964</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	767,024	-	767,024
Transfers out	<u>(149,844)</u>	<u>-</u>	<u>-</u>	<u>(149,844)</u>
Total other financing sources (uses)	<u>(149,844)</u>	<u>767,024</u>	<u>-</u>	<u>617,180</u>
Change in fund balances	337	(8,678)	1,103,485	1,095,144
Fund balances - beginning	<u>13,583</u>	<u>454,277</u>	<u>5,993,914</u>	<u>6,461,774</u>
Fund balances - ending	\$ <u>13,920</u>	\$ <u>445,599</u>	\$ <u>7,097,399</u>	\$ <u>7,556,918</u>

**CITY OF BUFORD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
AS OF JUNE 30, 2014**

NON-MAJOR CAPITAL PROJECTS FUNDS						
	GWINNETT COUNTY 2005 SPLOST	GWINNETT COUNTY 2009 SPLOST	GWINNETT COUNTY 2014 SPLOST	HALL COUNTY 2009 SPLOST	HALL COUNTY 2012 SPLOST	REST HAVEN 2001 SPLOST
Assets						
Cash and cash equivalents	\$ 354	\$ 4,756,953	\$ 135,111	\$ 71,624	\$ 1,153,046	\$ 19,621
Due from other governments	<u>-</u>	<u>-</u>	<u>286,452</u>	<u>2,817</u>	<u>126,667</u>	<u>-</u>
Total assets	\$ <u>354</u>	\$ <u>4,756,953</u>	\$ <u>421,563</u>	\$ <u>74,441</u>	\$ <u>1,279,713</u>	\$ <u>19,621</u>
Liabilities						
Accounts payable	\$ <u>-</u>	\$ <u>21,721</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>21,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Restricted: Capital projects	<u>354</u>	<u>4,735,232</u>	<u>421,563</u>	<u>74,441</u>	<u>1,279,713</u>	<u>19,621</u>
Total fund balances	<u>354</u>	<u>4,735,232</u>	<u>421,563</u>	<u>74,441</u>	<u>1,279,713</u>	<u>19,621</u>
Total liabilities and fund balances	\$ <u>354</u>	\$ <u>4,756,953</u>	\$ <u>421,563</u>	\$ <u>74,441</u>	\$ <u>1,279,713</u>	\$ <u>19,621</u>

<u>REST HAVEN 2005 SPLOST</u>	<u>TOTAL NONMAJOR CAPITAL PROJECTS FUNDS</u>
\$ 566,475	\$ 6,703,184
<u>-</u>	<u>415,936</u>
\$ <u>566,475</u>	\$ <u>7,119,120</u>
\$ <u>-</u>	\$ <u>21,721</u>
<u>-</u>	<u>21,721</u>
<u>566,475</u>	<u>7,097,399</u>
<u>566,475</u>	<u>7,097,399</u>
\$ <u>566,475</u>	\$ <u>7,119,120</u>

**CITY OF BUFORD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

NON-MAJOR CAPITAL PROJECTS FUNDS						
	GWINNETT COUNTY 2005 SPLOST	GWINNETT COUNTY 2009 SPLOST	GWINNETT COUNTY 2014 SPLOST	HALL COUNTY 2009 SPLOST	HALL COUNTY 2012 SPLOST	REST HAVEN 2001 SPLOST
Revenues						
Intergovernmental revenue	\$ -	\$ 1,174,669	\$ 421,553	\$ 17,162	\$ 760,000	\$ -
Investment income	<u>1</u>	<u>5,111</u>	<u>10</u>	<u>64</u>	<u>764</u>	<u>20</u>
Total revenues	<u>1</u>	<u>1,179,780</u>	<u>421,563</u>	<u>17,226</u>	<u>760,764</u>	<u>20</u>
Expenditures						
Capital outlay	<u>-</u>	<u>1,188,679</u>	<u>-</u>	<u>-</u>	<u>87,759</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>1,188,679</u>	<u>-</u>	<u>-</u>	<u>87,759</u>	<u>-</u>
Changes in fund balances	1	(8,899)	421,563	17,226	673,005	20
Fund balances-beginning	<u>353</u>	<u>4,744,131</u>	<u>-</u>	<u>57,215</u>	<u>606,708</u>	<u>19,601</u>
Fund balances-ending	\$ <u>354</u>	\$ <u>4,735,232</u>	\$ <u>421,563</u>	\$ <u>74,441</u>	\$ <u>1,279,713</u>	\$ <u>19,621</u>

REST HAVEN 2005 SPLOST	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
\$ -	\$ 2,373,384
<u>569</u>	<u>6,539</u>
<u>569</u>	<u>2,379,923</u>
<u>-</u>	<u>1,276,438</u>
<u>-</u>	<u>1,276,438</u>
569	1,103,485
<u>565,906</u>	<u>5,993,914</u>
\$ <u>566,475</u>	\$ <u>7,097,399</u>

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE SINGLE AUDIT ACT**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Buford, Georgia's basic financial statements and have issued our report thereon dated January 13, 2015. Our report includes a reference to other auditors who 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 the 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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

To the Board of Commissioners
City of Buford, Georgia

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilcox & Bivings, P.C.

Suwanee, Georgia
January 13, 2015

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Buford, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Buford, Georgia's major federal programs for the year ended June 30, 2014. The City of Buford, Georgia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Buford, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Buford, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

We believe that our audit provides a reasonable opinion for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Buford, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Buford, Georgia complied, in all materials respects, with the types of compliance requirements referred to above that could have a direct and material affect on each of its major federal programs for the year ended June 30, 2014.

To the Board of Commissioners
City of Buford, Georgia

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilcox & Bivings, P.C.

Suwanee, Georgia
January 13, 2015

**CITY OF BUFORD, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program or Cluster Title/Pass-through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Office of Community Planning and Development:			
Community Development Block Grants/Gwinnett County	14.218		\$ <u>245,000</u>
Total U.S. Department of Housing and Urban Development			<u>245,000</u>
<u>U.S. Department of Transportation:</u>			
Federal Highway Administration:			
L30 Surface Transportation Program/Georgia Department of Transportation	20.205	CSSTP-0008-00(906)	<u>1,028,635</u>
Total U.S. Department of Transportation			<u>1,028,635</u>
Total Expenditures of Federal Awards			\$ <u><u>1,273,635</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BUFORD, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the City of Buford, Georgia under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of, the basic financial statements. In addition, because the Schedule presents only a selected portion of the operations of the City of Buford, Georgia, it is not intended to and does not represent the financial position, changes in net position, or cash flows of the City of Buford, Georgia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles of State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity numbers are presented where available.

**CITY OF BUFORD, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I-SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of Auditors' Report Issued:

- ❖ Unqualified.

Internal Control Over Financial Reporting:

- ❖ No material weaknesses identified.
- ❖ No significant deficiencies identified.
- ❖ No noncompliance material to financial statements noted.

FEDERAL AWARDS

Types of Auditors' Report Issued on Compliance for Major Programs:

- ❖ Unqualified

Internal Control Over Major Programs:

- ❖ No material weaknesses identified.
- ❖ No significant deficiencies identified.
- ❖ No audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

Identification of Major Programs:

- ❖ CFDA #14.218 - United States Department of Housing and Urban Development/Office of Community Planning and Development/Community Block Grants/Entitlement Grants/Gwinnett County.
- ❖ CFDA #20.205 - Department of Transportation/Federal Highway Administration/Georgia Department of Transportation/L230 Surface Transportation Program-Urban (STPU)/Livable Centers Initiative.
- ❖ The threshold for distinguishing Types A and B programs was \$300,000.
- ❖ The City of Buford, Georgia did not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

- ❖ None

SECTION III I FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- ❖ None

**CITY OF BUFORD, GEORGIA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Findings - Financial Statement Audit @ June 30, 2013:

- ❖ None.

Findings and Questioned Costs - Major Federal Awards Programs Audit @ June 30, 2013:

- ❖ N/A - Single Audit not required.

**CITY OF BUFORD, GEORGIA
2300 BUFORD HIGHWAY
BUFORD, GEORGIA 30518
770-945-6761**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014**

- ❖ **As there were no findings for the year ended June 30, 2014, there are no corrective actions.**

**SCHEDULE REQUIRED BY
THE STATE OF GEORGIA**

CITY OF BUFORD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED AND EXPENDITURES INCURRED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PROJECT DESCRIPTION:	AMOUNT CURRENTLY ESTIMATED FOR EACH PROJECT	AMOUNT EXPENDED IN PRIOR YEARS	ESTIMATED AMOUNT EXPENDED IN CURRENT YEAR	PERCENTAGE OF COMPLETION OF EACH PROJECT
Rest Haven-Recreational facilities-01	\$ 90,874	\$ 71,279	\$ -	78.44%
Gwinnett County-Roads, streets, bridges-05	6,233,687	6,233,687	-	100.00%
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	74,372	-	-	00.00%
Hall County-Roads, streets, bridges-12	1,366,667	-	87,759	06.42%
Gwinnett County-Roads, streets, bridges-09	4,627,295	498,582	1,188,679	36.46%
Gwinnett County-Recreational facilities-09	1,302,087	1,200,000	-	92.16%
Gwinnett County-Water & Sewer-09	1,552,783	-	-	00.00%
Gwinnett County-Recreational facilities-14	4,172,696	-	-	00.00%
Gwinnett County-Transportation-14	<u>1,788,299</u>	<u>-</u>	<u>-</u>	00.00%
Totals	<u>\$ 24,005,545</u>	<u>\$ 10,253,548</u>	<u>\$ 1,276,438</u>	

Amounts estimated for each project are as follows:

	AMOUNT ORIGINALLY ESTIMATED FOR EACH PROJECT	ADDITIONS (DELETIONS) TO PROJECT BUDGET	AMOUNT CURRENTLY ESTIMATED FOR EACH PROJECT
Rest Haven-Recreational facilities-01	\$ -	\$ 90,874	\$ 90,874
Gwinnett County-Roads, streets, bridges-05	5,579,062	654,625	6,233,687
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	48,640	74,372
Hall County-Roads, streets, bridges-12	606,667	760,000	1,366,667
Gwinnett County-Roads, streets, bridges-09	5,960,000	(1,332,705)	4,627,295
Gwinnett County-Recreational facilities-09	1,677,101	(375,014)	1,302,087
Gwinnett County-Water & Sewer-09	2,000,000	(447,217)	1,552,783
Gwinnett County-Recreational facilities and equipment-14	4,172,696	-	4,172,696
Gwinnett County-Transportation-14	<u>1,788,299</u>	<u>-</u>	<u>1,788,299</u>
Totals	<u>\$ 24,356,342</u>	<u>\$ (350,797)</u>	<u>\$ 24,005,545</u>