# CITY OF LAWRENCEVILLE, GEORGIA

# FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2011

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# ROBERT A. MCALISTER, CPA, PC

#### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lawrenceville, Georgia, as of and for the year ended August 31, 2011 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lawrenceville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lawrenceville, Georgia, as of August 31, 2011, and the respective changes in financial position, cash flows of its proprietary funds and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lawrenceville, Georgia's basic financial statements. The combining and individual non-major fund financial statements, schedules and schedule of project expenditures with Special Option Sales Tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, schedules and schedule of project expenditures with Special Option Sales Tax have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 22, 2012, on our consideration of the City of Lawrenceville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and is not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Robert A. McAlister, CPA, PC

Suwanee, Georgia February 22, 2012

# CITY OF LAWRENCEVILLE, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended August 31, 2011

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Lawrenceville, Georgia (City) basic financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended August 31, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government. Unless otherwise noted component units, related organization and joint ventures reported separately from the primary government are not included.

## Financial Highlights

The City of Lawrenceville, Georgia was incorporated on December 15, 1821, and operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The City's assets exceeded its liabilities by \$281,960,792 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$265,739,359.

Total net assets are comprised of the following:

- (1) Capital assets of \$237,741,591 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$18,303,794 are restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net assets of \$25,915,407 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported total ending fund balance of \$25,711,539 this year. This compares to the prior year ending fund balance of \$22,784,001 showing an increase of \$2,927,538 during the current year. Unassigned fund balance of \$21,117,053 for the fiscal year 2011 shows a \$1,578,387 increase over the prior year.

At the end of the fiscal year, unassigned fund balance for the General Fund was \$21,153,925 or 118.7% of total General Fund expenditures including transfers and 121.8% of total General Fund revenues including transfers.

Total liabilities of the City increased by \$1,326,462 to \$19,060,773 during the fiscal year. The City had no long-term debt as of August 31, 2011.

#### Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

#### Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities

The first of these government-wide statements is the Statement of Net Assets. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net assets changes during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, planning & zoning, public safety and public works. Business-type activities include electric system, gas system and water system utilities and solid waste disposal and management. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The city had no reportable component units. Other organizations such as related organizations and joint ventures are reported separately and are not included in the City's overall reporting entity.

#### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

## The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the difference between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for special revenue funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budgets.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. The City utilizes only enterprise funds. Enterprise funds essentially encompass the same functions as reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as electric, gas and water utilities, solid waste disposal and management and stormwater management.

Proprietary fund statements and statements for discretely presented component units (reporting that is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The city had no internal service funds or non-major enterprise funds.

Fiduciary funds such as employee pension plans are reported in the fiduciary fund financial statements, but excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. The City's only fiduciary funds are employee pension funds and financial statements are reported appropriately and separate from the City's financial statements.

#### Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statement.

#### Other information

Other supplementary information includes details by fund for receivables, payables, transfers and payments within the reporting entity. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

#### Financial Analysis of the City as a Whole

The City implemented the new financial reporting model used in this report beginning with the fiscal year ended August 31, 2002. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at fiscal year-end are \$281,960,792. This is an \$16,221,433 increase over last year's net assets of \$265,739,359. The following table provides a summary of the City's net assets:

	Govern	nmental	Busine	ess-type				
	Acti	vities	Acti	vities	Total			
	2011	2010	2011	2010	2011	2010		
Current and other			<u> </u>					
assets	\$ 37,644	\$ 33,255	\$ 25,636	\$ 18,648	\$ 63,280	\$ 51,903		
Capital assets	187,917	185,635	49,825	45,936	237,742	231,571		
Total assets	\$ 225,561	\$ 218,890	\$ 75,461	\$ 64,584	\$ 301,022	\$ 283,474		
Long-term Liabilities								
outstanding	\$ 570	\$ 554	\$ -	\$ -	\$ 570	\$ 554		
Other liabilities	12,680	10,939	5,811	6,241	18,491	17,180		
Total Liabilities	13,250	11,493	5,811	6,241	19,061	17,734		
Net assets:								
Invested in capital								
assets	187,917	185,635	49,825	45,936	237,742	231,571		
Restricted	563	-	17,741	-	18,304	-		
Unrestricted	23,831	21,762	2,084	12,407	25,915	34,169		
Total net assets	212,311	207,397	69,650	58,343	281,961	265,740		
Total liabilities and								
net assets	\$ 225,561	\$ 218,890	\$ 75,461	\$ 64,584	\$ 301,022	\$ 283,474		

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$4,913,924 for governmental activities and increased \$11,307,509 for business-type activities. The City's overall financial position improved during fiscal year 2011.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net assets:

	Governmental Activities			Business-type Activities				Total			
		2011		2010	2011		2010		2011		2010
Revenues:											
Program revenues:											
Charges for services	\$	7,642	\$	3,622	\$ 72,399	\$	76,708	\$	80,041	\$	80,330
Capital grants and contributions		3,899		3,892	1,652		-		5,551		3,892
General revenues:											
Property tax		1,744		1,900	-		-				
Franchise tax		979		1,001	-		-		979		1,001
Alcohol beverage tax		576		578	-		-				
Insurance premium tax		1,206		1,242	-		-				
Hotel/motel & MV rental taxes		402		389	-		-		402		389
Other		912		1,110	 128		412		1,040		1,522
Total revenues		17,360		13,734	74,179		77,120		88,013		87,134
Expenses (net of indirect costs):											
General government		7,373		7,198	-		-		7,373		7,198
Planning & zoning		348		358	-		-		348		358
Public safety		12,111		10,229	-		-		12,111		10,229
Public works		1,071		2,093	-		-		1,071		2,093
Electric		-		-	17,076		19,138		17,076		19,138
Gas		-		-	31,268		33,824		31,268		33,824
Water		-		-	4,328		7,321		4,328		7,321
Solid waste		-		-	1,690		1,701		1,690		1,701
Stormwater utility		-		-	 53		239		53		239
Total expenses		20,903		19,878	54,415		62,223		75,318		82,101
Increase in net assets											
before transfers		(3,543)		(6,144)	19,764		14,897		16,221		8,753
Transfers		8,457		5,214	(8,457)		(5,214)		-		-
Increase in net assets		4,914		(930)	11,307		9,683		16,221		8,753
Net assets - September 1		207,397		208,327	58,343		48,660		265,740		256,987
Capital transfers											
Net assets - August 31	\$	212,311	\$	207,397	\$ 69,650	\$	58,343	\$	281,961	\$	265,740

#### **GOVERNMENTAL REVENUES**

Taxes are the main source of revenues for the operations of the City. Taxes provided 28.1% of the City's total governmental revenues during the current fiscal year. Business-type activities subsidize governmental activities to cover the cost of governmental activities without substantial increases in taxes.

#### GOVERNMENTAL FUNCTIONAL EXPENSES

Total governmental activities cost for the current fiscal year was \$20,903,542. Of this amount, public safety with \$12,110,803 was the largest operating cost, at 57.9% of the total cost for services in 2011.

# BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

Fiscal Year Ended August 31, 2011

	Revenues	Expenses		
Electric System	28,054,430	17,075,636		
Gas System	38,165,349	31,268,109		
Water System	4,496,110	4,328,598		
Solid Waste Disposal/Management	1,015,705	1,689,352		
Stormwater Utility	667,389	52,343		

Financial Analysis of the City's Funds

#### Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflows and outflows of spendable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$25,711,539. Of this year-end total, \$21,117,053 is unassigned indicating availability for continuing City service requirements. Nonspendable fund balances include \$228,121 for prepaid insurance. Reserved fund balances include \$3,803,464 for public safety and \$562,901 for capital projects.

The total ending fund balances of governmental funds show an increase of \$2,927,538 over the prior year. This increase is primarily the results of the events and programs described with the analysis of the City's governmental activities.

#### Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$422,233. Key factors contributing to this decrease were reduced revenues from taxes and fines and forefeitures.

The Capital Project Fund accumulates resources and disbursements for major capital projects. The fund balance of the Capital Projects Fund decreased by \$319,025 primarily due to expenditures of special option sales tax.

#### **Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

#### Major Proprietary Funds

The Electric System Fund provides electricity to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing uninterrupted dependable electric utility services. The City's electric utilities are reported within this activity in the government-wide statements.

The Gas System Fund provides natural gas to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing uninterrupted dependable natural gas utility services. The City's gas utilities are reported within this activity in the government-wide statements.

The Water System Fund provides water to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water. The City's water utilities are reported within this activity in the government-wide statements.

The Solid Waste Disposal/Management Fund provides refuse collection and disposal to the City's residential and commercial customers. The City's solid waste disposal and management are reported within this activity in the government-wide statements.

The Stormwater Utility Fund provides stormwater control and management.

#### General Fund Budgetary Highlights

The General Fund budget for fiscal year 2011 was \$19,696,979. This was a decrease of \$1,180,506 over the previous year amended budget. Except as noted, these amendments were to be substantially funded with unappropriated fund balance. The prior year fund balance for the City's capital plan was incorporated in the budget amendments as well as revenue and expenditure revisions.

#### Capital Asset and Debt Administration

#### Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of August 31, 2011, was \$187,916,543 and \$49,825,048, respectively. The total increase in this net investment was 1.2% for governmental and increase of 8.5% for business-type activities. The overall increase was 2.7% for the City as a whole. Major capital asset additions during the current year included infrastructure and other acquisitions of capital assets totaling \$4,246,564. Expansion and improvements by the City's business-type activities in the amount of \$6,100,948 also contributed significantly to changes in the City's investment in capital assets.

#### Capital Assets, Net of Accumulated Depreciation

	Govern	mental	Busine	ess-type				
	Activ	vities	Acti	ivities	Total			
	2011	2010	2011	2010	2011	2010		
Non-depreciable Assets								
Land	\$ 11,723	\$ 11,709	\$ 804	\$ 804	\$ 12,527	\$ 12,513		
Construction in progress	1,039	377	6,314	2,843	7,353	3,220		
Depreciable Assets								
Buildings	32,588	32,507	11,365	10,446	43,953	42,953		
Improvements	4,381	4,381	-	-	4,381	4,381		
Vehicles	4,942	4,032	3,181	2,981	8,123	7,013		
Machinery & equipment	5,822	5,628	1,471	1,388	7,293	7,016		
Infrastructure	267,986	265,671	57,816	56,445	325,802	322,116		
Less accumulated								
depreciation	(140,564)	(138,670)	(31,126)	(28,971)	(171,690)	(167,641)		
Total	\$ 187,917	\$ 185,635	\$ 49,825	\$ 45,936	\$ 237,742	\$ 231,571		

#### Long-term Debt

The City had no long-term debt as of August 31, 2011.

## Economic Environment and Next Year's Budgets

The general outlook for the City of Lawrenceville, Georgia economy for next year is moderate growth. The City has a low to moderate cost of living and relatively low unemployment. The City has not experienced any major downturns in the economy and has a stable economic environment.

For the fiscal year 2010-11, the City Council approved a total budget of \$90.6 million. This budget includes operating and non-operating funds. The General Fund budget is \$19.7 million, which includes approximately \$9.6 million operating subsidy from business-type activities (Proprietary Funds). The City's budgets and relative fund balances are maintained in compliance with the City's adopted financial policies.

#### Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance- related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Administrator, at P. 0. Box 2200, Lawrenceville, Georgia 30046.

# CITY OF LAWRENCEVILLE, GEORGIA BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2011

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF NET ASSETS August 31, 2011

	Primary Government							
	G	overnmental	Вι	isiness Type			Co	mponent
		Activities		Activities		Total		Units
ASSETS								
Current assets								
Cash and cash equivalents	\$	23,955,055	\$	8,591,653	\$	32,546,708	\$	44,116
Investments		5,202,333		1,283,797		6,486,130		-
Restricted investments		-		17,740,893		17,740,893		-
Receivables								
Property taxes		1,989,621		-		1,989,621		-
Other		649,824		3,638,677		4,288,501		-
Intergovernmental		-		-		-		-
Prepaid expenses		228,121		-		228,121		-
Internal balances		5,619,061		(5,619,061)		-		-
Capital Assets:								
Land & construction in progress		12,761,276		7,117,907		19,879,183		-
Capital assets, net		175,155,267		42,707,141		217,862,408		
TOTAL ASSETS	\$	225,560,558	\$	75,461,007	\$	301,021,565	\$	44,116
LIABILITIES								
Accounts payable	\$	2,435,562	\$	4,679,949	\$	7,115,511	\$	-
Accrued expenses		2,435,801		1,125,217		3,561,018		-
Refundable deposits		7,808,493		5,475		7,813,968		-
Compensated absences		570,276		-		570,276		-
Total current liabilities		13,250,132		5,810,641		19,060,773		-
TOTAL LIABILITIES		13,250,132		5,810,641		19,060,773		
NET ASSETS								
Invested in capital assets		187,916,543		49,825,048		237,741,591		-
Restricted for:								
MEAG Generation Trust		-		17,740,893		17,740,893		-
Capital outlay		562,901		-		562,901		-
Unrestricted		23,830,982		2,084,425		25,915,407		44,116
TOTAL NET ASSETS		212,310,426		69,650,366		281,960,792		44,116
TOTAL LIABILITIES AND NET ASSETS	\$	225,560,558	\$	75,461,007	\$	301,021,565	\$	44,116

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2011

			Program Revenues	,		`	Revenues and Net Assets	
			Operating	Capital		Primary Governmen	t	
		Charges for	Grants and	Grants and	Governmental	Business-type		Component
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	Units
Primary government								
Governmental activities								
General government	\$ 7,373,018	\$ 778,280	\$ -	\$ 3,899,476	\$ (2,695,262)	\$ -	\$ (2,695,262)	\$ -
Planning & Zoning	348,482	285,264	-	-	(63,218)	-	(63,218)	-
Public Safety	12,110,803	6,577,967	-	-	(5,532,836)	-	(5,532,836)	-
Public Works	1,071,239				(1,071,239)		(1,071,239)	
Total governmental activities	20,903,542	7,641,511		3,899,476	(9,362,555)	-	(9,362,555)	
Business-type activities								
Electric	17,075,636	28,054,430	-	-	-	10,978,794	10,978,794	-
Gas	31,268,109	38,165,349	-	992,087	-	7,889,327	7,889,327	-
Water	4,328,598	4,496,110	-	660,000	-	827,512	827,512	-
Solid Waste	1,689,352	1,015,705	-	-	-	(673,647)	(673,647)	-
Stormwater Utility	52,343	667,389	-	-	-	615,046	615,046	-
Total business-type activities	54,414,038	72,398,983	-	1,652,087	-	19,637,032	19,637,032	-
Total Primary government	\$ 75,317,580	\$ 80,040,494	\$ -	\$ 5,551,563	(9,362,555)	19,637,032	10,274,477	
Component units								
Downtown Development Authority	31,079	-	-	-				(31,079)
Lawrenceville Development Authority								
Total Component Units	\$ 31,079	\$ -	\$ -	\$ -				\$ (31,079)
		General revenues						
		Taxes	_					
		Property			1,744,314	-	1,744,314	-
		Franchise			978,793	-	978,793	-
			Beverage Taxes		576,018	-	576,018	-
			e premium tax		1,205,671	-	1,205,671	-
			otel & Motor Vehicle	e Rental Taxes	402,038	-	402,038	34,037
		Other tax			465,877	-	465,877	-
			estment Earnings		303,686	-	303,686	39
		Miscellaneou	S		142,719	127,840	270,559	-
		Transfers			8,457,363	(8,457,363)		
			neral revenues		14,276,479	(8,329,523)	5,946,956	34,076
			nge in net assets		4,913,924	11,307,509	16,221,433	2,997
		Net assets, beginn	ing		207,396,502	58,342,857	265,739,359	41,119
		Net assets, ending			\$ 212,310,426	\$ 69,650,366	\$ 281,960,792	\$ 44,116

The accompanying notes are an integral part of this statement

# CITY OF LAWRENCEVILLE, GEORGIA BALANCE SHEET GOVERNMENTAL FUND August 31, 2011

		General Fund	Capital Projects Fund		Confiscated Assets		Other Governmental Funds		Totals Governmental Funds	
ASSETS										
Cash and cash equivalents	\$	18,267,360	\$	1,864,994	\$	3,822,701	\$	-	\$	23,955,055
Investments		5,202,333		-		-		-		5,202,333
Receivables										
Property taxes		1,989,621		-		-		-		1,989,621
Other accounts		643,820		-		-		-		643,820
Intergovernmental		-		-		-		-		-
Receivable from other funds		5,636,378		-		=		-		5,636,378
Prepaid insurance		228,121				-		-		228,121
TOTAL ASSETS	\$	31,967,633	\$	1,864,994	\$	3,822,701	\$	-	\$	37,655,328
LIABILITIES										
Accounts payable	\$	1,094,677	\$	1,301,874	\$	19,237	\$	19,774	\$	2,435,562
Accrued expenses		259		-		-		-		259
Refundable deposits		7,808,493		-		-		-		7,808,493
Deferred tax revenue		1,682,158		-		-		-		1,682,158
Payable to other funds		-		219				17,098		17,317
TOTAL LIABILITIES	\$	10,585,587	\$	1,302,093	\$	19,237	\$	36,872	\$	11,943,789
FUND BALANCE										
Nonspendable for prepaid items	\$	228,121	\$	-	\$	-	\$	-	\$	228,121
Restricted for:										
Public safety		-		-		3,803,464		-		3,803,464
Capital projects		-		562,901		-		-		562,901
Unassigned	_	21,153,925				<u>-</u>		(36,872)		21,117,053
TOTAL FUND BALANCE	\$	21,382,046	\$	562,901	\$	3,803,464	\$	(36,872)	\$	25,711,539
TOTAL LIABILITIES & FUND BALANCE	\$	31,967,633	\$	1,864,994	\$	3,822,701	\$	-	\$	37,655,328

# CITY OF LAWRENCEVILLE, GEORGIA RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS August 31, 2011

Total Fund Balance for Governmental Fund

\$ 25,711,539

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Some assets are not receivable in the current period and therefore are not reported in the funds. Balances at August 31, 2011 are:

Accrued interest receivable

6,004

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$138,670,049

187,916,543

Because some property taxes will not be collected for several months after the City's year ends, they are not considered as "available" revenues in the governmental funds

1,682,158

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Balances at August 31, 2010 are:

OPEB liability (2,435,542)
Compensated absences (570,276)

Net assets of governmental activities

\$ 212,310,426

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND

	General Fund	Capital Projects Fund		Confiscated Assets		Other Governmental Funds		Total Governmental Funds	
REVENUES	 								
Taxes	\$ 4,296,464	\$	-	\$	-	\$	402,038	\$	4,698,502
Licenses and permits	285,264		-		-		-		285,264
Intergovernmental	17,703		3,912,931		-		-		3,930,634
Fines and forefeitures	1,803,801		-		4,774,166		-		6,577,967
Interest Income	266,983		-		18,354		-		285,337
Charges for services	778,280		-		-		-		778,280
Other Income	 142,719		-		-				142,719
TOTAL REVENUE	7,591,214		3,912,931		4,792,520		402,038		16,698,703
EXPENDITURES									
Current Operations									
General government	5,923,486		32,670		-		264,106		6,220,262
Planning and zoning	321,817		-		-		-		321,817
Public safety	9,749,000		203,816		1,108,282		-		11,061,098
Public works	 1,797,958		2,827,393						4,625,351
Total Expenditures	 17,792,261		3,063,879		1,108,282		264,106		22,228,528
Excess (Deficiency) of Revenues over (under) Expenditures	(10,201,047)		849,052		3,684,238		137,932		(5,529,825)
OTHER FINANCING SOURCES (USES) Transfers	 9,778,814		(1,168,077)				(153,374)		8,457,363
Total Other Financing Sources (Uses)	 9,778,814		(1,168,077)		_		(153,374)		8,457,363
Net Change in Fund Balance	(422,233)		(319,025)		3,684,238		(15,442)		2,927,538
Fund Balance - Beginning of Year	 21,804,279		881,926		119,226		(21,430)		22,784,001
Fund Balance - End of Year	\$ 21,382,046	\$	562,901	\$	3,803,464	\$	(36,872)	\$	25,711,539

# CITY OF LAWRENCEVILLE, GEORGIA RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2011

Net change in	fund balance	e - total governmental fund	
---------------	--------------	-----------------------------	--

\$ 2,927,538

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

Interest accrued on certificates of deposit that do not provide current financial resources are not reported as revenues in the funds

(12,809)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

 Capital outlays
 4,246,564

 Depreciation
 (1,964,640)

Governmental funds defer all tax revenues not collected within sixty days of year end. However, the Statement of Activities uses the accrual method and, thus, the entire amount is recognized as revenue, regardless of the collection date

674,209

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

OPEB liability (940,364)
Compensated absences (16,574)

Change in net assets of governmental activities \$ 4,913,924

# CITY OF LAWRENCEVILLE, GEORGIA GENERAL FUND

# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) TO ACTUAL

	Budgeted	Amounts		
	Original	Final		
	Budget	Budget	Actual	Variance
REVENUES				
Taxes				
Property taxes	\$ 1,991,358	\$ 1,991,358	\$ 1,070,105	\$ (921,253)
Franchise taxes	986,607	986,607	978,793	(7,814)
Alcohol beverage taxes	568,601	568,601	576,018	7,417
Insurance premium taxes	1,242,345	1,242,345	1,205,671	(36,674)
Other taxes	413,444	413,444	465,877	52,433
Total Taxes	5,202,355	5,202,355	4,296,464	(905,891)
Licenses and permits	299,050	299,050	285,264	(13,786)
Intergovernmental	10,000	10,000	17,703	7,703
Fines and forefeitures	3,321,798	3,321,798	1,803,801	(1,517,997)
Charges for services	852,425	852,425	778,280	(74,145)
Other income	87,776	87,776	142,719	54,943
Interest earned	355,000	355,000	266,983	(88,017)
Total Revenues	\$ 10,128,404	\$ 10,128,404	\$ 7,591,214	\$ (2,537,190)
EXPENDITURES				
General Government				
Personal services	\$ 3,972,395	\$ 3,972,395	\$ 3,834,070	\$ 138,325
Purchased/contracted services	1,364,533	1,466,533	1,465,760	773
Supplies	149,288	190,288	189,961	327
Other costs	2,261,882	1,675,082	393,167	1,281,915
Capital outlay	39,000	40,600	40,528	72
Total General Government	\$ 7,787,098	\$ 7,344,898	\$ 5,923,486	\$ 1,421,412
Planning and Zoning				
Personal services	\$ 295,128	\$ 295,128	\$ 293,457	\$ 1,671
Purchased/contracted services	30,550	30,550	24,643	5,907
Supplies	1,900	3,300	3,283	17
Other costs	´-	500	434	66
Capital outlay				
Total Planning and Zoning	\$ 327,578	\$ 329,478	\$ 321,817	\$ 7,661

# CITY OF LAWRENCEVILLE, GEORGIA GENERAL FUND

# SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (BUDGETARY BASIS) TO ACTUAL – CONTINUED

	Budgeted	Amounts					
	Original Budget	Final Budget	Actual	Variance			
Public Safety Personal services Purchased/contracted services Supplies Other costs Capital outlay	\$ 8,348,730 463,900 651,750 22,600	\$ 8,525,730 466,400 711,750 46,600	\$ 8,524,900 466,331 711,407 46,362	\$ 830 69 343 238			
Total Public Safety	\$ 9,486,980	\$ 9,750,480	\$ 9,749,000	\$ 1,480			
Public Works Personal services Purchased/contracted services Supplies Other costs Capital outlay	\$ 990,677 374,932 111,714 5,000 613,000	\$ 1,089,677 374,932 181,714 12,800 613,000	\$ 1,088,752 291,037 180,953 12,755 224,461	\$ 925 83,895 761 45 388,539			
Total Public Works	\$ 2,095,323	\$ 2,272,123	\$ 1,797,958	\$ 474,165			
TOTAL EXPENDITURES	\$ 19,696,979	\$ 19,696,979	\$ 17,792,261	\$ 1,904,718			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (9,568,575)	\$ (9,568,575)	\$(10,201,047)	\$ (4,441,908)			
OTHER FINANCING SOURCES (USES) Transfers	\$ 9,568,575	\$ 9,568,575	\$ 9,778,814	\$ (210,239)			
TOTAL OTHER FINANCING SOURCES (USES)	\$ 9,568,575	\$ 9,568,575	\$ 9,778,814	\$ (210,239)			
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ (422,233)	\$ (4,652,147)			
Fund Balance - Beginning			21,804,279				
Fund Balance - Ending			\$ 21,382,046				

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF NET ASSETS - PROPRIETARY FUND August 31, 2011

	Enterprise Funds											
	Electrical		Gas			Water		Solid	Stormwater			
		System		System		System		Waste		Utility		Totals
ASSETS												
Current Assets												
Cash and cash equivalents	\$	1,435,863	\$	6,946,224	\$	-	\$	-	\$	209,566	\$	8,591,653
Investments		1,283,797		-		-		-		-		1,283,797
Accounts receivable, net		2,305,015		696,605		532,208		62,682		42,167		3,638,677
Restricted investments		17,740,893		-		-		-		-		17,740,893
Total current assets		22,765,568		7,642,829		532,208		62,682		251,733		31,255,020
Capital Assets												
Land & construction in progress		11,316		269,422		6,837,169		-		-		7,117,907
Buildings, equipment and distribution system												
net of accumulated depreciation		14,680,981		16,739,338		9,440,560		67,248		1,779,014		42,707,141
Total capital assets		14,692,297		17,008,760		16,277,729	_	67,248	_	1,779,014		49,825,048
TOTAL ASSETS	\$	37,457,865	\$	24,651,589	\$	16,809,937	\$	129,930	\$	2,030,747	\$	81,080,068
		LIA	BILIT	IES AND NET	ASSE	TS						
LIABILITIES												
Current Liabilities												
Accounts payable	\$	2,670,339	\$	1,311,396	\$	630,932	\$	66,528	\$	754	\$	4,679,949
Accrued expenses		206,243		602,777		119,537		196,660		-		1,125,217
Refundable deposits		5,475		-		-		-		-		5,475
Due to other funds		-		-		3,534,532		2,084,529		-		5,619,061
TOTAL LIABILITIES	\$	2,882,057	\$	1,914,173	\$	4,285,001	\$	2,347,717	\$	754	\$	11,429,702
NET ASSETS												
Invested in capital assets	\$	14,692,297	\$	17,008,760	\$	16,277,729	\$	67,248	\$	1,779,014	\$	49,825,048
Restricted for MEAG Generation Trust		17,740,893		-		-		-		-		17,740,893
Unrestricted		2,142,618		5,728,656		(3,752,793)		(2,285,035)		250,979		2,084,425
Total net assets		34,575,808		22,737,416		12,524,936		(2,217,787)		2,029,993		69,650,366
TOTAL LIABILITIES AND NET ASSETS	\$	37,457,865	\$	24,651,589	\$	16,809,937	\$	129,930	\$	2,030,747	\$	81,080,068

The accompanying notes are an integral part of this statement

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

	Enterprise Funds											
		Electrical		Gas		Water		Solid	S	tormwater		
		System		System		System		Waste		Utility		Totals
OPERATING REVENUES												
Charges for services	\$	28,054,430	\$	38,165,349	\$	4,496,110	\$	1,015,705	\$	667,389	\$	72,398,983
Intergovernmental		-		992,087		660,000		-		-		1,652,087
Other income		42,242		69,974		7,286		8,338		-		127,840
Total operating revenues	_	28,096,672		39,227,410		5,163,396		1,024,043		667,389	_	74,178,910
OPERATING EXPENSES												
Personal services & benefits		1,266,722		2,952,027		801,026		906,428		969		5,927,172
Purchased/contracted services		332,902		441,604		200,337		646,949		21,521		1,643,313
Purchased utilities		14,571,178		26,227,963		2,677,926		-		-		43,477,067
Depreciation		829,208		826,384		469,495		58,182		28,479		2,211,748
Supplies		70,871		685,546		158,188		76,452		1,374		992,431
Other		4,755		134,585		21,626		1,341		-		162,307
Total operating expenses		17,075,636		31,268,109		4,328,598		1,689,352		52,343		54,414,038
Operating income (loss)		11,021,036		7,959,301		834,798		(665,309)		615,046		19,764,872
OTHER FINANCING SOURCES (USES)												
Transfers		(2,056,865)		(7,568,575)		1,168,077		-		-		(8,457,363)
Total other financing sources (uses)		(2,056,865)		(7,568,575)		1,168,077		-		-		(8,457,363)
Change in net assets		8,964,171		390,726		2,002,875		(665,309)		615,046		11,307,509
Total net assets - beginning of year	_	25,611,637		22,346,690		10,522,061		(1,552,478)		1,414,947		58,342,857
Total net assets - end of year	\$	34,575,808	\$	22,737,416	\$	12,524,936	\$	(2,217,787)	\$	2,029,993	\$	69,650,366

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF CASH FLOWS – PROPRIETARY FUND

	Enterprise Funds						
	Electrical	Gas	Water	Solid	Stormwater		
	System	System	System	Waste	Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 28,871,793	\$ 38,546,558	\$ 4,691,638	\$ 1,041,230	\$ 685,278	\$ 73,836,497	
Payments to suppliers	(14,410,699)	(26,290,578)	(3,516,214)	18,543	-	(44,198,948)	
Payments to employees	(1,266,722)	(2,952,027)	(801,026)	(906,428)	(969)	(5,927,172)	
Other receipts (payments)	(285,683)	42,162	2,488,031	(153,345)	(70,832)	2,020,333	
Net cash provided by (used in) operating activities	12,908,689	9,346,115	2,862,429		613,477	25,730,710	
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	(19,024,690)	-	-	_	-	(19,024,690)	
Net cash provided by (used in) investing activities	(19,024,690)					(19,024,690)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(471,772)	(1,065,985)	(3,923,806)	_	(639,384)	(6,100,947)	
SPLOST reimbursements	-	-	1,168,077	-	· · · · · ·	1,168,077	
Repayments on loan payable	-	=	(106,700)	-	-	(106,700)	
Total cash provided by (used in) capital and							
related financing activities	(471,772)	(1,065,985)	(2,862,429)		(639,384)	(5,039,570)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating subsidies and transfers from other funds	(2,056,865)	(7,568,575)	-	-	-	(9,625,440)	
Net cash provided by (used in) noncapital financing activities	(2,056,865)	(7,568,575)				(9,625,440)	
Net increase (decrease) in cash and cash equivalents	(8,644,638)	711,555	-	-	(25,907)	(7,958,990)	
Balances - beginning of year	10,080,501	6,234,669			235,473	16,550,643	
Balances - end of year	\$ 1,435,863	\$ 6,946,224	\$ -	\$ -	\$ 209,566	\$ 8,591,653	

# CITY OF LAWRENCEVILLE, GEORGIA STATEMENT OF CASH FLOWS - CONTINUED PROPRIETARY FUND

	Enterprise Funds											
		Electrical		Gas		Water		Solid	St	tormwater		
		System		System		System		Waste		Utility		Totals
Reconciliation of operating income (loss) to net cash provided						_				_		
by operating activities:												
Operating income (loss)	\$	11,021,036	\$	7,959,301	\$	834,798	\$	(665,309)	\$	615,046	\$	19,764,872
Adjustments to reconcile operating income to net cash provided												
by operating activities:												
Depreciation expense		829,208		826,384		469,495		58,182		28,479		2,211,748
Change in assets and liabilities:												
Receivables, net		817,363		381,209		195,528		25,525		17,889		1,437,514
Accounts payables		160,479		(62,615)		(838,288)		18,543		(47,937)		(769,818)
Accrued expenses		80,603		241,836		48,362		75,229		-		446,030
Due from other funds		-		-		-		-		-		-
Due to other funds						2,152,534		487,830				2,640,364
Net cash provided by operating activities	\$	12,908,689	\$	9,346,115	\$	2,862,429	\$	-	\$	613,477	\$	25,730,710
											_	

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Introduction

The City of Lawrenceville, Georgia (City), was incorporated on December 15, 1821, and operates under a Mayor-Council form of government. The accounting, financial reporting, and significant practices of the City are discussed in subsequent sections and the remainder of the Notes are organized to provide explanations and other required disclosures for the City's financial activities.

The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) of the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City also applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

#### B. Financial Reporting Entity – Basis of Presentation

#### 1. Primary Government and Component Units

The City has implemented Governmental Accounting Standards Board Statement 14 "The Financial Reporting Entity". Statement 14 applies levels to all state and local governments. The Statement applies to financial reporting by primary governments, governmental joint ventures, jointly governed organizations, and other stand-alone governments; and it applies to the separately issued financial statements of governmental component units. The financial reporting entity consists of (a) primary governments, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, joint venture, jointly governed organization or another standalone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

In conformity with GASB Statement 14, the City has two component units that meet the criteria for component units requiring discrete presentation in the primary government financial reporting entity.

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

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### B. Financial Reporting Entity – Basis of Presentation – continued

#### 2. Related Organizations

The Housing Authority of the City is an independent non-profit corporation that is not a unit of the City and does meet the criteria of GASB Statement 14 as a component unit of the City. However, it is considered a related organization. The Housing Authority of the City of Lawrenceville issues it own financial statements and they are audited by Henderson & Associates LLC, Certified Public Accountant, 2057 Valleydale Road, Suite 202, Birmingham, Alabama 35244. Separate financial statements for the Housing Authority of the City of Lawrenceville may be obtained from:

Board of Commissioners Housing Authority of the City of Lawrenceville 502 Glenn Edge Drive Lawrenceville, Georgia 30045

#### 3. Government-wide and Fund Financial Statements

#### **Government-wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. The primary government is the focus of these financial statements. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

# 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- B. Financial Reporting Entity Basis of Presentation continued
  - 3. Government-wide and Fund Financial Statements

#### Fund Financial Statements

The City segregates transactions related to certain City functions or activities in separate funds in order to aid in financial management and to demonstrate legal and contractual compliance. Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

#### Fund Accounting

The City uses funds to maintain its financial records. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

#### **Governmental Fund Types**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within sixty (60) days of end of the fiscal year. Revenues subject to accrual are taxes, licenses, fines, interest income, and grants. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Governmental fund types utilized by the City are General, Capital Projects and Special Revenue Funds. The general fund is the City's primary operating fund and it accounts for all financial resources of the general government. Capital Projects fund accounts for the accumulation of SPLOST resources and the subsequent disbursement of such resources in obtaining or renovating major capital projects. Special revenue funds accounts for revenues sources that are legally restricted to expenditures for specific purposes not including expendable trust or major capital projects. General and Capital Project funds are major governmental funds.

#### **Proprietary Fund Types**

Proprietary fund financial statements report using the economic resources measurement focus and the accrual basis of accounting, primarily directed to continuing operations. Reporting focuses on the determination of net income, financial position, and cash flows. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are costs of providing goods or services and includes administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. Proprietary fund types utilized by the City are Electric, Gas, Water, Solid Waste and Stormwater Utility funds. All are major enterprise funds. The Electric, Gas and Water funds account for utility services and their related distribution operations. The Solid Waste fund accounts for refuse collections and operations. The Stormwater Utility fund for stormwater collections and operations.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### B. Financial Reporting Entity – Basis of Presentation – continued

#### 4. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. Therefore, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identity the relationship between the government-wide statements and the governmental fund statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total *assets*. The statement of cash flows provides information about how the City's finances meets the cash flow needs of its proprietary activities.

#### C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental fund types use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenues, recording of deferred revenues, and in the presentation of expenses versus expenditures.

#### D. Assets, Liabilities, Net Assets or Fund Equity

#### Cash, Cash Equivalents and Investments

Cash and cash equivalents include demand deposits, money market accounts and short-term investments with a maturity date within ninety (90) days of the date acquired by the City.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities, Net Assets or Fund Equity - continued

#### Receivables

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles.

#### <u>Inventory</u>

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

#### **Prepaid Items**

Payments to vendors for services that benefit future periods beyond fiscal year end are recorded as prepaid items and reported on the consumption basis. When prepaid items are incurred by the City, the expenditure or expense is deferred to the period benefited. At the fund reporting level, a reservation is made in the fund balance for an equal amount.

#### Capital Assets

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with other capital assets. Prior to September 1, 2001, governmental funds' infrastructure were not capitalized. These assets (back to June 30, 1980 and before) have been valued at estimated historical cost and related depreciation accrued. Proprietary/Enterprise fund capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks and utility (Gas, Electric, Water) transmission and distribution systems.

Major improvements to capital assets are capitalized. Cost of normal maintenance and repair that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed or retired, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss recorded in operations. Depreciation is determined using the straight-line method over the following estimated useful lives:

Plants & Buildings	20 - 50 years
Machinery & Equipment	5-8 years
Vehicles	3-5 years
Transmission/Distribution Systems & Infrastructure	20-50 years

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### D. Assets, Liabilities, Net Assets or Fund Equity - continued

#### **Interest Capitalization**

Interest costs are capitalized when incurred by proprietary fund types on debt where the proceeds were used to finance construction of assets.

#### **Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The maximum vacation accrual is limited to thirty (30) days. Sick leave accrues to full-time employees to specified maximums; however, benefits are paid only upon illness of an employee and are charged to expenditures when taken. Accrued sick benefits are lost upon termination or retirement. Only accrued vacations are paid to employees upon termination. Compensated absences are reported as accrued in the government-wide financial statements. Proprietary funds report compensated liability in each individual fund at the fund level. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in personal services and benefits.

# Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements

Governmental fund payables and accrued liabilities reported as obligations of these funds are paid in full from current financial resources. However, compensated absences to be paid from governmental funds are reported as a liability only to the extend they are due for payment during the current year.

The City had no long-term debt.

#### Restricted Assets and Restricted Net Assets

Restricted assets for the MEAG Generation Trust represent resources held in separate investment accounts for future MEAG construction projects.

#### **Fund Equity**

#### Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted and unrestricted. Non-spendable reports amounts that cannot be spent and are, therefore, not included in the current year appropriations. There are two components: 1) not in spendable form and 2) legally or contractually required to be maintained intact.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### D. Assets, Liabilities, Net Assets or Fund Equity - continued

Fund Balance - Continued

Restricted reports on resources that have spending constraints that are either 1) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Unrestricted has three components: 1) Committed which represents amounts that have internally imposed restrictions mandated by formal action of the government's highest level of decision-making authority, 2) Assigned which reports amounts that are constrained by the government's intent that they will be used for a specific purpose and 3) Unassigned which is the residual fund balance.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or contractual by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The City's operating revenues are charges for services for natural gas, electricity, water and solid waste. Operating expenses are the necessary costs incurred to provide the good or service that is the primary activity of each fund.

#### Contributed Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, grants or outside contribution of resources restricted to capital acquisition and construction.

#### **Interfund Activity**

Interfund transfers are reported as other financing sources/uses in governmental fund and after non-operating revenues/expenses section in proprietary funds. Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

#### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

#### **Budget Policy and Practice**

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to August 31, each year the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Projects, Special Revenue and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

#### Basis for Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, capital outlays, and transfers. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the fiscal year. All unexpended annual appropriations lapse at year end.

#### B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting - under which purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve the applicable appropriation - is not used by the City.

#### C. Deficit Fund Equities

The Solid Waste fund reflected a deficit balance of \$2,217,787 and the Hotel/Motel Tax Fund reflected a deficit balance of \$36,872 as of August 31, 2011.

#### D. Excess of Expenditures over Appropriations

There were no known expenditures in excess of appropriations for the primary government.

#### E. Restricted and Unrestricted Resources

The City's policy to use restricted resources first, then unrestricted as needed.

#### 3. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or its agent in the City's name. Cash and investments are classified as to credit risk as described below:

#### <u>Deposits</u>

Category 1 – Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

		Categ	ory	Bank	Carrying	
	1	2	2	3	Balance	Value
Primary Government	\$ 32,837,828	\$	-	\$ -	\$ 32,837,828	\$ 32,546,708
Total	\$ 32,837,828	\$	-	\$ 	\$ 32,837,828	\$ 32,546,708

#### *Investments*

The City's authorized investments are United States Treasury securities, Federally insured investments and State of Georgia insured funds. The City's only investments at August 31, 2011, were invested with the State of Georgia local Government Investment Pool (Georgia Fund I). Georgia Fund I, created by Georgia Law (O.C.G.A.) 36-83-8, is a stable net asset value investment pool that follows Standards and Poor's criteria for AAA rated money market funds. The Georgia Fund I is rated AAAm, with a twenty-four (24) day weighted average maturity (WAM). However, the State of Georgia Office of Treasury operates Georgia Fund I in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 par share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed on \$1.00 per share.

The City is a participant in the Municipal Electric Authority of Georgia (MEAG). The MEAG board approves an annual system budget from which MEAG bills its participants. At the end of the year, adjustments are made by MEAG to each participant's billings to agree with actual cost. Whenever MEAG recovers funds from the City in excess of its actual costs to serve the City, the City may elect to have their funds deposited in MEAG's Voluntary Flexible Operating Account or Generation Trust Account fund in lieu of receiving a refund. The voluntary stabilization fund is used to reduce future costs of the City at its discretion while also earning interest. The City is

#### 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

## A. Deposits and Investments - Continued

authorized to direct MEAG to retain or use the discretionary funds. The generation trust account is used to offset the City's share of future MEAG generation projects.

The Municipal Competitive Trust accounts are held in the Intermediate and Short-term Portfolios; these portfolios are not rated. At August 31, 2011, the average weighted maturity of the Intermediate and Short-term Portfolios were 20.5 and 3.0 months, respectively. The City's balances in the Voluntary Flexible Accounts were \$1,283,797 and in the Generation Trust Account was \$17,740,893 as of August 31, 2011.

	 Cash	Investments		
Fund Reporting Level	 _		_	
Governmental funds	\$ 23,955,055	\$	5,202,333	
Proprietary fund types	8,591,653		19,024,690	
TOTAL	\$ 32,546,708	\$	24,227,023	

#### B. Receivables

Receivables are recorded in the General and Enterprise Funds net of any estimated uncollectibles. A summary by fund of the receivables and their respective allowances for doubtful accounts follows:

	 Taxes	 Accounts	 owance for ncollectibles	R	Net leceivables
General fund	\$ 1,989,621	\$ 1,639,995	\$ (996,175)	\$	2,633,441
Electric fund	-	2,327,220	(22,205)		2,305,015
Gas fund	-	703,299	(6,694)		696,605
Water fund	-	537,584	(5,376)		532,208
Solid waste fund	-	63,315	(633)		62,682
Stormwater utility	-	42,593	(426)		42,167
Total Primary Government	\$ 1,989,621	\$ 5,314,006	\$ (1,031,509)	\$	6,272,118

## 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

## C. Capital Assets

A summary of changes in Capital Assets follows:

	Balance				Balance		
		08/31/10		Additions	Deletions		08/31/11
Governmental activities							
Not being depreciated							
Land	\$	11,709,457	\$	13,158	\$ -	\$	11,722,615
Construction in progress		377,091		3,058,186	 (2,396,616)		1,038,661
Subtotal	\$	12,086,548	\$	3,071,344	\$ (2,396,616)	\$	12,761,276
Depreciable capital assets							
Buildings	\$	32,506,580	\$	81,515	\$ -	\$	32,588,095
Improvements		4,380,901		-	-		4,380,901
Vehicles		4,032,134		981,047	(70,569)		4,942,612
Equipment		5,627,615		194,173	-		5,821,788
Infrastructure		265,670,890		2,315,101			267,985,991
Subtotal	\$	312,218,120	\$	3,571,836	\$ (70,569)	\$	315,719,387
Accumulated depreciation							
Buildings	\$	2,475,569	\$	524,211	\$ -	\$	2,999,780
Improvements		704,839		124,645	-		829,484
Vehicles		3,360,662		640,380	(70,569)		3,930,473
Equipment		2,843,047		510,777	-		3,353,824
Infrastructure		129,285,932		164,627			129,450,559
Subtotal	\$	138,670,049	\$	1,964,640	\$ (70,569)	\$	140,564,120
Net capital assets	\$	185,634,619	\$	4,678,540	\$ (2,396,616)	\$	187,916,543

## 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

## C. Capital Assets – Continued

	Balance		4 110		~ 1 .	Balance		
	 08/31/10	Additions Additions		Deletions			08/31/11	
Business-type activities								
Not being depreciated								
Land	\$ 803,833	\$	<del>-</del>	\$	-	\$	803,833	
Construction in progress	 2,843,255		3,750,664		(279,845)		6,314,074	
Subtotal	\$ 3,647,088	\$	3,750,664	\$	(279,845)	\$	7,117,907	
Depreciable capital assets								
Plants/buildings	\$ 10,446,063	\$	919,230	\$	-	\$	11,365,293	
Transmission/distribution	56,444,736		1,371,433		-		57,816,169	
Vehicles	2,980,575		257,208		(56,865)		3,180,918	
Machinery & equipment	 1,388,180		82,258				1,470,438	
Subtotal	\$ 71,259,554	\$	2,630,129	\$	(56,865)	\$	73,832,818	
Accumulated depreciation								
Plants/buildings	\$ 3,341,194	\$	285,041	\$	-	\$	3,626,235	
Transmission/distribution	21,978,735		1,662,075		-		23,640,810	
Vehicles	2,500,366		104,640		(56,865)		2,548,141	
Machinery & equipment	 1,150,499		159,992				1,310,491	
Subtotal	\$ 28,970,794	\$	2,211,748	\$	(56,865)	\$	31,125,677	
Net capital assets	\$ 45,935,848	\$	4,169,045	\$	(279,845)	\$	49,825,048	

## Combining schedule of enterprise funds capital assets follows:

		ectrical ystem			Water System		Solid Waste		Stormwater Utility		Totals	
Land	\$	11,316	\$	269,422	\$	523,095	\$	-	\$	-	\$	803,833
Plants		126,794		2,943,964		6,466,648		37,300		1,790,587		11,365,293
Transmission/distribution	24	4,884,194		23,518,243		9,413,733		-		-		57,816,170
Vehicles	1	1,182,628		979,980		221,468		771,466		25,377		3,180,919
Machinery & equipment		266,218		931,653		269,215		-		3,350		1,470,436
Construction in progress		<u>-</u>				6,314,074		-		-		6,314,074
Totals	26	6,471,150		28,643,262		23,208,233		808,766		1,819,314		80,950,725
Less: accum depreciation	(1)	1,778,853)	_	(11,634,502)		(6,930,504)		(741,518)		(40,300)	_	(31,125,677)
Net	14	4,692,297		17,008,760		16,277,729		67,248		1,779,014	_	49,825,048

#### 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

#### C. Capital Assets – Continued

#### **Depreciation Expense**

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities		Business-type activities	
General government	\$ 891,947	Electric system	\$ 829,208
Planning & zoning	7,858	Gas system	826,384
Public safety	726,917	Water system	469,495
Public works	337,918	Solid waste	58,182
		Stormwater	28 479

#### D. Interfund Balances and Transfers

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions and funding capital asset acquisition. The government-wide statement of activities eliminates transfers within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. Interfund balances at August 31, 2011, consisted of the following amounts and the next schedule reports transfers and payments within the reporting entity. The Water Fund balance and Solid Waste Fund balance, due to the General Fund, are from capital improvements and infrastructure. The Capital Projects Fund balance, due to the General Fund, is for reimbursement of approved SPLOST related expenditures paid by the General Fund in advance of receiving SPLOST Fund payments from the County.

#### *Interfund Balances*

	F	Receivable	 Payable		
Governmental activities			 		
Major governmental funds					
General fund	\$	5,636,378	\$ -		
Capital projects fund		-	219		
Hotel/motel tax fund			17,098		
Business-type activities					
Major enterprise funds					
Water fund		-	3,534,532		
Solid waste			 2,084,529		
Totals	\$	5,636,378	\$ 5,636,378		

#### 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

#### D. Interfund Balances and Transfers – Continued

#### **Transfers**

	Γransfer to	T1	ansfer from
Governmental activities		· ·	
Major governmental funds			
General fund	\$ 9,778,814	\$	-
Capital projects fund			1,168,077
Motor vehicle rental tax fund	-		153,374
Business-type activities			
Major enterprise funds			
Electric fund	-		2,056,865
Gas fund	-		7,568,575
Water fund	 1,168,077		
Totals	\$ 10,946,891	\$	10,946,891

#### E. Property Tax Calendar

The City receives property tax assessments from Gwinnett County. Taxes were levied on August 13 and tax bills are mailed to taxpayers by September 15 of each year. The due date for these taxes is October 15 for the first installment and November 15 for the second installment, and after that date, both penalty and interest are accrued until the taxes are collected. The lien date is April 1 of the following year. Ad Valorem taxes on vehicles are collected concurrently with the issuance of state license tags by Gwinnett County.

Property tax revenues are recognized when they become available, which includes those tax receivables expected to be collected within sixty days after year end.

Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

#### 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

#### F. Long-term Debt

The City had no long-term debt other than compensated absences. Summary disclosure of changes in general long-term debt follows:

	0	9/01/10				0	08/31/11
	I	Balance		dditions	Retirements	1	Balance
Compensated absences	\$	553,702	\$	16,574		\$	570,276

Compensated absences are normally funded through the General Fund. The current portion of compensated absences is paid to employees as taken by the employee and is included in wages and benefits. Current amounts payable can not be determined and are not considered material.

#### G. Risk Management

The City is exposed to various risks of losses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance policies covering each of the above risks of loss. Management believes this coverage is adequate to preclude any significant uninsured risk exposure to the City.

#### H. Litigation

The City Attorney advised that no legal actions were in progress by or against the City at August 31, 2011, that would have a material effect on the City's financial condition.

#### 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

#### I. Compliance with Legal Provisions

#### State Laws

Budgets – The City was in compliance with Title 36, Chapter 91, Sections 3-6 of the Official Code of Georgia, Annotated (OCGA) which requires the adoption of balanced budgets.

Hotel/Motel Tax – The City was in compliance with Title 48, Chapter 13, Sections 51(a)(9)(B) of the Official Code of Georgia, Annotate4, (OCGA). Total Hotel/Motel Tax receipts were \$248,664 and expenditures were \$264,106 (100% of the tax receipts). Prior year expenditures were 100% of receipts

Rental Motor Vehicle Excise Tax – The City was in compliance with Title 48, Chapter 13, Section 93 of the Official Code of Georgia, Annotated (OCGA). Total Rental Motor Vehicle Excise Tax receipts were \$153,374 and expended for Police operations and maintenance.

Special Local Option Sales Tax – The City expended \$4,231,956 special option sales tax on general government \$32,670, public safety \$203,816 and \$3,995,470 on public works during the current fiscal year.

#### J. Contingent Liabilities

The City participates in both federal and state assistance programs which are subject to program compliance audits by the grantors or their representatives. The City's Electric Fund is a participant in Municipal Electric Authority of Georgia (MEAG). The City's Gas Fund is a participant in Municipal Gas Authority of Georgia (MGAG). Both are public corporations and instrumentalities of the State of Georgia. Utility Participants have contracted with MEAG for bulk electric power supply needs and MGAG for bulk natural gas needs. Each participant is obligated to pay its share of operating and debt service costs. The City's contingent liability for its share of MEAG's debt was for 152.4 million and MGAG's debt was for 28.3 million as of August 31, 2011.

Due to an investigation by the Georgia Public Service Commission (PSC), the City must meet certain compliance requirements for Pipeline Safety and Damage Prevention issued by the PSC or be subject to penalties of \$1,395,000 and \$1,170,000. The City has agreed to meet all of the compliance requirements and does not expect to have to pay any additional penalties.

#### 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

#### K. Related Parties

The City was not involved in any significant related party transactions during the current operating year.

#### L. Retirement/Pension Plans

The City's employees are covered under the Social Security Act maintained by the Federal Government. The City also participates in a defined contribution pension plan (IRC Section 401a) and a deferred compensation plan (IRC Section 457) for all full-time City employees, excluding elected officials. Employees are eligible to participate in the plan after one year and having at least 1,000 hours continuous service. The City contributes four percent (4.0%) of the salary of covered employees in the (401a) plan. Employees are not required to participate in the (457) plan; however, the City provides substantial incentives for participation. Employees participating in the (457) plan are required to contribute four percent (4.0%) of their base salary in the deferred compensation plan and the City will contribute an addition six percent (6%) of the salary of eligible employees into the (401a) plan. For City employees with ten (10) years of service and who have reached the age of forty-five (45), the City will contribution an additional four percent (4.0%) of their base salary in the (401a) plan. Employees are fully vested after six years of continuous service. Employee contributions to the (457) plan were \$637,456 and the City contributed \$1,317,377 in the (401a) plan for the current fiscal year.

The City's pension plans, City of Lawrenceville Money Purchase Pension Plans, were authorized by the City Council by passage of an ordinance and is administered by a third party administrator. The City pension plans are managed by the Government Employees Benefit Corporation (GEBCORP), a securities company. The City's total payroll for the fiscal year was \$11,866,617 including \$10,624,267 payroll covered by the plan.

There were two hundred seventy-six (268) participants in the plans and the plans had \$7,506,402 of assets and reserves as of August 31, 2011.

#### M. Loan Receivable

On May 21, 2008, the City entered into an agreement with the Municipal Electric Authority of Georgia (MEAG) to commit to contribute, to the extent called upon by MEAG Power at its discretion, a contribution for the purpose of funding MEAG Power's Initial Percentage Interest of the Cost of Construction, including carrying costs, for the Plant Vogtle Additional Units in the amount of \$2,000,000. The term of the contract is fifty (50) years or until the reimbursement of the City's contributions. The annual percentage rate associated with these contributions is 11.25% per annum. As of August 31, 2011, the City had been reimbursed for all contributions.

#### 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

#### O. Net Assets

Net assets of the government-wide statement of net assets as of August 31, 2011 are as follows:

	Governmental	E	Business-type		
Investments in capital assets	Activities		Activities		
Cost of capital assets	\$ 328,480,663	\$	80,950,725		
Less: accumulated depreciation	(140,564,120)		(31,125,677)		
Book value	\$ 187,916,543	\$	49,825,048		

Book value and investments in capital assets are equal since the City had no long-term debt.

#### 4. OTHER NOTES

#### A. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (Regional Development Center - RDC) and is required to pay annual dues thereto. During its fiscal year ended August 31, 2006, the City's membership dues were assessed to and paid by Gwinnett County, Georgia. The City of Lawrenceville did not pay any annual dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA Section 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RDC. Separate financial statements for the RDC may be obtained from:

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

#### B. Other Post-Employment Benefits

In addition to pension benefits in Note 3.M., the City provides post-retirement health, dental and vision care benefits for certain retirees and their dependents. The benefits and contributions are provided in accordance with City ordinances. The criteria to determine eligibility include: years of service and employee age. An employee must have twenty (20) years of continual full-time service and reached the age of fifty-five (55) to be eligible for this benefit. The City funds the benefits on a pay-as-you-go basis. The City had nine (9) participants currently eligible and receiving this benefit. The amortization method for this OPEB calculation is entry age normal level dollar.

#### 4. OTHER NOTES – CONTINUED

#### B. Other Post-Employment Benefits - Continued

These benefits are covered under the City of Lawrenceville Employee Benefit Plan which is a single employer plan administered by Wells Fargo Administrators.

As of August 31, 2011, employee membership data relative to the OPEB plan consist of the following:

Current retirees, beneficiaries and dependents	25
Current active participants	<u>244</u>
Total	269

The accrual basis of accounting is used with respect to the recognition in the financial statements of contributions in the form of insurance premiums made to the Plan. Plan investments, if any, are reported at their fair value at the reporting date. As of August 31, 2011 the Plan reported no assets.

The City's first actuarial valuation was performed for the plan as of August 31, 2009 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 Statement 45. The ARC 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 (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost of \$1,608,059 is reduced by the current year contributions in the amount of \$221,693. The following table reflects the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

	2011	2010
Net OPEB Obligation - beginning of year	\$ 2,173,592	\$ 1,094,322
Annual Required Contribution	\$ 1,596,377	\$ 1,251,138
Interest on Net OPEB Obligation	97,812	49,244
Adjustments to Annual Required Contribution	(86,130)	(42,720)
Annual OPEB Cost	\$ 1,608,059	\$ 1,257,662
Actual Contribution Amount	\$ 221,693	\$ 178,392
Increase in Net OPEB Obligation	\$ 1,386,366	\$ 1,079,270
Net OPEB Obligation - end of year	\$ 3,559,958	\$ 2,173,592

#### 4. OTHER NOTES - CONTINUED

#### B. Other Post-Employment Benefits – Continued

Actuarial valuations involve estimates of the actual results that will occur in the future. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at August 31, 2011 is 27 years. It is important to realize that these numbers are estimates and that actual results will be either higher or lower than these estimates as the actual results develop.

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

The funded status of the OPEB plan is as follows:

											ixati	o or the
Actuarial	Ac	tuarial		Actuarial							UAAL	to Annual
Valuation	Va	lue of		Accrued	Ur	funded AAL		Funded		Covered	Co	vered
Date	A	ssets	Lia	ability (AAL)		(UAAL)		Ratio	Payroll		Pa	ayroll
8/31/2009	\$	-	\$	14,434,050	\$	14,434,050		0.0%	\$	10,039,699		143.8%
8/31/2010		-		15,584,314		15,584,314		0.0%		9,952,050		156.6%
8/31/2011		-		18,609,513		18,609,513		0.0%		11,612,403		160.3%
	Valuation Date  8/31/2009 8/31/2010	Valuation         Va           Date         A           8/31/2009         \$           8/31/2010         \$	Valuation         Value of Assets           8/31/2009         \$ -           8/31/2010         -	Valuation         Value of Assets         Lia           8/31/2009         \$ - \$           8/31/2010         - \$	Valuation         Value of Date         Accrued Liability (AAL)           8/31/2009         \$ -         \$ 14,434,050           8/31/2010         -         15,584,314	Valuation         Value of Date         Accrued Liability (AAL)         Ur           8/31/2009         \$ -         \$ 14,434,050         \$ 8/31/2010           8/31/2010         -         15,584,314	Valuation         Value of Date         Accrued Liability (AAL)         Unfunded AAL (UAAL)           8/31/2009         \$ -         \$ 14,434,050         \$ 14,434,050           8/31/2010         -         15,584,314         15,584,314	Valuation         Value of Date         Accrued Liability (AAL)         Unfunded AAL (UAAL)           8/31/2009         \$ -         \$14,434,050         \$14,434,050           8/31/2010         -         15,584,314         15,584,314	Valuation         Value of Date         Accrued Liability (AAL)         Unfunded AAL (UAAL)         Funded Ratio           8/31/2009         \$ -         \$ 14,434,050         \$ 14,434,050         0.0%           8/31/2010         -         15,584,314         15,584,314         0.0%	Valuation         Value of Date         Accrued Liability (AAL)         Unfunded AAL (UAAL)         Funded Ratio           8/31/2009         \$ -         \$14,434,050         \$14,434,050         0.0%         \$8/31/2010         \$15,584,314         0.0%         \$15,584,314         0.0%         \$14,434,050 <td>Valuation Date         Value of Assets         Accrued Liability (AAL)         Unfunded AAL (UAAL)         Funded Ratio         Covered Payroll           8/31/2009         \$ -         \$ 14,434,050         \$ 14,434,050         0.0%         \$ 10,039,699           8/31/2010         -         15,584,314         15,584,314         0.0%         9,952,050</td> <td>Actuarial Valuation         Actuarial Value of Date         Accrued Assets         Unfunded AAL Liability (AAL)         Funded (UAAL)         Covered Ratio         Covered Payroll         Covered Payroll           8/31/2009         \$ -         \$14,434,050         \$14,434,050         0.0%         \$10,039,699           8/31/2010         -         15,584,314         15,584,314         0.0%         9,952,050</td>	Valuation Date         Value of Assets         Accrued Liability (AAL)         Unfunded AAL (UAAL)         Funded Ratio         Covered Payroll           8/31/2009         \$ -         \$ 14,434,050         \$ 14,434,050         0.0%         \$ 10,039,699           8/31/2010         -         15,584,314         15,584,314         0.0%         9,952,050	Actuarial Valuation         Actuarial Value of Date         Accrued Assets         Unfunded AAL Liability (AAL)         Funded (UAAL)         Covered Ratio         Covered Payroll         Covered Payroll           8/31/2009         \$ -         \$14,434,050         \$14,434,050         0.0%         \$10,039,699           8/31/2010         -         15,584,314         15,584,314         0.0%         9,952,050

The economic assumptions are:

Discount rate	4.50%
Return on assets	N/A
Medical trend	5.00%

The demographic assumptions are:

	Attained Age						
	20	35	50	60			
Mortality rates							
Actives - male	0.35	0.60	1.80	5.57			
Actives - female	0.20	0.33	1.00	3.10			
Retirees - male	0.78	1.30	3.95	10.79			
Retirees - female	0.38	0.64	1.91	6.72			
Disabled - male and female	35.45	20.85	27.42	39.46			
Disability rate							
Male and female	0.40	0.40	4.50	-			

#### 4. OTHER NOTES – CONTINUED

## B. Other Post-Employment Benefits – Continued

The demographic assumptions are – continued:

Retirement rates	Age	Rate			
	55-59	2.5%			
	60-64	10.0%			
	65	50.0%			
	66-69	20.0%			
	70	100.0%			
Per capita medical claims costs - age 65		Annual claim costs - age 65			
	Pre-medicare eligible \$11,520				
	Pos	st-medicare eligible \$3,456			

#### Retiree contributions

Retirees are not required to make contributions to any of the postretirement benefit plans.

## Participation

It is assumed 100% of future eligible retirees and spouses will elect medical coverage upon retirement. 75% of future eligible retirees are assumed to be married.

#### 4. OTHER NOTES – CONTINUED

#### C. Component Units

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity", and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The City has two discretely presented component units, Downtown Development Authority of Lawrenceville and Lawrenceville Development Authority. To help understand the significance of each component unit, a condensed financial statement is presented below as of August 31, 2011:

#### Combining Statement of Net Assets

	Downtown Development Authority		Au	velopment thority of vrenceville	Totals		
ASSETS		<u> </u>					
Cash & cash equivalents Capital assets, net	\$	27,972	\$	16,144	\$	44,116	
TOTAL ASSETS	\$	27,972	\$	16,144	\$	44,116	
LIABILITIES							
Accounts payable	\$		\$		\$		
TOTAL LIABILITIES							
NET ASSETS							
Invested in capital assets	\$	-	\$	-	\$	-	
Unrestricted		27,972		16,144		44,116	
TOTAL NET ASSETS		27,972		16,144		44,116	
TOTAL LIABILITIES AND							
FUND BALANCE	\$	27,972	\$	16,144	\$	44,116	

#### 4. OTHER NOTES – CONTINUED

## C. Component Units - Continued

## Combining Statement of Activities

	Downtown Development Authority		Development Authority of Lawrenceville		,	Γotals
REVENUES	A	utilority	Lawrenceville			Totals
Tax revenues	\$	34,037	\$	-	\$	34,037
Interest earned		23		16		39
Total Revenues		34,060		16		34,076
EXPENDITURES						
Purchased/contract services		19,812		-		19,812
Other costs		11,267		-		11,267
Total Expenditures		31,079		<u>-</u>		31,079
Net Change in Net Assets		2,981		16		2,997
Net Assets-Beginning of Year		24,991		16,128		41,119
Net Assets-End of Year	\$	27,972	\$	16,144	\$	44,116

Component unit financial statements may be obtained by contacting the City Clerk's office at the City of Lawrenceville, Attn: City Clerk, P. O. Box 2200, Lawrenceville, GA 30046-2200.

## CITY OF LAWRENCEVILLE, GEORGIA SUPPLEMENTAL STATEMENTS AND SCHEDULES

## CITY OF LAWRENCEVILLE, GEORGIA NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET For the Year Ended August 31, 2011

		Special Rev				
	Но	otel/Motel	Motor	Vehicle		
		Tax	Ren	tal Tax	Totals	
ASSETS						
Cash & cash equivalents	\$	-	\$	-	\$	-
Due from other governments						
TOTAL ASSETS	\$	-	\$		\$	
LIABILITIES						
Accounts payable	\$	19,774	\$	-	\$	19,774
Due to other funds		17,098				17,098
TOTAL LIABILITIES		36,872		-		36,872
	-					
FUND BALANCE		(36,872)				(36,872)
TOTAL LIABILITIES AND						
FUND BALANCE	\$	-	\$	-	\$	-

## CITY OF LAWRENCEVILLE, GEORGIA NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	Special Revenue Funds							
	Но	otel/Motel Tax		or Vehicle ental Tax	Totals			
REVENUES								
Fines & forefeitures	\$	-	\$	-	\$	-		
Excise taxes		248,664		153,374		402,038		
Interest earned								
Total Revenues		248,664		153,374		402,038		
EXPENDITURES								
General government		264,106		-		264,106		
Police - current operations	-		-			-		
Police - capital outlay								
Total Expenditures		264,106				264,106		
Excess (Deficiency) of Revenues over (under) Expenditures		(15,442)		153,374		137,932		
OTHER FINANCING (USES)								
Transfers				(153,374)		(153,374)		
Total Other Financing (Uses)				(153,374)		(153,374)		
Net Change in Fund Balance		(15,442)		-		(15,442)		
Fund Balance-Beginning of Year		(21,430)		_		(21,430)		
Fund Balance-End of Year	\$	(36,872)	\$	_	\$	(36,872)		

# CITY OF LAWRENCEVILLE, GEORGIA SPECIAL REVENUE FUND – HOTEL/MOTEL TAX SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL (BUDGETARY BASIS)

	Budgeted Amounts							
	Original		Final					
	Budget		Budget		Actual		Variance	
REVENUES								
Excise taxes	\$	242,700	\$	264,106	\$	248,664	\$	(15,442)
Total Revenues	\$	242,700	\$	264,106	\$	248,664	\$	(15,442)
EXPENDITURES								
General Government								
Other costs	\$	242,700	\$	264,106	\$	264,106	\$	
Total Expenditures	\$	242,700	\$	264,106	\$	264,106	\$	
OTHER FINANCING SOURCES (USES) Transfers	\$		\$		\$	-	\$	
REVENUES AND OTHER SOURCES 0VER (UNDER) EXPENDITURES	\$		\$	_	\$	(15,442)	\$	(15,442)
Fund Balance - Beginning						(21,430)		
Fund Balance - Ending					\$	(36,872)		

## CITY OF LAWRENCEVILLE, GEORGIA SPECIAL REVENUE FUND – MV RENTAL TAX SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL (BUDGETARY BASIS)

	Budgeted Amounts							
	Original		Final					
	Budget		Budget		Actual		Variance	
REVENUES								
Excise taxes	\$	119,520	\$	153,374	\$	153,374	\$	
Total Revenues	\$	119,520	\$	153,374	\$	153,374	\$	
EXPENDITURES								
General Government								
Police - purchased/contract services	\$	119,520	\$	153,374	\$	153,374	\$	
Total Expenditures	\$	119,520	\$	153,374	\$	153,374	\$	
REVENUES AND OTHER SOURCES 0VER (UNDER) EXPENDITURES	\$		\$		\$	-	\$	-
Fund Balance - Beginning								
Fund Balance - Ending					\$	-		

## CITY OF LAWRENCEVILLE, GEORGIA SPECIAL SCHEDULES AND REPORTS

## CITY OF LAWRENCEVILLE, GEORGIA SCHEDULE OF PROJECT EXPENDITURES WITH RENTAL MOTOR VEHICLE EXCISE TAX REVENUE For the Year Ended August 31, 2011

Project	<u>Ex</u>	penditures
Public Safety		
Police Department - Maintenance & Operation	\$	153,374

## CITY OF LAWRENCEVILLE, GEORGIA SCHEDULE OF PROJECT EXPENDITURES WITH SPECIAL OPTION SALES TAX REVENUE

For the Year Ended August 31, 2011

	Original	Current	Expenditures			%	
	Estimated	Estimated	Prior	Current		of	
Project	Cost	Cost	Years	Year	Total	Completion	
2005 SPLOST							
PUBLIC WORKS	<del>_</del>						
Road Improvements - Paving	\$ 3,379,735	\$ 3,816,285	\$ 3,025,611	\$ 711,240	\$ 3,736,851	98%	
Sidewalk Improvements	200,000	_	=	-	=	100%	
Walking/Biking Trails	200,000	1,636,186	446,420	124,155	570,575	35%	
Water Quality System	1,324,618	-	-	-	-	100%	
Drainage Improvements	1,506,449	73,668	73,668	-	73,668	100%	
PUBLIC SAFETY							
Building & Improvements	3,000,000	3,656,967	3,656,967	_	3,656,967	100%	
Vehicles	240,000	122,650	122,650	-	122,650	100%	
RECREATION							
Building & Improvements	5,947,101	7,850,807	7,850,807	_	7,850,807	100%	
Building & Improvements	5,717,101	7,030,007	7,030,007		7,050,007	10070	
2005 SPLOST Totals	15,797,903	17,156,563	15,176,123	835,395	16,011,518		
2009 SPLOST							
PUBLIC WORKS	<u> </u>						
College Connectivity	2,114,450	2,114,450	_	-	-	0%	
LCI Project	2,000,000	2,000,000	-	20,520	20,520	1%	
Paving	5,000,000	5,000,000	_	1,971,478	1,971,478	39%	
Stormwater Curb & Gutter	2,000,000	2,000,000	_	-	-	0%	
Truck for cleaning culverts	220,000	220,000	220,000	-	220,000	100%	
PUBLIC SAFETY							
Building	6,000,000	6,000,000	5,342,288	81,515	5,423,803	90%	
Vehicles	550,000	550,000	-	-	-	0%	
Software	350,000	350,000	118,371	122,301	240,672	69%	
RECREATION							
Walking Trails	680,000	680,000	-	-	-	0%	
Baggett Park	200,000	200,000	-	-	-	0%	
Convention Center Feasibility	20,000	-	-	-	-	0%	
Trails/TE Match	1,000,000	1,000,000	-	=	-	0%	
Park	2,500,000	2,500,000	-	32,670	32,670	1%	
PUBLIC WORKS WATER							
Waterline - New Hope Rd	1,000,000	1,000,000	-	583,352	583,352	58%	
Rhodes Jordan Plant Painting	70,000	70,000	-	-	-	0%	
Waterline - Clayton to Luckie	162,000	162,000	-	94,503	94,503	58%	
Waterline - Stanley Court	442,000	442,000	9,000	257,842	266,842	60%	
Waterline - Paper Mill	216,000	216,000	-	126,004	126,004	58%	
Waterline - RR Bridge	336,000	336,000	-	-	-	0%	
Waterline - Somerset to Charleston	182,353	182,353		106,376	106,376	58%	
	\$ 25,042,803	\$ 25,022,803	\$ 5,689,659	\$ 3,396,561	\$ 9,086,220		

As of August 31, 2011, the 2001 SPLOST figures were removed from the above schedule as all project were 100% completed and the SPLOST funds exhausted. Additionally, the SPLOST expenditures above include the interfund transfers as they were reimbursements to other funds for SPLOST projects which were funded in advance of receiving the SPLOST funds.

## ROBERT A. MCALISTER, CPA, PC

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council City of Lawrenceville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Lawrenceville, Georgia, as of and for the year ended August 31, 2011, which collectively comprise the City of Lawrenceville, Georgia's basic financial statements and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Accordingly, we do not express an opinion on the effectiveness of the City of Lawrenceville, Georgia's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Honorable Mayor and City Council City of Lawrenceville, Georgia Report on Compliance and Internal Control Page 2

### **Compliance and Other Matters**

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

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

Robert A. McAlister, CPA, PC

Suwanee, Georgia February 22, 2012