

CITY OF LAWRENCEVILLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
AUGUST 31, 2013**

CITY OF LAWRENCEVILLE, GEORGIA

FINANCIAL REPORT
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AUGUST 31, 2013

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Lawrenceville, Georgia (the "City")** as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lawrenceville Tourism and Trade Association, which represents 1 percent, 33 percent, and 10 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lawrenceville Tourism and Trade Association, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrenceville, Georgia as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 17, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of September 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of funding progress on pages 4-11 and 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lawrenceville, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards (the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2014, on our consideration of the City of Lawrenceville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lawrenceville, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 29, 2014

CITY OF LAWRENCEVILLE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2013

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, 2013. 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 and deferred inflows of resources by \$329,207,440 (net position) as of the end of the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$328,457,805.

Total net position is comprised of the following:

- (1) Net investment in capital assets of \$278,261,232 include land, construction in progress, improvements, vehicles, equipment, and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net position of \$7,024,476 is restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net position of \$43,921,732 represents 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 \$27,680,399 this year. This compares to the prior year ending fund balance of \$26,571,281 showing an increase of \$1,109,118 during the current year. Unassigned fund balance of \$16,674,036 as of the fiscal year ended August 31, 2013 shows an \$8,415,134 decrease from the prior year.

At the end of the fiscal year, unassigned fund balance for the General Fund was \$16,674,036 or 81.5% of total General Fund expenditures (excluding transfers) and 79.3% of total General Fund expenditures (including transfers out).

Total liabilities of the City increased by \$5,695,510, to \$22,766,713 during the fiscal year. The City had no long-term debt as of August 31, 2013.

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 Position. This is the City-wide statement of position presenting information that includes all of the City's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position 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 position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash was 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's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues such as grants 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, court, 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.

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 three 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 two 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.

A budgetary comparison statement is 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 - 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. These statements 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 and two non-major enterprise funds.

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 non-major fund. 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

Net Position

The City's net position (governmental and business-type activities) at fiscal year-end is \$329,207,440. This is a \$749,635 increase over last year's net position of \$328,457,805. The following table provides a summary of the City's net position:

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2013	2012	2013	2012	2013	2012	
Assets:							
Current assets	\$ 40,003,099	\$ 38,148,820	\$ 35,264,056	\$ 31,131,873	\$ 75,267,155	\$ 69,280,693	20%
Capital assets, net	226,760,901	228,715,278	51,500,331	49,143,494	278,261,232	277,858,772	80%
Total assets	<u>266,764,000</u>	<u>266,864,098</u>	<u>86,764,387</u>	<u>80,275,367</u>	<u>353,528,387</u>	<u>347,139,465</u>	
Liabilities							
Current liabilities	10,598,772	12,929,269	5,157,893	3,543,645	15,756,665	16,472,914	96%
Long-term liabilities, net	4,754,436	426,120	2,255,612	172,169	7,010,048	598,289	4%
Total liabilities	<u>15,353,208</u>	<u>13,355,389</u>	<u>7,413,505</u>	<u>3,715,814</u>	<u>22,766,713</u>	<u>17,071,203</u>	
Deferred Inflows of Resources							
Unearned property tax	1,554,234	1,610,457	-	-	1,554,234	1,610,457	100%
Total deferred inflows of resources	<u>1,554,234</u>	<u>1,610,457</u>	<u>-</u>	<u>-</u>	<u>1,554,234</u>	<u>1,610,457</u>	
Net Position							
Net investment in capital assets	226,760,901	228,715,278	51,500,331	49,143,494	278,261,232	277,858,772	85%
Restricted	7,024,476	883,860	-	16,492,114	7,024,476	17,375,974	5%
Unrestricted	16,071,181	22,299,114	27,850,551	10,923,945	43,921,732	33,223,059	10%
Total net position	<u>\$ 249,856,558</u>	<u>\$ 251,898,252</u>	<u>\$ 79,350,882</u>	<u>\$ 76,559,553</u>	<u>\$ 329,207,440</u>	<u>\$ 328,457,805</u>	

The City reported positive balances in net position for both governmental and business-type activities. Net position decreased \$2,041,694 for governmental activities and increased \$2,791,329 for business-type activities. The City's overall financial position improved during fiscal year ended August 31, 2013.

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

City of Lawrenceville Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		Percent of Total
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 3,215,550	\$ 4,954,000	\$ 72,069,776	\$ 73,452,690	\$ 75,285,326	\$ 78,406,690	85.5%
Grants & contributions	6,609,565	7,421,463	-	-	6,609,565	7,421,463	7.5%
General revenues:							
Property taxes	2,187,024	1,544,764	-	-	2,187,024	1,544,764	2.5%
Franchise taxes	1,005,159	1,082,473	-	-	1,005,159	1,082,473	1.1%
Excise taxes	820,590	788,053	-	-	820,590	788,053	0.9%
Hotel/Motel taxes	264,737	253,353	-	-	264,737	253,353	0.3%
Insurance premium tax	1,422,165	1,338,927	-	-	1,422,165	1,338,927	1.6%
Financial institution taxes	139,610	-	-	-	139,610	-	0.2%
Other taxes	84,405	442,208	-	-	84,405	442,208	0.1%
Unrestricted interest	153,744	201,714	-	-	153,744	201,714	0.2%
Miscellaneous	-	689,475	-	504,240	-	1,193,715	0.0%
Gain on sale of assets	-	-	70,657	-	70,657	-	0.1%
Transfers	9,836,829	9,413,220	(9,836,829)	(9,413,220)	-	-	0.0%
Total revenues	25,739,378	28,129,650	62,303,604	64,543,710	88,042,982	92,673,360	100%
Expenses:							
General government	7,752,325	5,941,345	-	-	7,752,325	5,941,345	8.9%
Judicial	948,876	896,129	-	-	948,876	896,129	1.1%
Public safety	11,374,379	12,535,965	-	-	11,374,379	12,535,965	13.0%
Public works	6,981,826	6,295,620	-	-	6,981,826	6,295,620	8.0%
Culture and recreation	259,618	-	-	-	259,618	-	0.3%
Housing and development	464,048	516,335	-	-	464,048	516,335	0.5%
Water & Sewer	-	-	4,149,089	4,514,945	4,149,089	4,514,945	4.8%
Electric	-	-	24,775,235	23,281,986	24,775,235	23,281,986	28.4%
Gas	-	-	28,661,647	26,311,839	28,661,647	26,311,839	32.8%
Solid waste	-	-	1,783,331	1,721,036	1,783,331	1,721,036	2.0%
Stormwater	-	-	142,973	167,673	142,973	167,673	0.2%
Total expenses	27,781,072	26,185,394	59,512,275	55,997,479	87,293,347	82,182,873	100%
Change in net position	(2,041,694)	1,944,256	2,791,329	8,546,231	749,635	10,490,487	
Net position, beginning, restated	251,898,252	249,953,996	76,559,553	68,013,322	328,457,805	317,967,318	
Net position, ending	\$ 249,856,558	\$ 251,898,252	\$ 79,350,882	\$ 76,559,553	\$ 329,207,440	\$ 328,457,805	

GOVERNMENTAL REVENUES

Taxes are the main source of revenues for the operations of the City. Taxes provided 23.01% of the City's total governmental revenues (including transfers in) during the current fiscal year. Business-type activities subsidize governmental activities to cover the cost of governmental activities without substantial increases in taxes. The largest decrease in the governmental revenues was noted in the charges for services, which decreased by \$1,738,450 or 35.1%. This decrease was due to a large federal forfeiture received by the City during the year ended August 31, 2012 for approximately \$1.9 million with no such large forfeiture during the fiscal year ended August 31, 2013. The City also received a one-time \$500,000 contribution in the year ended August 31, 2012 which was reported as miscellaneous revenue.

GOVERNMENTAL FUNCTIONAL EXPENSES

Total governmental activities cost for the current fiscal year was \$27,781,072. Of this amount, public safety with \$11,374,379 was the largest operating cost, at 40.9% of the total cost for services provided during the fiscal year ended August 31, 2013. Total expenses of the governmental activities increased approximately 6.1%.

BUSINESS-TYPE REVENUES

Program revenues for the combined business-type activities were consistent with the prior year, seeing a slight decrease of approximately 1.9%.

BUSINESS-TYPE EXPENSES

The expenses of the Electric System Fund increased by \$1,493,249 or 6.4% while the expenses of the Gas System Fund increased by \$2,349,808 or 8.9%. The increase in each fund was primarily caused by the increased cost of energy (electricity or gas), which increased by approximately \$1.7 million and \$1.8 million, respectively.

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 \$27,680,399. Of this year-end total, \$16,674,036 is unassigned indicating availability for continuing City service requirements. Nonspendable fund balances include \$96,175 for prepaid insurance and \$3,885,712 for advances to other funds. Restricted fund balances include \$2,942,036 for public safety, \$21,048 for culture and recreation, \$535,433 for emergency telephone system activities, and \$3,525,959 for capital projects.

The total ending fund balances of governmental funds show an increase of \$1,109,118 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 increased by \$178,182. Net transfers in from the enterprise funds of \$10,101,759 helped to offset decreases in governmental revenues.

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 electric utility services. The City's electric utilities are reported within business-type activities in the government-wide statements. The fund reported an increase in net position of \$1,140,230 despite reporting transfers of \$4,739,360 to supplement the General Fund.

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 natural gas utility services. The City's gas utilities are reported within business-type activities in the government-wide statements. The fund reported an increase in net position of \$294,805 despite reporting transfers of \$5,947,145 to supplement the General Fund.

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 business-type activities in the government-wide statements. Net position increased \$932,362; however, the fund still reports a negative unrestricted net position as of August 31, 2013.

General Fund Budgetary Highlights

The General Fund budget for fiscal year ended August 31, 2013 was \$20,784,748. This was an increase of \$983,312 over the originally adopted budget for the year. 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. Actual results were within 1.3% of budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

The City's net investment in capital assets for governmental and business-type activities as of August 31, 2013, was \$226,760,901 and \$51,500,331, respectively. The total decrease in this net investment was 0.9% for governmental and an increase of 4.8% for business-type activities. The overall decrease was 0.1% for the City as a whole. Major capital asset additions during the current year included infrastructure and other acquisitions of capital assets totaling \$4,364,344. Expansion and improvements by the City's business-type activities in the amount of \$4,737,367 also contributed significantly to changes in the City's investment in capital assets. See Note 6 for additional details.

Capital Assets, Net of Accumulated Depreciation

	Capital Assets (Net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 66,018,212	\$ 65,559,752	\$ 1,065,977	\$ 1,064,977	\$ 67,084,189	\$ 66,624,729
Construction in progress	2,996,671	971,850	1,686,204	2,280,208	4,682,875	3,252,058
Plants and buildings	28,578,452	29,085,682	13,598,501	11,804,697	42,176,953	40,890,379
Improvements	3,358,972	3,426,771	-	-	3,358,972	3,426,771
Vehicles	901,322	1,413,801	526,337	570,086	1,427,659	1,983,887
Equipment	2,384,370	1,993,606	2,927,240	274,696	5,311,610	2,268,302
Infrastructure	122,522,902	126,263,816	-	-	122,522,902	126,263,816
Utility systems	-	-	31,696,072	33,148,830	31,696,072	33,148,830
Total	<u>\$ 226,760,901</u>	<u>\$ 228,715,278</u>	<u>\$ 51,500,331</u>	<u>\$ 49,143,494</u>	<u>\$ 278,261,232</u>	<u>\$ 277,858,772</u>

Long-term Debt

The City (primary government) had no long-term debt as of August 31, 2013. The Lawrenceville Downtown Development Authority (LDDA) issued economic development bonds in the amount of \$9,035,000 during fiscal year 2013. The City has agreed, through an intergovernmental agreement, to pay the debt service of the LDDA bonds to the extent the LDDA does not have resources to make such payments. See Note 7 for further details.

Economic Environment and Next Year's Budgets

The general outlook for the City of Lawrenceville, Georgia's 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 2013-14, the City Council approved a total budget of \$83.9 million. This budget includes operating and non-operating funds. The General Fund budget is \$23.3 million, which includes approximately \$13.1 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. O. Box 2200, Lawrenceville, Georgia 30046.

CITY OF LAWRENCEVILLE, GEORGIA

**STATEMENT OF NET POSITION
AUGUST 31, 2013**

ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Downtown	Lawrenceville
	Activities	Activities		Development Authority	Tourism and Trade Association
Cash and cash equivalents	\$ 33,261,847	\$ 9,420,305	\$ 42,682,152	\$ 50,836	\$ 73,269
Investments	-	20,433,422	20,433,422	-	-
Taxes receivable	1,530,504	-	1,530,504	7,914	19,324
Accounts receivable, net of allowances	412,170	9,387,658	9,799,828	148	-
Due from other governments	725,074	-	725,074	-	-
Internal balances	3,977,329	(3,977,329)	-	-	-
Land held for resale	-	-	-	8,827,128	-
Prepaid items	96,175	-	96,175	-	1,092
Capital assets:					
Non-depreciable	69,014,883	2,752,181	71,767,064	-	-
Depreciable, net of accumulated depreciation	157,746,018	48,748,150	206,494,168	-	922
Total assets	<u>266,764,000</u>	<u>86,764,387</u>	<u>353,528,387</u>	<u>8,886,026</u>	<u>94,607</u>
LIABILITIES					
Accounts payable	788,283	3,959,919	4,748,202	-	6,995
Accrued liabilities	2,436,448	1,191,224	3,627,672	-	1,196
Customer deposits	7,374,041	6,750	7,380,791	-	-
Interest payable	-	-	-	18,823	-
Net OPEB obligation due in more than one year	4,303,811	2,037,592	6,341,403	-	-
Compensated absences, due within one year	315,438	152,614	468,052	-	-
Compensated absences, due in more than one year	135,187	65,406	200,593	-	-
Bonds payable, due within one year	-	-	-	780,000	-
Bonds payable, due in more than one year	-	-	-	8,255,000	-
Total liabilities	<u>15,353,208</u>	<u>7,413,505</u>	<u>22,766,713</u>	<u>9,053,823</u>	<u>8,191</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - property taxes	1,554,234	-	1,554,234	-	-
Total deferred inflows of resources	<u>1,554,234</u>	<u>-</u>	<u>1,554,234</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	226,760,901	51,500,331	278,261,232	-	922
Restricted for:					
Public safety	2,942,036	-	2,942,036	-	-
Culture and recreation	21,048	-	21,048	-	-
Emergency telephone activities	535,433	-	535,433	-	-
Capital projects	3,525,959	-	3,525,959	-	-
Unrestricted	16,071,181	27,850,551	43,921,732	(167,797)	85,494
Total net position	<u>\$ 249,856,558</u>	<u>\$ 79,350,882</u>	<u>\$ 329,207,440</u>	<u>\$ (167,797)</u>	<u>\$ 86,416</u>

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

CITY OF LAWRENCEVILLE, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,752,325	\$ 1,246,518	\$ -	\$ -
Judicial	948,876	1,849,733	-	-
Public safety	11,374,379	116,849	1,594,450	-
Public works	6,981,826	2,450	-	3,876,192
Culture and recreation	259,618	-	-	1,138,923
Housing and development	464,048	-	-	-
Total governmental activities	<u>27,781,072</u>	<u>3,215,550</u>	<u>1,594,450</u>	<u>5,015,115</u>
Business-type activities:				
Water & Sewer	4,149,089	4,803,739	-	-
Electric	24,775,235	30,633,625	-	-
Gas	28,661,647	34,866,922	-	-
Solid waste	1,783,331	1,079,058	-	-
Stormwater	142,973	686,432	-	-
Total business-type activities	<u>59,512,275</u>	<u>72,069,776</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 87,293,347</u>	<u>\$ 75,285,326</u>	<u>\$ 1,594,450</u>	<u>\$ 5,015,115</u>
Component units:				
Downtown Development Authority	\$ 398,501	\$ 2,176	\$ 176,227	\$ -
Lawrenceville Tourism and Trade Association	388,999	24,984	387,095	-
Total component units	<u>\$ 787,500</u>	<u>\$ 27,160</u>	<u>\$ 563,322</u>	<u>\$ -</u>

General revenues:

- Property taxes
- Franchise taxes
- Excise taxes
- Hotel/Motel occupancy taxes
- Insurance premium tax
- Financial institution taxes
- Other taxes
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous

Transfers

- Total general revenues and transfers
- Change in net position
- Net position, beginning of year, restated
- Net position, end of year

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

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Lawrenceville Tourism and Trade Association
\$ (6,505,807)	\$ -	\$ (6,505,807)	\$ -	\$ -
900,857	-	900,857	-	-
(9,663,080)	-	(9,663,080)	-	-
(3,103,184)	-	(3,103,184)	-	-
879,305	-	879,305	-	-
(464,048)	-	(464,048)	-	-
<u>(17,955,957)</u>	<u>-</u>	<u>(17,955,957)</u>	<u>-</u>	<u>-</u>
-	654,650	654,650	-	-
-	5,858,390	5,858,390	-	-
-	6,205,275	6,205,275	-	-
-	(704,273)	(704,273)	-	-
-	543,459	543,459	-	-
-	12,557,501	12,557,501	-	-
<u>(17,955,957)</u>	<u>12,557,501</u>	<u>(5,398,456)</u>	<u>-</u>	<u>-</u>
-	-	-	(220,098)	-
-	-	-	-	23,080
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (220,098)</u>	<u>\$ 23,080</u>
\$ 2,187,024	\$ -	\$ 2,187,024	\$ -	\$ -
1,005,159	-	1,005,159	-	-
820,590	-	820,590	-	-
264,737	-	264,737	-	-
1,422,165	-	1,422,165	-	-
139,610	-	139,610	-	-
84,405	-	84,405	-	-
153,744	-	153,744	37	-
-	70,657	70,657	-	-
-	-	-	3,300	3,464
9,836,829	(9,836,829)	-	-	-
15,914,263	(9,766,172)	6,148,091	3,337	3,464
(2,041,694)	2,791,329	749,635	(216,761)	26,544
251,898,252	76,559,553	328,457,805	48,964	59,872
<u>\$ 249,856,558</u>	<u>\$ 79,350,882</u>	<u>\$ 329,207,440</u>	<u>\$ (167,797)</u>	<u>\$ 86,416</u>

CITY OF LAWRENCEVILLE, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013**

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 26,591,283	\$ 6,670,564	\$ 33,261,847
Taxes receivable, net of allowance	1,484,437	46,067	1,530,504
Accounts receivables, net of allowance	412,170	-	412,170
Due from other governments	49,480	675,594	725,074
Due from other funds	114,223	-	114,223
Advance to other funds	3,885,712	-	3,885,712
Prepaid expenditures	96,175	-	96,175
Total assets	\$ 32,633,480	\$ 7,392,225	\$ 40,025,705
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 473,706	\$ 314,577	\$ 788,283
Accrued liabilities	2,405,882	30,566	2,436,448
Customer deposits	7,374,041	-	7,374,041
Due to other funds	-	22,606	22,606
Total liabilities	10,253,629	367,749	10,621,378
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	39,378	-	39,378
Unavailable revenue - fines receivable	81,143	-	81,143
Unavailable revenue - intergovernmental	49,173	-	49,173
Unearned revenue - property taxes	1,554,234	-	1,554,234
Total deferred inflows of resources	1,723,928	-	1,723,928
FUND BALANCES			
Fund balances:			
Nonspendable:			
Prepaid expenditures	96,175	-	96,175
Advance to other funds	3,885,712	-	3,885,712
Restricted:			
Public safety	-	2,942,036	2,942,036
Culture and recreation	-	21,048	21,048
Emergency telephone system activities	-	535,433	535,433
Capital projects	-	3,525,959	3,525,959
Unassigned	16,674,036	-	16,674,036
Total fund balances	20,655,923	7,024,476	27,680,399
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,633,480	\$ 7,392,225	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	226,760,901
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	169,694
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(4,754,436)

Net position of governmental activities \$ 249,856,558

The accompanying notes are an integral part of these financial statements

CITY OF LAWRENCEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 5,770,824	\$ 442,918	\$ 6,213,742
Licenses and permits	304,915	-	304,915
Intergovernmental	1,171,875	5,378,009	6,549,884
Fines and forfeitures	1,844,165	82,209	1,926,374
Charges for services	815,650	-	815,650
Interest income	160,351	23,871	184,222
Miscellaneous	163,043	-	163,043
Total revenues	10,230,823	5,927,007	16,157,830
EXPENDITURES			
Current:			
General government	7,115,045	-	7,115,045
Judicial	908,584	-	908,584
Public safety	8,830,112	2,389,474	11,219,586
Public works	3,142,693	-	3,142,693
Culture and recreation	100	259,518	259,618
Housing and development	464,048	-	464,048
Capital outlay	-	1,903,968	1,903,968
Total expenditures	20,460,582	4,552,960	25,013,542
Excess (deficiency) of revenues over (under) expenditures	(10,229,759)	1,374,047	(8,855,712)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	128,001	-	128,001
Transfers in	10,864,686	-	10,864,686
Transfers out	(584,746)	(443,111)	(1,027,857)
Total other financing sources (uses)	10,407,941	(443,111)	9,964,830
Net change in fund balance	178,182	930,936	1,109,118
FUND BALANCES, beginning of year, restated	20,477,741	6,093,540	26,571,281
FUND BALANCES, end of year	\$ 20,655,923	\$ 7,024,476	\$ 27,680,399

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

CITY OF LAWRENCEVILLE, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

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

Net change in fund balances - total governmental funds	\$	1,109,118
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(1,551,605)
The net effect of various miscellaneous transactions involving capital assets (i.e., donations and sales) is to decrease net position.		(402,772)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(255,281)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(941,154)</u>
Change in net position - governmental activities	\$	<u>(2,041,694)</u>

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

CITY OF LAWRENCEVILLE, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
FOR THE YEAR ENDED AUGUST 31, 2013**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,157,530	\$ 5,157,530	\$ 5,770,824	\$ 613,294
Licenses and permits	315,210	315,210	304,915	(10,295)
Fines and forfeitures	2,538,833	2,538,833	1,844,165	(694,668)
Charges for services	777,856	777,856	815,650	37,794
Intergovernmental	957,820	957,820	1,171,875	214,055
Interest	248,280	248,280	160,351	(87,929)
Miscellaneous	84,500	84,500	163,043	78,543
Total revenues	10,080,029	10,080,029	10,230,823	150,794
EXPENDITURES				
Current:				
General government:				
Financial administration	5,171,232	2,907,499	3,639,885	(732,386)
Data processing	1,216,268	1,345,854	1,345,854	-
Meters	978,172	1,259,492	1,259,492	-
Garage	620,690	774,614	774,614	-
Risk management	109,312	109,312	95,200	14,112
Total general government	8,095,674	6,396,771	7,115,045	(718,274)
Court	1,366,278	1,366,278	908,584	457,694
Police	8,359,764	8,830,112	8,830,112	-
Street	1,563,612	3,142,693	3,142,693	-
Culture and recreation	-	100	100	-
Planning and zoning	416,108	464,048	464,048	-
Total expenditures	19,801,436	20,200,002	20,460,582	(260,580)
Deficiency of revenues over expenditures	(9,721,407)	(10,119,973)	(10,229,759)	(109,786)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	40,000	40,000	128,001	88,001
Transfers in	-	-	10,864,686	10,864,686
Transfers out	-	(584,746)	(584,746)	-
Total other financing sources (uses)	40,000	(544,746)	10,407,941	10,952,687
Net change in fund balances	(9,681,407)	(10,664,719)	178,182	10,842,901
FUND BALANCES, beginning of year, restated	20,477,741	20,477,741	20,477,741	-
FUND BALANCES, end of year	\$ 10,796,334	\$ 9,813,022	\$ 20,655,923	\$ 10,842,901

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

CITY OF LAWRENCEVILLE, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013**

Business-type Activities - Enterprise Funds					
ASSETS	Water System Fund	Electrical System Fund	Gas System Fund	Nonmajor Enterprise Fund Funds	Totals
CURRENT ASSETS					
Cash	\$ 1,358,551	\$ 1,819,118	\$ 5,759,379	\$ 483,257	\$ 9,420,305
Investments	-	20,433,422	-	-	20,433,422
Accounts receivable, net of allowance	1,421,636	5,524,246	2,190,799	250,977	9,387,658
Total current assets	<u>2,780,187</u>	<u>27,776,786</u>	<u>7,950,178</u>	<u>734,234</u>	<u>39,241,385</u>
CAPITAL ASSETS					
Non-depreciable	1,553,250	906,009	291,922	1,000	2,752,181
Depreciable, net of accumulated depreciation	15,376,221	14,000,091	16,719,336	2,652,502	48,748,150
	<u>16,929,471</u>	<u>14,906,100</u>	<u>17,011,258</u>	<u>2,653,502</u>	<u>51,500,331</u>
Total assets	<u>19,709,658</u>	<u>42,682,886</u>	<u>24,961,436</u>	<u>3,387,736</u>	<u>90,741,716</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	502,677	2,739,775	592,347	125,120	3,959,919
Accrued liabilities	11,415	53,590	1,112,945	13,274	1,191,224
Deposits payable	-	6,750	-	-	6,750
Compensated absences payable, current	13,218	46,623	56,781	35,992	152,614
Due to other funds	-	6,068	85,549	-	91,617
Total current liabilities	<u>527,310</u>	<u>2,852,806</u>	<u>1,847,622</u>	<u>174,386</u>	<u>5,402,124</u>
NONCURRENT LIABILITIES					
Compensated absences payable	5,665	19,981	24,335	15,425	65,406
Advance from other funds	3,885,712	-	-	-	3,885,712
Net OPEB liability	211,412	354,197	1,122,197	349,786	2,037,592
Total noncurrent liabilities	<u>4,102,789</u>	<u>374,178</u>	<u>1,146,532</u>	<u>365,211</u>	<u>5,988,710</u>
Total liabilities	<u>4,630,099</u>	<u>3,226,984</u>	<u>2,994,154</u>	<u>539,597</u>	<u>11,390,834</u>
NET POSITION					
Net investment in capital assets	16,929,471	14,906,100	17,011,258	2,653,502	51,500,331
Unrestricted	(1,849,912)	24,549,802	4,956,024	194,637	27,850,551
Total net position	<u>\$ 15,079,559</u>	<u>\$ 39,455,902</u>	<u>\$ 21,967,282</u>	<u>\$ 2,848,139</u>	<u>\$ 79,350,882</u>

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

CITY OF LAWRENCEVILLE, GEORGIA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

	Business-type Activities - Enterprise Funds				Totals
	Water System Fund	Electrical System Fund	Gas System Fund	Nonmajor Enterprise Fund Funds	
OPERATING REVENUE					
Charges for sales and services	\$ 4,675,012	\$ 30,406,044	\$ 33,535,746	\$ 1,720,104	\$ 70,336,906
Other fees	128,727	227,581	1,331,176	45,386	1,732,870
Total operating revenue	<u>4,803,739</u>	<u>30,633,625</u>	<u>34,866,922</u>	<u>1,765,490</u>	<u>72,069,776</u>
OPERATING EXPENSES					
Salaries and benefits	758,260	1,086,765	4,058,130	1,036,462	6,939,617
General operating expenses	2,827,618	22,811,413	23,741,963	811,134	50,192,128
Depreciation	563,211	877,057	861,554	78,708	2,380,530
Total operating expenses	<u>4,149,089</u>	<u>24,775,235</u>	<u>28,661,647</u>	<u>1,926,304</u>	<u>59,512,275</u>
Operating income (loss)	<u>654,650</u>	<u>5,858,390</u>	<u>6,205,275</u>	<u>(160,814)</u>	<u>12,557,501</u>
NON-OPERATING INCOME					
Gain on disposal of assets	12,782	21,200	36,675	-	70,657
Total non-operating income	<u>12,782</u>	<u>21,200</u>	<u>36,675</u>	<u>-</u>	<u>70,657</u>
Net income (loss) before transfers	667,432	5,879,590	6,241,950	(160,814)	12,628,158
Transfers in	264,930	-	-	584,746	849,676
Transfers out	-	(4,739,360)	(5,947,145)	-	(10,686,505)
Total transfers	<u>264,930</u>	<u>(4,739,360)</u>	<u>(5,947,145)</u>	<u>584,746</u>	<u>(9,836,829)</u>
Change in net position	932,362	1,140,230	294,805	423,932	2,791,329
Total net position, beginning of year, restated	<u>14,147,197</u>	<u>38,315,672</u>	<u>21,672,477</u>	<u>2,424,207</u>	<u>76,559,553</u>
Total net position, end of year	<u>\$ 15,079,559</u>	<u>\$ 39,455,902</u>	<u>\$ 21,967,282</u>	<u>\$ 2,848,139</u>	<u>\$ 79,350,882</u>

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

CITY OF LAWRENCEVILLE, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

	Business-type Activities - Enterprise Funds				
	Water System Fund	Electrical System Fund	Gas System Fund	Nonmajor Enterprise Fund Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,754,770	\$ 30,684,184	\$ 34,580,539	\$ 1,774,195	\$ 71,793,688
Payments to suppliers	(2,086,079)	(22,752,453)	(23,238,084)	(824,627)	(48,901,243)
Payments to employees	(697,146)	(1,014,350)	(3,625,173)	(937,410)	(6,274,079)
Net cash provided by operating activities	<u>1,971,545</u>	<u>6,917,381</u>	<u>7,717,282</u>	<u>12,158</u>	<u>16,618,366</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	264,930	-	-	584,746	849,676
Transfers out to other funds	-	(4,739,360)	(5,947,145)	-	(10,686,505)
Net cash provided by (used in) non-capital financing activities	<u>264,930</u>	<u>(4,739,360)</u>	<u>(5,947,145)</u>	<u>584,746</u>	<u>(9,836,829)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(890,706)	(1,400,044)	(2,031,956)	(377,437)	(4,700,143)
Proceeds from sale of capital asset	12,782	21,200	36,675	-	70,657
Net cash used in capital and related financing activities	<u>(877,924)</u>	<u>(1,378,844)</u>	<u>(1,995,281)</u>	<u>(377,437)</u>	<u>(4,629,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(3,941,308)	-	-	(3,941,308)
Net cash used in investing activities	<u>-</u>	<u>(3,941,308)</u>	<u>-</u>	<u>-</u>	<u>(3,941,308)</u>
Net increase (decrease) in cash	1,358,551	(3,142,131)	(225,144)	219,467	(1,789,257)
Cash, beginning of year	-	4,961,249	5,984,523	263,790	11,209,562
Cash, end of year	<u>\$ 1,358,551</u>	<u>\$ 1,819,118</u>	<u>\$ 5,759,379</u>	<u>\$ 483,257</u>	<u>\$ 9,420,305</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 654,650	\$ 5,858,390	\$ 6,205,275	\$ (160,814)	\$ 12,557,501
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	563,211	877,057	861,554	78,708	2,380,530
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(48,969)	50,559	(286,383)	8,705	(276,088)
Increase (decrease) in accounts payable	(116,173)	58,560	359,817	(13,493)	288,711
Increase (decrease) in accrued liabilities	11,415	(20,794)	199,840	13,274	203,735
Increase in due to other funds	857,712	6,068	85,549	-	949,329
Increase in customer deposits payable	-	400	-	-	400
Increase in net OPEB liability	45,329	75,549	271,972	75,547	468,397
Increase in compensated absences payable	4,370	11,592	19,658	10,231	45,851
Net cash provided by operating activities	<u>\$ 1,971,545</u>	<u>\$ 6,917,381</u>	<u>\$ 7,717,282</u>	<u>\$ 12,158</u>	<u>\$ 16,618,366</u>

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

CITY OF LAWRENCEVILLE, GEORGIA

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Incorporated on December 15, 1821, under the laws of the State of Georgia, the City of Lawrenceville operates under a Mayor/Council form of government and provides the following services to its citizens: public safety, public works, parks and recreation, public improvements, and general and administrative services.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit

The Lawrenceville Development Authority (the "LDA") is responsible for promoting and further developing trade and has been included as a blended component unit, reported as a special revenue fund in the accompanying financial statements. The LDA operates under a seven member board, which is all appointed by the City Council members who can impose their will on the LDA. The only current service provided by the LDA is as a financing mechanism for the City. Financial information with regard to the LDA can be obtained from Lawrenceville City Hall. Separate financial statements for the Lawrenceville Development Authority are not prepared.

Discretely Presented Component Units

The Lawrenceville Downtown Development Authority (the "DDA") is responsible for promoting and further developing trade, commerce, industry and employment opportunities within the City of Lawrenceville, Georgia. The DDA operates under a seven member board, which is all appointed by the City Council members who can impose their will on the DDA. The DDA does not issue separate financial statements and is included as a discretely presented component unit in the City's financial report. The DDA is presented as a governmental fund type.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Lawrenceville Tourism and Trade Association (the "LTTA") was established in 2003 as a not-for-profit organization for the purpose of promoting civic life, business development and tourism within the City of Lawrenceville, Georgia. The LTTA operates under a nine member board, with five members appointed by the Lawrenceville Downtown Development Authority and four members elected by the board. The LTTA's primary source of revenue is funding from the City and the City requires the LTTA to present an annual operating budget to Council for approval. The LTTA also cannot issue debt without the approval of the City. The LTTA issues separate financial statements and is included as a discretely presented component unit in the City's financial report. The LTTA has a fiscal year ended December 31, 2012. The LTTA is presented as a proprietary fund type.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The **Water System Fund** accounts for the operation, maintenance and development of the City's water and sewer system and services.

The **Electrical System Fund** accounts for the operation, maintenance and development of the City's electrical system.

The **Gas System Fund** accounts for the operation, maintenance and development of the City's natural gas system.

The City also reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as confiscations and forfeitures, E911 revenues, hotel/motel tax revenues, and auto excise tax revenues, which are legally restricted to expenditures for particular purposes.

The **capital project fund** accounts for financial resources to be used for the acquisition and construction of major capital projects.

The **capital project fund** accounts for financial resources to be used for the acquisition and construction of major capital projects.

The **debt service fund** accounts for the financing activities of the LDA.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. For the fiscal year ended August 31, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for all governmental funds. The governmental fund's budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted each year through the passage of an annual budget ordinance and amended as required.

All appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

E. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Interfund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2013, are recorded as prepaid items in both government-wide and fund financial statements. These items are accounted for using the consumption method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has reported infrastructure consistent with the retroactive infrastructure reporting requirements of GASB Statement 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Plants and Buildings	20-50
Machinery and equipment	5-8
Vehicles	3-5
Utility Systems and Infrastructure	20-50

J. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of September 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows / Inflows of Resources (Continued)

The governmental funds report unavailable revenues from property taxes and intergovernmental revenues as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Additionally, the governmental funds balance sheet and government wide statement of net position will report unearned property tax revenues as a deferred inflow of resources as the amount represents resources associated with an imposed non-exchange revenue transaction received or reported as a receivable before the period for which the property taxes were levied. These revenues will be recognized as an inflow of resources in the period for which they were levied.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expended in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by City Council. Approval of a resolution after a formal vote of the City Council is required to establish a commitment of fund balance. Similarly, the City Council may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council has retained the authority to make assignments of fund balance.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Management Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$4,754,436 difference are as follows:

Compensated absences	\$ (450,625)
Net OPEB obligation	<u>(4,303,811)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (4,754,436)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,551,605 difference are as follows:

Capital outlay	\$ 4,634,344
Depreciation expense	<u>(6,185,949)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (1,551,605)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$941,154 difference are as follows:

Compensated absences (i.e., vacation)	\$ (24,505)
Net OPEB Obligation	(916,649)
	(941,154)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (941,154)

Another element of that reconciliation states that “some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.” The details of this \$255,281 difference are as follows:

Change in unavailable property tax revenue	\$ (290,052)
Change in unavailable intergovernmental revenue	54,741
Change in accrued interest receivable	(19,970)
	(255,281)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (255,281)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the City Manager. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The General Fund financial administrations department had an excess of actual expenditures over appropriations of \$732,386 for the fiscal year ended August 31, 2013. This over expenditure was funded by available fund balance and through transfers in from the Electrical System Fund and the Gas System Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of August 31, 2013 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 42,682,152
Investments	20,433,422
	<u>\$ 63,115,574</u>
Cash deposited with financial institutions	\$ 40,862,683
Cash deposited with Georgia fund 1	351
Investments in the Municipal Competitive Trust	22,252,540
	<u>\$ 63,115,574</u>

Credit risk. State statutes and the City's policies authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. The City does not have a credit rating policy which provides restrictions or limitations on credit ratings for the City's investments.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

As of August 31, 2013, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Georgia Fund 1	AAAf	\$ 351	57 days
Certificate of deposits	n/a	5,000,000	12 months
Municipal Competitive Trust	AA-	22,252,540	6.82 years
Total		<u>\$ 27,252,891</u>	

Interest rate risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Office of the State Treasurer of the State of Georgia. However, Georgia Fund 1 operates 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 per 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 participants' shares sold and redeemed based on \$1 per share. As of August 31, 2013, the City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of August 31, 2013, the City's deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1, which is also the lien date. The taxes are levied by July 26 based on the assessed value of property as listed on the previous January 1 and are due on October 15 of each year. Property taxes are recorded as receivables and unearned revenues when assessed. Revenues are recognized in the period for which the tax levy relates for the government-wide statements and in the period for which the tax levy relates and is available for the governmental fund statements.

Receivables at August 31, 2013, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due From Other Governments</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
General Fund	\$ 1,597,185	\$ 1,625,067	\$ 49,480	\$ (1,325,645)	\$ 1,946,087
Other governmental funds	46,067	-	675,594	-	721,661
Water System Fund	-	1,433,101	-	(11,465)	1,421,636
Electrical System Fund	-	5,546,239	-	(21,993)	5,524,246
Gas System Fund	-	2,218,531	-	(27,732)	2,190,799
Nonmajor enterprise funds	-	297,966	-	(46,989)	250,977
	<u>\$ 1,643,252</u>	<u>\$ 11,120,904</u>	<u>\$ 725,074</u>	<u>\$ (1,433,824)</u>	<u>\$ 12,055,406</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended August 31, 2013, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 65,559,752	\$ 458,460	\$ -	\$ -	\$ 66,018,212
Construction in progress	971,850	2,653,685	(628,864)	-	2,996,671
Total	<u>66,531,602</u>	<u>3,112,145</u>	<u>(628,864)</u>	<u>-</u>	<u>69,014,883</u>
Capital assets, being depreciated:					
Buildings	32,610,112	17,591	-	-	32,627,703
Improvements	4,380,901	60,636	-	-	4,441,537
Vehicles	5,749,087	617,118	-	(996,422)	5,369,783
Equipment	5,648,220	826,854	-	(2,810,839)	3,664,235
Infrastructure	217,834,984	-	628,864	-	218,463,848
Total	<u>266,223,304</u>	<u>1,522,199</u>	<u>628,864</u>	<u>(3,807,261)</u>	<u>264,567,106</u>
Less accumulated depreciation for:					
Buildings	(3,524,430)	(524,821)	-	-	(4,049,251)
Improvements	(954,130)	(128,435)	-	-	(1,082,565)
Vehicles	(4,335,286)	(658,082)	(455,887)	980,794	(4,468,461)
Equipment	(3,654,614)	(504,833)	455,887	2,423,695	(1,279,865)
Infrastructure	(91,571,168)	(4,369,778)	-	-	(95,940,946)
Total	<u>(104,039,628)</u>	<u>(6,185,949)</u>	<u>-</u>	<u>3,404,489</u>	<u>(106,821,088)</u>
Total capital assets, being depreciated, net	<u>162,183,676</u>	<u>(4,663,750)</u>	<u>628,864</u>	<u>(402,772)</u>	<u>157,746,018</u>
Governmental activities capital assets, net	<u>\$ 228,715,278</u>	<u>\$ (1,551,605)</u>	<u>\$ -</u>	<u>\$ (402,772)</u>	<u>\$ 226,760,901</u>

The above table includes restatements to (1) reclassify \$51,574,700 of land costs which were previously reported as depreciable infrastructure assets, and (2) \$38,097,454 of overstated accumulated depreciation on the infrastructure, which represents misstatements in reporting the in-service dates and remaining lives of previously capitalized assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,064,977	\$ 1,000	\$ -	\$ -	\$ 1,065,977
Construction in Progress	2,280,208	3,269,535	(3,863,539)	-	1,686,204
Total	<u>3,345,185</u>	<u>3,270,535</u>	<u>(3,863,539)</u>	<u>-</u>	<u>2,752,181</u>
Capital assets, being depreciated:					
Plants and Buildings	14,872,029	392,482	1,761,693	-	17,026,204
Utility Systems	58,488,613	265,096	-	-	58,753,709
Vehicles	3,352,866	159,687	-	(217,960)	3,294,593
Machinery and equipment	1,390,437	649,567	2,101,846	(212,069)	3,929,781
Total	<u>78,103,945</u>	<u>1,466,832</u>	<u>3,863,539</u>	<u>(430,029)</u>	<u>83,004,287</u>
Less accumulated depreciation for:					
Plants and Buildings	(3,067,332)	(360,371)	-	-	(3,427,703)
Utility Systems	(25,339,783)	(1,717,854)	-	-	(27,057,637)
Vehicles	(2,782,780)	(203,436)	-	217,960	(2,768,256)
Machinery and equipment	(1,115,741)	(98,869)	-	212,069	(1,002,541)
Total	<u>(32,305,636)</u>	<u>(2,380,530)</u>	<u>-</u>	<u>430,029</u>	<u>(34,256,137)</u>
Total capital assets, being depreciated, net	<u>45,798,309</u>	<u>(913,698)</u>	<u>3,863,539</u>	<u>-</u>	<u>48,748,150</u>
Business-type activities capital assets, net	<u>\$ 49,143,494</u>	<u>\$ 2,356,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,500,331</u>

* Reclassifications among asset categories were necessary to properly report accumulated depreciation for capital assets as of August 31, 2012.

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

Governmental activities:

General government	\$ 692,248
Public safety	983,613
Public works	4,510,088

Total depreciation expense - governmental activities \$ 6,185,949

Business-type activities:

Water System Fund	\$ 563,211
Electrical System Fund	877,057
Gas System Fund	861,554
Solid Waste Fund	23,502
Stormwater Fund	55,206

Total depreciation expense - business-type activities \$ 2,380,530

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended August 31, 2013, was as follows:

	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 426,120	\$ 351,200	\$ (326,695)	\$ 450,625	\$ 315,438
OPEB obligation	3,387,162	1,100,841	(184,192)	4,303,811	-
Governmental activity Long-term liabilities	<u>\$ 3,813,282</u>	<u>\$ 1,452,041</u>	<u>\$ (510,887)</u>	<u>\$ 4,754,436</u>	<u>\$ 315,438</u>

	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 172,169	\$ 164,266	\$ (118,415)	\$ 218,020	\$ 152,614
OPEB obligation	1,569,195	562,517	(94,120)	2,037,592	-
Business-type activity Long-term liabilities	<u>\$ 1,741,364</u>	<u>\$ 726,783</u>	<u>\$ (212,535)</u>	<u>\$ 2,255,612</u>	<u>\$ 152,614</u>

For governmental activities, compensated absences and OPEB obligations are liquidated by the General Fund.

Lawrenceville Downtown Development Authority

Long-term liability activity for the year ended August 31, 2013, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ -	\$ 9,035,000	\$ -	\$ 9,035,000	\$ 780,000
Total long-term liabilities	<u>\$ -</u>	<u>\$ 9,035,000</u>	<u>\$ -</u>	<u>\$ 9,035,000</u>	<u>\$ 780,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue bonds. On December 13, 2012, the Lawrenceville Downtown Development Authority (“LDDA”) issued \$9,035,000 in Series 2012 Economic Development Revenue Bonds bearing interest at a rate 2.50% per annum payable each February 1 and August 1 with principal payable annually on February 1. The bonds were issued for the purpose of purchasing land in the downtown area to re-develop the business district of the City to promote trade, commerce, industry and employment opportunities in the City.

Concurrent with the issuance of the Series 2012 Economic Development Revenue Bonds, the City and the LDDA entered into an intergovernmental agreement whereby the City is required to make payments to the LDDA to enable the LDDA to pay 100% of the principal and interest payments on the bonds to the extent that the LDDA’s debt service reserves are insufficient to cover the full amount of principal and interest payments on the bonds.

The debt service requirements to maturity on the bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending August 31,			
2014	\$ 780,000	\$ 216,125	\$ 996,125
2015	830,000	196,000	1,026,000
2016	850,000	175,000	1,025,000
2017	870,000	153,500	1,023,500
2018	895,000	131,438	1,026,438
2019-2023	4,810,000	306,500	5,116,500
Total	<u>\$ 9,035,000</u>	<u>\$ 1,178,563</u>	<u>\$ 10,213,563</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of August 31, 2013, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 22,606
General fund	Electrical system fund	6,068
General fund	Gas system fund	85,549
		<u>\$ 114,223</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and when payments between funds are made.

Advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water system fund	<u>\$ 3,885,712</u>

The amounts payable to the General Fund relate to loans made to cover prior year operating shortages which are being repaid over a period of more than one year.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 178,181
General fund	Electrical system fund	4,739,360
General fund	Gas system fund	5,947,145
Nonmajor enterprise funds	General fund	584,746
Water system fund	Other governmental funds	264,930
		<u>\$ 11,714,362</u>

Transfers are used to (1) use unrestricted general fund revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, (2) move revenues from the fund that statutes require to collect them to the fund that statute or budget requires to expend them, and (3) move unrestricted service revenues to the General fund to supplant property tax revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLAN

The City of Lawrenceville's Internal Revenue Code Section 401(a) and 457(b) Plans are deferred compensation plans and qualify as a defined contribution pension plan. The Plans are administered by the Government Employees Benefit Corporation (GEBCorp) for all full time employees, excluding elected officials. Monthly contributions to the 401(a) plan are equivalent to 4.00% of regular full-time employees' pay and are 100% contributed by the City. The City's 457(b) plan is voluntary and for participants who elect to contribute a minimum of 4% of their annual compensation, the City will contribute an additional 6% of employee earnings into the 401(a) plan, for a total City contribution of 10%. For those employees who have reached the age of 45 with 10 years of consecutive service, the City will contribute an additional 4.00% of their base salary in the City's 401(a) plan for a total City contribution of 14% of employee earnings. Employees are fully vested at the age of 65. Employees less than 65 years of age vest at the following scale: Employees with less than three years of service are not vested; employees with three to four years of service are 20% vested; employees with four to five years of service are 40% vested; employees with five to six years of service are 60% vested; employees with six to seven years of service are 80% vested; and employees with over seven years of service are 100% vested. Plan provisions and contribution requirements are established and may be amended by the City's Council. At August 31, 2013, there were 293 plan members. During the year ending August 31, 2013, employee contributions were \$661,167 and employer contributions were \$1,128,017.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Lawrenceville's OPEB Plan is a single-employer defined benefit healthcare plan administered by Health Smart Benefits Solutions. The City provides medical, dental, and vision insurance to retirees and spouses, at no cost to the retiree. Substantially all of the City's employees may become eligible for those benefits after 20 years of service with a minimum retirement age of 55. As of August 31, 2013, there were 35 retirees eligible for the benefits and 234 active employees. The City Council has the authority to establish and amend benefit provisions. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds.

The Plan does not issue separate financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following schedule reflects membership for the OPEB Plan as of September 1, 2012, the most recent actuarial valuation:

Active participants	234
Retirees and beneficiaries currently receiving benefits	35
Total	269

The following is a schedule of funding progress:

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
09/01/12	\$ -	\$ 21,919,498	\$ 21,919,498	0%	\$ 10,590,672	207.0%

The above schedule of funding progress serves as a surrogate for the funded status and the funding progress of the Plan. See required supplementary information for a history of funding progress which presents a multiyear trend about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual OPEB Cost and Net OPEB Obligation

	For The Plan Year Ending August 31, 2013	For The Plan Year Ending August 31, 2012
Annual required contribution	\$ 1,629,595	\$ 1,639,064
Interest on net OPEB obligation	223,036	160,198
Adjustments to annual required contribution	(189,274)	(142,884)
Annual OPEB cost	1,663,357	1,656,378
Contributions made	(278,311)	(259,979)
Increase in net OPEB obligation	1,385,046	1,396,399
Net OPEB obligation, beginning of year	4,956,357	3,559,958
Net OPEB obligation, end of year	\$ 6,341,403	\$ 4,956,357

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The recommended contribution was determined as part of the September 1, 2012 actuarial valuation. The chart below shows the annual OPEB cost for the current and two preceding years, along with the percentage actually contributed by the City.

Schedule of Employer Costs and Contributions

Fiscal Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
August 31, 2011	\$ 1,608,059	\$ 221,912	13.8%	\$ 3,559,958
August 31, 2012	1,656,378	259,979	15.7%	4,956,357
August 31, 2013	1,663,357	278,311	16.7%	6,341,403

Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 1, 2012. The assumptions used in the September 1, 2012 actuarial valuation are as follows:

Cost Method:	Entry Age
Discount Rate:	4.5%
Pre-Medicare Trend Rate:	8.5% – 5.00%
Post-Medicare Trend Rate:	6.25% – 5.00%
Year of Ultimate Trend Rate:	2018
Amortization Method:	Level Percentage of Pay, Open
Remaining Amortization Period:	30 years
Inflation Rate:	3.5%

NOTE 11. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by Gwinnett County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees; and losses resulting from providing accident and health benefits to employees and their dependents.

The City provides health coverage for its employees under a plan of partial self-insurance. Under this plan, the City covers claim settlements and judgments out of its General Fund resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The City has purchased commercial insurance for claims in excess of coverage provided by the City. During the year ended August 31, 2013, excess coverage was obtained for any individual claims in excess of \$75,000. The City pays most of the coverage for eligible employees and their dependents. Employee contributions are used to pay claims and expenses of the plan incurred during the year. Liabilities include an amount for claims that have been incurred but not reported (IBNRs).

The following describes the activity for the past two fiscal years.

<u>Fiscal Year</u>	<u>Beginning of Year Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Claims Liability</u>
2013	\$ 906,866	\$ 6,088,253	\$ 6,193,622	\$ 801,497
2012	501,787	5,407,857	5,002,778	906,866

The City carries commercial insurance policies covering all other risks of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded coverage in the past three years.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions arising in the course of City operations. As of August 31, 2013, the City has been named as the defendant in several lawsuits. Management has determined that there is a possibility that the City will be found liable for damages. The City currently estimates the range of possible loss to be between \$50,000 and \$250,000. The City is continuing to negotiate and defend their position.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet, at August 31, 2013, the City has contractual commitments on uncompleted contracts of approximately \$4,246,768.

Grant Contingencies:

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

Agreements with the Municipal Gas Authority of Georgia:

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2016, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$22,562,464 in 2013.

At August 31, 2013, the outstanding debt of MGAG was approximately \$274 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$29 million at August 31, 2013.

Agreements with the Municipal Electric Authority of Georgia:

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by state law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit unless any such profits inure to the benefit of the public.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Electric Authority of Georgia (Continued):

As of August 31, 2013, the City is an electric utility participant in MEAG and obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts amounted to \$22,381,812 in 2013.

At August 31, 2013, the outstanding debt of MEAG was approximately \$5.9 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately \$176.2 million at August 31, 2013.

NOTE 14. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 8%. Revenues were \$264,737 for the year ended August 31, 2013. Of this amount, 98.0%, or \$259,518, was expended. Expenditures of the tax were used on the promotion of tourism as required by O.C.G.A. 48-13-51.

NOTE 15. MOTOR VEHICLE EXCISE TAX

The City has levied an excise tax on the rental of motor vehicles. The Official Code of Georgia Annotated 48-13-93 requires that all motor vehicle excise taxes be expended or obligated contractually, in accordance with the City's ordinance, for the acquisition, construction, renovating, improving, maintenance and equipping of pedestrian walkways, installation of traffic lights, and street lights associated with public safety facilities or public improvements for sports and recreational facilities. During the period ended August 31, 2013, the City received \$178,181 in motor vehicle excise taxes. Of this amount, 100%, or \$178,181, was used for these purposes.

NOTE 16. FUND DEFICITS

For the year ended August 31, 2013, the City's Solid Waste fund had a deficit of \$308,911. The fund deficit will be reduced by future appropriations from the General Fund, if necessary, and evaluation of the service charge being charged to the fund's customers.

NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS

The City has determined the following restatements to beginning fund balance were required in relation to the General Fund: (1) to record an allowance on the outstanding property tax levies made prior to the 2003 digest, which were determined to be uncollectable as of August 31, 2012; (2) to properly record franchise fees receivables which were not recorded as revenues and related receivables at August 31, 2012, although the revenues were earned and available within the City's revenue recognition policy, (3) to properly record auto excise tax revenues which were not recorded as revenues and related receivables at August 31, 2012, although the revenues were earned and available within the City's revenue recognition policy, (4) to properly record intergovernmental receivables which were not recorded as revenues and related receivables at August 31, 2012, although the revenues were earned and available within the City's revenue recognition policy, (5) to write-off interfund receivables at August 31, 2012 which were considered uncollectible; (6) to defer the recognition of the 2012 property tax levy as the taxes are levied for the fiscal year ended August 31, 2013 and in accordance with Governmental Accounting Standards Board (GASB) Statement No 33, should be recognized in the period for which they are levied; (7) to properly report the unbilled portion of connection fee charges for the month of August 2012 which were billed subsequent to August 31, 2012, as the revenues were earned and available within the City's revenue recognition policy, (8) to record liabilities owed by the City's municipal court as of August 31, 2012; (9) to report an allowance and unavailable revenues for probation fines receivable, which were reported in revenue in the prior year, but were deemed uncollectible or not available as of August 31, 2012 by management, and (10) to correct an entry for interfund transfers incorrectly recorded twice in the prior year.

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NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

These adjustments resulted in changes to beginning fund balance of the General Fund as follows:

	General Fund
Fund balance, General Fund, as previously reported	\$ 25,174,681
Restatement to record an allowance on outstanding taxes receivable for digest levied prior to 2003	(64,166)
Restatement for recognition of franchise fee revenue previously not accrued	69,127
Restatement for recognition of auto excise tax revenue previously not accrued	15,008
Restatement for recognition of intergovernmental revenue previously not accrued	51,606
Restatement to write-off uncollectable interfund receivables	(2,653,373)
Restatement to defer tax revenue recognition for taxes levied for the year ended August 31, 2013	(1,610,457)
Restatement for inclusion of unbilled revenue previously not accrued	54,198
Restatement for understated liabilities as of August 31, 2012	(54,166)
Restatement to establish an allowance on probation fines and to defer revenues for amounts unavailable as of August 31, 2012	(503,832)
Restatement due to improper reporting of interfund transfers	(885)
	\$ 20,477,741

The City has determined the following restatements to beginning fund balance were required in relation to the Capital Projects Fund: (1) to properly report SPLOST receivables which were not recorded as revenues and related receivables at August 31, 2012, although the revenues were earned and available within the City's revenue recognition policy and (2) to correct an entry for interfund transfers incorrectly recorded twice in the prior year.

	Capital Projects Fund
Fund balance, Capital Projects Fund, as previously reported	\$ 883,860
Restatement for inclusion of SPLOST revenues previously not accrued	696,532
Restatement due to improper reporting of interfund transfers	885
Beginning fund balance, Capital Projects Fund, restated	\$ 1,581,277

NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

The City has determined a restatement to beginning fund balance was required in relation to the Lawrenceville Development Authority (“LDA”) to properly report ending cash balances for an outstanding check improperly excluded from the year end cash reported at August 31, 2012.

	<u>LDA</u>
Fund balance, LDA fund, as previously reported	\$ 16,160
Restatement for prior year disbursement not reported as of August 31, 2012.	<u>(5,003)</u>
Beginning fund balance, LDA Fund, restated	<u><u>\$ 11,157</u></u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

Along with the fund level entries previously mentioned, there were two restatements to the governmental activities opening net position: (1) to remove the enterprise fund's portion of compensated absences as of August 31, 2012 and report those liabilities and related expenses in the respective funds; (2) the fund level restatement to defer fines revenue which was considered unavailable would not have an effect on the governmental activities so a portion of the General Fund's restatement will not affect the governmental activities, (3) to recognize the change in accounting principle for the recognition of the Lawrenceville Development Authority (LDA) as a blended component unit in accordance with GASB 61 *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, which the City implemented effective September 1, 2012; and (4) to correct the previously reported accumulated depreciation on the City's road and sidewalk infrastructure, which was incorrectly set up in the capital asset system for the estimated in-service dates and remaining useful lives on those assets capitalized with the implementation of GASB Statement No. 34. These adjustments resulted in changes to beginning net position of governmental activities as follows:

	<u>Governmental Activities</u>
Previously reported net position as of August 31, 2012	\$ 217,541,420
Restatement to record an allowance on outstanding taxes receivable for digest levied prior to 2003.	(64,166)
Restatement for recognition of franchise fee revenue previously not accrued	69,127
Restatement for recognition of auto excise tax revenue previously not accrued	15,008
Restatement for recognition of intergovernmental revenue previously not accrued	51,606
Restatement to write-off uncollectable interfund receivables	(2,653,373)
Restatement to defer tax revenue recognition for taxes levied for the year ended August 31, 2013	(1,610,457)
Restatement for inclusion of unbilled revenue previously not accrued	54,198
Restatement for understated liabilities as of August 31, 2012	(54,166)
Restatement to establish an allowance on probation fines as of August 31, 2012	(428,257)
Restatement for inclusion of SPLOST revenue previously not accrued	696,532
Restatement for reporting of enterprise compensated absences in respective enterprise funds	172,169
Change in reporting of LDA as a blended component unit	11,157
Restatement in accumulated depreciation on infrastructure assets	<u>38,097,454</u>
Restated net position as of August 31, 2012	<u><u>\$ 251,898,252</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

The City has determined a restatement to beginning net position was required in relation to the Water System Fund: (1) to properly report the unbilled portion of water and sewer services provided in the month of August which were not recorded as revenues and related receivables at August 31, 2012; (2) to accrue expenses for goods and services received prior to August 31, 2012 which were not reported; and (3) to properly accrue compensated absences liability related to Water System Fund employees, which was improperly accrued as a liability in the governmental activities in prior years.

	Water System Fund
Net position, Water System Fund, as previously reported	\$ 13,347,359
Restatement for recognition of unbilled utility revenues previously not accrued	841,640
Restatement for expenses incurred in prior years	(27,289)
Restatement for accrual of compensated absences liability previously accrued in governmental activities	(14,513)
Beginning net position, Water System Fund, restated	\$ 14,147,197

The City has determined a restatement to beginning net position was required in relation to the Electrical System Fund: (1) to properly report the unbilled portion of electric services provided in the month of August which were not recorded as revenues and related receivables at August 31, 2012, (2) to properly accrue compensated absences liability for Electrical System Fund employees, which was improperly accrued as a liability in the governmental activities in prior years, and (3) to properly report a liability to the U.S. Department of Energy for services for the month of August which were not recorded as expenses and related payables at August 31, 2012.

	Electrical System Fund
Net position, Electrical System Fund, as previously reported	\$ 35,154,491
Restatement for recognition of unbilled utility revenues previously not accrued	3,253,303
Restatement for accrual of compensated absences liability previously accrued in governmental activities	(55,012)
Restatement for expenses incurred in the prior year which were previously not accrued	(37,110)
Beginning net position, Electrical System Fund, restated	\$ 38,315,672

NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

The City has determined a restatement to beginning net position was required in relation to the Gas System Fund: (1) to properly report the unbilled portion of natural gas services provided in the month of August which were not recorded as revenues and related receivables at August 31, 2012 and (2) to properly accrue compensated absences liability for Gas System Fund employees, which was improperly accrued as a liability in the governmental activities in prior years.

	Gas System Fund
Net position, Gas System Fund, as previously reported	\$ 20,411,960
Restatement for recognition of unbilled utility revenues previously not accrued	1,321,975
Restatement for accrual of compensated absences liability previously accrued in governmental activities	(61,458)
Beginning net position, Gas System Fund, restated	\$ 21,672,477

The City has determined a restatement to beginning net position was required in relation to the Solid Waste Fund: (1) to write-off interfund payables to the General Fund at August 31, 2012 due to the Solid Waste Fund's inability to repay the liability, (2) to properly report the unbilled portion of refuse services provided in the month of August which were not recorded as revenues and related receivables at August 31, 2012, and (3) to properly accrue compensated absences liability for Solid Waste Fund employees, which was improperly accrued as a liability in the governmental activities in prior years.

	Solid Waste Fund
Net position, Solid Waste Fund, as previously reported	\$ (2,895,947)
Restatement to write-off interfund payables due to the Fund's inability to pay the liability	2,653,373
Restatement for recognition of unbilled utility revenues previously not accrued	94,376
Restatement for accrual of compensated absences liability previously accrued in governmental activities	(41,186)
Beginning net position, Solid Waste Fund, restated	\$ (189,384)

NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

The City has determined a restatement to beginning net position was required in relation to the Stormwater Fund: (1) to properly report the unbilled portion of stormwater services provided in the month of August which were not recorded as revenues and related receivables at August 31, 2012, and (2) to record a liability for monitoring and testing services provided prior to August 31, 2012, but paid subsequent to year-end.

	Stormwater Fund
Net position, Stormwater Fund, as previously reported	\$ 2,604,548
Restatement for recognition of unbilled utility revenues previously not accrued	63,700
Restatement to report expenses for which the services were received prior to August 31, 2012	(54,657)
Beginning net position, Stormwater Fund, restated	\$ 2,613,591

Additionally, the adjustments related to enterprise funds discussed previously resulted in changes to beginning net position of Business-type activities as follows:

	Business-type Activities
Previously reported net position as of August 31, 2012	\$ 68,622,411
Restatement to write-off interfund payables due to the Solid Waste Fund's inability to pay the liability	2,653,373
Restatement for inclusion of unbilled utility revenues previously not accrued	5,574,994
Restatement for accrual of compensated absences liability previously accrued in governmental activities	(172,169)
Restatement for expenses incurred prior to August 31, 2012 which were previously not accrued	(119,056)
Restated net position as of August 31, 2012	\$ 76,559,553

NOTES TO FINANCIAL STATEMENTS

NOTE 17. RESTATEMENTS (CONTINUED)

The City has determined a restatement to beginning fund balance was required in relation to the Lawrenceville Downtown Development Authority (“LDDA”) to properly report tax revenues which were not recorded as revenues and related receivables at August 31, 2012, although the revenues were earned and available within the City’s revenue recognition policy.

	LDDA
Fund balance, LDDA fund, as previously reported	\$ 39,390
Restatement for recognition of intergovernmental revenues previously not accrued	9,574
Beginning fund balance, LDDA Fund, restated	\$ 48,964

The City has determined a restatement to beginning net position was required in relation to the reporting of the Lawrenceville Tourism and Trade Association (“LTTA”) to report a change in the reporting entity. In prior years, the activity of the LTTA was determined to not be material; however, the activity of the LTTA has grown, and the City determined the LTTA qualifies as a discretely presented component unit as of September 1, 2012.

	LTTA
Net position, LTTA fund, as previously reported	\$ -
Restatement for change in reporting entity	59,872
Net position, LTTA, restated	\$ 59,872

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAWRENCEVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS**

**SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED AUGUST 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/1/2012	\$ -	\$ 21,919,498	21,919,498	0.00%	\$ 10,590,572	207.0%
8/31/2011	-	18,609,513	18,609,513	0.00%	11,612,403	160.3%
8/31/2010	-	15,584,314	15,584,314	0.00%	9,952,050	156.6%
8/31/2009	-	14,434,050	14,434,050	0.00%	10,039,699	143.8%

Note: See assumptions used for the above schedule in Note 10 to the financial statements.

CITY OF LAWRENCEVILLE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Confiscated Assets Fund – This fund is used to account for the City's share of monies that have been forfeited through the court system that are restricted for law enforcement purposes.

E911 Fund – To account for the collection and expenditure of E911 fees, which are restricted by state law.

Hotel/Motel Fund – To account for the 8% lodging tax levied in the City which are restricted by state law.

Auto Excise Tax Fund – To account for auto excise tax collections which are restricted by state law.

Capital Projects Fund

SPLOST Fund – The **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures related to the City's 2005 and 2009 Special Purpose Local Options Sales Tax referendums.

Debt Service Fund

Lawrenceville Development Authority – To account for financing resources for various construction and improvement projects for the City of Lawrenceville.

CITY OF LAWRENCEVILLE, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013**

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Confiscated Assets Fund	E911 Fund	Hotel/Motel Fund	Auto Excise Tax Fund	Lawrenceville Development Authority	SPLOST Fund	
ASSETS							
Cash and cash equivalents	\$ 2,984,158	\$ 535,433	\$ 33,228	\$ -	\$ 11,168	\$ 3,106,577	\$ 6,670,564
Taxes receivable	-	-	23,461	22,606	-	-	46,067
Due from other governments	-	-	-	-	-	675,594	675,594
Total assets	<u>\$ 2,984,158</u>	<u>\$ 535,433</u>	<u>\$ 56,689</u>	<u>\$ 22,606</u>	<u>\$ 11,168</u>	<u>3,782,171</u>	<u>\$ 7,392,225</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 42,122	\$ -	\$ 46,809	\$ -	\$ -	\$ 225,646	\$ 314,577
Accrued liabilities	-	-	-	-	-	30,566	30,566
Due to other funds	-	-	-	22,606	-	-	22,606
Total liabilities	<u>42,122</u>	<u>-</u>	<u>46,809</u>	<u>22,606</u>	<u>-</u>	<u>256,212</u>	<u>367,749</u>
FUND BALANCES							
Fund Balances:							
Restricted:							
Public safety	2,942,036	-	-	-	-	-	2,942,036
Culture and recreation	-	-	9,880	-	11,168	-	21,048
E911 activities	-	535,433	-	-	-	-	535,433
Capital projects	-	-	-	-	-	3,525,959	3,525,959
Total fund balances	<u>2,942,036</u>	<u>535,433</u>	<u>9,880</u>	<u>-</u>	<u>11,168</u>	<u>3,525,959</u>	<u>7,024,476</u>
Total liabilities and fund balances	<u>\$ 2,984,158</u>	<u>\$ 535,433</u>	<u>\$ 56,689</u>	<u>\$ 22,606</u>	<u>\$ 11,168</u>	<u>\$ 3,782,171</u>	<u>\$ 7,392,225</u>

CITY OF LAWRENCEVILLE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Consicated Assets Fund	E911 Fund	Hotel/Motel Fund	Auto Excise Tax Fund	Lawrenceville Development Authority	SPLOST Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ 264,737	\$ 178,181	\$ -	\$ -	\$ 442,918
Fines and forfeitures	82,209	-	-	-	-	-	82,209
Intergovernmental	-	1,274,937	-	-	-	4,103,072	5,378,009
Interest	13,352	-	-	-	11	10,508	23,871
Total revenues	95,561	1,274,937	264,737	178,181	11	4,113,580	5,927,007
EXPENDITURES							
Current							
Public safety	1,649,970	739,504	-	-	-	-	2,389,474
Culture and recreation	-	-	259,518	-	-	-	259,518
Capital outlay	-	-	-	-	-	1,903,968	1,903,968
Total expenditures	1,649,970	739,504	259,518	-	-	1,903,968	4,552,960
Excess (deficiency) of revenues over (under) expenditures	(1,554,409)	535,433	5,219	178,181	11	2,209,612	1,374,047
OTHER FINANCING SOURCES (USES)							
Transfers out	-	-	-	(178,181)	-	(264,930)	(443,111)
Total other financing sources (uses)	-	-	-	(178,181)	-	(264,930)	(443,111)
Net change in fund balances	(1,554,409)	535,433	5,219	-	11	1,944,682	930,936
FUND BALANCES, beginning of year, restated	4,496,445	-	4,661	-	11,157	1,581,277	6,093,540
FUND BALANCES, end of year	\$ 2,942,036	\$ 535,433	\$ 9,880	\$ -	\$ 11,168	\$ 3,525,959	\$ 7,024,476

**CITY OF LAWRENCEVILLE, GEORGIA
CONFISCATED ASSETS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 82,209	\$ 82,209	\$ 82,209	\$ -
Interest	13,352	13,352	13,352	-
Total revenues	<u>95,561</u>	<u>95,561</u>	<u>95,561</u>	<u>-</u>
EXPENDITURES				
Public safety	<u>1,649,970</u>	<u>1,649,970</u>	<u>1,649,970</u>	<u>-</u>
Net change in fund balances	(1,554,409)	(1,554,409)	(1,554,409)	-
FUND BALANCES, beginning of year	<u>4,496,445</u>	<u>4,496,445</u>	<u>4,496,445</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 2,942,036</u>	<u>\$ 2,942,036</u>	<u>\$ 2,942,036</u>	<u>\$ -</u>

**CITY OF LAWRENCEVILLE, GEORGIA
E911 FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,274,937	\$ 1,274,937	\$ 1,274,937	\$ -
Total revenues	<u>1,274,937</u>	<u>1,274,937</u>	<u>1,274,937</u>	<u>-</u>
EXPENDITURES				
Public safety	<u>739,504</u>	<u>739,504</u>	<u>739,504</u>	<u>-</u>
Net change in fund balances	535,433	535,433	535,433	-
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 535,433</u>	<u>\$ 535,433</u>	<u>\$ 535,433</u>	<u>\$ -</u>

**CITY OF LAWRENCEVILLE, GEORGIA
HOTEL MOTEL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 245,800	\$ 261,318	\$ 264,737	\$ 3,419
Total revenues	<u>245,800</u>	<u>261,318</u>	<u>264,737</u>	<u>3,419</u>
EXPENDITURES				
Culture and recreation	<u>244,000</u>	<u>259,518</u>	<u>259,518</u>	<u>-</u>
Excess of revenues over expenditures	1,800	1,800	5,219	3,419
OTHER FINANCING USES				
Transfers out	<u>(1,800)</u>	<u>(1,800)</u>	<u>-</u>	<u>1,800</u>
Total other financing uses	<u>(1,800)</u>	<u>(1,800)</u>	<u>-</u>	<u>1,800</u>
Net change in fund balance	-	-	5,219	5,219
FUND BALANCES, beginning of year	<u>4,661</u>	<u>4,661</u>	<u>4,661</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 4,661</u>	<u>\$ 4,661</u>	<u>\$ 9,880</u>	<u>\$ 5,219</u>

**CITY OF LAWRENCEVILLE, GEORGIA
AUTO EXCISE TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 175,307	\$ 178,181	\$ 178,181	\$ -
Total revenues	<u>175,307</u>	<u>178,181</u>	<u>178,181</u>	<u>-</u>
OTHER FINANCING USES				
Transfer out	<u>(175,307)</u>	<u>(178,181)</u>	<u>(178,181)</u>	<u>-</u>
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAWRENCEVILLE, GEORGIA
SPLOST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 3,842,176	\$ 3,842,176	\$ 4,103,072	\$ 260,896
Interest	35,439	35,439	10,508	(24,931)
Total revenues	<u>3,877,615</u>	<u>3,877,615</u>	<u>4,113,580</u>	<u>235,965</u>
EXPENDITURES				
Capital outlay	<u>1,905,764</u>	<u>1,905,764</u>	<u>1,903,968</u>	<u>1,796</u>
Total expenditures	<u>1,905,764</u>	<u>1,905,764</u>	<u>1,903,968</u>	<u>1,796</u>
Excess of revenues over expenditures	1,971,851	1,971,851	2,209,612	237,761
OTHER FINANCING USES				
Transfers out	-	-	(264,930)	(264,930)
Net change in fund balances	1,971,851	1,971,851	1,944,682	(27,169)
FUND BALANCES, beginning of year	<u>1,581,277</u>	<u>1,581,277</u>	<u>1,581,277</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 3,553,128</u>	<u>\$ 3,553,128</u>	<u>\$ 3,525,959</u>	<u>\$ (27,169)</u>

CITY OF LAWRENCEVILLE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL
PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED AUGUST 31, 2013**

PROJECT	ESTIMATED COST		EXPENDITURES			PERCENTAGE OF COMPLETION
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	
2005 SPLOST						
PUBLIC WORKS						
Road improvements - Paving	\$ 3,379,735	\$ 4,798,587	\$ 3,853,229	\$ 945,628	\$ 4,798,857	100 %
Sidewalk improvements	200,000	-	-	-	-	- %
Walking/Biking Trails	200,000	654,788	584,985	69,803	654,788	100 %
Water Quality System	1,324,618	-	-	-	-	- %
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 %
TOTAL 2005 SPLOST	\$ 15,797,903	\$ 17,157,467	\$ 16,142,306	\$ 1,015,431	\$ 17,157,737	
2009 SPLOST						
Roads, Streets, and Bridges	\$ 11,334,450	\$ 11,334,450	\$ 3,028,868	\$ 702,039	\$ 3,730,907	32.92 %
Public Safety Facilities and Equipment	6,900,000	6,900,000	6,418,109	-	6,418,109	93.02 %
Recreational Facilities	4,400,000	4,400,000	1,662,822	186,497	1,849,319	42.03 %
Water and Sewer Capital Improvements	2,408,353	2,408,353	1,654,348	264,931 (1)	1,919,279	79.69 %
TOTAL 2009 SPLOST	\$ 25,042,803	\$ 25,042,803	\$ 12,764,147	\$ 1,153,467	\$ 13,917,614	
				Total SPLOST expenditures	\$ 2,168,898	

(1) Includes transfer to the General Fund for allowable infrastructure work performed in prior periods for water and sewer improvements.

CITY OF LAWRENCEVILLE, GEORGIA
NONMAJOR PROPRIETARY FUNDS

Enterprise Funds

Solid Waste Fund - accounts for the collection of refuse fees for the operation, maintenance and development of the City's sanitation system.

Stormwater Fund - accounts for the collection of fees for upgrades to stormwater drains and related expenses.

CITY OF LAWRENCEVILLE, GEORGIA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
AUGUST 31, 2013**

ASSETS	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds Totals
CURRENT ASSETS			
Cash	\$ -	\$ 483,257	\$ 483,257
Accounts receivable, net of allowance	155,786	95,191	250,977
Total current assets	155,786	578,448	734,234
CAPITAL ASSETS			
Non-depreciable	-	1,000	1,000
Depreciable, net of accumulated depreciation	20,244	2,632,258	2,652,502
	20,244	2,633,258	2,653,502
Total assets	176,030	3,211,706	3,387,736
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	70,464	54,656	125,120
Accrued liabilities	13,274	-	13,274
Compensated absences payable, current	35,992	-	35,992
Total current liabilities	119,730	54,656	174,386
NONCURRENT LIABILITIES			
Compensated absences payable	15,425	-	15,425
Net OPEB liability	349,786	-	349,786
Total noncurrent liabilities	365,211	-	365,211
Total liabilities	484,941	54,656	539,597
NET POSITION			
Net investment in capital assets	20,244	2,633,258	2,653,502
Unrestricted	(329,155)	523,792	194,637
Total net position	\$ (308,911)	\$ 3,157,050	\$ 2,848,139

CITY OF LAWRENCEVILLE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds Totals
OPERATING REVENUE			
Charges for sales and services	\$ 1,048,156	\$ 671,948	\$ 1,720,104
Other fees	30,902	14,484	45,386
Total operating revenue	<u>1,079,058</u>	<u>686,432</u>	<u>1,765,490</u>
OPERATING EXPENSES			
Salaries and benefits	1,035,735	727	1,036,462
General operating expenses	724,094	87,040	811,134
Depreciation	23,502	55,206	78,708
Total operating expenses	<u>1,783,331</u>	<u>142,973</u>	<u>1,926,304</u>
Operating income (loss)	<u>(704,273)</u>	<u>543,459</u>	<u>(160,814)</u>
Transfers in	584,746	-	584,746
Total transfers	<u>584,746</u>	<u>-</u>	<u>584,746</u>
Change in net position	(119,527)	543,459	423,932
Total net position, beginning of year, restated	<u>(189,384)</u>	<u>2,613,591</u>	<u>2,424,207</u>
Total net position, end of year	<u>\$ (308,911)</u>	<u>\$ 3,157,050</u>	<u>\$ 2,848,139</u>

CITY OF LAWRENCEVILLE, GEORGIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,077,711	\$ 696,484	\$ 1,774,195
Payments to suppliers	(725,774)	(98,853)	(824,627)
Payments to employees	(936,683)	(727)	(937,410)
Net cash provided by (used in) operating activities	(584,746)	596,904	12,158
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	584,746	-	584,746
Net cash provided by non-capital financing activities	584,746	-	584,746
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(377,437)	(377,437)
Net cash used in capital and related financing activities	-	(377,437)	(377,437)
Net increase in cash	-	219,467	219,467
Cash, beginning of year	-	263,790	263,790
Cash, end of year	\$ -	\$ 483,257	\$ 483,257
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (704,273)	\$ 543,459	\$ (160,814)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	23,502	55,206	78,708
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,347)	10,052	8,705
Decrease in accounts payable	(1,680)	(11,813)	(13,493)
Increase in accrued liabilities	13,274	-	13,274
Increase in net OPEB liability	75,547	-	75,547
Increase in compensated absences payable	10,231	-	10,231
Net cash provided by (used in) operating activities	\$ (584,746)	\$ 596,904	\$ 12,158

COMPONENT UNITS

CITY OF LAWRENCEVILLE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
AUGUST 31, 2013**

ASSETS	
Cash	\$ 50,836
Taxes receivable	7,914
Other receivable	148
Land held for resale	<u>8,827,128</u>
Total assets	<u>\$ 8,886,026</u>
FUND BALANCE	
Nonspendable - land held for resale	\$ 8,827,128
Unassigned	<u>58,898</u>
Total fund balance	<u>\$ 8,886,026</u>

CITY OF LAWRENCEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED AUGUST 31, 2013

REVENUES

Rents	\$ 2,176
Intergovernmental	176,227
Interest	37
Miscellaneous	<u>3,300</u>
Total revenues	<u>181,740</u>

EXPENDITURES

Community development	32,588
Debt service:	
Bond issuance cost	204,036
Interest	<u>143,054</u>
Total expenditures	<u>379,678</u>
Deficiency of revenues over expenditures	(197,938)

OTHER FINANCING SOURCES

Proceeds from issuance of long term debt	<u>9,035,000</u>
Total other financing sources	<u>9,035,000</u>
Net change in fund balances	8,837,062

FUND BALANCE, beginning of year, restated	<u>48,964</u>
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FUND BALANCE, end of year	<u><u>\$ 8,886,026</u></u>
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COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Honorable Mayor and Members
of City Council
City of Lawrenceville, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lawrenceville, Georgia ("the City") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 29, 2014. Our report includes a reference to other auditors who audited the financial statements of the Lawrenceville Tourism and Trade Association, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statements No. 61, *The Financial Reporting Entity*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2013-001 through 2013-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2013-004.

The City of Lawrenceville, Georgia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 29, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members
of City Council
City of Lawrenceville, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Lawrenceville, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended August 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lawrenceville, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended August 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-006 through 2013-008. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-006 through 2013-008, which we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Atlanta, Georgia
May 29, 2014

CITY OF LAWRENCEVILLE GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Gwinnett County, Georgia Community Development Block Grant	14.218	CD-11-0293	\$ 29,445
Total U.S. Department of Housing and Urban Development			<u>29,445</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation Recreational Trails Program	20.219	TEE-0008-00150	280,889
Highway Planning and Construction	20.205	PI #0008963	<u>55,200</u>
Total Highway Planning and Construction Cluster			<u>336,089</u>
Total U.S. Department of Transportation			<u>336,089</u>
U.S. DEPARTMENT OF JUSTICE			
Equitable Sharing Program	16.922	GA-0330600	<u>1,649,970</u>
Justice Assistance Grant Program	16.738	2012-DJ-BX-0713	<u>4,893</u>
Total U.S. Department of Justice			<u>1,654,863</u>
Total Expenditures of Federal Awards			<u>\$ 2,020,397</u>

See note to schedule of expenditures of federal awards.

CITY OF LAWRENCEVILLE, GEORGIA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

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

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

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

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? X yes no

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

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? yes X no

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

Type of auditor's report issued on compliance for
 major programs Unmodified

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

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program
20.205 & 20.219	Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee? yes X no

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013-001 Interfund Balances

Criteria: Internal controls should be in place to ensure interfund activity is properly reported in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Condition: The interfund activity was not being evaluated to determine the ability of borrowing fund to repay the borrowings within a reasonable time.

Context/Cause: During our audit for the year ended August 31, 2013, misstatements were identified for which the City was incorrectly reporting the interfund activity of the City. The nature of the required adjustments is as follows:

- The Solid Waste Fund was reporting a negative ownership of the City's pooled cash account. As of August 31, 2013, this negative balance was approximately \$3,238,000, of which approximately \$2,653,000 was the balance as of August 31, 2012. As the fund does not generate revenues sufficient to cover its normal operating costs and currently relies on transfers in from other funds to supplement charges to customers, the Solid Waste Fund would not have the ability to settle the interfund liability and as such an entry was made to write-off the interfund liability as an interfund transfer and restatement of beginning net position. The effect of this entry increased the equity of the Solid Waste Fund, while reducing the equity of the General Fund by the same amount.
- As of August 31, 2012, the City was incorrectly reporting a transfer from the Capital Projects Fund to the General Fund for approximately \$1,000. As the transfer was a duplicate entry incorrectly posted twice during the prior audit, a restatement was made to correct the overstatement of the General Fund's fund balance and increase the fund balance of the Capital Projects Fund.

Effects: Audit adjustments of approximately \$3,239,000 were needed to correctly report interfund activities, including adjustments to opening balances of approximately \$2,654,000 for the year ended August 31, 2013.

Recommendation: We recommend the City carefully review the financial statements and ensure the interfund activity is properly reported in accordance with governmental accounting standards.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-001 Interfund Balances (Continued)

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure all interfund activity is properly evaluated and reconciled.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-002 Revenues and Related Receivables

Criteria: Internal controls should be in place to ensure that amounts reported as receivables and revenues are appropriate and properly valued in accordance with generally accepted accounting principles.

Condition: Misstatements were detected in the reporting of the City's revenues and related receivables.

Context/Cause: During our testing, audit adjustments were required to properly report the City's revenues and related receivables. The nature of these adjustments is as follows:

- In the General Fund, adjustments were required to report revenues which were both earned and available; however, were not accrued as of August 31, 2012. Adjustments of approximately \$136,000 were required to correct prior year revenues for understated franchise tax revenues (\$69,000), transfers from the Auto Excise Tax Fund for August 2012 tax collections (\$15,000) which are payable to the General Fund, and intergovernmental revenues (\$52,000).
- In the General Fund, an adjustment of approximately \$68,000 was required to record an allowance on the outstanding property tax revenue billings which are over ten years old. Receivables of approximately \$64,000 were uncollected as of August 31, 2012 and as there were no collections made throughout the year ended August 31, 2013, the fund balance was overstated by the prior recognition of these revenues. Additionally, penalty billings of approximately \$4,000 were overstating current year revenues.
- In the General Fund, an adjustment of approximately \$31,000 was required to properly defer occupational tax revenues which were not available and therefore overstating current year revenues.
- In the General Fund, an adjustment of approximately \$1,828,000 was required to correctly report the property tax receivables and revenues. As the City levies the 2013 digest for the fiscal year ended August 31, 2014, the revenues from the entire digest should be reported as unearned revenue as of August 31, 2013. An entry was required to reduce fund balance by approximately \$1,610,000 for the 2012 digest levied for the year August 31, 2013 which was incorrectly recognized in the prior year. Additionally, an adjustment of approximately \$218,000 was required to correct the current year revenues, unearned revenues and related receivables.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-002 Revenues and Related Receivables (Continued)

- During testing of the City's fines receivable, it was determined an allowance was required for the uncollected probation fines outstanding. An adjustment of approximately \$541,000 was required to report the allowance, with approximately \$504,000 of the allowance being reported for balances outstanding as of August 31, 2012, as the prior year incorrectly recognized the fines receivable as revenues.
- During our testing of the unbilled service revenues for the City, it was noted unbilled services were not accrued in prior years. Adjustments were required to accrue unbilled revenues as of August 31, 2012: (1) General Fund revenues of approximately \$54,000; (2) Water System Fund revenues of approximately \$842,000; (3) Electrical System Fund revenues of approximately \$3,253,000; (4) Gas System Fund revenues of approximately \$1,322,000; (5) Solid Waste Fund revenues of approximately \$94,000; and (6) Stormwater Fund revenues of approximately \$64,000.
- In the Capital Projects Fund, an adjustment of approximately \$696,000 was required to correctly accrue intergovernmental SPLOST receivables available as of August 31, 2012.
- In the Downtown Development Authority, a restatement of approximately \$10,000 was required to correctly recognize revenues and the receivables as of August 31, 2012 for intergovernmental revenues which were earned and available as of August 31, 2012.

Effects: Total misstatements related to revenue recognition and reporting of the related receivable were approximately \$8,939,000, with approximately \$8,649,000 of the entries adjusting opening equity as of August 31, 2013.

Recommendation: We recommend the City carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-003 Expenditure/Expense Recognition

Criteria: Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

Condition: Misstatements were detected in the reporting of the City's expenditures/expenses and the related liabilities.

Context/Cause: During our testing, audit adjustments were required to correct current year expenditures/expenses. The nature of these adjustments is as follows:

- An adjustment of approximately \$288,000 was required to adjust the health claims liability for claims that have been incurred but not reported (IBNRs). The expenditures /expenses were allocated to the General Fund for approximately \$191,000, the Water System Fund for approximately \$5,000, the Electrical System Fund for approximately \$6,000, and the Gas System Fund for approximately \$86,000.
- Audit adjustments were required to properly accrue expenditures/expenses and the related liabilities for goods or services provided prior to August 31, 2012 in the Water System Fund for approximately \$27,000.
- Audit adjustments were required to properly accrue expenditures/expenses and the related liabilities for goods or services provided prior to August 31, 2012 in the Stormwater Fund for approximately \$55,000.
- Audit adjustments were required to properly accrue expenditures/expenses and the related liabilities for contracts payable as of August 31, 2013 in the Hotel/Motel Fund for approximately \$22,000.
- Audit adjustments were required to properly accrue expenditures/expenses and the related liabilities for goods or services provided prior to August 31, 2012 in the Electrical System Fund for approximately \$37,000.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-003 Expenditure/Expense Recognition (Continued)

- Audit adjustments were required to correct the reporting of compensated absences, as the liability reported in governmental activities as of August 31, 2012 included the compensated absences which would be liquidated by the enterprise funds and as such should be reported as liabilities and expenses of the enterprise funds. An adjustment was made to increase the governmental activities equity by approximately \$172,000 and offsetting entries were made to the Water System Fund for \$15,000, the Electrical System Fund for \$55,000, the Gas System Fund for \$61,000, and the Stormwater Fund for \$41,000 to reduce the opening net position for each of these enterprise funds.

Effects: Total misstatements related to expenditures/expenses and related liability recognition were approximately \$601,000, with approximately \$313,000 of those entries affecting opening equity for the year ended August 31, 2013.

Recommendations: We recommend the City carefully review all expenditures/expenses to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that expenditures/expenses and related liabilities are properly recorded.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-004 Maintenance of General Ledger

Criteria: Internal controls should be in place to ensure that general ledgers are properly maintained using full accrual and modified-accrual accounting methods, as applicable and based on generally accepted accounting principles (GAAP) for the entity and in accordance with the mandatory state chart of accounts as maintained by the Georgia Department of Community Affairs (“DCA”).

Condition: Misstatements were detected in the reporting of the City’s general ledger as of the year ended August 31, 2013.

Context/Cause: During our testing, certain audit adjustments were required to correct the City’s account balances. The nature of these adjustments is as follows:

- The Emergency E911 Fund, a special revenue fund as defined by DCA, was improperly reported in the activities of the General Fund. The provisions of O.C.G.A 46-5-134 authorize the billing of emergency 911 charges to telephone service subscribers, and the use of these resources is limited to supplementing emergency 911 activities. It was noted during the current year audit that the City has been maintaining a separate general ledger for this activity; however, the special revenue fund was not reported separately from the activities of the General Fund in the financial statements. An audit adjustment of approximately \$1,275,000 was required to remove the activity of the Emergency 911 Fund from the General Fund and to report the activity within a special revenue fund. While the gross adjustment moved the activity, the net reduction of the current year’s fund balance of the General Fund was a reduction of approximately \$535,000.
- In the General Fund, adjustments of approximately \$100,000 were required to correctly report the year-end liabilities of the City’s municipal court. Included in the adjustments was an entry of approximately \$54,000 to report liabilities owed as of August 31, 2012 which were understated, thus overstating the prior year revenues of the General Fund.
- In the Downtown Development Authority, an adjustment of approximately \$5,000 was required to report a prior year disbursement which was not recorded as of August 31, 2012, thus overstating cash and understating expenditures for the prior fiscal year.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-004 Maintenance of General Ledger (Continued)

Effects: Audit adjustments totaling \$1,380,000, including approximately \$59,000 of adjustments were required to correctly adjust the City's general ledgers to comply with generally accepted accounting principles. Additionally, the entry to separately report the activity of the E911 Fund was required to ensure the City was complying with the DCA Chart of Accounts and the E911 Intergovernmental Agreement with Gwinnett County.

Recommendations: We recommend the City carefully review all transactions of the City to ensure that transactions are recorded in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-005 Capital Asset Subsidiary Ledger

Criteria: The City's accounting records should be sufficient to provide evidence to support the financial statement assertions related to all capital asset accounts. The City should maintain detailed records of their capital assets by individual assets capitalized. Without detailed records, it may be particularly difficult for the City to calculate depreciation expense, record and report capital asset dispositions, and allocate depreciation expense among functions.

Condition: During our testing of the City's capital assets, we noted the City did not maintain a detailed listing of the governmental activities' infrastructure assets by individual/complete asset. The City's subsidiary ledgers, related to infrastructure, were composed of grand total outlays by fiscal year of funding source, which were then vouched to the respective general ledger accounts.

Context/Cause: During our testing, certain audit adjustments were required to correct the City's account balances. The nature of these adjustments is as follows:

- During the current year, the City incorrectly capitalized maintenance costs associated with the State Local Maintenance and Improvement Program. As these funds are provided to local governments to help with the maintenance of the infrastructure, these costs should be considered maintenance costs and expensed in the Statement of Activities. An adjustment of approximately \$690,000 was required to expense these costs.
- During testing of the City's infrastructure, it was noted that the City was not properly calculating current year depreciation. It was noted that the initial capital assets reported in the year ended August 31, 2002 were not properly provided an in-service date and were incorrectly given a salvage value. During testing of the depreciation, adjustments of approximately \$38,100,000 were required to correct depreciation; with \$4,100,000 of understated current year depreciation expense and \$34,000,000 of overstated accumulated depreciation as of August 31, 2012.

Effects: Audit adjustments totaling \$38,790,000, including approximately \$34,000,000 of prior year adjustments were required to correctly adjust the City's capital asset subsidiary ledgers.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2013-005 Capital Asset Subsidiary Ledger (Continued)

Recommendations: We recommend the City generate a detail listing, maintained by asset, of the infrastructure assets as reported for each applicable reporting entity of the City. We recommend the City perform an inventory of existing assets as part of this process.

Auditee's Response: We will evaluate the listings and accounting methods currently used by the City to determine the most cost-effective method for compiling and maintaining such subsidiary listings.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-006 Reporting

Program: U.S. Department of Justice (CFDA No. 16.922)

CFDA Program Title: Equitable Sharing Program

Criteria: The City is required to submit an annual Equitable Sharing Agreement Certification report to the Department of Justice. This report summarizes the activity of the recipient's fiscal year as it relates to Equitable Sharing Funds and must be submitted to the Department of Justice within 60 days of the City's fiscal year end.

Condition: The City was not timely submitting this report to the Department of Justice within 60 days of the fiscal year end as outlined in the grant agreement.

Context/Cause: Internal controls were not sufficient to allow for the timely preparation and submission of the annual Equitable Sharing Agreement Certification report within 60 days of the City's fiscal year end as outlined in the grant agreement. During our testing, the report was noted to be submitted 80 days subsequent to the City's fiscal year, thus 20 days after the due date.

Effects: Based on testing, the annual report was not submitted within 60 days of the City's fiscal year end, and therefore, the City is non-compliant with the reporting requirements as outlined in the grant agreement.

Questioned Costs: None noted.

Recommendation: We recommend the City implement internal controls sufficient to allow for the preparation and timely submission of the annual Equitable Sharing Agreement Certification report within 60 days of the City's fiscal year end in accordance with the grant agreement.

Auditee's Response: We will implement internal controls sufficient to allow for the timely preparation and submission of the annual Equitable Sharing Agreement Certification report within 60 days of the City's fiscal year end in accordance with the grant agreement.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-007 Procurement

Program: U.S. Department of Justice (CFDA No. 16.922)

CFDA Program Title: Equitable Sharing Program

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed \$25,000 or meet certain other specified criteria. The 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: The City is required to have the vendors specifically confirm their exclusion from the database for contracts funded by federal programs or the City may elect to check the federally operated *System for Award Management (SAM)* for suspended or debarred vendors. We tested all eight contracts (eight vendors) which were procured in the 2013 fiscal year and noted the contracts did not have documentation to confirm the contractor was not suspended or debarred from working with federally funded projects.

Context/Cause: The City did not have adequate controls in place to ensure that the contract was not being awarded to a suspended or debarred party. The City was not requiring the contractor to sign certification forms, nor was the City performing a search of the *SAM* website.

Effects: Based on our testing of the *SAM*, this oversight did not cause the City to contract with a suspended or debarred party. However, as a contract could have been awarded to a suspended or debarred party, the City is non-compliant with this portion of the overall procurement requirements as outlined in OMB A-133.

Questioned Costs: None noted.

Recommendation: We recommend the City include specific language relative to the suspension and debarment requirements within the contract and perform a search for the vendor on the *SAM* website (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-007 Procurement (Continued)

Auditee's response: We will implement procedures to ensure all potential vendors which will work on federally funded projects or provide services for federal programs will be tested for suspension or debarment prior to awarding future contracts.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-008 Procurement

Program: U.S. Department of Transportation (CFDA No. 20.205 and 20.219)

CFDA Program Title: Highway Planning and Construction Cluster

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed \$25,000 or meet certain other specified criteria. The 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: The City is required to have the vendors specifically confirm their exclusion from the database for contracts funded by federal programs or the City may elect to check the federally operated *System for Award Management (SAM)* for suspended or debarred vendors. We tested all the contracts which were procured in the 2013 fiscal year, which was one contract, and noted the contract did not have documentation to confirm the contractor was not suspended or debarred from working with federally funded projects.

Context/Cause: The City did not have adequate controls in place to ensure that the contract was not being awarded to a suspended or debarred party. The City was not requiring the contractor to sign certification forms, nor was the City performing a search of the *SAM* website.

Effects: Based on our testing of the *SAM*, this oversight did not cause the City to contract with a suspended or debarred party. However, as a contract could have been awarded to a suspended or debarred party, the City is non-compliant with this portion of the overall procurement requirements as outlined in OMB A-133.

Questioned Costs: None noted.

Recommendation: We recommend the City include specific language relative to the suspension and debarment requirements within the contract and perform a search for the vendor on the *SAM* website (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-008 Procurement (Continued)

Auditee's response: We will implement procedures to ensure all potential vendors which will work on federally funded projects or provide services for federal programs will be tested for suspension or debarment prior to awarding future contracts.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

None noted