

CITY OF LAWRENCEVILLE, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
AUGUST 31, 2014**

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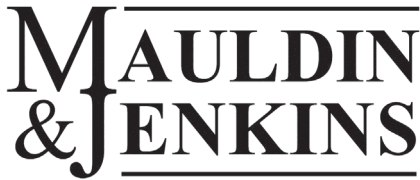
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FINANCIAL SECTION



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 discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lawrenceville, Georgia as of August 31, 2014, 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.

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 49, 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 February 23, 2015, 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.



Atlanta, Georgia
February 23, 2015

CITY OF LAWRENCEVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

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, 2014. 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 \$332,672,561 (net position) as of the end of the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$328,853,701.

Total net position is comprised of the following:

- (1) Net investment in capital assets of \$281,288,547 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 \$6,814,080 is restricted by constraints imposed from outside the City such as grantors, laws, or regulations.
- (3) Unrestricted net position of \$44,569,934 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 \$30,020,338 this year. This compares to the prior year ending fund balance of \$36,566,425 showing a decrease of \$6,546,087 during the current year. Unassigned fund balance of \$9,157,055 as of the fiscal year ended August 31, 2014 shows a \$7,516,981 decrease from the prior year.

At the end of the fiscal year, unassigned fund balance for the General Fund was \$9,595,958 or 42.8% of total General Fund expenditures (excluding transfers) and 39.7% of total General Fund expenditures (including transfers out).

Total liabilities of the City increased by \$431,443 to \$32,251,979 during the fiscal year.

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 \$332,672,561. This is a \$3,818,860 increase over last year's net position of \$328,853,701. The following table provides a summary of the City's net position:

City of Lawrenceville
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2014	2013	2014	2013	2014	2013	
Assets:							
Current assets	\$ 41,891,944	\$ 48,889,125	\$ 43,347,343	\$ 35,264,056	\$ 85,239,287	\$ 84,153,181	23%
Capital assets, net	228,329,233	226,760,901	52,959,314	51,500,331	281,288,547	278,261,232	77%
Total assets	<u>270,221,177</u>	<u>275,650,026</u>	<u>96,306,657</u>	<u>86,764,387</u>	<u>366,527,834</u>	<u>362,414,413</u>	
Liabilities							
Current liabilities	9,799,936	10,598,772	5,809,786	5,343,835	15,609,722	15,942,607	50%
Long-term liabilities, net	14,048,733	13,808,259	2,593,524	2,255,612	16,642,257	16,063,871	50%
Total liabilities	<u>23,848,669</u>	<u>24,407,031</u>	<u>8,403,310</u>	<u>7,599,447</u>	<u>32,251,979</u>	<u>32,006,478</u>	
Deferred Inflows of Resources							
Unearned property tax	1,603,294	1,554,234	-	-	1,603,294	1,554,234	100%
Total deferred inflows of resources	<u>1,603,294</u>	<u>1,554,234</u>	<u>-</u>	<u>-</u>	<u>1,603,294</u>	<u>1,554,234</u>	
Net Position							
Net investment in capital assets	228,329,233	226,760,901	52,959,314	51,500,331	281,288,547	278,261,232	85%
Restricted	6,814,080	7,024,476	-	-	6,814,080	7,024,476	2%
Unrestricted	9,625,901	15,903,384	34,944,033	27,664,609	44,569,934	43,567,993	13%
Total net position	<u>\$ 244,769,214</u>	<u>\$ 249,688,761</u>	<u>\$ 87,903,347</u>	<u>\$ 79,164,940</u>	<u>\$ 332,672,561</u>	<u>\$ 328,853,701</u>	

The City reported positive balances in net position for both governmental and business-type activities. Net position decreased \$4,919,547 for governmental activities and increased \$8,738,407 for business-type activities. The City's overall financial position improved during fiscal year ended August 31, 2014.

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	
	2014	2013	2014	2013	2014	2013		
Revenues:								
Program revenues:								
Charges for services	\$ 3,478,384	\$ 3,215,550	\$ 80,375,188	\$ 71,883,834	\$ 83,853,572	\$ 75,099,384	87.0%	
Grants & contributions	6,202,590	6,609,565	39,868	-	6,242,458	6,609,565	6.5%	
General revenues:								
Property taxes	2,374,343	2,187,024	-	-	2,374,343	2,187,024	2.5%	
Franchise taxes	983,876	1,005,159	-	-	983,876	1,005,159	1.0%	
Excise taxes	800,987	820,590	-	-	800,987	820,590	0.8%	
Hotel/Motel taxes	290,510	264,737	-	-	290,510	264,737	0.3%	
Insurance premium tax	1,472,516	1,422,165	-	-	1,472,516	1,422,165	1.5%	
Financial institution taxes	145,515	139,610	-	-	145,515	139,610	0.2%	
Other taxes	81,865	84,405	-	-	81,865	84,405	0.1%	
Unrestricted interest	139,571	153,744	-	-	139,571	153,744	0.1%	
Miscellaneous	-	-	-	-	-	-	0.0%	
Gain on sale of assets	-	-	7,255	70,657	7,255	70,657	0.0%	
Transfers	7,474,819	9,836,829	(7,474,819)	(9,836,829)	-	-	0.0%	
Total revenues	23,444,976	25,739,378	72,947,492	62,117,662	96,392,468	87,857,040	100%	
Expenses:								
General government	7,435,878	7,752,325	-	-	7,435,878	7,752,325	8.0%	
Judicial	791,195	948,876	-	-	791,195	948,876	0.9%	
Public safety	10,748,892	11,374,379	-	-	10,748,892	11,374,379	11.6%	
Public works	8,205,137	6,981,826	-	-	8,205,137	6,981,826	8.9%	
Culture and recreation	254,371	259,618	-	-	254,371	259,618	0.3%	
Housing and development	714,604	613,022	-	-	714,604	613,022	0.8%	
Interest on long-term debt	214,446	18,823	-	-	214,446	18,823	0.2%	
Water & Sewer	-	-	4,612,198	4,149,089	4,612,198	4,149,089	5.0%	
Electric	-	-	25,038,603	24,775,235	25,038,603	24,775,235	27.0%	
Gas	-	-	32,696,627	28,661,647	32,696,627	28,661,647	35.3%	
Solid waste	-	-	1,717,250	1,783,331	1,717,250	1,783,331	1.9%	
Stormwater	-	-	144,407	142,973	144,407	142,973	0.2%	
Total expenses	28,364,523	27,948,869	64,209,085	59,512,275	92,573,608	87,461,144	100%	
Change in net position	(4,919,547)	(2,209,491)	8,738,407	2,605,387	3,818,860	395,896		
Net position, beginning, restated	249,688,761	251,898,252	79,164,940	76,559,553	328,853,701	328,457,805		
Net position, ending	<u>\$ 244,769,214</u>	<u>\$ 249,688,761</u>	<u>\$ 87,903,347</u>	<u>\$ 79,164,940</u>	<u>\$ 332,672,561</u>	<u>\$ 328,853,701</u>		

GOVERNMENTAL REVENUES

Taxes are the main source of revenues for the operations of the City. Taxes provided 26.22% 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 grants and contributions revenues, which decreased by \$406,975 or 6.16%. This decrease was due to a reduction in the amount of grant revenues received during the fiscal year ended August 31, 2014.

GOVERNMENTAL FUNCTIONAL EXPENSES

Total governmental activities cost for the current fiscal year was \$28,364,523. Of this amount, public safety with \$10,748,892 was the largest operating cost, at 37.90% of the total cost for services provided during the fiscal year ended August 31, 2014. Total expenses of the governmental activities increased approximately 1.49%.

BUSINESS-TYPE REVENUES

Program revenues for the combined business-type activities increased from the prior year, seeing an increase of approximately 11.87% or \$8,531,222.

BUSINESS-TYPE EXPENSES

The expenses of the Water System Fund increased by \$463,089 or 11.16% while the expenses of the Gas System Fund increased by \$4,034,980 or 14.08%. The increase in each fund was primarily caused by the increased cost of water and gas purchased for resale, which increased by approximately \$330,000 and \$4.9 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 \$30,020,338. Of this year-end total, \$9,157,055 is unassigned indicating availability for continuing City service requirements. Nonspendable fund balances include \$108,535 for prepaid insurance, \$4,911,076 for advances to other funds, and \$9,029,592 for land held for resale. Restricted fund balances include \$1,504,811 for public safety, \$46,020 for culture and recreation, \$11,179 for housing and development, \$493,303 for emergency telephone system activities, and \$4,758,767 for capital projects.

The total ending fund balances of governmental funds show a decrease of \$6,546,087 over the prior year. This decrease is primarily the results of the events and programs described with the analysis of the City's governmental activities.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$5,855,733 for the year ended August 31, 2014. Net transfers in from the enterprise funds of \$7,357,953 helped to offset decreases in governmental revenues.

The Downtown Development Authority's fund balance decreased by \$295,337 for the year ended August 31, 2014. This decrease is largely a result of the increase in debt service payments during the current year.

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 \$6,175,854 despite reporting transfers of \$871,000 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 \$1,348,678 despite reporting transfers of \$7,325,000 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 \$454,321; however, the fund still reports a negative unrestricted net position of \$1,856,880 as of August 31, 2014.

General Fund Budgetary Highlights

The General Fund budget for fiscal year ended August 31, 2014 was \$24,861,610. This was an increase of \$1,927,937 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 2.7% 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, 2014, was \$228,329,233 and \$52,959,314, respectively. The total increase in this net investment was 0.69% for governmental and an increase of 2.83% for business-type activities. The overall increase was 1.52% for the City as a whole. Major capital asset additions during the current year included infrastructure and other acquisitions of capital assets totaling \$7,975,402. Expansion and improvements by the City's business-type activities in the amount of \$4,323,193 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 66,484,162	\$ 66,018,212	\$ 1,065,977	\$ 1,065,977	\$ 67,550,139	\$ 67,084,189
Construction in progress	4,692,268	2,996,671	1,487,026	1,686,204	6,179,294	4,682,875
Plants and buildings	27,947,361	28,578,452	13,318,556	13,598,501	41,265,917	42,176,953
Improvements	3,230,326	3,358,972	-	-	3,230,326	3,358,972
Vehicles	2,257,805	901,322	727,716	526,337	2,985,521	1,427,659
Equipment	2,507,390	2,384,370	4,674,379	2,927,240	7,181,769	5,311,610
Infrastructure	121,209,921	122,522,902	-	-	121,209,921	122,522,902
Utility systems	-	-	31,685,660	31,696,072	31,685,660	31,696,072
Total	<u>\$ 228,329,233</u>	<u>\$ 226,760,901</u>	<u>\$ 52,959,314</u>	<u>\$ 51,500,331</u>	<u>\$ 281,288,547</u>	<u>\$ 278,261,232</u>

Long-term Debt

The City reports the long-term debt of the Lawrenceville Downtown Development Authority (DDA), a blended component unit of the City. The City's long-term debt as of August 31, 2013 was \$9,035,000 of economic development bonds. During the year ended August 31, 2014 the City made debt service payments of \$780,000, to reduce the outstanding balance to \$8,255,000 as of August 31, 2014. The City has agreed, through an intergovernmental agreement, to pay the debt service of the DDA bonds to the extent the DDA 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 2014-15, the City Council approved a total budget of \$93.2 million. This budget includes operating and non-operating funds. The General Fund budget is \$25.6 million, which includes approximately \$15.1 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, 2014**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lawrenceville Tourism and Trade Association
Cash and cash equivalents	\$ 17,761,932	\$ 14,087,724	\$ 31,849,656	\$ 117,367
Investments	8,000,000	23,288,893	31,288,893	-
Taxes receivable	1,609,140	-	1,609,140	56,354
Accounts receivable, net of allowances	515,425	9,917,321	10,432,746	-
Due from other governments	920,725	-	920,725	-
Internal balances	3,946,595	(3,946,595)	-	-
Land held for resale	9,029,592	-	9,029,592	-
Prepaid items	108,535	-	108,535	-
Capital assets:				
Non-depreciable	71,176,430	2,553,003	73,729,433	-
Depreciable, net of accumulated depreciation	157,152,803	50,406,311	207,559,114	351
Total assets	<u>270,221,177</u>	<u>96,306,657</u>	<u>366,527,834</u>	<u>174,072</u>
LIABILITIES				
Accounts payable	1,286,468	5,245,948	6,532,416	2,265
Accrued liabilities	1,278,055	555,113	1,833,168	-
Customer deposits	7,235,413	8,725	7,244,138	-
Interest payable	17,198	-	17,198	-
Net OPEB obligation due in more than one year	5,256,755	2,387,164	7,643,919	-
Compensated absences, due within one year	363,846	144,452	508,298	-
Compensated absences, due in more than one year	155,934	61,908	217,842	-
Bonds payable, due within one year	830,000	-	830,000	-
Bonds payable, due in more than one year	7,425,000	-	7,425,000	-
Total liabilities	<u>23,848,669</u>	<u>8,403,310</u>	<u>32,251,979</u>	<u>2,265</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	1,603,294	-	1,603,294	-
Total deferred inflows of resources	<u>1,603,294</u>	<u>-</u>	<u>1,603,294</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	228,329,233	52,959,314	281,288,547	351
Restricted for:				
Public safety	1,504,811	-	1,504,811	-
Culture and recreation	46,020	-	46,020	171,456
Housing and development	11,179	-	11,179	-
Emergency telephone activities	493,303	-	493,303	-
Capital projects	4,758,767	-	4,758,767	-
Unrestricted	9,625,901	34,944,033	44,569,934	-
Total net position	<u>\$ 244,769,214</u>	<u>\$ 87,903,347</u>	<u>\$ 332,672,561</u>	<u>\$ 171,807</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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,435,877	\$ 1,401,359	\$ -	\$ -
Judicial	791,195	1,913,998	-	-
Public safety	10,748,892	156,722	1,189,949	-
Public works	8,205,138	3,825	-	2,806,853
Culture and recreation	254,371	2,480	-	2,205,788
Housing and development	714,604	-	-	-
Interest on long-term debt	214,446	-	-	-
Total governmental activities	<u>28,364,523</u>	<u>3,478,384</u>	<u>1,189,949</u>	<u>5,012,641</u>
Business-type activities:				
Water & Sewer	4,612,198	5,059,486	-	-
Electric	25,038,603	32,085,457	-	-
Gas	32,696,627	41,330,437	-	39,868
Solid waste	1,717,250	1,184,127	-	-
Stormwater	144,407	715,681	-	-
Total business-type activities	<u>64,209,085</u>	<u>80,375,188</u>	<u>-</u>	<u>39,868</u>
Total primary government	<u>\$ 92,573,608</u>	<u>\$ 83,853,572</u>	<u>\$ 1,189,949</u>	<u>\$ 5,052,509</u>
Component unit:				
Lawrenceville Tourism and Trade Association	262,570	87,622	7,660	-
Total component units	<u>\$ 262,570</u>	<u>\$ 87,622</u>	<u>\$ 7,660</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 disposal of capital assets
 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 Unit
Governmental Activities	Business-type Activities	Total	Lawrenceville Tourism and Trade Association
\$ (6,034,518)	\$ -	\$ (6,034,518)	\$ -
1,122,803	-	1,122,803	-
(9,402,221)	-	(9,402,221)	-
(5,394,460)	-	(5,394,460)	-
1,953,897	-	1,953,897	-
(714,604)	-	(714,604)	-
(214,446)	-	-	-
<u>(18,683,549)</u>	<u>-</u>	<u>(18,469,103)</u>	<u>-</u>
-	447,288	447,288	-
-	7,046,854	7,046,854	-
-	8,673,678	8,673,678	-
-	(533,123)	(533,123)	-
<u>-</u>	<u>571,274</u>	<u>571,274</u>	<u>-</u>
<u>-</u>	<u>16,205,971</u>	<u>16,205,971</u>	<u>-</u>
<u>(18,683,549)</u>	<u>16,205,971</u>	<u>(2,263,132)</u>	<u>-</u>
-	-	-	(167,288)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (167,288)</u>
\$ 2,374,343	\$ -	\$ 2,374,343	\$ -
983,876	-	983,876	-
800,987	-	800,987	-
290,510	-	290,510	233,651
1,472,516	-	1,472,516	-
145,515	-	145,515	-
81,865	-	81,865	-
139,571	-	139,571	-
-	7,255	7,255	-
<u>7,474,819</u>	<u>(7,474,819)</u>	<u>-</u>	<u>-</u>
<u>13,764,002</u>	<u>(7,467,564)</u>	<u>6,296,438</u>	<u>233,651</u>
<u>(4,919,547)</u>	<u>8,738,407</u>	<u>3,818,860</u>	<u>66,363</u>
<u>249,688,761</u>	<u>79,164,940</u>	<u>328,853,701</u>	<u>105,444</u>
<u>\$ 244,769,214</u>	<u>\$ 87,903,347</u>	<u>\$ 332,672,561</u>	<u>\$ 171,807</u>

CITY OF LAWRENCEVILLE, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014**

ASSETS	General Fund	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 10,517,704	\$ 554,916	\$ 6,689,312	\$ 17,761,932
Investments	8,000,000	-	-	8,000,000
Taxes receivable, net of allowance	1,557,548	6,911	44,681	1,609,140
Accounts receivables, net of allowance	515,280	145	-	515,425
Due from other governments	198,741	-	721,984	920,725
Due from other funds	54,956	-	82,149	137,105
Advances to other funds	4,911,076	-	-	4,911,076
Prepaid expenditures	108,535	-	-	108,535
Land held for resale	-	9,029,592	-	9,029,592
Total assets	\$ 25,863,840	\$ 9,591,564	\$ 7,538,126	\$ 42,993,530
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 634,084	\$ 875	\$ 651,509	\$ 1,286,468
Accrued liabilities	1,122,483	-	155,572	1,278,055
Customer deposits	7,235,413	-	-	7,235,413
Due to other funds	-	-	101,586	101,586
Advances from other funds	-	1,000,000	-	1,000,000
Total liabilities	8,991,980	1,000,875	908,667	10,901,522
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	8,910	-	-	8,910
Unavailable revenue - business license	38,536	-	-	38,536
Unavailable revenue - fines receivable	222,875	-	-	222,875
Unavailable revenue - intergovernmental	198,055	-	-	198,055
Unearned revenue - property taxes	1,603,294	-	-	1,603,294
Total deferred inflows of resources	2,071,670	-	-	2,071,670
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid expenditures	108,535	-	-	108,535
Advances to other funds	4,911,076	-	-	4,911,076
Land held for resale	-	9,029,592	-	9,029,592
Restricted:				
Public safety	-	-	1,504,811	1,504,811
Culture and recreation	-	-	46,020	46,020
Housing and development	-	-	11,179	11,179
Emergency telephone system activities	-	-	493,303	493,303
Capital projects	184,621	-	4,574,146	4,758,767
Unassigned	9,595,958	(438,903)	-	9,157,055
Total fund balances	14,800,190	8,590,689	6,629,459	30,020,338
Total liabilities, deferred inflows of resources, and fund balances	\$ 25,863,840	\$ 9,591,564	\$ 7,538,126	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	228,329,233
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	468,376
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(14,048,733)

Net position of governmental activities \$ 244,769,214

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, 2014**

	<u>General Fund</u>	<u>Downtown Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 5,684,784	\$ -	\$ 495,296	\$ 6,180,080
Licenses and permits	316,544	-	-	316,544
Intergovernmental	870,199	-	5,031,385	5,901,584
Fines and forfeitures	1,772,266	-	128,283	1,900,549
Charges for services	853,707	2,480	-	856,187
Interest income	124,033	808	21,983	146,824
Miscellaneous	224,836	-	-	224,836
Total revenues	<u>9,846,369</u>	<u>3,288</u>	<u>5,676,947</u>	<u>15,526,604</u>
EXPENDITURES				
Current:				
General government	6,934,671	-	-	6,934,671
Judicial	788,299	-	-	788,299
Public safety	8,495,352	-	2,491,229	10,986,581
Public works	5,568,464	-	-	5,568,464
Culture and recreation	-	-	254,371	254,371
Housing and development	643,366	345,386	-	988,752
Capital outlay	-	-	3,121,801	3,121,801
Debt service:				
Principal retirements	-	780,000	-	780,000
Interest	-	216,071	-	216,071
Total expenditures	<u>22,430,152</u>	<u>1,341,457</u>	<u>5,867,401</u>	<u>29,639,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,583,783)</u>	<u>(1,338,169)</u>	<u>(190,454)</u>	<u>(14,112,406)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	91,500	-	-	91,500
Transfers in	8,400,785	1,042,832	222	9,443,839
Transfers out	<u>(1,764,235)</u>	<u>-</u>	<u>(204,785)</u>	<u>(1,969,020)</u>
Total other financing sources (uses)	<u>6,728,050</u>	<u>1,042,832</u>	<u>(204,563)</u>	<u>7,566,319</u>
Net change in fund balance	(5,855,733)	(295,337)	(395,017)	(6,546,087)
FUND BALANCES, beginning of year, restated	<u>20,655,923</u>	<u>8,886,026</u>	<u>7,024,476</u>	<u>36,566,425</u>
FUND BALANCES, end of year	<u>\$ 14,800,190</u>	<u>\$ 8,590,689</u>	<u>\$ 6,629,459</u>	<u>\$ 30,020,338</u>

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, 2014**

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

Net change in fund balances - total governmental funds	\$	(6,546,087)
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 capital outlay exceeded depreciation in the current period.		1,882,052
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, disposal, and sales) is to decrease net position.		(313,720)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		298,682
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents repayments of the principal of long-		780,000
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>(1,020,474)</u>
Change in net position - governmental activities	\$	<u><u>(4,919,547)</u></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, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,915,465	\$ 4,915,465	\$ 5,684,784	\$ 769,319
Licenses and permits	263,650	263,650	316,544	52,894
Fines and forfeitures	2,207,480	2,207,480	1,772,266	(435,214)
Charges for services	817,818	817,818	853,707	35,889
Intergovernmental	1,608,034	629,240	870,199	240,959
Interest	150,000	150,000	124,033	(25,967)
Miscellaneous	71,800	71,800	224,836	153,036
Total revenues	<u>10,034,247</u>	<u>9,055,453</u>	<u>9,846,369</u>	<u>790,916</u>
EXPENDITURES				
Current:				
General government:				
Financial administration	5,958,885	4,894,474	3,851,642	1,042,832
Data processing	1,373,301	1,373,301	1,206,250	167,051
Meters	944,970	1,013,620	1,013,620	-
Garage	725,307	763,173	763,173	-
Risk management	113,059	113,059	99,986	13,073
Total general government	<u>9,115,522</u>	<u>8,157,627</u>	<u>6,934,671</u>	<u>1,222,956</u>
Court	1,275,398	1,275,398	788,299	487,099
Police	8,438,026	8,495,352	8,495,352	-
E911	1,012,404	-	-	-
Street	2,719,105	5,568,464	5,568,464	-
Planning and zoning	373,218	643,366	643,366	-
Total expenditures	<u>22,933,673</u>	<u>24,140,207</u>	<u>22,430,152</u>	<u>1,710,055</u>
Deficiency of revenues over expenditures	<u>(12,899,426)</u>	<u>(15,084,754)</u>	<u>(12,583,783)</u>	<u>2,500,971</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	50,000	50,000	91,500	41,500
Transfers in	-	-	8,400,785	8,400,785
Transfers out	-	(721,403)	(1,764,235)	(1,042,832)
Total other financing sources (uses)	<u>50,000</u>	<u>(671,403)</u>	<u>6,728,050</u>	<u>7,399,453</u>
Net change in fund balances	(12,849,426)	(15,756,157)	(5,855,733)	9,900,424
FUND BALANCES, beginning of year	<u>20,655,923</u>	<u>20,655,923</u>	<u>20,655,923</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 7,806,497</u>	<u>\$ 4,899,766</u>	<u>\$ 14,800,190</u>	<u>\$ 9,900,424</u>

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

CITY OF LAWRENCEVILLE, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014**

Business-type Activities - Enterprise Funds					
ASSETS	Water System Fund	Electrical System Fund	Gas System Fund	Nonmajor Enterprise Funds	Totals
CURRENT ASSETS					
Cash	\$ 1,881,898	\$ 5,484,876	\$ 5,760,151	\$ 960,799	\$ 14,087,724
Investments	-	23,288,893	-	-	23,288,893
Accounts receivable, net of allowance	1,702,123	5,698,658	2,262,181	254,359	9,917,321
Total current assets	<u>3,584,021</u>	<u>34,472,427</u>	<u>8,022,332</u>	<u>1,215,158</u>	<u>47,293,938</u>
CAPITAL ASSETS					
Non-depreciable	2,248,765	11,316	291,922	1,000	2,553,003
Depreciable, net of accumulated depreciation	14,956,053	14,754,413	17,772,295	2,923,550	50,406,311
	<u>17,204,818</u>	<u>14,765,729</u>	<u>18,064,217</u>	<u>2,924,550</u>	<u>52,959,314</u>
Total assets	<u>20,788,839</u>	<u>49,238,156</u>	<u>26,086,549</u>	<u>4,139,708</u>	<u>100,253,252</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	976,098	3,089,573	1,118,603	61,674	5,245,948
Accrued liabilities	285,761	15,951	240,374	13,027	555,113
Deposits payable	-	8,725	-	-	8,725
Compensated absences payable, current	12,772	58,903	41,085	31,692	144,452
Due to other funds	-	5,921	29,598	-	35,519
Total current liabilities	<u>1,274,631</u>	<u>3,179,073</u>	<u>1,429,660</u>	<u>106,393</u>	<u>5,989,757</u>
NONCURRENT LIABILITIES					
Compensated absences payable	5,473	25,244	17,608	13,583	61,908
Advance from other funds	3,911,076	-	-	-	3,911,076
Net OPEB liability	249,721	402,083	1,323,321	412,039	2,387,164
Total noncurrent liabilities	<u>4,166,270</u>	<u>427,327</u>	<u>1,340,929</u>	<u>425,622</u>	<u>6,360,148</u>
Total liabilities	<u>5,440,901</u>	<u>3,606,400</u>	<u>2,770,589</u>	<u>532,015</u>	<u>12,349,905</u>
NET POSITION					
Net investment in capital assets	17,204,818	14,765,729	18,064,217	2,924,550	52,959,314
Unrestricted	<u>(1,856,880)</u>	<u>30,866,027</u>	<u>5,251,743</u>	<u>683,143</u>	<u>34,944,033</u>
Total net position	<u>\$ 15,347,938</u>	<u>\$ 45,631,756</u>	<u>\$ 23,315,960</u>	<u>\$ 3,607,693</u>	<u>\$ 87,903,347</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, 2014**

	Business-type Activities - Enterprise Funds				Totals
	Water System Fund	Electrical System Fund	Gas System Fund	Nonmajor Enterprise Funds	
OPERATING REVENUE					
Charges for sales and services	\$ 4,899,270	\$ 31,961,345	\$ 39,816,795	\$ 1,833,381	\$ 78,510,791
Other fees	160,216	124,112	1,513,642	66,427	1,864,397
Total operating revenue	5,059,486	32,085,457	41,330,437	1,899,808	80,375,188
OPERATING EXPENSES					
Salaries and benefits	784,028	1,079,418	2,821,008	1,009,627	5,694,081
General operating expenses	3,169,151	23,028,862	28,683,768	769,013	55,650,794
Depreciation	659,019	930,323	1,046,454	83,017	2,718,813
Total operating expenses	4,612,198	25,038,603	32,551,230	1,861,657	64,063,688
Operating income (loss)	447,288	7,046,854	8,779,207	38,151	16,311,500
NON-OPERATING REVENUE (EXPENSES)					
Gain (loss) on disposal of assets	7,255	-	(145,397)	-	(138,142)
Intergovernmental revenue	-	-	39,868	-	39,868
Total non-operating revenues (expenses)	7,255	-	(105,529)	-	(98,274)
Net income (loss) before transfers	454,543	7,046,854	8,673,678	38,151	16,213,226
Transfers in	-	-	-	721,403	721,403
Transfers out	(222)	(871,000)	(7,325,000)	-	(8,196,222)
Total transfers	(222)	(871,000)	(7,325,000)	721,403	(7,474,819)
Change in net position	454,321	6,175,854	1,348,678	759,554	8,738,407
Total net position, beginning of year, restated	14,893,617	39,455,902	21,967,282	2,848,139	79,164,940
Total net position, end of year	\$ 15,347,938	\$ 45,631,756	\$ 23,315,960	\$ 3,607,693	\$ 87,903,347

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, 2014**

	Business-type Activities - Enterprise Funds				
	Water System Fund	Electrical System Fund	Gas System Fund	Nonmajor Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,778,999	\$ 31,911,045	\$ 41,259,055	\$ 1,896,426	\$ 79,845,525
Payments to suppliers	(2,670,366)	(22,677,089)	(29,030,081)	(832,459)	(55,209,995)
Payments to employees	(657,953)	(1,014,553)	(2,698,258)	(953,763)	(5,324,527)
Net cash provided by operating activities	1,450,680	8,219,403	9,530,716	110,204	19,311,003
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	721,403	721,403
Transfers out to other funds	(222)	(871,000)	(7,325,000)	-	(8,196,222)
Net cash used in non-capital financing activities	(222)	(871,000)	(7,325,000)	721,403	(7,474,819)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(934,366)	(827,174)	(2,244,812)	(354,065)	(4,360,417)
Proceeds from sale of capital asset	7,255	-	-	-	7,255
Intergovernmental grants received	-	-	39,868	-	39,868
Net cash used in capital and related financing activities	(927,111)	(827,174)	(2,204,944)	(354,065)	(4,313,294)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(2,855,471)	-	-	(2,855,471)
Net cash used in investing activities	-	(2,855,471)	-	-	(2,855,471)
Net increase in cash	523,347	3,665,758	772	477,542	4,667,419
Cash, beginning of year	1,358,551	1,819,118	5,759,379	483,257	9,420,305
Cash, end of year	\$ 1,881,898	\$ 5,484,876	\$ 5,760,151	\$ 960,799	\$ 14,087,724
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 447,288	\$ 7,046,854	\$ 8,779,207	\$ 38,151	\$ 16,311,500
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	659,019	930,323	1,046,454	83,017	2,718,813
Change in assets and liabilities:					
Increase in accounts receivable	(280,487)	(174,412)	(71,382)	(3,382)	(529,663)
Increase (decrease) in accounts payable	473,421	349,798	(287,454)	(63,446)	472,319
Increase (decrease) in accrued liabilities	88,404	(417)	(58,859)	(247)	28,881
Increase (decrease) in due to other funds	25,364	(147)	(55,951)	-	(30,734)
Increase in customer deposits payable	-	1,975	-	-	1,975
Increase in net OPEB liability	38,309	47,886	201,124	62,253	349,572
Increase (decrease) in compensated absences payable	(638)	17,543	(22,423)	(6,142)	(11,660)
Net cash provided by operating activities	\$ 1,450,680	\$ 8,219,403	\$ 9,530,716	\$ 110,204	\$ 19,311,003

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

CITY OF LAWRENCEVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

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 Units

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.

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 majority of the DDA's debt service payments is expected to be repaid with the City's resources, and will be reported as a blended component unit of the City. The DDA does not issue separate financial statements and is included as a blended 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 Unit

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, 2013.

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 **Downtown Development Authority** accounts for the expenditures incurred in acquiring land to be held for future third party development, and the related financing of those acquisitions.

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 funds** account 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.

The **Solid Waste Fund** accounts for the activities associated with the collection of residential garbage, including recyclables, non-recyclables and yard waste. Activity is rendered on a user charge basis.

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

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. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* 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.

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, except for the Lawrenceville Downtown Development Authority, which is a separate entity from the City. 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, 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:

<u>Assets</u>	<u>Years</u>
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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until that time. The City has no items that qualify for reporting in this category.

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, business license, fines, 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 expensed 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 and deferred inflows of resources 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.

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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 \$14,048,733 difference are as follows:

Bonds payable	\$ (8,255,000)
Accrued interest payable	(17,198)
Compensated absences	(519,780)
Net OPEB obligation	<u>(5,256,755)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (14,048,733)</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 \$1,882,052 difference are as follows:

Capital outlay	\$ 7,975,402
Depreciation expense	<u>(6,093,350)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 1,882,052</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 \$1,020,474 difference are as follows:

Compensated absences (i.e., vacation)	\$ (69,155)
Accrued interest	1,625
Net OPEB Obligation	<u>(952,944)</u>
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>	<u><u>\$ (1,020,474)</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and donations) is to decrease net position.” The details of this \$313,720 difference are as follows:

Disposal of capital assets	\$ (458,591)
Donation of capital assets	<u>144,871</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u><u>\$ (313,720)</u></u>

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of August 31, 2014 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 31,849,656
Investments	31,288,893
	<u>\$ 63,138,549</u>
Cash deposited with financial institutions	\$ 34,365,070
Cash deposited with Georgia fund 1	351
Investments in the Municipal Competitive Trust	28,773,128
	<u>\$ 63,138,549</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, 2014, 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	8,000,000	12 months
Municipal Competitive Trust	AA+	28,773,128	5.57 years
Total		<u>\$ 36,773,479</u>	

Georgia Fund 1 is reported as a cash equivalent by the City. Additionally, \$5,484,235 of the Municipal Competitive Trust is considered a cash equivalent.

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). 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, 2014, 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, 2014, the City's deposits are insured or collateralized as required by state law. As of August 31, 2014, the Downtown Development Authority's accounts were uninsured and uncollateralized in the amount of approximately \$335,000.

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 August 1 based on the assessed value of property as listed on the previous January 1 and are due on October 1 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, 2014, 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	\$ 1,661,705	\$ 1,640,410	\$ 198,741	\$ (1,229,287)	\$ 2,271,569
Downtown Development Authority	-	145	6,911	-	7,056
Other governmental funds	44,681	-	721,984	-	766,665
Water System Fund	-	1,728,044	-	(25,921)	1,702,123
Electrical System Fund	-	5,721,506	-	(22,848)	5,698,658
Gas System Fund	-	2,290,816	-	(28,635)	2,262,181
Nonmajor enterprise funds	-	304,202	-	(49,843)	254,359
	<u>\$ 1,706,386</u>	<u>\$ 11,685,123</u>	<u>\$ 927,636</u>	<u>\$ (1,356,534)</u>	<u>\$ 12,962,611</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, 2014, 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	\$ 66,018,212	\$ 558,750	\$ -	\$ (92,800)	\$ 66,484,162
Construction in progress	2,996,671	4,729,741	(3,034,144)	-	4,692,268
Total	<u>69,014,883</u>	<u>5,288,491</u>	<u>(3,034,144)</u>	<u>(92,800)</u>	<u>71,176,430</u>
Capital assets, being depreciated:					
Buildings	32,627,703	103,074	-	(227,200)	32,503,577
Improvements	4,441,537	-	-	-	4,441,537
Vehicles	5,369,783	1,094,446	-	(130,196)	6,334,033
Equipment	3,664,235	1,571,046	-	(1,095,047)	4,140,234
Infrastructure	218,463,848	63,216	3,034,144	-	221,561,208
Total	<u>264,567,106</u>	<u>2,831,782</u>	<u>3,034,144</u>	<u>(1,452,443)</u>	<u>268,980,589</u>
Less accumulated depreciation for:					
Buildings	(4,049,251)	(521,759)	-	14,794	(4,556,216)
Improvements	(1,082,565)	(128,646)	-	-	(1,211,211)
Vehicles	(3,556,686)	(640,422)	-	120,880	(4,076,228)
Equipment	(2,191,640)	(392,182)	-	950,978	(1,632,844)
Infrastructure	(95,940,946)	(4,410,341)	-	-	(100,351,287)
Total	<u>(106,821,088)</u>	<u>(6,093,350)</u>	<u>-</u>	<u>1,086,652</u>	<u>(111,827,786)</u>
Total capital assets, being depreciated, net	<u>157,746,018</u>	<u>(3,261,568)</u>	<u>3,034,144</u>	<u>(365,791)</u>	<u>157,152,803</u>
Governmental activities capital assets, net	<u>\$ 226,760,901</u>	<u>\$ 2,026,923</u>	<u>\$ -</u>	<u>\$ (458,591)</u>	<u>\$ 228,329,233</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,065,977	\$ -	\$ -	\$ -	\$ 1,065,977
Construction in Progress	1,686,204	3,166,989	(3,366,167)	-	1,487,026
Total	<u>2,752,181</u>	<u>3,166,989</u>	<u>(3,366,167)</u>	<u>-</u>	<u>2,553,003</u>
Capital assets, being depreciated:					
Plants and Buildings	17,026,204	-	120,443	-	17,146,647
Utility Systems	58,753,709	305,067	1,414,079	-	60,472,855
Vehicles	3,294,593	481,498	-	(299,105)	3,476,986
Machinery and equipment	3,929,781	369,639	1,831,645	(113,160)	6,017,905
Total	<u>83,004,287</u>	<u>1,156,204</u>	<u>3,366,167</u>	<u>(412,265)</u>	<u>87,114,393</u>
Less accumulated depreciation for:					
Plants and Buildings	(3,427,703)	(400,388)	-	-	(3,828,091)
Utility Systems	(27,057,637)	(1,729,558)	-	-	(28,787,195)
Vehicles	(2,768,256)	(169,333)	-	188,319	(2,749,270)
Machinery and equipment	(1,002,541)	(419,534)	-	78,549	(1,343,526)
Total	<u>(34,256,137)</u>	<u>(2,718,813)</u>	<u>-</u>	<u>266,868</u>	<u>(36,708,082)</u>
Total capital assets, being depreciated, net	<u>48,748,150</u>	<u>(1,562,609)</u>	<u>3,366,167</u>	<u>(145,397)</u>	<u>50,406,311</u>
Business-type activities capital assets, net	<u>\$ 51,500,331</u>	<u>\$ 1,604,380</u>	<u>\$ -</u>	<u>\$ (145,397)</u>	<u>\$ 52,959,314</u>

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

Governmental activities:	
General government	\$ 446,026
Public safety	1,067,850
Public works	4,570,999
Judicial	3,219
Housing and Development	5,256
Total depreciation expense - governmental activities	<u>\$ 6,093,350</u>
Business-type activities:	
Water System Fund	\$ 659,019
Electrical System Fund	930,323
Gas System Fund	1,046,454
Solid Waste Fund	21,312
Stormwater Fund	61,705
Total depreciation expense - business-type activities	<u>\$ 2,718,813</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended August 31, 2014, was as follows:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 9,035,000	\$ -	\$ (780,000)	\$ 8,255,000	\$ 830,000
Compensated absences	450,625	419,470	(350,315)	519,780	363,846
Net OPEB obligation	4,303,811	1,265,573	(312,629)	5,256,755	-
Governmental activity Long-term liabilities	<u>\$ 13,789,436</u>	<u>\$ 1,685,043</u>	<u>\$ (1,442,944)</u>	<u>\$ 14,031,535</u>	<u>\$ 1,193,846</u>

Beginning balances were restated to reflect the change in reporting entity related to the Lawrenceville Downtown Development Authority's revenue bonds being reported as a blended component unit of the City.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Compensated absences	\$ 218,020	\$ 129,609	\$ (141,269)	\$ 206,360	\$ 114,452
Net OPEB obligation	2,037,592	464,255	(114,683)	2,387,164	-
Business-type activity Long-term liabilities	<u>\$ 2,255,612</u>	<u>\$ 593,864</u>	<u>\$ (255,952)</u>	<u>\$ 2,593,524</u>	<u>\$ 114,452</u>

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

Revenue bonds. On December 13, 2012, the Lawrenceville Downtown Development Authority ("DDA") 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 DDA entered into an intergovernmental agreement whereby the City is required to make payments to the DDA to enable the DDA to pay 100% of the principal and interest payments on the bonds to the extent that the DDA's debt service reserves are insufficient to cover the full amount of principal and interest payments on the bonds.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue bonds. (Continued)

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

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	915,000	108,813	1,023,813
2020-2023	<u>3,895,000</u>	<u>197,688</u>	<u>4,092,688</u>
Total	<u>\$ 8,255,000</u>	<u>\$ 962,439</u>	<u>\$ 9,217,439</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of August 31, 2014, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 19,437
General fund	Electrical system fund	5,921
General fund	Gas system fund	29,598
Other governmental funds	Other governmental funds	82,149
		<u>\$ 137,105</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	\$ 3,911,076
General fund	DDA	1,000,000
		<u>\$ 4,911,076</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

The amounts payable from the Water System Fund 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. During the current fiscal year, the General Fund loaned the DDA Fund \$1,000,000 for the purpose of purchasing, renovating and re-developing properties located in the downtown district. The loan will be repaid over a period of more than one year using proceeds from the sale and leasing of the purchased properties.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 204,785
General fund	Electrical system fund	871,000
General fund	Gas system fund	7,325,000
DDA	General fund	1,042,832
Other governmental funds	Water system fund	222
Nonmajor enterprise funds	General fund	721,403
		<u>\$ 10,165,242</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.

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, 2014, there were 295 plan members. During the year ending August 31, 2014, employee contributions were \$704,530 and employer contributions were \$1,227,490.

NOTES TO FINANCIAL STATEMENTS

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 September 1, 2012, 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.

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] UAAAL 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

	<u>For The Plan Year Ending August 31, 2014</u>	<u>For The Plan Year Ending August 31, 2013</u>
Annual required contribution	\$ 1,686,631	\$ 1,629,595
Interest on net OPEB obligation	285,363	223,036
Adjustments to annual required contribution	<u>(242,166)</u>	<u>(189,274)</u>
Annual OPEB cost	1,729,828	1,663,357
Contributions made	<u>(427,312)</u>	<u>(278,311)</u>
Increase in net OPEB obligation	1,302,516	1,385,046
Net OPEB obligation, beginning of year	<u>6,341,403</u>	<u>4,956,357</u>
Net OPEB obligation, end of year	<u><u>\$ 7,643,919</u></u>	<u><u>\$ 6,341,403</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
August 31, 2014	1,729,828	427,312	24.7%	7,643,919

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 and the current sharing pattern of costs between employer and employee. 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (CONTINUED)

The City has purchased commercial insurance for claims in excess of coverage provided by the City. During the year ended August 31, 2014, 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>
2014	\$ 801,497	\$ 4,033,107	\$ 4,576,798	\$ 257,806
2013	906,866	6,088,253	6,193,622	801,497

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 various lawsuits, which arose in the ordinary course of its activities. The City has identified several lawsuits where the likelihood of an unfavorable outcome is reasonably possible and the amount of the potential loss is reasonably estimable, however the outcome of the lawsuit is still uncertain. In the event of an unfavorable outcome from these lawsuits, the City has estimated the potential loss to be approximately \$300,000, however this contingent liability is not accrued as a liability as of August 31, 2014.

Contractual Commitments:

In addition to the liabilities enumerated in the balance sheet, at August 31, 2014, the City has contractual commitments on uncompleted contracts of approximately \$975,264.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 \$27,544,729 in 2014.

At August 31, 2014, the outstanding debt of MGAG was approximately \$387 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$41 million at August 31, 2014.

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.

As of August 31, 2014, 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 \$22,228,762 in 2014.

At August 31, 2014, the outstanding debt of MEAG was approximately \$5.8 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately \$178 million at August 31, 2014.

NOTES TO FINANCIAL STATEMENTS

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 \$290,511 for the year ended August 31, 2014. Of this amount, 87.6%, or \$254,371, 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, 2014, the City received \$204,785 in motor vehicle excise taxes. Of this amount, 100%, or \$204,785, was used for these purposes.

NOTE 16. FUND DEFICITS

For the year ended August 31, 2014, the City's Solid Waste fund had a deficit of \$120,631. 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 a restatement of the fund balance and net position of the governmental funds and the governmental activities, respectively, were required to recognize the change in reporting entity for the recognition of the Lawrenceville Downtown Development Authority (DDA) 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*, effective for the fiscal year beginning September 1, 2013. For the fiscal year ended August 31, 2013 the DDA was reported as a discretely presented component unit; however, the City has determined the current plans for the land purchased by the DDA will require the City to make a significant amount of the required debt service payments for the land acquisition.

	Governmental Funds	Governmental Activities
Previously reported fund balance and net position as of August 31, 2013, respectively	\$ 27,680,399	\$ 249,856,558
Previously reported fund balance and net position of LDDA as of August 31, 2013, respectively	8,886,026	(167,797)
Restated fund balance and net position as of August 31, 2013, respectively	\$ 36,566,425	\$ 249,688,761

The City has determined a restatement of the net position of the Water System Fund and the business-type activities, respectively, were required to properly report accrued sewer fees payable which were improperly reported as sewer revenues for the period ending August 31, 2013.

	Water System Fund	Business-type Activities
Previously reported net position as of August 31, 2013, respectively	\$ 15,079,559	\$ 79,350,882
Restatement to properly report sewer revenues and accrued liabilities	(185,942)	(185,942)
Restated net position as of August 31, 2013, respectively	\$ 14,893,617	\$ 79,164,940

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED AUGUST 31, 2014**

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

2009 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 2009 Special Purpose Local Options Sales Tax referendums.

2014 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 2014 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, 2014**

ASSETS	Special Revenue Funds			
	Confiscated	E911	Hotel/Motel	Auto
	Assets Fund	Fund	Fund	Excise Tax Fund
Cash and cash equivalents	\$ 1,603,701	\$ 527,331	\$ 70,086	\$ -
Taxes receivable	-	-	26,681	18,000
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 1,603,701	\$ 527,331	\$ 96,767	\$ 18,000
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 98,890	\$ 19,019	\$ 50,747	\$ -
Accrued liabilities	-	13,572	-	-
Due to other funds	-	1,437	-	18,000
Total liabilities	98,890	34,028	50,747	18,000
FUND BALANCES				
Fund Balances:				
Restricted:				
Public safety	1,504,811	-	-	-
Culture and recreation	-	-	46,020	-
Housing and development	-	-	-	-
E911 activities	-	493,303	-	-
Capital projects	-	-	-	-
Total fund balances	1,504,811	493,303	46,020	-
Total liabilities and fund balances	\$ 1,603,701	\$ 527,331	\$ 96,767	\$ 18,000

Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds
Lawrenceville Development Authority	SPLOST 2009 Fund	SPLOST 2014 Fund	
\$ 11,179	\$ 3,419,315	\$ 1,057,700	\$ 6,689,312
-	-	-	44,681
-	-	721,984	721,984
-	82,149	-	82,149
<u>\$ 11,179</u>	<u>\$ 3,501,464</u>	<u>\$ 1,779,684</u>	<u>\$ 7,538,126</u>
\$ -	\$ 482,853	\$ -	\$ 651,509
-	-	142,000	155,572
-	-	82,149	101,586
-	482,853	224,149	908,667
-	-	-	1,504,811
-	-	-	46,020
11,179	-	-	11,179
-	-	-	493,303
-	3,018,611	1,555,535	4,574,146
<u>11,179</u>	<u>3,018,611</u>	<u>1,555,535</u>	<u>6,629,459</u>
<u>\$ 11,179</u>	<u>\$ 3,501,464</u>	<u>\$ 1,779,684</u>	<u>\$ 7,538,126</u>

CITY OF LAWRENCEVILLE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014**

	Special Revenue Funds			
	Consicated Assets Fund	E911 Fund	Hotel/Motel Fund	Auto Excise Tax Fund
REVENUES				
Taxes	\$ -	\$ -	\$ 290,511	\$ 204,785
Fines and forfeitures	128,283	-	-	-
Intergovernmental	-	875,329	-	-
Interest	8,262	-	-	-
Total revenues	136,545	875,329	290,511	204,785
EXPENDITURES				
Current				
Public safety	1,573,770	917,459	-	-
Culture and recreation	-	-	254,371	-
Capital outlay	-	-	-	-
Total expenditures	1,573,770	917,459	254,371	-
Excess (deficiency) of revenues over (under) expenditures	(1,437,225)	(42,130)	36,140	204,785
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(204,785)
Total other financing sources (uses)	-	-	-	(204,785)
Net change in fund balances	(1,437,225)	(42,130)	36,140	-
FUND BALANCES, beginning of year	2,942,036	535,433	9,880	-
FUND BALANCES, end of year	\$ 1,504,811	\$ 493,303	\$ 46,020	\$ -

Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds
Lawrenceville Development Authority	SPLOST 2009 Fund	SPLOST 2014 Fund	
\$ -	\$ -	\$ -	\$ 495,296
-	-	-	128,283
-	2,376,543	1,779,513	5,031,385
11	13,539	171	21,983
11	2,390,082	1,779,684	5,676,947
-	-	-	2,491,229
-	-	-	254,371
-	2,897,652	224,149	3,121,801
-	2,897,652	224,149	5,867,401
11	(507,570)	1,555,535	(190,454)
-	222	-	222
-	-	-	(204,785)
-	222	-	(204,563)
11	(507,348)	1,555,535	(395,017)
11,168	3,525,959	-	7,024,476
<u>\$ 11,179</u>	<u>\$ 3,018,611</u>	<u>\$ 1,555,535</u>	<u>\$ 6,629,459</u>

**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, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 128,283	\$ 128,283	\$ 128,283	\$ -
Interest	8,262	8,262	8,262	-
Total revenues	136,545	136,545	136,545	-
EXPENDITURES				
Public safety	1,573,770	1,573,770	1,573,770	-
Net change in fund balances	(1,437,225)	(1,437,225)	(1,437,225)	-
FUND BALANCES, beginning of year	2,942,036	2,942,036	2,942,036	-
FUND BALANCES, end of year	\$ 1,504,811	\$ 1,504,811	\$ 1,504,811	\$ -

**CITY OF LAWRENCEVILLE, GEORGIA
E911 FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 978,794	\$ 978,794	\$ 875,329	\$ (103,465)
Total revenues	<u>978,794</u>	<u>978,794</u>	<u>875,329</u>	<u>(103,465)</u>
EXPENDITURES				
Public safety	<u>1,012,404</u>	<u>1,012,404</u>	<u>917,459</u>	<u>94,945</u>
Net change in fund balances	(33,610)	(33,610)	(42,130)	(8,520)
FUND BALANCES, beginning of year	<u>535,433</u>	<u>535,433</u>	<u>535,433</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 501,823</u></u>	<u><u>\$ 501,823</u></u>	<u><u>\$ 493,303</u></u>	<u><u>\$ (8,520)</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, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 254,500	\$ 254,500	\$ 290,511	\$ 36,011
Total revenues	<u>254,500</u>	<u>254,500</u>	<u>290,511</u>	<u>36,011</u>
EXPENDITURES				
Culture and recreation	<u>254,500</u>	<u>254,500</u>	<u>254,371</u>	<u>129</u>
Net change in fund balance	-	-	36,140	36,140
FUND BALANCES, beginning of year	<u>9,880</u>	<u>9,880</u>	<u>9,880</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 9,880</u>	<u>\$ 9,880</u>	<u>\$ 46,020</u>	<u>\$ 36,140</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, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 171,430	\$ 204,785	\$ 204,785	\$ -
Total revenues	<u>171,430</u>	<u>204,785</u>	<u>204,785</u>	<u>-</u>
OTHER FINANCING USES				
Transfer out	<u>(171,430)</u>	<u>(204,785)</u>	<u>(204,785)</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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LAWRENCEVILLE, GEORGIA
2009 SPLOST FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 3,827,748	\$ 3,827,748	\$ 2,376,543	\$ (1,451,205)
Interest	17,899	17,899	13,539	(4,360)
Total revenues	<u>3,845,647</u>	<u>3,845,647</u>	<u>2,390,082</u>	<u>(1,455,565)</u>
EXPENDITURES				
Capital outlay	<u>1,411,371</u>	<u>2,897,652</u>	<u>2,897,652</u>	<u>-</u>
Total expenditures	<u>1,411,371</u>	<u>2,897,652</u>	<u>2,897,652</u>	<u>-</u>
Excess of revenues over expenditures	2,434,276	947,995	(507,570)	(1,455,565)
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>222</u>	<u>222</u>	<u>-</u>
Net change in fund balances	2,434,276	948,217	(507,348)	(1,455,565)
FUND BALANCES, beginning of year	<u>3,525,959</u>	<u>3,525,959</u>	<u>3,525,959</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 5,960,235</u>	<u>\$ 4,474,176</u>	<u>\$ 3,018,611</u>	<u>\$ (1,455,565)</u>

**CITY OF LAWRENCEVILLE, GEORGIA
2014 SPLOST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,057,529	\$ 1,057,529	\$ 1,779,513	\$ 721,984
Interest	171	171	171	-
Total revenues	<u>1,057,700</u>	<u>1,057,700</u>	<u>1,779,684</u>	<u>721,984</u>
EXPENDITURES				
Capital outlay	<u>1,057,700</u>	<u>1,057,700</u>	<u>224,149</u>	<u>833,551</u>
Total expenditures	<u>1,057,700</u>	<u>1,057,700</u>	<u>224,149</u>	<u>833,551</u>
Net change in fund balances	-	-	1,555,535	1,555,535
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,555,535</u>	<u>\$ 1,555,535</u>

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL
PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED AUGUST 31, 2014

PROJECT	ESTIMATED COST		EXPENDITURES			PERCENTAGE OF COMPLETION
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	
2009 SPLOST						
Roads, Streets, and Bridges	\$ 11,334,450	\$ 7,042,462	\$ 3,730,907	\$ 346,971	\$ 4,077,878	58 %
Public Safety Facilities and Equipment	6,900,000	6,418,109	6,418,109	-	6,418,109	100 %
Recreational Facilities	4,400,000	4,400,000	1,849,319	2,550,681	4,400,000	100 %
Water and Sewer Capital Improvements	2,408,353	1,919,056	1,919,279	-	1,919,279	100 %
TOTAL 2009 SPLOST	\$ 25,042,803	\$ 19,779,627	\$ 13,917,614	\$ 2,897,652	\$ 16,815,266	
2014 SPLOST						
Roads, Streets, and Bridges	\$ 1,495,407	\$ 1,495,407	\$ -	\$ -	\$ -	- %
Recreational Facilities	13,458,662	13,458,662	-	224,149	224,149	1.67 %
TOTAL 2014 SPLOST	\$ 14,954,069	\$ 14,954,069	\$ -	\$ 224,149	\$ 224,149	

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, 2014**

ASSETS	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds Totals
CURRENT ASSETS			
Cash	\$ -	\$ 960,799	\$ 960,799
Accounts receivable, net of allowance	157,185	97,174	254,359
Total current assets	157,185	1,057,973	1,215,158
CAPITAL ASSETS			
Non-depreciable	-	1,000	1,000
Depreciable, net of accumulated depreciation	254,199	2,669,351	2,923,550
	254,199	2,670,351	2,924,550
Total assets	411,384	3,728,324	4,139,708
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	61,674	-	61,674
Accrued liabilities	13,027	-	13,027
Compensated absences payable, current	31,692	-	31,692
Total current liabilities	106,393	-	106,393
NONCURRENT LIABILITIES			
Compensated absences payable	13,583	-	13,583
Net OPEB liability	412,039	-	412,039
Total noncurrent liabilities	425,622	-	425,622
Total liabilities	532,015	-	532,015
NET POSITION			
Net investment in capital assets	254,199	2,670,351	2,924,550
Unrestricted	(374,830)	1,057,973	683,143
Total net position	\$ (120,631)	\$ 3,728,324	\$ 3,607,693

CITY OF LAWRENCEVILLE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014**

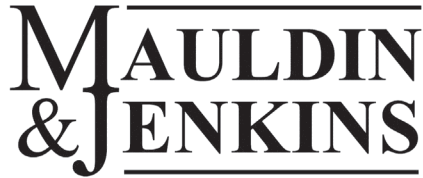
	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds Totals
OPERATING REVENUE			
Charges for sales and services	\$ 1,133,086	\$ 700,295	\$ 1,833,381
Other fees	51,041	15,386	66,427
Total operating revenue	<u>1,184,127</u>	<u>715,681</u>	<u>1,899,808</u>
OPERATING EXPENSES			
Salaries and benefits	1,008,416	1,211	1,009,627
General operating expenses	687,522	81,491	769,013
Depreciation	21,312	61,705	83,017
Total operating expenses	<u>1,717,250</u>	<u>144,407</u>	<u>1,861,657</u>
Operating income (loss)	(533,123)	571,274	38,151
Transfers in	721,403	-	721,403
Total transfers	<u>721,403</u>	<u>-</u>	<u>721,403</u>
Change in net position	188,280	571,274	759,554
Total net position, beginning of year	<u>(308,911)</u>	<u>3,157,050</u>	<u>2,848,139</u>
Total net position, end of year	<u>\$ (120,631)</u>	<u>\$ 3,728,324</u>	<u>\$ 3,607,693</u>

CITY OF LAWRENCEVILLE, GEORGIA

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED AUGUST 31, 2014

	Business-type Activities - Enterprise Funds		
	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,182,728	\$ 713,698	\$ 1,896,426
Payments to suppliers	(696,312)	(136,147)	(832,459)
Payments to employees	(952,552)	(1,211)	(953,763)
Net cash provided by (used in) operating activities	(466,136)	576,340	110,204
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	721,403	-	721,403
Net cash provided by non-capital financing activities	721,403	-	721,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(255,267)	(98,798)	(354,065)
Net cash used in capital and related financing activities	(255,267)	(98,798)	(354,065)
Net increase in cash	-	477,542	477,542
Cash, beginning of year	-	483,257	483,257
Cash, end of year	\$ -	\$ 960,799	\$ 960,799
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (533,123)	\$ 571,274	\$ 38,151
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	21,312	61,705	83,017
Change in assets and liabilities:			
Increase in accounts receivable	(1,399)	(1,983)	(3,382)
Decrease in accounts payable	(8,790)	(54,656)	(63,446)
Decrease in accrued liabilities	(247)	-	(247)
Increase in net OPEB liability	62,253	-	62,253
Decrease in compensated absences payable	(6,142)	-	(6,142)
Net cash provided by (used in) operating activities	\$ (466,136)	\$ 576,340	\$ 110,204

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 discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2015.

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 and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2014-001 and 2014-002, to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs, as item 2014-003, to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Lawrenceville, Georgia's Responses to Findings

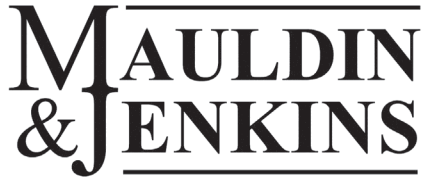
The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
February 23, 2015



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, 2014. 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, 2014.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 23, 2015

CITY OF LAWRENCEVILLE GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation			
Recreational Trails Program	20.219	TEE-0008-00150	\$ 319,111
Recreational Trails Program	20.219	TEE-0009-00077	198,324
Total Recreational Trails Program			<u>517,435</u>
Total U.S. Department of Transportation			<u>517,435</u>
U.S. DEPARTMENT OF JUSTICE			
Equitable Sharing Program	16.922	GA-0670300	<u>1,573,770</u>
Total U.S. Department of Justice			<u>1,573,770</u>
Total Expenditures of Federal Awards			<u>\$ 2,091,205</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, 2014

(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, 2014

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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

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

Noncompliance material to financial statements noted? yes no

Federal Awards

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

Significant deficiencies identified not considered
 to be material weaknesses? 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)? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program
20.219	Recreational Trails Program

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

Auditee qualified as low-risk auditee? yes no

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-001 Revenues and Related Balance Sheet Accounts

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

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's revenues and related balance sheet accounts.

Context/Cause: During our testing of availability of General Fund revenues, an audit adjustment was required to properly defer unavailable probation fines revenues which were not available and therefore overstating current year revenues.

Effects: Total misstatement related to revenue recognition and reporting of the related balance sheet accounts was approximately \$223,000 for the year ended August 31, 2014.

Recommendation: We recommend the City carefully review all receivables and related revenues to ensure they are recognized within the City's sixty-day recognition period or reported as deferred inflows of resources 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 balance sheet accounts are properly recorded.

CITY OF LAWRENCEVILLE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-002 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, certain audit adjustments were required to properly report expenditures/expenses and the related liabilities. The nature of these adjustments is as follows:

- In the General Fund, an audit entry was required to accrue approximately \$76,000 of expenditures for goods or services which were provided prior to August 31, 2014 but were not paid by year end.
- In the General Fund, adjustments of approximately \$114,000 were required to correctly report the year-end liabilities of the City's municipal court and reduce the overstated fines revenues.
- In the Water System Fund, an adjustment of approximately \$271,000 was required to properly report sewer revenues and accrued liabilities as of and for the period ending August 31, 2014. As the City does not have a sewer plant to process sewer waste, the City has contracted with Gwinnett County to perform this function. As per the agreement, the City should report a liability for each billing which is then reduced as the City collects from the customers and remits payment to the County. Included in the adjustments was an entry of \$185,942 to correct opening net position of the Water System Fund to report accrued sewer fees as of August 31, 2013 which were understated, and correct the overstated prior year revenues of the Water System Fund.

Effects: Total misstatements related to expenditures/expenses and related liability recognition were approximately \$461,000 for the year ended August 31, 2014.

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.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-002 Expenditure/Expense Recognition (Continued)

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, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2014-003 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 to properly calculate depreciation expense, and allocate depreciation expense among functions.

Condition: During our testing of the City's capital assets, we noted the City was not properly calculating depreciation expense on its infrastructure assets, resulting in the understatement of current year depreciation expense and ending accumulated depreciation balances.

Context/Cause: During testing of the City's infrastructure assets, it was noted that the City was not properly calculating current year depreciation. During testing of the depreciation, an adjustment was required to correct current year depreciation expense and ending accumulated depreciation which was understated for the current year, as the City was calculating depreciation inconsistently from the prior year. The understatement was caused by the City incorrectly using a depreciable life which was not consistent with their policy or the life assigned to the assets in the prior year.

Effects: An audit adjustment totaling \$1,189,707 was required to correctly adjust the City's capital asset subsidiary ledgers.

Recommendation: We recommend the City carefully review all capital asset activity to ensure that transactions are properly recorded in accordance with generally accepted accounting principles.

Response: We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the capital asset subsidiary ledger, as appropriate.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

2013-006 Reporting

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

CFDA Program Title: Equitable Sharing Program

Condition: Internal controls were not sufficient to enable the City to timely submit the annual Equitable Sharing Agreement Certification report to the Department of Justice within 60 days of the City's fiscal year end as outlined in the grant agreement.

Context/Cause: The City did not submit the annual Equitable Sharing Agreement Certification report to the Department of Justice within 60 days of the City's fiscal year end as outlined in the grant agreement.

Response: This finding was resolved during the current fiscal year.

2013-007 Procurement

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

CFDA Program Title: Equitable Sharing Program

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 eight contracts (eight vendors) which were procured in the 2013 fiscal year and noted the vendor file did not have documentation to confirm the contractor was not suspended or debarred from working with federally funded projects.

Context/Cause: During our testing of the City's compliance with the procurement requirements, we noted that the City did not have appropriate documentation to support or validate their testing of the selected vendor.

Response: This finding was resolved during the current fiscal year.

CITY OF LAWRENCEVILLE, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014

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

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 one contract, and noted the vendor file did not have documentation to confirm the contractor was not suspended or debarred from working with federally funded projects.

Context/Cause: During our testing of the City's compliance with the procurement requirements, we noted that the City did not have appropriate documentation to support or validate their testing of the selected vendor.

Response: This finding was resolved during the current fiscal year.