CITY OF BERKELEY LAKE, GEORGIA

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

Together With

AUDITORS' REPORT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2010
CITY OF BERKELEY LAKE, GEORGIA

MAYOR

Lois Salter

MAYOR PRO-TEM

Rebecca Spitler

CITY COUNCIL

Anne Carpenter
Jim Donnelly
Scott Lee
Frank Lombardi
Rebecca Spitler

CITY ADMINISTRATOR AND CLERK

Tom Rozier

DEPUTY CITY ADMINISTRATOR

Leigh Threadgill

TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	**1**
MANAGEMENT'S DISCUSSION AND ANALYSIS	**2-8**
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	**9**
Statement of Activities	**10**
Fund Financial Statements:	
Balance Sheet - Governmental Funds	**11**
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**12**
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	**13**
Notes to the Basic Financial Statements	**14-27**
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund	**28**
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Capital Projects Fund	**29**
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:	
Governmental Funds	
General Fund:	
Comparative Balance Sheet	**30**
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	**31**
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	**32**
Capital Projects Fund:	
Comparative Balance Sheet	**33**
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	**34**
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	**35**

TABLE OF CONTENTS - CONTINUED

Debt Service Fund:
- **Comparative Balance Sheet** **36**
- **Comparative Statement of Revenues, Expenditures and Changes in Fund Balance** **37**
- **Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual** **38**

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS:

- **Schedule By Function and Activity** **39**
- **Schedule of Changes By Function and Activity** **40**
- **Comparative Schedule By Source** **41**

OTHER REPORTING 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*** **42**

- **Schedule of Projects Financed with Special Purpose Local Option Sales Tax** **43**

Independent Auditors' Report

Honorable Mayor and City Council

CITY OF BERKELEY LAKE, GEORGIA

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Berkeley Lake, Georgia, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the City of Berkeley Lake, Georgia, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Berkeley Lake, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report 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, and the special purpose local option sales tax report have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Simmons & Jamieson, P.C.

May 16, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Berkeley Lake provides this *Management's Discussion and Analysis* for readers of the City's financial statements for the year ended December 31, 2010. This narrative overview of the City's financial activities should be read in conjunction with the basic financial statements and disclosures to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- **The assets of the City of Berkeley Lake exceeded its liabilities at the close of the year by $6,057,264 (reported as "*net assets*"). Of this amount, $639,091 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.**

- **The City's governmental funds report combined ending fund balances of $1,010,156. Approximately 103.2 percent of this amount, $1,042,917 is available for spending at the City's discretion (*unreserved fund balance*).**

- **The City had long-term debt (general obligation bond debt) of $1,710,000 at year end.**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Berkeley Lake's basic financial statements. The City of Berkeley Lake's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Comparative data is presented when available.

Government-wide Financial Statements. The *government-wide financial statements* include the *statement of net assets* and the *statement of activities*. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The *statement of net assets* and the *statement of activities* report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses is taken into account regardless of when cash is received or paid.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. The City's *net assets*, which is the difference between assets, what the citizens own, and liabilities, what the citizens owe, is one way to measure the City's *financial position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, etc.) must be considered to assess the *overall health* of the City.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements contain the City's only activities:

- **Governmental activities; most of the City's basic services are reported here, including police, infrastructure maintenance, parks and recreation, and general administration. Taxes, fines/forfeits and intergovernmental revenues (governmental activities) finance most of these activities.**

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by state law. The City of Berkeley Lake uses one category fund: governmental fund.

In fund financial statements, information is presented in separate columns for each of the major funds. Data from non-major funds are combined into a single, aggregated column for presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

Governmental funds. Most of the City's basic *governmental activities* reported in the government-wide statements are accounted for in *governmental funds*, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The relationship (or differences) between *governmental activities* (reported in the *statement of net assets* and the *statement of activities*) and *governmental funds* is described in a reconciliation beside the fund financial statements. The City uses three governmental funds whose basic financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-27 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including combining financial statements for non-major funds referred to earlier. Individual fund statements and schedules are presented following the required supplementary information. These statements and schedules contain much more detailed financial information about individual services or divisions of the city.

This report includes two schedules (pages 10 and 12) that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- **Capital assets used in governmental activities on the government-wide statements are not reported on the fund financial statements.**
- **Unless due and payable, long-term liabilities appear only in the government-wide statements.**
- **Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.**
- **Some expenses reported in the government-wide statements represent increases in liabilities on the government-wide statements but are not reported as expenditures in governmental funds because they do not require the use of current financial resources.**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Berkeley Lake, assets exceeded liabilities by $6,057,624 as of December 31, 2010.

City of Berkeley Lake
Net Assets as of December 31, 2010 and 2009

	Governmental Activities	
	2010	2009
Current and Other Assets	$ 1,039,212	$ 950,011
Net Capital Assets	6,757,468	6,797,147
Total Assets	7,796,680	7,747,158
Long-term Liabilities	1,710,000	1,830,000
Other Liabilities	29,056	34,677
Total liabilities	1,739,056	1,864,677
Invested in Capital Assets, net of related debt	5,047,068	4,967,147
Restricted Net Assets	371,465	129,001
Unrestricted Net Assets	639,091	786,333
Total Net Assets	$ 6,057,624	$ 5,882,441

The largest portion of the City's net assets, (83.3 percent), reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available to future spending.

***Restricted net assets* totaling $371,465 are constrained by debt covenants or legal requirements and are not available for day-to-day operations of the City. The remaining balance of unrestricted net assets ($639,091) may be used to meet the City's ongoing obligations to citizens and creditors.**

City of Berkeley Lake
Changes in Net Assets for the Years Ended December 31, 2010 and 2009

	Governmental Activities	
	2010	2009
Revenues:		
Program:		
Charges for services	$ 22,395	$ 28,284
Operating grants and contributions	-0-	-0-
Capital grants and contributions	276,524	316,826
General Revenues:		
Property taxes	541,056	473,337
Other taxes	211,322	213,840
Investment earnings	9,361	21,978
Other	17,830	15,523
Total revenues	1,078,488	1,069,788
Expenses:		
General government	329,153	331,625
Public safety	70,588	84,029
Housing and development	10,665	12,969
Judicial	3,070	2,717
Public works	401,674	181,090
Culture and recreation	8,773	18,847
Health and welfare	-0-	-0-
Interest	79,422	95,047
Total expenses	903,345	726,324
Increase in net assets	175,143	343,464
Beginning net assets	5,882,481	5,539,017
Ending net assets	$ 6,057,624	$ 5,882,481

***Governmental Activities*. Governmental fund activities increased the City's governmental fund balance by $94,823 in year 2010. Key elements of this increase are as follows:**

- **Total revenues were $1,078,489, an increase of $8,358 (.8%) over the prior year. Although SPLOST revenues decreased, an increase in property tax revenues compensated for that decrease.**

- **Expenditures totaled $983,666. This represents a decrease of $1,414,669 (59.0%) over the previous year. A decrease in SPLOST expenditures (principally for the construction of a new City Hall) accounted for this change.**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Berkeley Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and financial reporting requirements.

Governmental Funds. The City uses governmental funds to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year. The City of Berkeley Lake uses 3 governmental funds: the general fund, capital projects fund and the debt service fund.

At the end of the current year, the City's general fund reported an ending fund balance of $1,051,845, a decrease of $301,041 or 22.3 percent in comparison with the restated prior year. Approximately 99.1 percent of this amount ($1,042,917) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for other restricted purposes.

As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 141.5 percent of total general fund expenditures for the current year.

Key factors in the decrease of the general fund's fund balance of $301,041 during the current year are as follows:

- **Public works expenditures increased in 2010.**
- **Funds were transferred to the debt service fund to create a sinking fund.**

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared according to the Georgia statutes and the City of Berkeley Lake Code. The most significant budgeted fund is the General Fund.

The City's original budget for 2010 was amended during the year. The budget was balanced using allocation from prior year reserves (fund balance).

2010 General Fund Budget

	Original Budget	Amendments	Final Budget	Actual
Revenue/other financing sources	$ 666,921	$ 84,879	$ 751,800	$ 602,069
Expenditures/other financing uses	666,921	84,879	751,800	903,110

Actual revenues were less than anticipated budget and actual expenditures/other financing uses were also greater than anticipated budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Berkeley Lake's investment in capital assets for its governmental activities as of December 31, 2010, amounted to $5,047,068 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements and machinery and equipment.

During the year ended December 31, 2010, the City's purchases for capital assets totaled $22,940.

More information on capital assets may be found in the notes to the basic financial statements.

Debt Administration. At the end of the current year, the City had the following outstanding debt:

Long-term debt:

General obligation bond debt	**$ 1,710,000**

More information on long-term debt may be found in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected officials considered many factors when adopting the budget for the year ending December 31, 2011. Budget calculations were based on, but not limited to, the following:

1. **During 2010, the City commissioned an evaluation of the condition of streets within its boundaries. As a result of those findings, a paving project was scheduled for 2011 to address streets categorized in poor or failed condition. Because there was insufficient cash in the City's SPLOST fund, the City loaned itself revenues from the general fund on a short term basis, expected to be paid back during 2011. A similar longer-term loan from 2009 for administrative and recreational projects continues to be repaid monthly as SPLOST revenues are realized.**

2. **The City expects to expend operational funds to continue in the development of its own stormwater management program.**

3. **The City has undertaken a significant effort to reduce costs associated with regularly scheduled right-of-way and dam vegetation maintenance.**

4. **The City continues to benefit from lower costs associated with the 2009 advance refunding of its greenspace bonds.**

5. **In 2009, the City-owned Lake Berkeley dam was damaged during a localized 100-year flood event. Governor Sonny Purdue declared a state of emergency and requested a disaster declaration from the U.S. Government for an area including the City of Berkeley Lake. President Obama approved a Federal disaster declaration for the 17 affected counties. Since that time, the City has been working with geotechnical engineers in an effort to determine the condition within the dam and to develop a repair program. The City has also worked diligently to prove to FEMA that the dam was damaged as a result of the September 2009 flood event and thus to receive reimbursement for testing and repair costs. In March, 2011, citizens approved a referendum for the city to issue $2.8 million in bonds for the purpose of repairing the Lake Berkeley dam. During the development of the 2011 budget, council chose to provide for a significant amount of capital expense due to the unknown expenditures related to repairing Lake Berkeley dam and FEMA's unknown level of participation.**

6. **The City expects to be setting a millage rate for 2011 in late July or August based upon a reduction in property values across the county.**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Berkeley Lake finances for all of its citizens, taxpayers, customers, and investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator/Clerk, 4040 South Berkeley Lake Road, Berkeley Lake, GA 30096.

BASIC FINANCIAL STATEMENTS

CITY OF BERKELEY LAKE, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 479,020	$ -0-	$ 479,020
Receivables:			
Property taxes	31,346	-0-	31,346
Other taxes	77,581	-0-	77,581
Intergovernmental	70,872	-0-	70,872
Prepaid items	8,928	-0-	8,928
Restricted Assets:			
Cash	371,465	-0-	371,465
Capital Assets:			
Nondepreciable capital assets	4,961,413	-0-	4,961,413
Depreciable capital assets, net	1,796,055	-0-	1,796,055
Total Assets	7,796,680	-0-	7,796,680
LIABILITIES			
Current Liabilities:			
Accounts payable	1,292	-0-	1,292
Accrued liabilities	4,242	-0-	4,242
Unearned revenue	23,522	-0-	23,522
Liabilities payable from:			
Restricted assets	-0-	-0-	-0-
Long-Term Liabilities:			
General obligation bonds payable, (net of current portion)	1,710,000	-0-	1,710,000
Total Liabilities	1,739,056	-0-	1,739,056
NET ASSETS			
Invested in capital assets, net of related debt	5,047,068	-0-	5,047,068
Restricted for:			
Debt service	161,185	-0-	161,185
Capital projects	210,280	-0-	210,280
Unrestricted	639,091	-0-	639,091
Total Net Assets	$ 6,057,624	$ -0-	$ 6,057,624

See Accompanying Notes to the Basic Financial Statements

CITY OF BERKELEY LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 329,153	$ 6,303	$ -0-	$ 276,524	$(46,326)	$ -0-	$(46,326)
Public safety	70,588	-0-	-0-	-0-	(70,588)	-0-	(70,588)
Housing and development	10,665	14,842	-0-	-0-	4,177	-0-	4,177
Judicial	3,070	1,250	-0-	-0-	(1,820)	-0-	(1,820)
Public works	401,674	-0-	-0-	-0-	(401,674)	-0-	(401,674)
Culture and recreation	8,773	-0-	-0-	-0-	(8,773)	-0-	(8,773)
Health and welfare	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest on long-term debt	79,422	-0-	-0-	-0-	(79,422)	-0-	(79,422)
Total governmental activities:	$ 903,345	$ 22,395	$ -0-	$ 276,524	$(604,426)	$ -0-	$(604,426)
General revenues:							
Property taxes					$ 541,056	$ -0-	$ 541,056
Insurance premium tax					91,245	-0-	91,245
Franchise taxes					95,313	-0-	95,313
Other taxes					24,764	-0-	24,764
Unrestricted investment earnings					9,361	-0-	9,361
Miscellaneous revenue/other					17,830	-0-	17,830
Total general revenues					779,569	-0-	779,569
Change in net assets					175,143	-0-	175,143
Net assets - beginning					5,882,481	-0-	5,882,481
Net assets - ending					$6,057,624	$ -0-	$6,057,624

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BERKELEY LAKE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 479,020	$ -0-	$ -0-	$ 479,020
Restricted assets	-0-	210,280	161,185	371,465
Receivables, net	108,927	-0-	-0-	108,927
Prepaid items	8,928	-0-	-0-	8,928
Due from other funds	484,026	-0-	-0-	484,026
Due from other governments	-0-	70,872	-0-	70,872
Total assets	$1,080,901	$ 281,152	$ 161,185	$1,523,238
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 1,292	$ -0-	$ -0-	$ 1,292
Accrued liabilities	4,242	-0-	-0-	4,242
Due to other funds	-0-	484,026	-0-	484,026
Unearned revenue	23,522	-0-	-0-	23,522
Total liabilities	29,056	484,026	-0-	513,082
Fund balances:				
Reserved for:				
Prepaid items	8,928	-0-	-0-	8,928
Debt service	-0-	-0-	161,185	161,185
Capital projects expenditures	-0-	(202,874)	-0-	(202,874)
Unreserved, reported in:				
General fund	1,042,917	-0-	-0-	1,042,917
Total fund balances	1,051,845	(202,874)	161,185	1,010,156
Total liabilities and fund balances	$1,080,901	$ 281,152	$ 161,185	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	$ 6,757,468
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bond payable	(1,710,000)
Net assets of governmental activities	$ 6,057,624

See accompanying notes to financial statements.

CITY OF BERKELEY LAKE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Capital Projects	Debt Service	Total Governmental Funds
Revenues:				
Taxes	$ 552,956	$ -0-	$ 199,422	$ 752,378
Licenses and permits	21,145	-0-	-0-	21,145
Intergovernmental	-0-	274,314	-0-	274,314
Fines and forfeits	1,250	-0-	-0-	1,250
Investment earnings	8,887	2,210	474	11,571
Other	17,831	-0-	-0-	17,831
Total revenues	602,069	276,524	199,896	1,078,489
Expenditures:				
Current:				
General government	289,269	205	-0-	289,474
Public safety	70,588	-0-	-0-	70,588
Housing and development	10,665	-0-	-0-	10,665
Judicial	3,070	-0-	-0-	3,070
Public works	361,224	40,450	-0-	401,674
Culture and recreation	8,773	-0-	-0-	8,773
Health and welfare	-0-	-0-	-0-	-0-
Debt service	-0-	-0-	199,422	199,422
Total expenditures	743,589	40,655	199,422	983,666
Excess (deficiency) of revenues over expenditures	(141,520)	235,869	474	94,823
Other financing sources (uses):				
Transfers in	-0-	-0-	159,521	159,521
Transfers out	(159,521)	-0-	-0-	(159,521)
Total other financing sources (uses)	(159,521)	-0-	159,521	-0-
Net change in fund balance	(301,041)	235,869	159,995	94,823
Fund balances at beginning of year - restated	1,352,886	(438,743)	1,190	915,333
Fund balances at end of year	$1,051,845	$(202,874)	$ 161,185	$1,010,156

See accompanying notes to financial statements.

CITY OF BERKELEY LAKE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net Changes in Fund Balances - Total Governmental Fund:	**$ 94,823**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statements of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Additions	**22,940**
Retirements/deletions	**-0-**
Depreciation expense	**(62,619)**
Repayment of general obligation bond debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal payment	**120,000**
Rounding	**(1)**
Change in Net Assets of Governmental Activities	**$ 175,143**

See accompanying notes to financial statements.

Note 1. Description of Governmental Unit:

The City of Berkeley Lake was incorporated in 1956 under provisions of the laws of the State of Georgia. The City operates under a Mayor - Council form of government and provides the following services in addition to general administrative responsibilities: public safety, streets maintenance and cultural and recreational activities.

Note 2. Summary of Significant Accounting Policies:

A. Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Stands Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The City's financial statements include the accounts of all City operations and included in this report are all activities of the City of Berkeley Lake. The accounting policies and the presentation of the financial report of the City of Berkeley Lake, Georgia (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). In conformity with the Governmental Accounting Standards Board (GASB) Codification Section 2100, defining the governmental reporting entity, the City includes all funds that are controlled by or dependent on the City Council of the City. Since no other entities are controlled by or rely on the City, the reporting entity consists solely of the City.

C. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Note 2 - Summary of Significant Accounting Policies (Continued):

Government-wide Financial Statements **- The government-wide financial statements include a statement of net assets and a statement of activities. These statements report financial information for the City as a whole. All funds other than fiduciary activities are included at the government-wide reporting level. Individual funds are not displayed at this reporting level but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The City of Berkeley Lake had no business-type activities as of December 31, 2010.**

The statement of net assets presents the financial position of the governmental activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function.

The statement of activities reports the expenses of a given function offset by program revenues directly related to the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements **- During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are provided for governmental funds.**

Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Fund Accounting **- The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses only one category of funds: governmental.**

Note 2 - Summary of Significant Accounting Policies (Continued):

Governmental Funds **- Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:**

General Fund **- The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.**

Capital Projects Fund **- This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax.**

Debt Service Fund **- This fund is used to account for the accumulation of resources for, and the payment of, the City's General Obligation Refunding Series 2009 general long-term debt principal and interest.**

D. Measurement Focus and Financial Statement Presentation

Government-wide Financial Statements **- The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses, including depreciation.**

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

Like the government-wide statements, proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. The City had no proprietary funds as of and for the year ended December 31, 2010.

Note 2 - Summary of Significant Accounting Policies (Continued):

E. Basis of Accounting

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

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within twelve months of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, other taxes, interest and federal and state grants.

Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measured but not available) rather than as revenue.

***Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.**

Note 2 - Summary of Significant Accounting Policies (Continued):

F. Assets, Liabilities, and Net Assets or Equity

1. *Cash, Cash Equivalents, and Investments*

Cash and cash equivalents include amounts in demand deposits and all highly liquid investments with a maturity of three months or less when purchased.

Investments are stated at fair value.

Statutes authorize the City to invest in U.S. Government obligations, State of Georgia obligations, obligations of other municipalities, and certificates of deposit.

2. *Receivables*

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

3. *Interfund Balances*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

4. *Inventories and Prepaid Items*

On both the government-wide and fund financial statements, supplies are recorded as expenditures at the time items are purchased; they are not recorded on the statement of net assets due to a lack of materiality.

Certain payments to service providers reflect costs applicable to future periods and are recorded as prepaid items when purchased. These amounts are subsequently adjusted at audit date. They are labeled as prepaid items in both government-wide and fund financial statements.

5. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City's infrastructure generally consists of streets and roads. Improvements (i.e., betterments) to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. The capitalization threshold is generally any item exceeding $100.

Note 2 - Summary of Significant Accounting Policies (Continued):

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25 years
Machinery and equipment	5-10 years
Furniture and fixtures	7 years

6. ***Compensated Absences/Vacation Pay***

Employees of the City are entitled to paid vacation, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The City's policy is to recognize the costs of compensated absences when actually paid to City's employees.

7. ***Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. Debt service expenditures are recognized as a liability in the governmental fund financial statements when due.

8. ***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 assets".

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations demonstrate management's intent to set aside these resources for specific services.

Note 2 - Summary of Significant Accounting Policies (Continued):

Net Assets

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

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

9. ***Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

10. ***Comparative Data***

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 3 - Stewardship, Compliance and Accountability

A. Budgetary Information

The City adopts an annual operating budget for the general fund, the capital projects fund and the debt service fund. The budget resolution reflects the total of each department's appropriation in each fund.

The governmental funds' budgets are adopted on a basis consistent with GAAP.

All unexpended, unencumbered annual appropriations lapse at year-end.

Note 3 - Stewardship, Compliance and Accountability (Continued):

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level with the following provisions:

- **The departments may transfer funds from one object or purpose to another within the department, subject to approval by Mayor/Council.**
- **The City Council may amend the budget by motion during the year.**

Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

Deficit Fund Balance/Restated Fund Balance

The City's Capital Projects Fund had a deficit fund balance of $202,874 as of December 31, 2010. This was the result of SPLOST project expenditures exceeding actual SPLOST inflows. The transfer of funds from the General Fund during 2009 has been restated as an interfund balance for the year ended December 31, 2010. These funds are being restored as SPLOST funds are received.

Note 4 - Deposit and Investment Risk:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows State of Georgia requirements that all deposits be federally insured or fully collateralized.

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.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Note 4 - Deposit and Investment Risk (Continued):

Foreign Currency Risk

The City has no investments dominated in a foreign currency.

The City participates in the State of Georgia Local Government Investment Pool. Assets in this pool are invested in Georgia Fund 1, created by OCGA 36-83-8 , which is a stable net asset investment pool that follows Standard and Poor's criteria for AAAm rated money market funds. Georgia Fund 1 is managed by the Georgia Office of Treasury and Fiscal Services. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board. 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 ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share. Georgia Fund 1 is managed by the Georgia Office of Treasury and Financial Services. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board.

Georgia Fund 1 is rated AAAm by Standard & Poor's. The weighted average maturity at December 31, 2010 was 48 days. At December 31, 2010, the City's balance in Georgia Fund 1 was $1,193.

Note 5. Receivables

Receivables at December 31, 2010, consisted of taxes, interest and intergovernmental receivables. Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Note 6. Property Taxes

The City's property taxes are billed and collected by Gwinnett County. The City levies annual real and personal property taxes based on the lien date of January 1. After adoption of the millage rate, the levy date is September 15, with taxes due on that date through November 15. After this 60 day period, the taxes become delinquent and subject to penalty and interest. At year end, the receivables represent delinquent taxes. At the fund reporting level, if delinquent taxes are not paid within 60 days of year end, they are recorded as deferred revenue since they are not available to finance current expenditures.

Note 7. Capital Assets:

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/09	Additions	Deductions	Balance 12/31/10
Governmental activities:				
Capital assets not being depreciated:				
Land	$4,961,413	$ -0-	$ -0-	$4,961,413
Other capital assets:				
Buildings and improvements	1,769,587	-0-	-0-	1,769,587
Machinery and equipment	71,303	21,574	-0-	92,877
Furniture and fixtures	69,435	-0-	-0-	69,435
Computers and peripherals	9,960	1,366	-0-	11,326
Total other capital assets	1,920,285	22,940	-0-	1,943,225
Accumulated depreciation:				
Buildings and improvements	29,892	45,374	-0-	75,266
Machinery and equipment	38,261	6,492	-0-	44,753
Furniture and fixtures	13,251	8,670	-0-	21,921
Computers and peripherals	3,147	2,083	-0-	5,230
Total accumulated depreciation	84,551	62,619	-0-	147,170
Governmental activities capital assets, net	$6,797,147	(39,679)	$ -0-	$6,757,468
Governmental activities depreciation expense:				
General government		$ 62,619		

Note 8 - Changes in Long-Term Debt:

Changes in Governmental Long-Term Debt

2009 General Obligation Refunding Series:

General obligation bonds are direct obligations and pledge the full faith and credit of the City. In August, 2009, the City issued $1,940,000 in general obligation bonds to advance refund the City's 1996 General Obligation Bond Series. The repayment of this new debt is due in annual installments ranging from $110,000 to $225,000 through 2021 at a rate of 4.34% per annum.

The debt service requirements to maturity on the 2009 General Obligation Refunding Bonds are as follows:

Year ending December 31	Principal	Interest	Total Debt Service
2011	$ -0-	$ 37,107	$ 37,107
2012	125,000	71,502	196,502
2013	135,000	65,860	200,860
2014	140,000	59,892	199,892
2015	150,000	53,599	203,599
2016-2020	935,000	155,264	1,090,264
2021	225,000	4,882	229,882
	$1,710,000	$ 448,106	$2,158,106

Changes in long-term obligations for the Series 2009 obligations are as follows:

	Balance 12-31-09	Additions	Payments/ Retirements	Balance 12/31/10
General obligation bond payable	$1,830,000	$ -0-	$ 120,000	$1,710,000

Note 9 - Other Notes

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime motor vehicle and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The GIRMA is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities -- GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Berkeley Lake must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

- **To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by GIRMA.**
- **To select a person to serve as a Member representative.**
- **To allow GIRMA and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purpose of GIRMA.**
- **To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.**
- **To assist and cooperate in the defense and settlement of claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA.**
- **To furnish GIRMA such budget, operating and underwriting information as may be requested.**
- **To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.**

Note 9 - Other Notes (Continued):

The City of Berkeley Lake retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risks of loss up to $1,000 deductible.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Berkeley Lake is a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Berkeley Lake) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability. The City pays an annual contribution to GMA for the workers' compensation.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefor, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Note 10 - Interfund Receivables, Payables and Transfers:

The composition of interfund balances as of December 31, 2010 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	$ 484,026

This balance is the result of decreased flowing SPLOST revenue funds that were allocated and used for previous administrative and recreational projects. General fund assets were utilized for completion of these objectives.

The composition of interfund transfers for the year ended December 31, 2010 is as follows:

Transfer In	Transfer Out	Amount
Debt Service Fund	General Fund	$ 159,521

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets between governmental activities and business-type activities, also within business-type activities. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

This transfer was used for the establishment of a sinking fund for the utilization of the bond principal and interest payments.

Note 11 - Contingent Liabilities:

Grant contingencies - Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation - There are no matters of pending or threatened litigation against the City as of December 31, 2010.

Environmental - During the year ended December 31, 2009, the City's dam incurred significant damage due to heavy rainfall. The final impact of this occurrence is not completely known but the necessary repairs will be a financial burden to the City in the future. Reimbursement by FEMA will help to offset part of this burden.

Note 12 - Subsequent Event:

The date through which events occurring after December 31, 2010 has been evaluated for possible adjustment to the financial statements or disclosure is May 16, 2011, which is the date on which the financial statements were available to be issued.

The City held a special election (referendum) on March 15, 2011. The City's citizens approved the issuance of a general obligation bond (City of Berkeley Lake, Georgia General Obligation Bonds, Series 2011) to finance the aforementioned repairs to the City's dam.

Note 13 - Joint Venture:

Under Georgia law, the City, in conjunction with other municipalities and counties in the Greater Atlanta Metropolitan area, is a member of the Atlanta Regional Commission (ARC). The ARC is comprised of 64 municipalities and 10 counties in the Greater Atlanta Metropolitan area. 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 representation from each county and municipality of the area, as well as representatives from the private sector and other governmental entities. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an ARC. Separate financial statements for the ARC are available from:

Atlanta Regional Commission
40 Courtland Street, N.E.
Atlanta, Georgia 30303

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BERKELEY LAKE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	$ 479,986	$ 547,943	$ 552,956	$ 5,013
Licenses and permits	25,565	21,145	21,145	-0-
Fines and forfeits	-0-	1,250	1,250	-0-
Investment earnings	12,000	9,360	8,887	(473)
Miscellaneous	19,399	23,850	17,831	(6,019)
Residual equity/prior year reserves	129,971	148,252	-0-	(148,252)
Total revenues	666,921	751,800	602,069	(149,731)
Expenditures:				
Current:				
General government	501,262	290,289	289,269	1,020
Public safety	71,656	70,680	70,588	92
Housing and development	13,510	10,665	10,665	-0-
Judicial	2,940	3,070	3,070	-0-
Public works	64,595	368,323	361,224	7,099
Culture and recreation	12,958	8,773	8,773	-0-
Health and welfare	-0-	-0-	-0-	-0-
Total expenditures	666,921	751,800	743,589	8,211
Excess of revenues over expenditures	-0-	-0-	(141,520)	(141,520)
Other financing sources (uses):				
Transfers in (out)	-0-	-0-	(159,521)	(159,521)
Total other financing sources (uses)	-0-	-0-	(159,521)	(159,521)
Net change in fund balance	$ -0-	$ -0-	(301,041)	$(301,041)
Fund balances - beginning, restated			1,352,886	
Fund balances - ending			$1,051,845	

CITY OF BERKELEY LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	$ 330,000	$ 273,549	$ 274,314	$ 765
Investment earnings	1,500	2,210	2,210	-0-
	331,500	275,759	276,524	765
Expenditures:	$ 331,500	$ 275,759	$ 40,655	$ 235,104
Excess of revenues over expenditures	-0-	-0-	235,869	235,869
Other financing sources (uses):				
Transfers in (out)	-0-	-0-	-0-	-0-
Total other financing sources (uses)	-0-	-0-	-0-	-0-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ -0-	$ -0-	235,869	$ -0-
Fund balance, January 1, restated			(438,743)	
Fund balance, December 31			$(202,874)	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the main operating fund of the City. It is used to account for all financial resources traditionally associated with government except those required to be accounted for in another fund.

CITY OF BERKELEY LAKE, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash	$ 479,020	$ 708,304
Property taxes receivable	31,346	29,716
Other taxes receivable	77,581	72,649
Prepaid items	8,928	10,340
Due from other funds	484,026	-0-
Total assets	$ 1,080,901	$ 821,009
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 1,292	$ 7,352
Accrued liabilities	4,242	7,986
Unearned revenue	23,522	19,339
Total liabilities	29,056	34,677
Fund balance:		
Reserved for prepaid items	8,928	10,340
Unreserved	1,042,917	775,992
Total fund balance	1,051,845	786,332
Total liabilities and fund balance	$ 1,080,901	$ 821,009

CITY OF BERKELEY LAKE, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Revenues:		
Taxes	$ 552,956	$ 453,859
Licenses and permits	21,145	25,454
Fines and forfeits	1,250	2,830
Investment earnings	8,887	21,978
Other	17,831	15,866
Total revenues	602,069	519,987
Expenditures:		
Current:		
General government	289,269	270,852
Public safety	70,588	84,029
Housing and development	10,665	12,969
Judicial	3,070	2,717
Public works	361,224	176,820
Culture and recreation	8,773	8,318
Health and welfare	-0-	-0-
Total expenditures	743,589	555,705
Excess (deficiency) of revenues over expenditures	(141,520)	(35,718)
Other financing sources (uses):		
Transfers in	-0-	30,000
Transfers out	(159,521)	(564,962)
Total other financing sources (uses)	(159,521)	(534,962)
Net change in fund balance	(301,041)	(570,680)
Fund balance at beginning of year, restated	1,352,886	1,357,012
Fund balance at end of year	$ 1,051,845	$ 786,332

CITY OF BERKELEY LAKE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	$ 479,986	$ 547,943	$ 552,956	$ 5,013
Licenses and permits	25,565	21,145	21,145	-0-
Fines and forfeits	-0-	1,250	1,250	-0-
Investment earnings	12,000	9,360	8,887	(473)
Miscellaneous	19,399	23,850	17,831	(6,019)
Residual equity/prior year reserves	129,971	148,252	-0-	(148,252)
Total revenues	666,921	751,800	602,069	(149,731)
Expenditures:				
Current:				
General government	501,262	290,289	289,269	1,020
Public safety	71,656	70,680	70,588	92
Housing and development	13,510	10,665	10,665	-0-
Judicial	2,940	3,070	3,070	-0-
Public works	64,595	368,323	361,224	7,099
Culture and recreation	12,958	8,773	8,773	-0-
Health and welfare	-0-	-0-	-0-	-0-
Total expenditures	666,921	751,800	743,589	8,211
Excess of revenues over expenditures	-0-	-0-	(141,520)	(141,520)
Other financing sources (uses):				
Transfers in (out)	-0-	-0-	(159,521)	(159,521)
Total other financing sources (uses)	-0-	-0-	(159,521)	(159,521)
Net change in fund balance	$ -0-	$ -0-	(301,041)	$(301,041)
Fund balances - beginning, restated			1,352,886	
Fund balances - ending			$1,051,845	

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of specifically planned projects.

Special Purpose Local Option Sales Tax Capital Projects Fund

This fund is used to account for long-term projects financed by the passage of a special purpose local option sales tax referendums.

CITY OF BERKELEY LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash	$ -0-	$ -0-
Investments	-0-	-0-
Taxes receivable	-0-	-0-
Intergovernmental receivable	70,872	70,107
Restricted assets:		
Cash	210,280	57,704
Total assets	$ 281,152	$ 127,811
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	-0-	-0-
Intergovernmental payable	-0-	-0-
Accrued liabilities	-0-	-0-
Due to other funds	484,026	-0-
Total liabilities	484,026	-0-
Fund balance:		
Reserved	(202,874)	127,811
Total fund balance	(202,874)	127,811
Total liabilities and fund balance	$ 281,152	$ 127,811

CITY OF BERKELEY LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Revenues:		
Intergovernmental	$ 274,314	$ 312,542
Investment earnings	2,210	4,284
	276,524	316,826
Expenditures:	40,655	1,610,159
Excess of revenues over expenditures	235,869	(1,293,331)
Other financing sources (uses):		
Operating transfers (net)	-0-	-0-
Total other financing sources (uses)	-0-	-0-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	235,869	(728,369)
Fund balance, January 1, restated	(438,743)	856,180
Fund balance, December 31	$(202,874)	$ 127,811

CITY OF BERKELEY LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	$ 330,000	$ 273,549	$ 274,314	$ 765
Investment earnings	1,500	2,210	2,210	-0-
	331,500	275,759	276,524	765
Expenditures:	$ 331,500	$ 275,759	$ 40,655	$ 235,104
Excess of revenues over expenditures	-0-	-0-	235,869	235,869
Other financing sources (uses):				
Transfers in(out)	-0-	-0-	-0-	-0-
Total other financing sources (uses)	-0-	-0-	-0-	-0-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ -0-	$ -0-	235,869	$ -0-
Fund balance, January 1, restated			(438,743)	
Fund balance, December 31			$(202,874)	

DEBT SERVICE FUND

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt (other than Enterprise Funds).

CITY OF BERKELEY LAKE, GEORGIA
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash	$ -0-	$ -0-
Investments	-0-	-0-
Taxes receivable	-0-	-0-
Intergovernmental receivable	-0-	-0-
Restricted assets:		
Cash	161,185	1,190
Total assets	$161,185	$ 1,190
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ -0-	$ -0-
Intergovernmental payable	-0-	-0-
Accrued liabilities	-0-	-0-
Total liabilities	-0-	-0-
Fund balance:		
Reserved	161,185	1,190
Total fund balance	161,185	1,190
Total liabilities and fund balance	$161,185	$ 1,190

CITY OF BERKELEY LAKE, GEORGIA
DEBT SERVICE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Revenues:		
Intergovernmental	$ 199,422	$ 233,318
Investment earnings	474	-0-
	199,896	273,318
Expenditures:	199,422	232,473
Excess of revenues over expenditures	474	845
Other financing sources (uses):		
Bonds issued for refinancing	-0-	1,140,000
Payment to refunded bond escrow agent	-0-	(1,110,000)
Transfers out	-0-	(30,000)
Transfers in	159,521	-0-
Total other financing sources (uses)	159,521	-0-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	159,995	845
Fund balance, January 1	1,190	345
Fund balance, December 31	$ 161,185	$ 1,190

CITY OF BERKELEY LAKE, GEORGIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	$ 189,422	$ 199,422	$ 199,422	$ -0-
Investment earnings	-0-	-0-	474	474
	189,422	199,422	199,896	474
Expenditures:	189,422	199,422	199,422	-0-
Excess of revenues over expenditures	-0-	-0-	474	474
Other financing sources (uses):				
Transfers in (out)	-0-	-0-	159,521	159,521
Total other financing sources (uses)	-0-	-0-	159,521	159,521
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ -0-	$ -0-	159,995	$ 159,995
Fund balance, January 1			1,190	
Fund balance, December 31			$ 161,185	

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

These fixed assets are the fixed assets of the City, other than those accounted for in the Proprietary (Enterprise) Funds. Assets are recorded at historical cost if purchased, or if historical cost is not available, estimated historical cost, or fair market value on the date donated, if donated.

CITY OF BERKELEY LAKE, GEORGIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2010

Function and Activity	Total	Land	Buildings and Improvements	Furniture and Fixtures	Machinery and Equipment	Computers and Peripherals
General Government	$6,904,638	$4,961,413	$1,769,587	$ 69,435	$ 92,877	$ 11,326
Total Capital Assets - Governmental Funds	$6,904,638	$4,961,413	$1,769,587	$ 69,435	$ 92,877	$ 11,326

CITY OF BERKELEY LAKE, GEORGIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2010

Function and Activity	Capital Assets - Governmental Funds Jan. 1, 2010	Additions	Deductions	Capital Assets - Governmental Funds Dec. 31, 2010
General Government	$6,881,698	$ 22,940	$ -0-	$6,904,638
	$6,881,698	$ 22,940	$ -0-	$6,904,638

CITY OF BERKELEY LAKE, GEORGIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
DECEMBER 31, 2010

	2010	2009
Capital Assets - Governmental Funds		
Land	**$ 4,961,413**	**$ 4,961,413**
Buildings and improvements	**1,769,587**	**1,769,587**
Furniture and fixtures	**69,435**	**69,435**
Machinery and equipment	**92,877**	**71,303**
Computers and peripherals	**11,326**	**9,960**
Total Capital Assets	**$ 6,904,638**	**$ 6,881,698**

Investments in Governmental Funds Capital Assets by Source	2010	2009
General Fund	**$ 5,329,585**	**$ 5,306,645**
Capital Projects Fund	**1,575,053**	**1,575,053**
	$ 6,904,638	**$ 6,881,698**

OTHER REPORTING SECTION

Honorable Mayor and City Council
City of Berkeley Lake, Georgia:

We have audited the basic financial statements of the governmental activities and each major fund of the CITY OF BERKELEY LAKE, GEORGIA, as of and for the year ended December 31, 2010, which collectively comprise the City of Berkeley Lake, Georgia's basic financial statements, and have issued our report thereon dated May 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Comment 2010-1

***Condition*: The City does not employ any individuals that possess the advanced technical expertise to prepare financial statements that are free of misstatement.**

Criteria: One of the components of internal control over financial reporting is having personnel that have the advanced technical expertise to prepare financial statements that are free of misstatement.

Effect: The financial statements that are prepared will have a reasonable possibility that a misstatement will not be prevented or detected on a timely basis.

Recommendation: The City should consider additional technical training to prepare financial statements that are free of misstatements.

Management Response: Management concurs with this finding. The City is a small entity with limited personnel and resources. Consideration will be given to this in the future. The City may consider additional technical training for current personnel to somewhat resolve this situation. Management expects to have this remedied/resolved for the 2011 audit year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Berkeley Lake, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Berkeley Lake, Georgia's, responses to the findings identified in our audit are described above. We did not audit the City of Berkeley Lake, Georgia's responses and, accordingly, we express no opinion on them.

This report is intended solely for the use of the audit committee and Mayor and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Simmons & Jamieson, P.C.

May 16, 2011.

CITY OF BERKELEY LAKE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2010

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2004 SPLOST Referendum:					
Streets, Roads & Bridges	$ 741,082	$ 809,000	$ 808,877	$ -0-	$ 808,877
Recreational Facilities	450,000	490,500	490,158	-0-	490,158
Administrative Facilities	675,000	736,500	731,040	-0-	731,040
Total	$1,860,000	$2,036,000	$2,030,075	$ -0-	$2,030,075
2009 SPLOST Referendum:					
Streets, Roads & Bridges	$ 659,128	$ 659,128	$ -0-	$ 40,450	$ 40,450
Administrative Facilities	988,692	988,692	652,556	205	652,761
	$1,647,820	$1,647,820	$ 652,556	$ 40,655	$ 693,211