CITY OF BERKELEY LAKE, GEORGIA

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

with

AUDITOR'S REPORT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2012
CITY OF BERKELEY LAKE, GEORGIA

MAYOR

Lois Salter

MAYOR PRO-TEM

Rebecca Spitler

CITY COUNCIL

Anne Carpenter
Jim Donnelly
Scott Lee
Bob Smith
Rebecca Spitler

CITY ADMINISTRATOR AND CLERK

Tom Rozier

DEPUTY CITY ADMINISTRATOR

Pat Chapman

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Independent Auditor's Report

To the Honorable Mayor and Members of the 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, 2012, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Berkeley Lake, Georgia, as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, Capital Prospects Funds and Debt Service Fund 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 September 23, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 15) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 State 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual fund statements and schedules and 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*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of the City's internal control over financial reporting and on our tests of it compliance with certain provisions of laws, regulations, contracts, and grant agreement 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*, and should be considered in assessing the results of our audit.

Simmons & Jamieson, P.C.

September 23, 2013

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, 2012. 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 $10,064,634 (reported as "*net assets*"). Of this amount, $1,877,589 (*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 $5,360,913. Approximately 20.2 percent of this amount, $1,085,232 is available for spending at the City's discretion (*unreserved fund balance*).**

- **The City had long-term debt (general obligation bond debt) of $5,683,000 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 11 and 12 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 14-29 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 $10,064,634 as of December 31, 2012.

City of Berkeley Lake
Net Assets as of December 31, 2012 and 2011

	Governmental Activities	
	2012	2011
Current and Other Assets	$ 6,097,472	$ 3,700,290
Net Capital Assets	10,386,721	6,584,705
Total Assets	16,484,193	10,284,995
Long-term Liabilities	5,638,000	4,355,000
Other Liabilities	781,559	123,785
Total liabilities	6,419,559	4,478,785
Invested in Capital Assets, net of related debt	4,703,721	2,199,705
Restricted Net Assets	3,483,324	3,123,060
Unrestricted Net Assets	1,877,589	483,445
Total Net Assets	$ 10,064,634	$ 5,806,210

The largest portion of the City's net assets, (46.7 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 $3,483,324 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 ($1,877,589) 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, 2012 and 2011

	Governmental Activities	
	2012	2011
Revenues:		
Program:		
Charges for services	$ 48,664	$ 14,690
Operating grants and contributions	78,395	-
Capital grants and contributions	4,207,837	253,794
General Revenues:		
Property taxes	394,939	541,048
Other taxes	262,776	206,732
Investment earnings	1,746	11,207
Other	63,499	50,909
Total revenues	$ 5,057,856	$ 1,078,380
Expenses:		
General government	396,162	538,046
Public safety	78,593	76,161
Housing and development	14,200	5,893
Judicial	195	3,074
Public works	118,217	400,169
Culture and recreation	9,861	9,948
Health and welfare	-	-
Interest	182,204	131,349
Bond issuance costs	-	165,154
Total expenses	799,432	1,329,794
Increase (decrease) in net assets	4,258,424	(251,414)
Beginning net assets	5,806,210	6,057,624
Ending net assets	$ 10,064,634	$ 5,806,210

Governmental Activities. **Governmental fund activities increased the City's governmental fund balance by $1,739,407 in year 2012. Key elements of this increase are as follows:**

- **Total revenues were $5,057,855, an increase of $3,979,475 (369%) under the prior year. Grant revenue increased substantially in 2012.**
- **Expenditures totaled $4,781,448. This represents an increase of $3,499,416 (272.9%) over the previous year. An increase in capital projects expenditures accounted for this change.**
- **Other financing sources amounted to $1,463,000 in 2012 as a result of the issuance of general obligation debt.**

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, *unassigned 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 $1,163,264, an increase of $301,935 or 35.1 percent in comparison with the prior year. Approximately 99.3 percent of this amount ($1,155,500) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is either *nonspendable or restricted* 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 *unassigned fund balance* to total fund expenditures. Unassigned fund balance represents 239.5 percent of total general fund expenditures for the current year.

Key factors in the increase of the general fund's fund balance of $301,935 during the current year are as follows:

- Transfers in from other governmental funds.

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 2012 was amended during the year. The budget was balanced using allocation from prior year reserves (fund balance).

2012 General Fund Budget

	Original Budget	Amendments	Final Budget	Actual
Revenue/other financing sources	$ 456,856	$(27,385)	$ 484,241	$ 784,198
Expenditures/other financing uses	509,092	(24,851)	484,241	482,263

Actual revenues were greater than anticipated budget and actual expenditures/other financing uses were less 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, 2012, amounted to $4,703,721 (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, 2012, the City's purchases for capital assets totaled $3,867,320.

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	**$ 5,683,000**

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, 2013. Budget calculations were based on, but not limited to, the following:

1. **During 2012, the city commissioned an evaluation of the condition of streets within its boundaries. As a result of those findings, the city has budgeted for paving of roadways in 2013, but hopeful that it will be able to delay those expenditures to 2013 or later.**

2. **A long-term general fund loan made in 2009 for administrative and recreational projects continues to be repaid monthly as SPLOST revenues are realized.**

3. **The City expects to expend operational funds to continue in the development of its own storm water management program.**

4. **The city is benefitting from lower costs associated with a second round of refinancing of its greenspace general obligation bonds in 2012.**

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 worked with geotechnical engineers to determine the condition within the dam, develop a repair program and secured significant funding from FEMA and GEMA and intends to repay all if not most of $2.8 million in bonds that were issued for the purpose of repairing the Lake Berkeley dam. During the development of the 2012 budget, council chose to provide for a completion of that project for the most part in 2012. Due to record rainfall, a position of that project was delayed into 2013.**

6. **The city expects to set a millage rate of 2.67 for 2013 in late July based upon the following:**

   a. **stabilization of property values**
   b. **2013 annexation of 99 parcels of residential property; and**
   c. **efforts to increase in the number of businesses within the city limits.**

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
STATEMENTS OF NET ASSETS
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:	$ 791,061	$ -	$ 791,061
Cash and cash equivalents			
Receivables:			
Property taxes	21,238	-	21,238
Other taxes	108,642	-	108,642
Intergovernmental	1,685,443	-	1,685,443
Prepaid items	7,764	-	7,764
Restricted Assets:			
Cash	3,483,324	-	3,483,324
Capital Assets:			
Nondepreciable capital assets	8,712,971	-	8,712,971
Depreciable capital assets, net	1,673,750	-	1,673,750
Total Assets	$ 16,484,193	$ -	$ 16,484,193
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 303,721	$ -	$ 303,721
Retainage Payable	350,365		350,365
Accrued liabilities	63,480	-	63,480
Unearned revenue	18,993	-	18,993
Liabilities payable from:			-
Restricted assets	45,000	-	45,000
Long-Term Liabilities:			-
General obligation bonds payable, (net of current portion)	5,638,000	-	5,638,000
Total Liabilities	6,419,559	-	6,419,559
NET ASSETS			
Invested in capital assets, net of related debt	4,703,721	-	4,703,721
Restricted for:			
Debt service	1,554,238	-	1,554,238
Capital projects	1,929,086	-	1,929,086
Unrestricted	1,877,589	-	1,877,589
Total Net Assets	$ 10,064,634	$ -	$ 10,064,634

The accompanying notes are an integral part of these financial statements

CITY OF BERKELEY LAKE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEBMER 31, 2012

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	Total
Primary government:							
Governmental activities:							
General government	$ 396,162	$ 40,677	$ 78,395	$ 4,207,837	$ 3,930,747	$ -	$ 3,930,747
Public safety	78,593	-	-	-	(78,593)	-	(78,593)
Housing and development	14,200	7,987	-	-	(6,213)	-	(6,213)
Judicial	195	-	-	-	(195)	-	(195)
Public works	118,217	-	-	-	(118,217)	-	(118,217)
Culture and recreation	9,861	-	-	-	(9,861)	-	(9,861)
Health and welfare	-	-	-	-	-	-	-
Interest on long-term debt	182,204	-	-	-	(182,204)	-	(182,204)
Total governmental activities:	$ 799,432	$ 48,664	$ 78,395	$ 4,207,837	$ 3,535,464	$ -	$ 3,535,464
General revenues:							
Property taxes					$ 394,939	$ -	$ 394,939
Insurance premium tax					78,417	-	78,417
Franchise taxes					138,411	-	138,411
Other taxes					45,948	-	45,948
Unrestricted investment earnings					1,746	-	1,746
Miscellaneous revenue/other					63,499	-	63,499
Total general revenues					722,960	-	722,960
Change in net assets					4,258,424	-	4,258,424
Net assets - beginning					5,806,210	-	5,806,210
Net assets - ending					$ 10,064,634	$ -	$ 10,064,634

The accompanying notes are an integral part of these financial statements

CTIY OF BERKELEY LAKE, GEORGIA
BALANCE SHEET
GOVERNMENT FUNDS
DECEMBER 31, 2012

	General	Local Option Sales Tax Capital Projects	Special Purpose Dam Repair/ Reconstruction Capital Projects	Debt Service	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 791,061	$ -	$ -	$ -	$ 791,061
Restricted assets (cash)	11,330	129,715	1,788,041	1,554,238	3,483,324
Receivables, net	129,880	-	-	-	129,880
Prepaid items	7,764	-	-	-	7,764
Due from other funds	253,879	-	-	-	253,879
Due from other governments	-	53,896	1,631,547	-	1,685,443
Total assets	$ 1,193,914	$ 183,611	$ 3,419,588	$ 1,554,238	$ 6,351,351
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 5,384	$ -	$ 298,337	$ -	$ 303,721
Retainage payable	-		350,365		350,365
Accrued liabilities	6,273	-	-	57,207	63,480
Due to other funds	-	253,879	-	-	253,879
Unearned revenue	18,993	-	-	-	18,993
Total liabilities	30,650	253,879	648,702	57,207	990,438
Fund balances:					
Nonspendable:					
Prepaid items	7,764	-	-	-	7,764
Restricted:					
Debt service	-	-	-	1,497,031	1,497,031
Capital projects expenditures	-	-	2,770,886	-	2,770,886
Unassigned, reported in:					
General fund	1,155,500	-	-	-	1,155,500
Capital projects fund	-	(70,268)	-	-	(70,268)
Total fund balances	1,163,264	(70,268)	2,770,886	1,497,031	5,360,913
Total liabilities and fund balances	$ 1,193,914	$ 183,611	$ 3,419,588	$ 1,497,031	

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.	$ 10,386,721
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bonds payable	(5,683,000)
Net assets of governmental activities	$ 10,064,634

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, 2012

	General	Local Option Sales Tax Capital Projects	Special Purpose Dam Repair/ Reconstruction Capital Projects	Debt Service	Total Governmental Funds
Revenues:					
Taxes	$ 322,249	$ -	$ -	$ 361,704	$ 683,953
Licenses and permits	22,425	-	-	-	22,425
Intergovernmental	78,395	299,310	3,908,150	-	4,285,855
Fines and forfeits	-	-	-	-	-
Investment earnings	1,746	377	-	8,802	10,925
Other	54,697	-	-	-	54,697
Total revenues	479,512	299,687	3,908,150	370,506	5,057,855
Expenditures:					
Current:					
General government	334,148	-	-	-	334,148
Public safety	78,593	-	-	-	78,593
Housing and development	14,200	-	-	-	14,200
Judicial	195	-	-	-	195
Public works	45,266	72,951	3,864,030	-	3,982,247
Culture and recreation	9,861	-	-	-	9,861
Health and welfare	-	-	-	-	-
Debt service	-	-	-	362,204	362,204
Total expenditures	482,263	72,951	3,864,030	362,204	4,781,448
Excess (deficiency) of revenues over expenditure	(2,751)	226,736	44,120	8,302	276,407
Other financing sources (uses):					
Bond issuance	-	-	-	1,463,000	1,463,000
Transfers in	304,686	-	75,917	-	380,603
Transfers out	-	-	(15,000)	(365,603)	(380,603)
Total other financing sources (uses)	304,686	-	60,917	1,097,397	1,463,000
Net change in fund balance	301,935	226,736	105,037	1,105,699	1,739,407
Fund balances at beginning of year, restated	861,329	(297,004)	2,665,849	391,332	3,606,506
Fund balances at end of year	$ 1,163,264	$ (70,268)	$ 2,770,886	$ 1,497,031	$ 5,360,913

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, 2012

Net Changes in Fund Balances - Total Governmental Fund:	**$ 1,739,407**
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	**3,867,320**
Depreciation expense	**(65,305)**
Issuance of general obligation bond debt is a source of funds in the governmental funds, but the indebtedness increases long-term liabilities in the statement of net assets.	**(1,463,000)**
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	**180,000**
Change in Net Assets of Governmental Activities	**$ 4,258,424**

See Accompanying Notes to Financial Statements

CITY OF BERKELEY LAKE, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012.

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.

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.

Berkeley Lake Dam Repair/Reconstruction Capital Projects Fund - This fund is used to account for the repair/reconstruction to the dam financed by a general obligation bond issuance.

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 and the General Obligation Bonds, Series 2011 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, 2012.

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 tbe 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 enougb thereafter to be used to pay liabilities of the current fiscal year. For tbe 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. Under GASB 54, the hierarchy of possible classifications of fund balance has been modified and includes nonspendable, restricted, committed, assigned and unassigned. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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 Special Purpose Local Option Sales Tax Capital Projects Fund had a deficit fund balance of $70,268 and $297,004 as of December 31, 2012 and 2011. This was the result of SPLOST project expenditures exceeding actual SPLOST inflows. The transfer of funds from the General Fund during 2009 was restated as an interfund balance for the year ended December 31, 2010. These funds are being restored as SPLOST funds are received.

The beginning fund balance of the City's Dam Repair/Reconstruction Capital Projects Fund was restated resulting from an immaterial accounts payable adjustment.

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.

Note 4 - Deposit and Investment Risk (Continued):

Concentration of Credit Risk

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

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 AAA 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, 2012 was 48 days. At December 31, 2012, the City's balance in Georgia Fund 1 was $1,194.

Note 5. Receivables

Receivables at December 31, 2012, 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, collectability.

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.

	Balance 12/31/11	Additions	Deductions	Balance 12/31/12
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,848,941	$ 3,864,030	$ -	$ 8,712,971
Other capital assets:				
Buildings and improvements	1,770,036	-	-	1,770,036
Machinery and equipment	85,243	-	-	85,243
Furniture and fixtures	69,435	3,290	-	72,725
Computers and peripherals	15,935	-	-	15,935
Total other capital assets	1,940,649	3,290	-	1,943,939
Accumulated depreciation:				
Buildings and improvements	120,640	45,386	-	166,026
Machinery and equipment	45,907	8,165	-	54,072
Furniture and fixtures	30,590	9,140	-	39,730
Computers and peripherals	7,747	2,614	-	10,361
Total accumulated depreciation	204,884	65,305	-	270,189
Governmental activities capital assets, net	$ 6,584,706	$ 3,802,015	$ -	$ 10,386,721

Governmental activities depreciation expense:

General government	$ 65,305

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
2013	$ -	$ 65,860	$ 65,860
2014	140,000	59,892	199,892
2015	150,000	53,599	203,599
2016	165,000	46,764	211,764
2017	175,000	39,386	214,386
2018-2021	820,000	73,996	893,996
	$ 1,450,000	$ 339,497	$ 1,789,497

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

	Balance 12-31-2011	Additions	Payments/ Retirements	Balance 12/31/12
General obligation bond payable	$1,585,000	$ -	$ 135,000	$1,450,000

General Obligation Bonds, Series 2011:

General obligation bonds are direct obligations and pledge the full faith and credit of the City. In June, 2011, the City issued $2,800,000 in general obligation bonds to finance the reconstruction of the City's dam. The repayment of this debt is due in annual installments ranging from $30,000 to $195,000 through 2041 at interest rates ranging from 2.0% to 4.65% per annum.

Note 8 - Changes in Long-Term Debt (Continued):

The debt service requirements to maturity on the General Obligation Bonds, Series 2011 are as follows:

Year Ending December 31	Principal	Interest	Total Debt Service
2013	$ 45,000	$ 111,965	$ 156,965
2014	45,000	111,065	156,065
2015	45,000	110,165	155,165
2016	50,000	109,215	159,215
2017	50,000	107,965	157,965
2018-2022	285,000	515,547	800,547
2023-2027	375,000	458,909	833,909
2028-2032	490,000	373,144	863,144
2033-2037	675,000	245,625	920,625
2038-2041	710,000	68,820	778,820
	$ 2,770,000	$ 2,212,420	$ 4,982,420

Changes in long-term obligations for the Series 2011 obligations are as follows:

	Balance 12-31-11	Additions	Payments/ Retirements	Balance 12/31/12
General obligation bond payable	$ 2,800,000	$ -	$ -	$2,770,000

General Obligation Refunding Bond, Series 2012:

General obligation bonds are direct obligations and pledge the full faith and credit of the city. In December 2012, the City issued $1,463,000 in general obligation bonds to advance refund the City's 2009 General Obligation Refunding Series. The repayment of this new debt is due in annual installments ranging from $141,000 to $227,000 through 2012 at a rate of 2.05% per annum. Regulation dictated that the refunding could not be consummated until January 1, 2013. Consequently, the funds received at year end were deposited into a temporary bank account.

Note 8 - Changes in Long-Term Debt (Continued):

The debt service requirements to maturity on the General Obligation Refund Bond, Series 2012 are as follows:

Year Ending December 31	Principal	Interest	Total Debt Service
2014	$ 141,000	$ 29,992	$ 170,992
2015	151,000	27,101	178,101
2016	166,000	24,006	190,006
2017	177,000	20,603	197,603
2018	187,000	16,974	203,974
2019-2021	641,000	26,795	667,795
	$ 1,463,000	$ 145,471	$ 1,608,471

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.

Note 9 - Other Notes (Continued):

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 agent's 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.

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, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	$253,879

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, 2012 is as follows:

Transfer In	Transfer Out	Amount
Dam Repair/Reconstruction Capital Projects Fund	Debt Service Fund	$ 75,917
General Fund	Debt Service Fund	$304,686
Debt Service Fund	Dam Repair/Reconstruction Capital Projects Fund	$ 15,000

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.

These transfers were based on monies being receipted into different funds on a temporary basis.

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, 2012.

Note 12 - Subsequent Event:

The date through which events occurring after December 31, 2012 has been evaluated for possible adjustment to the financial statements or disclosure is September 23, 2013, which is the date on which the financial statements were available to be issued.

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	$ 372,233	$ 315,629	$ 322,249	$ 6,620
Licenses and permits	15,023	22,387	22,425	38
Intergovermental	-	-	78,395	78,395
Fines and forfeits	-	-	-	-
Investment earnings	3,800	1,700	1,746	46
Miscellaneous	66,000	66,000	54,697	(11,303)
Total revenues	456,856	405,716	479,512	73,796
Expenditures:				
Current:				
General government	341,232	335,202	334,148	1,054
Public safety	79,040	78,424	78,593	(169)
Housing and development	7,983	14,250	14,200	50
Judicial	2,700	195	195	-
Public works	66,636	45,335	45,266	69
Culture and recreation	11,501	10,835	9,861	974
Health and welfare	-	-	-	-
Total expenditures	509,092	484,241	482,263	1,978
Excess of revenues over expenditures	(52,236)	(78,525)	(2,751)	75,774
Other financing sources (uses):				
Transfers in (out)	-	78,525	304,686	226,161
Total other financing sources (uses)	-	78,525	304,686	226,161
Net change in fund balance	$ (52,236)	$ -	301,935	$ 301,935
Fund balances - beginning			861,329	
Fund balances - ending			$ 1,163,264	

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, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ 791,061	$ 409,132
Restricted assets (cash)	11,330	-
Property taxes receivable	21,238	34,200
Other taxes receivable	108,642	74,011
Prepaid items	7,764	7,693
Due from other funds	253,879	372,943
Total assets	$ 1,193,914	$ 897,979
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 5,384	$ 11,857
Accrued liabilities	6,273	9,161
Unearned revenue	18,993	15,632
Total liabilities	30,650	36,650
Fund balance:		
Nonspendable	7,764	7,693
Unassigned	1,155,500	853,636
Total fund balance	1,163,264	861,329
Total liabilities and fund balance	$ 1,193,914	$ 897,979

CITY OF BERKELEY LAKE, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues:		
Taxes	$ 322,249	$ 449,431
Licenses and permits	22,425	12,190
Intergovernmental	78,395	-
Fines and forfeits	-	2,500
Investment earnings	1,746	9,874
Other	54,697	50,909
Total revenues	479,512	524,904
Expenditures:		
Current:		
General government	334,148	365,284
Public safety	78,593	76,161
Housing and development	14,200	5,893
Judicial	195	3,074
Public works	45,266	60,497
Culture and recreation	9,861	9,948
Health and welfare	-	-
Total expenditures	482,263	520,857
Excess (deficiency) of revenues over expenditures	(2,751)	4,047
Other financing sources (uses):		
Transfers in	304,686	-
Transfers out	-	(194,563)
Total other financing sources (uses)	304,686	(194,563)
Net change in fund balance	301,935	190,516
Fund balance at beginning of year	861,329	1,051,845
Fund balance at end of year	$ 1,163,264	$ 861,329

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	$ 372,033	$ 315,629	$ 322,249	$ 6,620
Licenses and permits	15,023	22,387	22,425	38
Intergovernmental	-	-	78,395	78,395
Fines and forfeits	-	-	-	-
Investment earnings	3,800	1,700	1,746	46
Miscellaneous	66,000	66,000	54,697	(11,303)
Total revenues	456,856	405,716	479,512	73,796
Expenditures:				
General government	341,232	335,202	334,148	1,054
Public safety	79,040	78,424	78,593	(169)
Housing and development	7,983	14,250	14,200	50
Judicial	2,700	195	195	-
Public works	66,636	45,335	45,266	69
Culture and recreation	11,501	10,835	9,861	974
Health and welfare	-	-	-	-
Total expenditures	509,092	484,241	482,263	1,978
Excess of revenues over expenditures	(52,236)	(78,525)	(2,751)	75,774
Other financing sources (uses):				
Transfers in (out)	-	78,525	304,686	226,161
Total other financing sources (uses)	-	78,525	304,686	226,161
Net change in fund balance	$ (52,236)	$ -	301,935	$ 301,935
Fund balances - beginning			861,329	
Fund balances - ending			$ 1,163,264	

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.

Berkeley Lake Dam Repair/Reconstruction Capital Projects Fund

This fund is used to account for the repair/reconstruction to the dam financed by a general obligation bond issuance.

CITY OF BERKELEY LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ -	$ -
Restricted assets (cash)	129,715	23,745
Investments	-	-
Taxes receivable	53,896	-
Intergovernmental receivable	-	52,194
Total assets	$ 183,611	$ 75,939
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ -	$ -
Intergovernmental payable	-	-
Accrued liabilities	-	-
Due to other funds	253,879	372,943
Total liabilities	253,879	372,943
Fund balance:		
Restricted	(70,268)	(297,004)
Total fund balance	(70,268)	(297,004)
Total liabilities and fund balance	$ 183,611	$ 75,939

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, 2012 AND 2011

	2012	2011
Revenues:		
Intergovernmental	$ 299,310	$ 263,794
Investment earnings	377	489
	299,687	254,283
Expenditures:	72,951	339,672
Excess of revenues over expenditures	226,736	(85,839)
Other financing sources (uses):		
Operating transfers (net)	-	(8,741)
Total other financing sources (uses)	-	(8,741)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	226,736	(94,130)
Fund balance, January 1	(297,004)	(202,874)
Fund balance, December 31	$ (70,268)	$ (297,004)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	$ 272,472	$ 299,300	$ 299,310	$ 10
Investment earnings	500	350	377	27
	272,972	299,650	299,687	37
Expenditures:	187,183	74,098	72,951	1,177
Excess of revenues over expenditures	85,789	225,552	226,736	1,184
Other financing sources (uses):				
Transfers in(out)	-	(78,525)	-	78,525
Total other financing sources (uses)	-	(78,525)	-	78,525
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ 85,789	$ 147,027	226,736	$ 79,709
Fund balance, January 1			(297,004)	
Fund balance, December 31			$ (70,268)	

DAM REPAIR/RECONSTRUCTION CAPITAL PROJECTS FUND

CITY OF BERKELEY LAKE, GEORGIA
DAM REPAIR/RECONSTRUCTION CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ -	$ -
Restricted assets (cash)	1,788,041	2,650,849
Investments	-	-
Taxes receivable	-	-
Intergovernmental receivable	1,631,547	-
Total assets	$ 3,419,588	$ 2,650,849
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 298,337	$ -
Retainage payable	350,365	-
Accrued liabilities	-	-
Due to other funds	-	-
Total liabilities	648,702	-
Fund balance:		
Restricted	2,770,886	2,650,849
Total fund balance	2,770,886	2,650,849
Total liabilities and fund balance	$ 3,419,588	$ 2,650,849

CITY OF BERKELEY LAKE, GEORGIA
DAM REPAIR/RECONSTRUCTION CAPITAL PROJECTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues:		
Intergovernmental	$ 3,908,150	$ -
Investment earnings	-	-
	3,908,150	-
Expenditures:	3,864,030	-
Excess of revenues over expenditures	44,120	-
Other financing sources (uses):		
Operating transfers (net)	60,917	2,650,849
Total other financing sources (uses)	60,917	2,650,849
Excess of revenues and other financing sources over (under) expenditures and other financing uses	105,037	2,650,849
Fund balance, January 1, restated	2,665,849	-
Fund balance, December 31	$ 2,770,886	$ 2,650,849

CITY OF BERKELEY LAKE, GEORGIA
DAM REPAIR/RECONSTRUCTION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative
Revenues:				
Intergovernmental	$ 3,927,965	$ 3,949,190	$ 3,908,150	$ (41,040)
Investment earnings	-	-	-	-
	3,927,965	3,949,190	3,908,150	(41,040)
	-			
Expenditures:	4,300,380	3,864,000	3,864,030	(30)
Excess of revenues over expenditures	(372,415)	85,190	44,120	(41,070)
Other financing sources (uses):				
Transfers in (out)	-	-	60,917	60,917
Total other financing sources (uses)	-	-	60,917	60,917
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ (372,415)	$ 85,190	105,037	$ -
Fund balance, January 1, restated			2,665,849	
Fund balance, December 31			$ 2,770,886	

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, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ -	$ -
Restricted assets (cash)	1,554,238	448,647
Investments	-	-
Taxes receivable	-	-
Intergovernmental receivable	-	-
Total assets	$ 1,554,238	$ 448,647
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ -	$ -
Intergovernmental payable	-	-
Accrued liabilities	57,207	57,135
Total liabilities	57,207	57,135
Fund balance:		
Restricted	1,497,031	391,332
Total fund balance	1,497,031	391,332
Total liabilities and fund balance	$ 1,554,238	$ 391,332

CITY OF BERKELEY LAKE, GEORGIA
DEBT SERVICE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues:		
Taxes	$ 361,704	$ 298,349
Investment earnings	8,802	846
	370,506	299,195
Expenditures:	362,204	(421,503)
Excess of revenues over expenditures	8,302	(122,308)
Other financing sources (uses):		
Bonds issued for dam repair/reconstruction	1,463,000	2,800,000
Transfers out	(365,603)	(2,447,545)
	-	-
Total other financing sources (uses)	1,097,397	352,455
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1,105,699	230,147
Fund balance, January 1	391,332	161,185
Fund balance, December 31	$ 1,497,031	$ 391,332

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 361,704	$ 361,704	$ 361,704	$ -
Investment earnings	3,000	8,800	8,802	2
	364,704	370,504	370,506	2
Expenditures:	361,204	362,204	362,204	-
Excess of revenues over expendi	3,500	8,300	8,302	2
Other financing sources (uses):				
Transfers in (out)	-	-	(365,603)	< 365603 >
Bonds issued for dam repair/	-	1,463,000	1,463,000	-
Total other financing sour	-	1,463,000	1,097,397	< 365603 >
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ 3500	$ 1,471,000	1,105,699	$ (365601)
Fund balance, January 1			391,332	
Fund balance, December 31			$ 1,497,031	

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, 2012

Function and Activity	Total	Land	Buildings and Improvements	Furniture and Fixtures	Machinery and Equipment	Computers and Peripherals
General Government	$ 10,656,911	$ 8,712,971	$ 1,770,036	$ 72,726	$ 85,243	$ 15,935
Total Capital Assets - Governmental Funds	$ 10,656,911	$ 8,712,971	$ 1,770,036	$ 72,726	$ 85,243	$ 15,935

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, 2012

Function and Activity	Capital Assets - Governmental Funds Jan. 1, 2012	Additions	Deductions	Capital Assets - Governmental Funds Dec. 31, 2012
General Government	$6,789,590	$3,867,321	$ -	$10,656,911
	$6,789,590	$3,867,321	$ -	$10,656,911

CITY OF BERKELEY LAKE, GEORGIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
DECEMBER 31, 2012

	2012	2011
Capital Assets - Governmental Funds		
Land	$ 8,712,971	$ 4,848,940
Buildings and improvements	1,770,036	1,770,036
Furniture and fixtures	72,726	69,435
Machinery and equipment	85,243	85,243
Computers and peripherals	15,935	15,935
Total Capital Assets	$ 10,656,911	$ 6,789,589

Investments in Governmental Funds Capital Assets by Source	2012	2011
General Fund	$ 6,791,249	$ 5,157,008
Capital Projects Fund	3,865,662	1,632
	$ 10,656,911	$ 6,789,589

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, 2012, which collectively comprise the City of Berkeley Lake, Georgia's basic financial statements, and have issued our report thereon dated September 23, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency in 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2012-1, to be a significant deficiency.**

Comment 2012-1

***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 further address this in the 2013 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.

September 23, 2013

CITY OF BERKELEY LAKE, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2012

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Year	Current Year	Total
2004 SPLOST Referendum:					
Streets, Roads & Bridges	$ 741,082	$ 809,000	$ 808,877	$ -	$ 808,877
Recreational Facilities	450,000	490,500	485,283	-	485,283
Administrative Facilities	675,000	736,500	731,040	-	731,040
Total	$ 1,860,000	$ 2,036,000	$ 2,025,200	$ -	$ 2,025,200
2009 SPLOST Referendum:					
Streets, Roads & Bridges	$ 659,128	$ 659,128	$ 385,357	$ 72,951	$ 458,308
Administrative Facilities	988,692	983,457	652,761	-	652,761
Total	$ 1,647,820	$ 1,647,820	$ 1,038,118	$ 72,951	$ 1,111,069

SINGLE AUDIT

A single audit is required of an entity expending more than $500,000 in federal awards. The City of Berkeley Lake has a grant which met the expenditure threshold and is therefore required to have all federal grants audited in accordance with Generally Accepted Government Auditing Standards.

The following are required reports which meet the federal reporting requirements as described in Circular A-133.

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 the City Council
City of Berkeley Lake, Georgia

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the City of Berkeley Lake, Georgia, (the "City") as of and for the year ended December, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 23, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency in internal control over financial reporting weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questions costs, as item 2012-1, to be a significant deficiency.

Compliance and Other Matters

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Simmons & Jamieson, P.C.

Atlanta, Georgia
September 23, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members
of the City Council
City of Berkeley Lake, Georgia

Compliance

We have audited the City of Berkeley Lake, Georgia's (the "City's") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 year ended December 31, 2012. The City's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Simmons Jamison, P.C.

Atlanta, Georgia
September 23, 2013

CITY OF BERKELEY LAKE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Georgia Emergency Management Agency			
Dam Repair/Reconstruction Project	83-516	BEDFLO1	$ 3,864,030
Total Expenditures of Federal Awards			$ 3,864,030

See accompanying note to schedule of expenditures of federal awards

CITY OF BERKELEY LAKE, GEORGIA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

(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 Fund liability is incurred.

In instances where the grant agreement requires the City to match grant awards with City 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.

CITY OF BERKELEY LAKE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements		
Type of auditor's report issued	**Unqualified**	
Internal control over financial reporting: Material weaknesses identified?	**___yes**	**_x_ no**
Significant deficiencies identified not considered to be material weaknesses?	**_x_ yes**	**___ none reported**
Noncompliance material to financial statements noted?	**___yes**	**_x_ no**
Federal Awards		
Internal Control over major programs: material weaknesses identified?	**___yes**	**_x_ no**
Significant deficiencies identified not considered to be material weaknesses?	**_x_ yes**	**___ none reported**
Type of auditor's report issued on compliance for major programs	**Unqualified**	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	**___yes**	**_x_ no**

CITY OF BERKELEY LAKE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I
SUMMARY OF AUDIT RESULTS (CONTINUED)

Identification of major programs/clusters:

CFDA Number	Name of Federal Program or Cluster
83-516	Dam Repair/Reconstruction Grant

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

Auditee qualified as low-risk auditee? ___yes _x_no

CITY OF BERKELEY LAKE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1 **Revenue and Accrued Liability Reporting**

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.**

Condition: **The City is a small entity with limited personnel and resources. The financial statements contain misstatements that, while not considered material, need to be revised and evaluated.**

Effects: **Several audit adjustments that, while not considered material, were of consequence and should have been posted.**

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

Auditee's Response: **We concur with the finding. We will consider taking necessary steps in the future to ensure that all necessary adjustments be made to prevent misstatements.**

CITY OF BERKELEY LAKE, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported.