CITY OF LAKE CITY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

JAMES L. WHITAKER, P.C.

CERTIFIED PUBLIC ACCOUNTANT

SNELLVILLE, GEORGIA 30078

CITY OF LAKE CITY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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JAMES L. WHITAKER, P.C.
Certified Public Accountant
2295 Henry Clower Blvd., Suite 205
Snellville, Georgia 30078
Telephone: 678-205-4438
Fax: 678-205-4449

Member of
The American Institute of
Certified Public Accountants

Member of
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Lake City, Georgia (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Lake City, Georgia, as of December 31, 2011 and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and the Seized Assets Major Special Revenue 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 a report dated June 19, 2012 on our consideration of City of Lake City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Lake City, Georgia. The individual fund statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James L. Whitaker, P.C.

Snellville, Georgia
June 19, 2012

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, we offer readers of the City of Lake City's financial statements this narrative overview and analysis of the financial activities of the City of Lake City for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented in this analysis with their review of the financial statements.

Financial Highlights

- The assets of the City of Lake City exceeded its liabilities at December 31, 2011 by $7,059,635. Of this amount unrestricted net assets of $ 3,760,885 may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net assets increased by $468,030. Of this amount an increase of $467,616 was associated with governmental activities and an increase of $414 was associated with business-type activities.

- As of the close of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of $3,422,358 a decrease of $1,971,585 in comparison with the prior year. Of this amount $3,112,056 is unassigned and available for spending; $39,163 is restricted for Police Activities; $250,000 is assigned for 2012 budget appropriations; and $21,139 is nonspendable and in the form of prepaid expenses.

- At the end of the current year, unassigned fund balance for the general fund was $3,289,182 or 103.9 percent of total General Fund expenditures.

- The City of Lake City's total debt obligations consisted of certificates of participation in the amount of $1,678,288 and revenue bonds in the amount of $2,475,000. The City made $901,165 in principal payments during 2011. The revenue bonds were issued during 2008 to finance capital projects detailed in the special purpose local option sales tax referendum.

- Overall, the City continues to maintain a healthy financial position.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lake City's basic financial statements. The City of Lake City's basic financial statements are comprised of 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.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Lake City's finances, in a manner similar to a private-sector business.

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. 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.

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 of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lake City include general government, public safety and courts, highways and streets, public improvements, parks and recreation, and community development. The business-type activity of the City is solid waste management.

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. All of the funds of the City of Lake City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains three major governmental funds. The City's major governmental funds are the General Fund, the Confiscated Asset Special Revenue Fund and the Special Purpose Local Option Sales Tax Fund (SPLOST). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each major fund. The governmental funds financial statements begin on page 13.

The City of Lake City adopts an annual budget for its General Fund and its Confiscated Assets Fund and a project-length budget for its SPLOST Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the FY 11 budget. The budgetary comparison statements begin on page 17.

Proprietary funds. The City of Lake City maintains one enterprise fund (a component of proprietary funds) to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Solid Waste Management Fund.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Solid Waste Management Fund, which is considered to be a major fund of the City of Lake City.

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 begin on page 23.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements beginning on page 41.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by $7,059,635. The City's net assets reflect its investment in capital assets $3,259,587 (46.2 percent) less related debt, if any. Capital assets are used to provide services to citizens and they are not available for future spending. Of the total net assets of $7,059,635, $39,163 (0.6 percent) is restricted for police activities and $3,760,885 (53.2 percent) is unrestricted.

City of Lake City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 4,205,618	$ 6,630,252	$ 36,844	$ 36,188	$ 4,242,462	$ 6,666,440
Capital assets	7,412,875	5,926,312	-	-	7,412,875	5,926,312
Total assets	11,618,493	12,556,564	36,844	36,188	11,655,337	12,592,752
Current liabilities	431,558	936,080	10,856	10,614	442,414	946,694
Long-term liabilities	4,153,288	5,054,453	-	-	4,153,288	5,054,453
Total liabilities	4,584,846	5,990,533	10,856	10,614	4,595,702	6,001,147
Net assets:						
Invested in capital assets, net of related debt	3,259,587	2,349,637	-	-	3,259,587	2,349,637
Restricted	39,163	41,460	-	-	39,163	41,460
Unrestricted	3,734,897	4,174,934	25,988	25,574	3,760,885	4,200,508
Total net assets	$ 7,033,647	$ 6,566,031	$ 25,988	$ 25,574	$ 7,059,635	$ 6,591,605

A portion of the net assets (.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets ($3,760,885) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake City is able to report positive balances in all three categories of net assets. The same held true for the prior fiscal year.

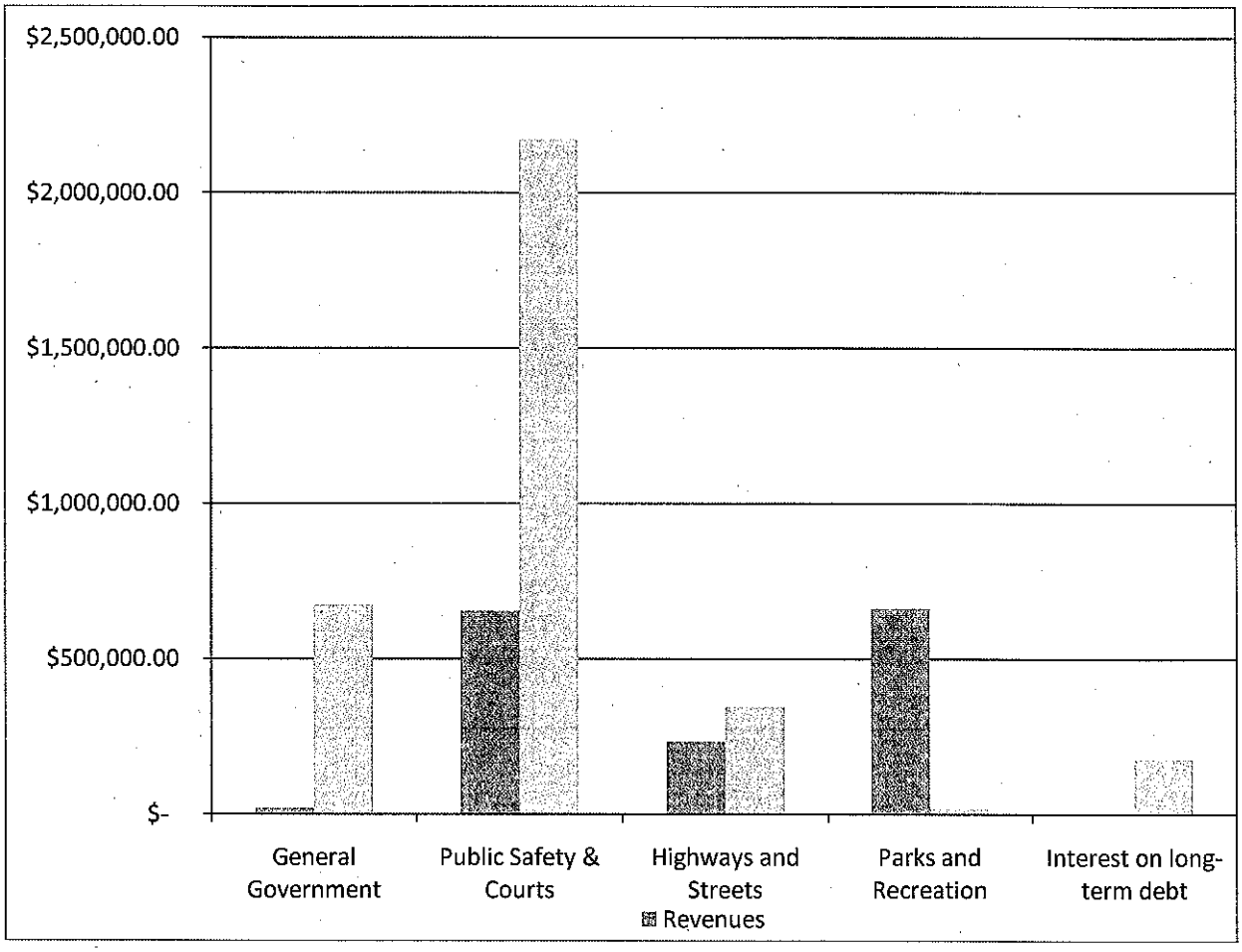
Governmental activities. Governmental activities increased the City's net assets by $467,616. Key elements of this increase are as follows:

City of Lake City's Change in Net Assets
For The Years Ended December 31, 2011 and 2010

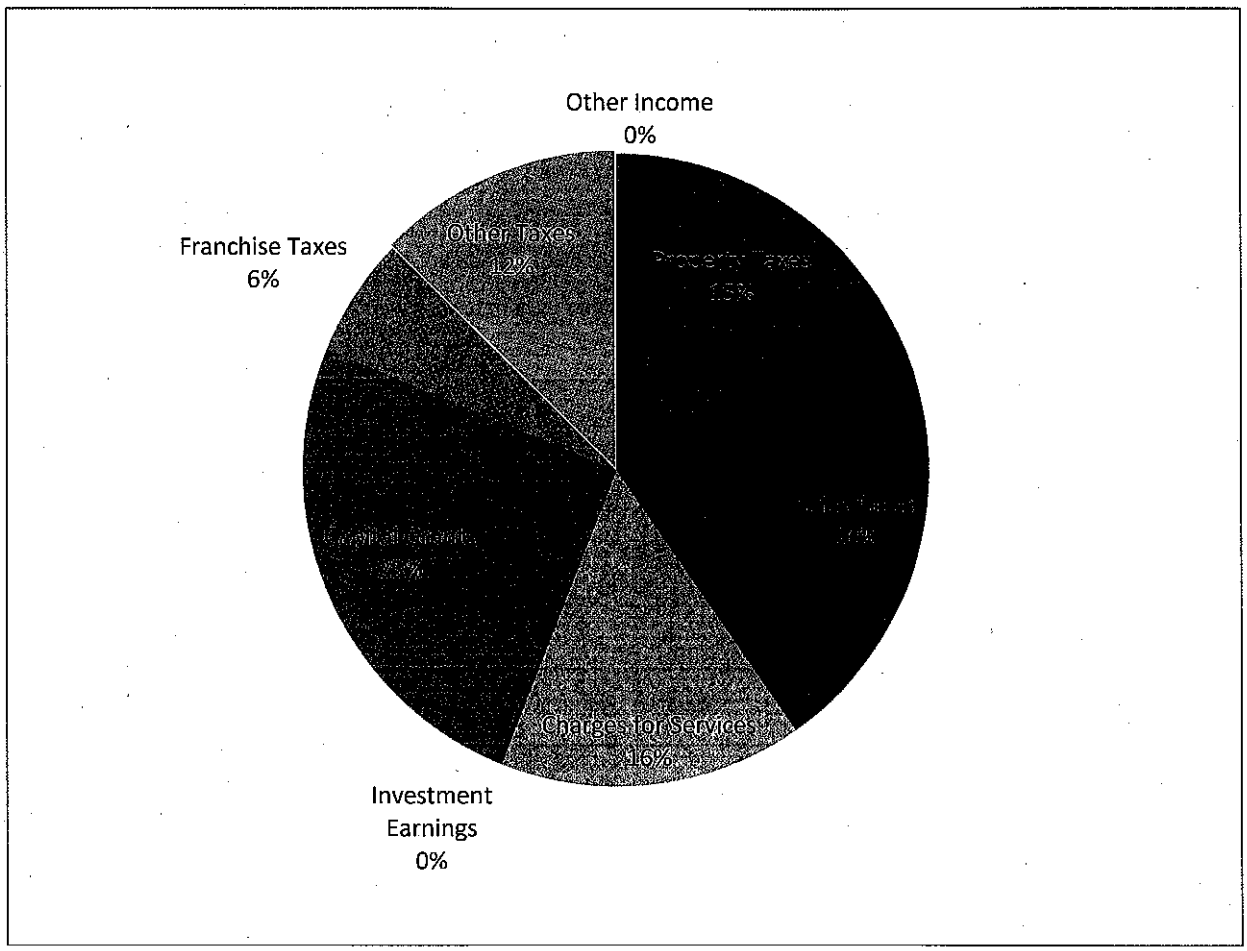
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues -						
Charges for services	$ 606,733	$ 745,795	$ 111,992	$ 113,562	$ 718,725	$ 859,357
Operating grants and contributions	-	12,539	-	-	-	12,539
Capital grants and contributions	963,237	924,543	-	-	963,237	924,543
General Revenues-						
Property taxes	568,645	502,730	-	-	568,645	502,730
Sales taxes	992,410	974,711	-	-	992,410	974,711
Other taxes	725,281	757,081	-	-	725,281	757,081
Interest	11,214	36,051	-	-	11,214	36,051
Other	1,066	1,062	-	-	1,066	1,062
	3,868,586	3,954,512	111,992	113,562	3,980,578	4,068,074
Expenses:						
General government	675,068	758,765	-	-	675,068	758,765
Public safety and courts	2,170,665	2,245,919	-	-	2,170,665	2,245,919
Highways and strees	345,160	399,906	-	-	345,160	399,906
Parks and recreation	18,409	13,753	-	-	18,409	13,753
Interest on long-term debt	178,244	205,379	-	-	178,244	205,379
Solid waste	-	-	125,002	125,199	125,002	125,199
	3,387,546	3,623,722	125,002	125,199	3,512,548	3,748,921
Increase (decrease) in net assets before transfers	481,040	330,790	(13,010)	(11,637)	468,030	319,153
Transfers	(13,424)	(13,677)	13,424	13,677	-	-
Increase (decrease) in net assets	467,616	317,113	414	2,040	468,030	319,153
Net assets - beginning of year	6,566,031	6,248,918	25,574	23,534	6,591,605	6,272,452
Net assets - end of year	$ 7,033,647	$ 6,566,031	$ 25,988	$ 25,574	$ 7,059,635	$ 6,591,605

- Occupational taxes decreased by $8,643 (3.0 percent) while sales taxes increased $17,699 (1.8%) for the year .This was the result of recessionary pressures which drove the revenue down for existing businesses in the City as well as a number of businesses ceasing operations. The slight increase in sales taxes is a function of an up tick in county-wide sales in 2011.
- Property tax revenues increased $65,915 (13.1%). This was a function of the millage rate increasing in 2011 from 5.737 to 7.500. The Ingles center was purchased by Clayton County in 2011 and Clayton Place Apartments was purchased by Clayton State University which will reduce the 2012 tax digest by approximately $12,000,000.
- Fines and related charges decreased $147,639 (20.1%) for the year . This decrease in fines also led to a decrease in municipal court expenditures of approximately $70,000. The primary reason for this reduction was two patrol officer vacancies for the better part of the year. This impacted traffic ticket revenue.
- Overall revenues decreased $85,926 while expenses decreased $236,176. The overall decrease in revenue is a product of several factors. Some of these factors include the overall unemployment rate in the region, unusual officer turnover in the department, and a decrease in businesses in the City. One of the major reasons expenses decreased for 2011 was that in 2010 the City recognized the write-off of capital assets with a book value of $111,973. Other reasons for the decrease in expenses include the retirement of three employees (2 full time and 1 part-time) and 3 tenured officers seeking other employment.

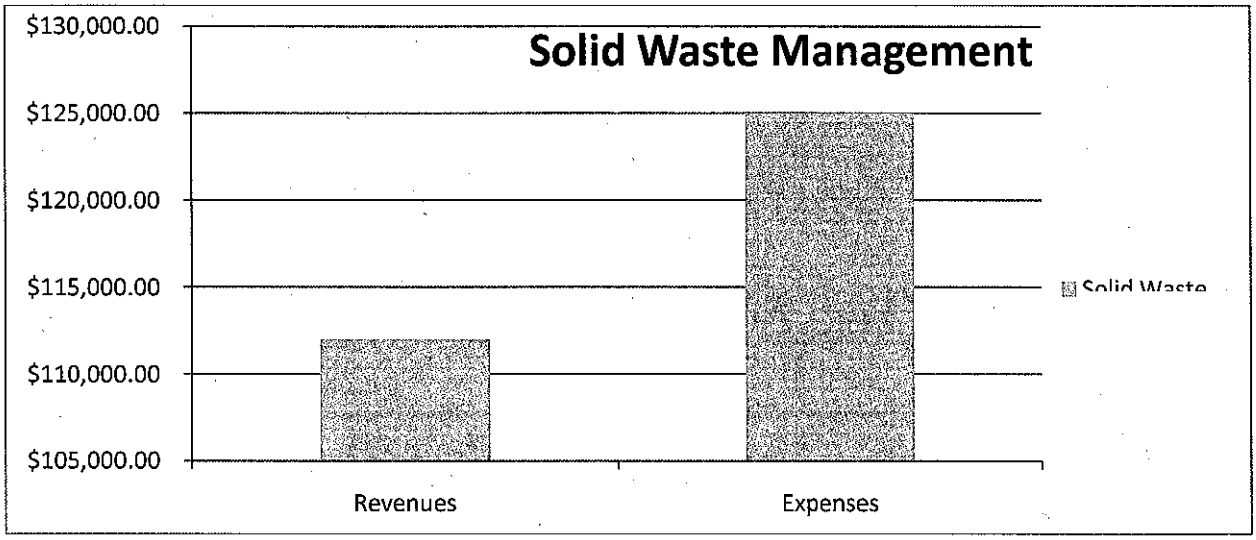
Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities



Business-type activities. Business type activities increased the City's net assets by $414. All though the Solid Waste Management Fund had an operating loss of $13,010, the General Fund transferred $13,424 to the Solid Waste Management Fund to help supplement operations.



Financial Analysis of the Government's Funds

As noted earlier, the City of Lake City used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The purpose of the City's governmental fund financial statements is 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 fiscal year.

At December 31, 2011 the City's governmental funds reported combined ending fund balances of $3,422,358. Of this amount, $3,112,056 (90.9 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because $39,163 is restricted for Police Activities and $21,139 is nonspendable consisting of prepaid expenses.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $3,289,182 while the total fund balance totaled $3,560,321. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 103.9 percent of the total general fund expenditures, while total fund balance represents 112.5 percent of that same amount.

During the current fiscal year the fund balance of the City's general fund decreased by $314,384 as a result of an excess of expenditures over revenues. The decrease was anticipated by the City's management and the funds were budgeted from the City's reserves.

The Confiscated Assets Special Revenue Fund is used to account for court approved forfeitures of assets confiscated by police during investigations of illegal drug activities. The Confiscated Assets Fund's fund balance as of December 31, 2011, was $39,163; all of which is restricted for police activities authorized under state and federal laws.

The SPLOST Fund is used to account for the acquisition and construction of major capital outlays for equipment, facilities and improvements that were approved by the voters of Clayton County, Georgia through the special purpose local option sales tax referendum. The fund is also being used to account for the proceeds from the issuance of revenue bonds in the amount of $4,000,000, the proceeds of which are being used to finance a portion of the cost of SPLOST related projects. The bonds were issued during FY 2008 and the City has spent approximately $6,823,755 on items approved by the SPLOST referendum since inception, including principal and interest payments on the bonds.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The General Fund expenditures for FY 2011 were $3,164,384. This was a decrease of $180,972 which reflects a 5.4% decrease from FY 2010. The predominate reason is that there were fewer expenditures in both the court and police departments. Overall the original budget for expenditures of $3,190,600 was amended to $3,194,100.

The City has minimized growth in employee costs by aggressively marketing insurance plans without reducing benefits; maintaining employee stability and thereby eliminating suits, unemployment claims and the expense of training and equipping new employees.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets at December 31, 2011 amounts to $ 7,412,875 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles, equipment, and parks. Purchases of capital assets during the year included the completion of the new public works building construction costs of $228,667 and parks and recreation improvements design, engineering and construction costs, including a new community center, of $1,513,423. Additional information on the City's capital assets can be found in Note 10 on page 35 of this report.

Long-term debt. At the end of the current fiscal year, the City had $4,153,288 in outstanding debt consisting of the following:

CITY OF LAKE CITY'S OUTSTANDING DEBT

	Balance
Governmental Activities:	
Certificates of Participation	$ 1,678,288
Revenue Bonds	2,475,000
Total Long-Term Debt	$ 4,153,288

The City's total debt decreased by $901,165 which is due to normal debt service payments... Additional information on the City's long-term debt can be found in note 11 on page 36 of this report.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Lake City is approximately $7,339,000 which is significantly in excess of the City of Lake City's outstanding general obligation debt.

Status of the City of Lake City's Economy

- Both Residential and Commercial property values are continuing to exhibit a decrease in value due to the current economic downturn.
- Inflationary trends in the region compare favorably to national indices.
- The occupancy rate of the City's central business district has decreased due to the closure of two major businesses; one being Perimeter Bobcat and the other being the old Ingles. Clayton Place Apartments were sold to the University System of Gergia in 2011 and therefore, we should expect further decreases.
- Sales tax receipts reflect a moderate increase of 1.8 percent or $17,699. Sales tax revenues are a product of the region, Clayton County. These sales reflect revenues from the county, not just the city.

All of these factors were considered in preparing the City of Lake City's budget for F/Y 2012.

Requests for Information

This financial report is designed to provide a general overview of the City of Lake City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (404) 366-8080 or at the following address:

City Administrator
City of Lake City
5455 Jonesboro Road
Lake City, GA 30260

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CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 1,181,787	$ -	$ 1,181,787
Investments	1,639,641	-	1,639,641
Receivables, net			
Taxes	607,771	-	607,771
Accounts	1,506	36,844	38,350
Fines	115,640	-	115,640
Due from other governments	232,926	-	232,926
Prepaid expenses	21,139	-	21,139
Restricted assets -			
Cash	239,681	-	239,681
Investment	71,007	-	71,007
Capital assets -			
Non-depreciable capital assets	1,296,457	-	1,296,457
Other capital assets, net of depreciation	6,116,418	-	6,116,418
Deferred loan cost, net	94,520	-	94,520
Total Assets	11,618,493	36,844	11,655,337
LIABILITIES			
Accounts payable -			
Trade	49,145	10,856	60,001
Capital	110,169	-	110,169
Accrued expenses -			
Salaries	183,434	-	183,434
Interest	67,323	-	67,323
Unearned items	1,750	-	1,750
Bond deposits	19,737	-	19,737
Long-term liabilities -			
Due within one year	932,635	-	932,635
Due in more than one year	3,220,653	-	3,220,653
Total Liabilities	4,584,846	10,856	4,595,702
NET ASSETS			
Invested in capital assets, net of related debt	3,259,587	-	3,259,587
Restricted for:			
Law enforcement activities	39,163	-	39,163
Unrestricted	3,734,897	25,988	3,760,885
Total Net Assets	$ 7,033,647	$ 25,988	$ 7,059,635

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General Government	$ 675,068	$ 19,850	$ -	$ -
Public Safety and Courts	2,170,665	586,185	-	67,728
Highways and Streets	345,160	182	-	233,284
Park Areas	18,409	516	-	662,225
Interest on long-term debt	178,244	-	-	-
Total Governmental Activities	3,387,546	606,733	-	963,237
Business-Type Activities:				
Solid Waste Management	125,002	111,992	-	-
Total Primary Government	$ 3,512,548	$ 718,725	$ -	$ 963,237

General Revenues:
Taxes:
Property taxes
Motor vehicle
Local option sales taxes
Alcohol beverage taxes
Franchise taxes
Business and occupational taxes
Insurance premium taxes
Transfer taxes
Investment earnings
Miscellaneous
Total General Revenues
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets - beginning

Net Assets - ending

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

	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	$ (655,218)	$ -	$ (655,218)
	(1,516,752)	-	(1,516,752)
	(111,694)	-	(111,694)
	644,332	-	644,332
	(178,244)	-	(178,244)
	(1,817,576)	-	(1,817,576)
	-	(13,010)	(13,010)
	(1,817,576)	(13,010)	(1,830,586)
	568,645	-	568,645
	31,600	-	31,600
	992,410	-	992,410
	54,576	-	54,576
	237,738	-	237,738
	278,448	-	278,448
	122,514	-	122,514
	405	-	405
	11,214	-	11,214
	1,066	-	1,066
	2,298,616	-	2,298,616
	(13,424)	13,424	-
	2,285,192	13,424	2,298,616
	467,616	414	468,030
	6,566,031	25,574	6,591,605
	$ 7,033,647	$ 25,988	$ 7,059,635

CITY OF LAKE CITY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
ASSETS				
Cash and cash equivalents	$ 1,181,787	$ -	$ -	$ 1,181,787
Investments	1,639,641	-	-	1,639,641
Receivables -				-
Taxes	607,771	-	-	607,771
Accounts receivable	1,506	-	-	1,506
Fines, net	115,640	-	-	115,640
Due from other funds	571,408	-	-	571,408
Due from other governments	-	-	232,926	232,926
Prepaid expenses	21,139	-	-	21,139
Restricted assets -				
Cash	-	44,900	194,781	239,681
Investments	-	-	71,007	71,007
Interest receivable	-	-	-	-
Total Assets	$ 4,138,892	$ 44,900	$ 498,714	$ 4,682,506
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable -				
Trade	$ 49,145	$ -	$ -	$ 49,145
Capital	-	-	110,169	110,169
Due to other funds	-	5,737	565,671	571,408
Accrued expenses -				
Salaries	183,434	-	-	183,434
Bond deposits	19,737	-	-	19,737
Deferred revenues	326,255	-	-	326,255
Total Liabilities	578,571	5,737	675,840	1,260,148
Fund Balances:				
Nonspendable	21,139			21,139
Restricted -				
Capital outlay	-	-	-	-
Law enforcement activities	-	39,163	-	39,163
Assigned for appropriation for next year's budget	250,000			250,000
Unassigned	3,289,182	-	(177,126)	3,112,056
Total Fund Balances	3,560,321	39,163	(177,126)	3,422,358
Total Liabilities and Fund Balances	$ 4,138,892	$ 44,900	$ 498,714	$ 4,682,506

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

CITY OF LAKE CITY, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances -- total governmental funds	$	3,422,358
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,412,875
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		324,505
Debt issuance cost are considered other financing uses in governmental funds in the year incurred but are deferred costs and are amortized over the life of the related debt in the statement of net assets.		94,520
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of participation		(1,678,288)
Revenue bonds		(2,475,000)
Accrued interest payable		(67,323)
Net assets of governmental activities.	$	7,033,647

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	MAJOR FUNDS			
	GENERAL	SEIZED ASSETS	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	$ 2,214,060	$ -	$ -	$ 2,214,060
Business licenses and permits	17,987	-	-	17,987
Intergovernmental	-	-	963,237	963,237
Charges for services	12,099	-	-	12,099
Fines and forfeitures	590,501	-	-	590,501
Investment income	11,213	-	751	11,964
Miscellaneous	17,564	-	-	17,564
Total Revenues	2,863,424	-	963,988	3,827,412
EXPENDITURES:				
Current -				
General Government	567,791	-	-	567,791
Municipal Court	343,739	-	-	343,739
Public Safety	1,690,515	2,297	-	1,692,812
Highways and Streets	329,340	-	-	329,340
Park Areas	13,108	-	-	13,108
Capital Outlay -				-
General Government	1,299	-	-	1,299
Highways and Streets	-	-	228,668	228,668
Park Areas	4,140	-	1,513,424	1,517,564
Debt Service -				
Principal	126,165	-	775,000	901,165
Interest	88,287	-	101,800	190,087
Total Expenditures	3,164,384	2,297	2,618,892	5,785,573
Excess (deficiency) of revenues over expenditures	(300,960)	(2,297)	(1,654,904)	(1,958,161)
OTHER FINANCING SOURCES (USES):				
Transfers	(13,424)	-	-	(13,424)
Proceeds from revenue bonds	-	-	-	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	(13,424)	-	-	(13,424)
Net change in fund balances	(314,384)	(2,297)	(1,654,904)	(1,971,585)
Fund balances - beginning	3,874,705	41,460	1,477,778	5,393,943
Fund balances - ending	$ 3,560,321	$ 39,163	$ (177,126)	$ 3,422,358

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

CITY OF LAKE CITY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances -- total governmental funds	$	(1,971,585)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		1,746,922
Depreciation expense		(242,800)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property tax		71,586
Fines		(12,854)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Repayments of principal		901,165
Proceeds from debt issues		-
Bond issue cost are considered deferred cost in the statement of net assets and are amortized over the life of the related debt while they are considered other financing uses in governmental funds in the year they are incurred.		
Bond issue costs		-
Amortization costs		(19,103)
Net effect of transactions involving capital assets (sales, dispositions)		(17,559)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the beginning and ending accrued interest payable.		11,844
Change in net assets of governmental activities.	$	467,616

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

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes -				
Property	$ 516,500	$ 668,000	$ 496,369	$ (171,631)
Motor vehicle	40,000	35,500	31,600	(3,900)
Real estate transfer	3,000	3,000	405	(2,595)
Franchise	220,000	230,000	237,738	7,738
Local option sales	950,000	1,030,000	992,410	(37,590)
Alcohol beverage	51,000	55,000	54,576	(424)
Business occupation	285,000	277,000	278,448	1,448
Insurance premium	160,000	123,000	122,514	(486)
Licenses and permits	10,500	14,500	17,987	3,487
Charges for services	7,250	8,250	12,099	3,849
Grants	-	-	-	-
Fines and forfeitures	740,000	595,000	590,501	(4,499)
Investment earnings	19,000	12,500	11,213	(1,287)
Miscellaneous	14,000	14,000	17,564	3,564
Total Revenues	3,016,250	3,065,750	2,863,424	(202,326)
EXPENDITURES:				
Current -				
General government -				
Mayor and council	59,600	59,600	61,971	(2,371)
City administrator	71,750	105,750	110,037	(4,287)
General administration	347,000	285,500	300,033	(14,533)
Building and grounds	81,250	119,250	95,750	23,500
Municipal court	416,500	358,500	343,739	14,761
Public safety -				
Police services	1,349,000	1,352,000	1,315,515	36,485
Fire administration	375,000	375,000	375,000	-
Highways and streets	269,500	315,500	329,340	(13,840)
Park areas	6,000	8,000	13,108	(5,108)
Capital Outlay	-	-	5,439	(5,439)
Debt Service	215,000	215,000	214,452	548
Total expenditures	3,190,600	3,194,100	3,164,384	29,716
Excess of revenues over (under) expenditures	(174,350)	(128,350)	(300,960)	(172,610)
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(13,424)	(13,424)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	(13,424)	(13,424)
Net change in fund balances	(174,350)	(128,350)	(314,384)	(186,034)
Fund balances - beginning	3,874,705	3,874,705	3,874,705	-
Fund balances - ending	$ 3,700,355	$ 3,746,355	$ 3,560,321	$ (186,034)

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

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Confiscations	$ -	$ -	$ -	$ -
Interest income	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES:				
Current -				
Police services	3,000	3,000	2,297	703
Total expenditures	3,000	3,000	2,297	703
Excess of revenues over (under) expenditures	(3,000)	(3,000)	(2,297)	703
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	-	-
Net change in fund balances	(3,000)	(3,000)	(2,297)	703
Fund balances - beginning	41,460	41,460	41,460	-
Fund balances - ending	$ 38,460	$ 38,460	$ 39,163	$ 703

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET ASSETS
SOLID WASTE MANAGEMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current assets		
Receivables-		
Accounts (net)	$ 36,844	$ 36,188
Total current assets	36,844	36,188
Total assets	36,844	36,188
LIABILITIES		
Current liabilities		
Accounts payable	10,856	10,614
Accrued salaries and wages	-	-
Total current liabilities	10,856	10,614
Total liabilties	10,856	10,614
Net Assets		
Unrestricted	25,988	25,574
Total Net Assets	$ 25,988	$ 25,574

See accompanying notes to the basic financial statements

CITY OF LAKE CITY, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Charges for services	$ 111,992	$ 113,562
Miscellaneous	-	-
Total operating revenues	111,992	113,562
OPERATING EXPENSES		
Purchased/contracted services	121,002	120,199
Bad debt	4,000	5,000
Total operating expenses	125,002	125,199
Operating income (loss) before capital contributions and transfers	(13,010)	(11,637)
Transfers	13,424	13,677
Change in net assets	414	2,040
NET ASSETS - BEGINNING	25,574	23,534
NET ASSETS - ENDING	$ 25,988	$ 25,574

See accompanying notes to the basic financial statements

CITY OF LAKE CITY, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers and users	$ 107,336	$ 105,749
Cash paid to suppliers for goods	(120,760)	(119,426)
Cash paid to employees	-	-
Net cash provided from operating activities	(13,424)	(13,677)
Cash flows from investing activities:		
Interest received	-	-
(Purchase) / redemption of investments	-	-
Net cash from investing activities	-	-
Cash flows from non-capital financing activities:		
Transfers	13,424	13,677
Net cash flows from non-capital financing activities	13,424	13,677
Cash flows from capital financing activities:		
Purchase / construction of capital assets	-	-
Net cash flows from capital financing activities	-	-
Net cash flows	-	-
Cash and cash equivalents - beginning	-	-
Cash and cash equivalents - ending	$ -	$ -

See accompanying notes to the basic financial statements

CITY OF LAKE CITY, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2011	2010
Operating income (loss)	$ (13,010)	$ (11,637)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	-	-
Bad debt expense	4,000	5,000
(Increase) decrease in receivables	(4,656)	(7,813)
Increase (decrease) in payables	242	773
Total adjustments	(414)	(2,040)
Net cash from operating activities	$ (13,424)	$ (13,677)

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, if applicable, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, sanitation, culture and recreation, public improvements and general and administrative services.

Governmental Accounting Standards Board Statement No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City.

Blended Component Unit – Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Lake City Governmental Finance Corporation was created by the City's elected officials to provide for the issuance of certificates of participation to finance the construction of the new city administrative and police facilities. Although legally separate, the Lake City Governmental Financial Corporation is blended as a governmental major fund into the primary government. Separate financial statements for the Corporation are not issued. This fund was terminated during 2005 since its purpose for which it had been created had been completed and all proceeds from the certificates of participation had been utilized. However, the obligation for the certificates of participation, for which this entity was created, continues to be included in these financial statements.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

C. Basic Financial Statements—Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Since the City only has four funds, the City considers all of the funds to be major funds.

The government-wide Statement of Net Assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, flow of economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

D. Basic Financial Statements-Fund Financial Statements

The financial transactions of the city are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. Since the City has only four funds, the City considers all the funds to be major funds. The various funds are grouped, in the financial statements in this report, into the following fund types:

Governmental Fund Types – Governmental funds are those through which most governmental functions of the City 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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City's Seized Assets Fund is a special revenue fund used to account for transactions involving confiscated assets.

Capital Projects Fund – Capital Project Funds are used to account for the acquisition and construction of major capital facilities and improvements other than those financed by proprietary funds and trust funds. The SPLOST Fund is used by the City to account for acquisition and construction of major capital facilities that were approved by the voters of Clayton County, Georgia through the special purpose local option sales tax referendum. It also accounts for the proceeds from revenue bonds that are being used for up-front financing of several of the projects approved by the voters.

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows. The City's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity in which a fee is charged to external users for goods or services. The City's only enterprise fund is as follows:

Solid Waste Management Fund – The Solid Waste Management Enterprise Fund is used to account for the revenues generated from the charges for sanitation and recycling services provided to the residential and commercial users of the City. The City applies all applicable FASB pronouncements issued on or before November 30, 1989, in accounting and reporting for its proprietary funds.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, fines, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after year end are recorded as deferred revenues.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

F. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

Fund Financial Statements – All governmental funds are accounted for using a current financial resources measurement focus. 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 on 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 government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Investments

The City's investments consist of certificates of deposit with a maturity date of three months or greater from the date of purchase and the State of Georgia's Georgia Fund 1. For reporting purposes, all investments are recorded at fair value.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

H. Investments - Continued

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2011.

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items in external pools that are not SEC-registered; c) items subject to involuntary participation in an external pool; and, d) items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investments until maturity.

I. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory, if any, in the General and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

J. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond December 31, 2011 are recorded as prepaid items and are expensed during the period benefited.

K. Capital Assets

Capital assets purchased or acquired with an original cost of $3,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-40 years
Machinery and equipment	5-10 years
Office equipment	5-20 years
Vehicles	7-10 years
Infrastructure	10-50 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective with the year GASB 34 is implemented. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signal, etc. The City, in accordance with GASB No. 34 requirements, has elected to record infrastructure assets prospectively. Therefore, infrastructure assets purchased or constructed by the City prior to January 1, 2002, will not be reported as capital assets in the City's financial statements.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

N. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

O. Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

P. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Q. Capitalization of Interest

The City's governmental funds do not capitalize interest cost incurred during the construction period to finance the construction of capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

R. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. Formal budgetary integration is employed as a management control device during the year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator presents a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Any revisions that increase expenditures of any department must be approved by City Council.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Final budget amounts are as amended in September 2011.
6. Unexpended budget appropriations at year-end lapse.

S. 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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City's government-wide statement of net assets reports $39,163 of restricted net assets, all of which are restricted by enabling legislation.

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

(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

T. Fund Equity – Governmental Funds

As of December 31, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of City of Lake City's Council. Lake City's Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of December 31, 2011, fund balances are composed of the following:

	Non-Spendable - Prepaids	Restricted - Police Activities	Assigned - 2012 Budget	Unassigned	Total
General Fund	$ 21,139	$ -	$ 250,000	$ 3,289,182	$ 3,560,321
Seized Assets Fund	-	39,163	-	-	39,163
SPLOST Fund	-	-	-	(177,126)	(177,126)
Total	$ 21,139	$ 39,163	$ 250,000	$ 3,112,056	$ 3,422,358

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditures is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

U. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(See Independent Auditor's Report)

2. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of December 31, 2011, $878,049 of the City's bank balance of $1,516,040 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 162,176
Collateralized with securities held by the pledging financial institution or its agent	715,873
Total	$ 878,049

Investments

The City's financial policies authorize investment in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, the legal government investment pool established by state law, direct and agency obligations of the State of Georgia, and direct obligations issued or guaranteed by the U.S. Government or by a government agency of the United States.

A portion of the City's investments as of December 31, 2011 consisted of a certificate of deposit of $71,007 and is included in the deposit information above. Other investments as of December 31, 2011 were as follows:

Investments	Maturities	Fair Value
Georgia Fund 1	41 days average	$ 1,639,641
		$ 1,639,641

As of December 31, 2011, the City's investment in the Georgia Fund 1 was rated AAAm by Standard and Poor's.

"Georgia Fund 1" created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. 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. The fund is managed by the Georgia Office of the State Treasury (OST). OST is guided by the policies of the State Depository Board and OCGA 55-17-2 and 50-17-63.

(See Independent Auditor's Report)

3. PROPERTY TAX

Property taxes become the obligation of the property owner as of January 1. Taxes were levied in September 13 and were due and payable on or before December 20, and penalties and interest may be assessed if not paid by this date. The City bills and collects its own property taxes.

In 1995, a local option sales tax was implemented. Proceeds from this tax are remitted to the City on a monthly basis and are utilized to give property owners tax relief. Total revenues recognized from sales taxes in 2011 amount to $992,410. Property tax revenues amounted to $568,645 at the government-wide level for the year ended December 31, 2011. Property taxes receivable as of December 31, 2011 was $290,522.

4. RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Solid Waste	Total
Taxes	$ 607,771	$ -	$ 607,771
Accounts	1,506	105,844	107,350
Fines	300,640	-	300,640
Gross Receivables	909,917	105,844	1,015,761
Less: Allowance for Uncollectibles	(185,000)	(69,000)	(254,000)
Total	$ 724,917	$ 36,844	$ 761,761

5. FINES AND FORFEITURES (NET OF ALLOWANCE)

The City entered into a contract with Professional Probation Services, Inc. to coordinate and provide direct probation and rehabilitation programs and services to offenders sentenced by and under the jurisdiction of the court. Court-ordered fines, restitution, and costs will be collected and paid to the court on a monthly basis. The City shall not be obligated for any fees accrued to Professional Probation Services, Inc.

(See Independent Auditor's Report)

6. POLICE BAIL BOND DEPOSITS

Police bail bonds of $19,737, shown as a liability, represent money that has been paid in advance for court cases which have not been heard as of December 31, 2011.

7. INTER-FUND TRANSACTIONS

The following is a summary of interfund receivable and payable balances as of December 31, 2011:

	Payable From		
Payable To	Seized Assets	Splost	Total
General Fund	$ 5,737	$ 565,671	$ 571,408
Total	$ 5,737	$ 565,671	$ 571,408

As of December 31, 2011, the Seized Assets Fund owed the General Fund $5,737 and the SPLOST Fund owed the General Fund $565,671 for payment of items that were eligible to be paid out of the respective accounts and will eventually be repaid to the General Fund.

The following is a summary of interfund transfers for the year ended December 31, 2011:

	Transfer From	
Transfer To	General Fund	Total
Solid Waste Management	$ 13,424	$ 13,424
Total	$ 13,424	$ 13,424

The City uses one bank account that is reported in the City's General Fund to process the General Fund and the Solid Waste Management Fund's cash receipts and disbursements. As a result, when the General fund receives revenues or pays expenditures for the Solid Waste Management Fund, the entry is made to the corresponding transfer account, unless the monies are to be repaid. Therefore, most of the above transfers to the Solid Waste Fund are for the net cash flows of the Solid Waste Fund.

8. LITIGATION:

At present, the City's management is not aware of any pending or threatened litigation that would have a material financial effect on the City's financial condition.

(See Independent Auditor's Report

9. CITY OF MORROW FIRE PROTECTION

The City is under a ten-year contract with the City of Morrow to provide the City of Lake City with fire protection. Pursuant to the contract which was renewed in 2011, the City of Lake City pays a monthly charge, for such services of $31,250 over the next five years and then the monthly rate increases 2.5% each year from 2015 through 2020. For the year ended December 31, 2011 the City paid the City of Morrow $375,000 for fire protection.

10. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,070,360	$ -	$ (17,559)	$ 1,052,801
Construction in progress	1,958,715	1,742,091	(3,457,150)	243,656
Total capital assets, not being depreciated	3,029,075	1,742,091	(3,474,709)	1,296,457
Capital assets being depreciated:				
Buildings	2,530,936	615,766	-	3,146,702
Improvements other than buildings	355,634	2,841,384	-	3,197,018
Other machinery and equipment	618,144	-	-	618,144
Office equipment	265,551	4,831	-	270,382
Vehicles	636,680	-	-	636,680
Total capital assets being depreciated	4,406,945	3,461,981	-	7,868,926
Less accumulated depreciation for:				
Buildings	590,107	63,273	-	653,380
Improvements other than buildings	90,661	9,873	-	100,534
Other machinery and equipment	288,414	65,325	-	353,739
Office equipment	179,346	30,435	-	209,781
Vehicles	361,180	73,894	-	435,074
Total accumulated depreciation	1,509,708	242,800	-	1,752,508
Total capital assets being depreciated, net	2,897,237	3,219,181	-	6,116,418
Governmental capital assets, net	$ 5,926,312	$ 4,961,272	$ (3,474,709)	$ 7,412,875

(See Independent Auditor's Report)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

General government	$ 86,874
Public safety	134,114
Highways and streets	15,820
Park areas	5,992
Total depreciation expense	$ 242,800

11. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Certificates of Participation	$ 1,804,453	$ -	$ (126,165)	$ 1,678,288	$ 132,635
Revenue Bonds	3,250,000	-	(775,000)	2,475,000	800,000
Total Long-Term Liabilities	$ 5,054,453	$ -	$ (901,165)	$ 4,153,288	$ 932,635

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities. However, the SPLOST Fund will be used to liquidate the revenue bonds.

Certificates of Participation

During 2001, the City entered into a lease-purchase agreement with the Lake City Governmental Finance Corporation to finance the costs of the new administrative and police facilities and related furnishings and equipment. Certificates of Participation in the amount of $2,647,143 were issued in connection with the lease purchase agreement. The interest rate associated with the certificates of participation is 5.1%. Principal and interest are payable in February of each year and interest is due in August of each year until the final payment in August, 2021.

Revenue Bonds

In April, 2009 the City Council approved the issuance of revenue bonds in the amount of $4,000,000. Proceeds from the bond issue are to finance all or a portion of the cost of (i) certain of the capital outlay projects identified in the SPLOST referendum approved by the voters of Clayton County in February, 2011, (ii) capitalization interest on the bond and (iii) issuing the bond. The interest rate associated with the bond is 3.07%. Principal and interest are payable in February and August of each year until the final payment in August, 2014. The purpose of issuing the bond was to begin land acquisition and to take advantage of reduced construction costs.

11. LONG-TERM DEBT – (Continued)

The City has pledged a portion of future special purpose local option sales tax (SPLOST) revenues to repay the $4,000,000 in revenue bonds. The bonds are payable solely from the City's portion of SPLOST revenues generated by retail sales in the County. SPLOST revenues were projected to produce $6.4 million or 141 percent of the debt service requirements over the life of the bond. Total principal and interest remaining on the bond is $2,628,498, payable through August, 2014. For the current year, interest paid was $101,800. SPLOST taxes started being collected in July, 2009.

Annual debt service requirements to maturity for the above debt, including interest of $614,572, are as follows:

F/Y/E DEC. 31	Certificates of Participation		Revenue Bonds	
	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL
2012	$ 81,959	$ 132,635	$ 75,982	$ 800,000
2013	74,850	139,437	51,422	825,000
2014	67,601	146,588	26,094	850,000
2015	59,982	154,104		
2016	52,101	162,007		
2017	43,549	170,316		
2018	34,696	179,050		
2019	25,388	188,232		
2020	15,631	197,885	-	-
2021	5,317	208,034	-	-
TOTALS	$ 461,074	$ 1,678,288	$ 153,498	$ 2,475,000

12. DEFERRED COST

Deferred cost as of December 31, 2011, consists of the following:

Debt issuance cost, net of accumulated amortization of $114,699	$ 94,520

Bond issuance cost are considered other financing uses in governmental funds in the year incurred but are deferred costs and are amortized over the life of the related debt in the Statement of Net Assets. Debt issuance costs are being amortized using the straight line method over the life of the related debt issue.

(See Independent Auditor's Report)

13. RISK MANAGEMENT

The City of Lake 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 together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risks pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agent and attorneys 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 funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:	
Buildings and Contents (Blanket)	$ 3,339,488
Automobile Physical Damage	Per Application on file with GIRMA
COVERAGE DESCRIPTION – CASUALTY:	
Comprehensive General Liability	$ 2,000,000
Automobile Liability	$ 1,000,000
Errors and Omissions (Public Officials) Liability	$ 2,000,000
Employees Benefits Liability	$ 2,000,000
COVERAGE DESCRIPTION – CRIME	
Blanket Bond	$ 500,000
Depositors Forgery	$ 500,000
Money and Securities – Loss Inside and Outside the Premises	$ 500,000
DEDUCTIBLE:	
All coverages are subject to a per occurrence deductible of	$ 1,000

COVERAGE EXCEPTIONS: None

COVERAGE SUBJECT TO A RETROACTIVE DATE:
Coverages for public officials and employee benefit liabilities are subject to retroactive date of 5/1/97.

(See Independent Auditor's Report)

14. EMPLOYEE BENEFIT PLANS:

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Principal Financial Group. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is mandatory.

DEFINED CONTRIBUTION PLAN

As authorized by City Council, the City provides pension benefits for all of its full-time employees through a defined contribution plan, City of Lake City Pension Plan. Under the terms of the plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by the Principal Financial Group. A complete report of the pension plan can be obtained from the City's Clerk's office.

The City's contribution to the plan depends upon each participant's salary reduction amount under the Deferred Compensation Plan. The City will match all contributions by the employees up to 5% of each participant's compensation. The contribution requirements of the City and other plan provisions are established and may be amended by the City Council.

During the year, employees contributed $66,818, equal to 4.9% of eligible salaries. Total employer matching contribution for the year ended December 31, 2011 amounted to $55,925 or 4.1% of eligible salaries. Eligible salaries for the year amounted to $1,362,810. Gross salaries for the year amounted to $1,460,462. Matching contributions are subject to the following vesting schedule:

Years of Service	Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Investments are managed by the plan's trustee under one of three investment options, or a combination thereof. The participant makes the choice of the investment option(s).

(See Independent Auditor's Report)

15. JOINT VENTURE

Under Georgia law, the city, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The ARC Board membership includes the chief elected official of each county, one representative for all the cities in a member county and 15 citizen representatives. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

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

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures, as a part of the combined statements - overview, of certain information concerning individual funds including-

A. Deficit fund balances or retained earnings balances of individual funds – The SPLOST Fund had a negative fund balance as of December 31, 2011 of $177,126. The deficit is expected to be funded by future SPLOST revenues and transfers from the General Fund.

B. Excess of revenues and expenditures over (under) appropriations in individual funds are as follows:
For the year ended December 31, 2011, none of the City's individual funds had expenditures that exceeded its respective appropriations. However, the City's General Administrative departmental expenditures materially exceeded its respective appropriations by $14,533. Material excesses are considered to have occurred if expenditures exceed appropriations by factors of over 5 percent and greater than $10,000. Management intends to diligently monitor the City's budget on a monthly basis to avoid future budget overages.

(See Independent Auditor's Report)

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GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 1,181,787	$ 350,965
Investments	1,639,641	2,386,556
Accounts receivable:		
Taxes	607,771	509,626
Fines and forfeitures, net of allowance of $199,000 in 2011 and $185,000 in 2011	115,640	126,858
Other	1,506	2,053
Due to other funds	571,408	931,916
Prepaid expenses	21,139	51,591
Total Assets	$ 4,138,892	$ 4,359,565
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable - Trade	$ 49,145	$ 45,008
Accrued salaries	183,434	162,129
Accrued expenditures	-	260
Bond deposits	19,737	11,691
Deferred revenues	326,255	265,772
Total Liabilities	578,571	484,860
FUND EQUITY:		
Fund balance-		
Nonspendable	21,139	51,591
Assigned for appropriation for next years budget	250,000	250,000
Unassigned	3,289,182	3,573,114
Total Fund Equity	3,560,321	3,874,705
Total Liabilities and Fund Equity	$ 4,138,892	$ 4,359,565

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES - BY DEPARTMENT
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
REVENUES:		
Taxes	$ 2,214,060	$ 2,204,205
Business licenses and permits	17,987	11,513
Intergovernmental	-	12,539
Charges for services	12,099	7,698
Fines and forfeitures	590,501	705,885
Investment income	11,213	5,738
Miscellaneous	17,564	271
Total Revenues	2,863,424	2,947,849
EXPENDITURES:		
Current -		
General Government	567,791	536,185
Municipal Court	343,739	407,655
Public Safety	1,690,515	1,682,382
Highways and Streets	329,340	387,496
Park Areas	13,108	8,031
Debt Service	214,452	214,804
Capital Outlay -		
General Government	1,299	5,130
Municipal Court	-	-
Police Services	-	61,218
Highways and Streets	-	42,455
Park Areas	4,140	-
Total Expenditures	3,164,384	3,345,356
Excess of Revenues Over (Under) Expenditures	(300,960)	(397,507)
Other Financing Sources (Uses):		
Transfers	(13,424)	(13,677)
Sale of capital assets	-	3,427
Total Other Financing Sources (Uses)	(13,424)	(10,250)
Change in Fund Balance	(314,384)	(407,757)
Fund Balance - Beginning of Year	3,874,705	4,282,462
Fund Balance - End of year	$ 3,560,321	$ 3,874,705

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CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011			2010
	Final Budget	Actual	Variance	Actual
Taxes:				
Property taxes	$ 668,000	$ 496,369	$ (171,631)	$ 471,981
Motor vehicle	35,500	31,600	(3,900)	35,622
Real estate transfer	3,000	405	(2,595)	289
Franchise -				
Atlanta Gas Light	18,000	17,501	(499)	17,231
Georgia Power	185,000	197,990	12,990	185,103
AT&T	15,000	10,058	(4,942)	12,039
Cable TV	12,000	12,189	189	11,453
Other	-	-	-	-
Local option sales	1,030,000	992,410	(37,590)	974,711
Beer and wine	54,000	53,109	(891)	51,985
Consumption	1,000	1,467	467	1,341
Business occupation	277,000	278,448	1,448	287,091
Insurance premium	123,000	122,514	(486)	155,359
Licenses and Permits -				
Business licenses	5,000	6,750	1,750	5,250
Building permits	9,500	10,522	1,022	5,953
Other permits	-	715	715	310
Grants:				
Federal - Police	-	-	-	-
State - DOT	-	-	-	12,539
Services:				
Other	8,250	12,099	3,849	7,698
Fines and Forfeitures	595,000	590,501	(4,499)	705,885
Investment income	12,500	11,213	(1,287)	5,738
Miscellaneous	14,000	17,564	3,564	271
Total Revenues	$ 3,065,750	$ 2,863,424	$ (202,326)	$ 2,947,849

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011			2010
	Final Budget	Actual	Variance	Actual
General Government:				
Governing Body -				
Personal services	$ 52,100	$ 52,012	$ 88	$ 51,672
Purchased/contracted services	7,500	9,824	(2,324)	8,563
Supplies	-	135	(135)	1,857
City Administrator -				
Personal services	105,000	109,072	(4,072)	122,017
Purchased/contracted services	250	249	1	160
Supplies	500	716	(216)	556
Contingency	-	-	-	-
General Administration -				
Personal services	112,000	113,487	(1,487)	112,307
Purchased/contracted services	160,500	167,348	(6,848)	142,442
Supplies	13,000	15,139	(2,139)	11,751
Other	-	4,059	(4,059)	7,115
Contingency	-	-	-	-
Buildings and Grounds -				
Purchased/contracted services	51,000	49,189	1,811	44,753
Supplies	43,250	46,561	(3,311)	32,992
Contingency	25,000	-	25,000	-
Total General Government	570,100	567,791	2,309	536,185
Municipal Court -				
Personal services	103,000	108,033	(5,033)	102,008
Purchased/contracted services	60,500	66,385	(5,885)	64,523
Supplies	1,000	1,008	(8)	1,041
Other costs	184,000	168,313	15,687	240,083
Contingency	10,000	-	10,000	-
Total Municipal court	358,500	343,739	14,761	407,655
Public Safety:				
Police Services -				
Police Administration -				
Personal services	160,500	170,486	(9,986)	153,408
Purchases/contracted services	19,500	925	18,575	1,445
Supplies	-	-	-	-
Other	-	15,117	(15,117)	16,528
Contingency	70,000	-	70,000	-
Crime Control -				
Personal services	152,500	154,802	(2,302)	154,758
Purchased/contracted services	-	-	-	-
Supplies	2,500	20	2,480	542
Traffic Control -				
Personal services	819,000	842,728	(23,728)	853,750
Purchased/contracted services	39,500	38,595	905	44,965
Supplies	86,500	89,678	(3,178)	72,637
Other	2,000	3,164	(1,164)	4,862
Total Police Services	1,352,000	1,315,515	36,485	1,302,895

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011			2010
	Final Budget	Actual	Variance	Actual
Fire Services -				
Purchased/contracted services	$ 375,000	$ 375,000	$ -	$ 379,487
Total Public Safety	1,727,000	1,690,515	36,485	1,682,382
Highways and Streets:				
Personal services	230,500	242,607	(12,107)	249,026
Purchased/contracted services	18,000	30,130	(12,130)	91,666
Supplies	52,000	55,532	(3,532)	46,804
Other	15,000	1,071	13,929	-
Total Highways and Streets	315,500	329,340	(13,840)	387,496
Parks Areas:				
Purchased/contracted services	5,500	9,665	(4,165)	3,735
Supplies	2,500	3,443	(943)	4,296
Total Parks	8,000	13,108	(5,108)	8,031
Debt Service:				
Principal	126,000	126,165	(165)	120,011
Interest	89,000	88,287	713	94,793
Total Debt Service	215,000	214,452	548	214,804
Capital Outlay:				
General Administration	-	1,299	(1,299)	5,130
Buildings and Grounds	-	-	-	-
Municipal Court	-	-	-	-
Police Services	-	-	-	61,218
Highways and Streets	-	-	-	42,455
Park Areas	-	4,140	(4,140)	-
Total Capital Outlay	-	5,439	(5,439)	108,803
Total Expenditures	$ 3,194,100	$ 3,164,384	$ 29,716	$ 3,345,356

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SPECIAL REVENUE FUND

SEIZED ASSETS FUND – Funds of this type are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Seized Assets Fund accounts for confiscated funds revenue that is legally restricted to expenditures for law enforcement activities.

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2011 AND 2010

Assets	2011	2010
Cash - restricted	$ 44,900	$ 44,900
Due from other funds	-	-
Total assets	$ 44,900	$ 44,900
Liabilities and Fund Balance		
Liabilities		
Due to other funds	$ 5,737	$ 3,440
Total Liabilities	5,737	3,440
Fund Balance		
Restricted for law enforcement activities	39,163	41,460
Total liabilities and fund balance	$ 44,900	$ 44,900

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues		
Fines and forfeitures	$ -	$ 6,876
Interest income	-	58
Total Revenues	-	6,934
Expenditures		
Current -		
Public safety-		
Purchased/contracted services	2,297	4,064
Total Expenditures	2,297	4,064
Excess (deficiency) of revenues over (under) expenditures.	(2,297)	2,870
Fund balance-		
Beginning of year	41,460	38,590
End of year	$ 39,163	$ 41,460

CAPITAL PROJECTS FUND

SPLOST FUND – This fund is used to account for acquisition and construction of major capital facilities that were approved by the voters of Clayton County, Georgia through the special purpose local option sales tax referendum.

CITY OF LAKE CITY, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2011 AND 2010

Assets	2011	2010
Cash	$ -	$ -
Due from Clayton County	232,926	175,870
Restricted assets -		
Cash	194,781	2,868,119
Investments	71,007	-
Interest receivable	-	91
Total assets	$ 498,714	$ 3,044,080
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 110,169	$ 635,370
Accrued payroll	-	2,456
Accrued expenditures	-	-
Due to other funds	565,671	928,476
Total Liabilities	675,840	1,566,302
Fund Balance		
Restricted for construction purposes	(177,126)	1,477,778
Total liabilities and fund balance	$ 498,714	$ 3,044,080

CITY OF LAKE CITY, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues:		
Intergovernmental	$ 963,237	$ 924,543
Interest earned	751	30,256
Total Revenues	963,988	954,799
Expenditures:		
Capital -		
Public Safety	-	149,930
Public Works	228,668	362,479
Parks	1,513,424	1,002,809
Debt Service -		
Principal	775,000	750,000
Interest	101,800	124,506
Total Expenditures	2,618,892	2,389,724
Excess (deficiency) of revenues over (under) expenditures.	(1,654,904)	(1,434,925)
Other financing sources (uses):		
Proceeds from revenue bonds	-	-
Transfers	-	-
Total other financing sources (uses)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,654,904)	(1,434,925)
Fund balance-		
Beginning of year	1,477,778	2,912,703
End of year	$ (177,126)	$ 1,477,778

CITY OF LAKE CITY, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - PROJECT LENGTH BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES:				
Intergovernmental	$ 1,524,147	$ 963,237	$ 2,487,384	$ 6,400,000
Interest	156,494	751	157,245	200,000
Total Revenues	1,680,641	963,988	2,644,629	6,600,000
EXPENDITURES:				
Capital outlay -				
Public safety	506,494	-	506,494	450,000
Public works building	387,098	228,668	615,766	750,000
Highways & streets	-	-	-	800,000
Parks	2,204,970	1,513,424	3,718,394	4,400,000
Debt service -				
Debt issue costs	80,000	-	80,000	80,000
Principal	750,000	775,000	1,525,000	4,000,000
Interest	276,301	101,800	378,101	579,335
Total Expenditures	4,204,863	2,618,892	6,823,755	11,059,335
Excess of revenues over (under) expenditures	(2,524,222)	(1,654,904)	(4,179,126)	(4,459,335)
OTHER FINANCING SOURCES (USES):				
Transfers	2,000	-	2,000	459,335
Proceeds from revenue bonds	4,000,000	-	4,000,000	4,000,000
Total Other Financing Sources (Uses)	4,002,000	-	4,002,000	4,459,335
Net Change in fund balance	$ 1,477,778	(1,654,904)	$ (177,126)	$ -
Fund balances - beginning		1,477,778		
Fund balances - ending		$ (177,126)		

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