CITY OF LAKE CITY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012

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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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly , in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Lake City, Georgia, as of December 31, 2012 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 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The individual fund financial statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 12, 2013 on our consideration of City of Lake City, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Lake City, Georgia's internal control over financial reporting and compliance.

James L. Whitaker, P.C.

Snellville, Georgia
June 12, 2013

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, 2012. 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, 2012 by $7,703,041. Of this amount unrestricted net position of $3,088,399 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by $737,926. Of this amount an increase of $744,562 was associated with governmental activities and a decrease of $6,636 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 $2,856,831 a decrease of $565,527 in comparison with the prior year. Of this amount $2,799,815 is unassigned and available for spending; $35,863 is restricted for Police Activities; and $21,153 is nonspendable and in the form of prepaid expenses.
- At the end of the current year, unassigned fund balance for the general fund was $3,002,975 or 93.6 percent of total General Fund expenditures.
- The City of Lake City's total debt obligations consisted of certificates of participation in the amount of $1,545,653 and revenue bonds in the amount of $1,675,000. The City made $932,635 in principal payments during 2012. 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 position presents information on all of the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Seized Assets 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 Seized 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 12 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 position may serve over time as a useful indicator of a government's financial position. At December 31, 2012, the City's assets exceeded liabilities by $7,703,041. The City's net position reflect its investment in capital assets $4,578,779 (59.4 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 position of $7,703,041, $35,863 (0.5 percent) is restricted for police activities and $3,088,399 (40.1 percent) is unrestricted.

City of Lake City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 3,460,665	$ 4,205,618	$ 30,653	$ 36,844	$ 3,491,318	$ 4,242,462
Capital assets	7,799,432	7,412,875	-	-	7,799,432	7,412,875
Total assets	11,260,097	11,618,493	30,653	36,844	11,290,750	11,655,337
Current liabilities	355,755	431,558	11,301	10,856	367,056	442,414
Long-term liabilities	3,220,653	4,153,288	-	-	3,220,653	4,153,288
Total liabilities	3,576,408	4,584,846	11,301	10,856	3,587,709	4,595,702
Net Position:						
Invested in capital assets, net of related debt	4,578,779	3,259,587	-	-	4,578,779	3,259,587
Restricted	35,863	39,163	-	-	35,863	39,163
Unrestricted	3,069,047	3,734,897	19,352	25,988	3,088,399	3,760,885
Total Net Position	$ 7,683,689	$ 7,033,647	$ 19,352	$ 25,988	$ 7,703,041	$ 7,059,635

A portion of the net position (.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position ($3,088,399) 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 position. The same held true for the prior fiscal year.

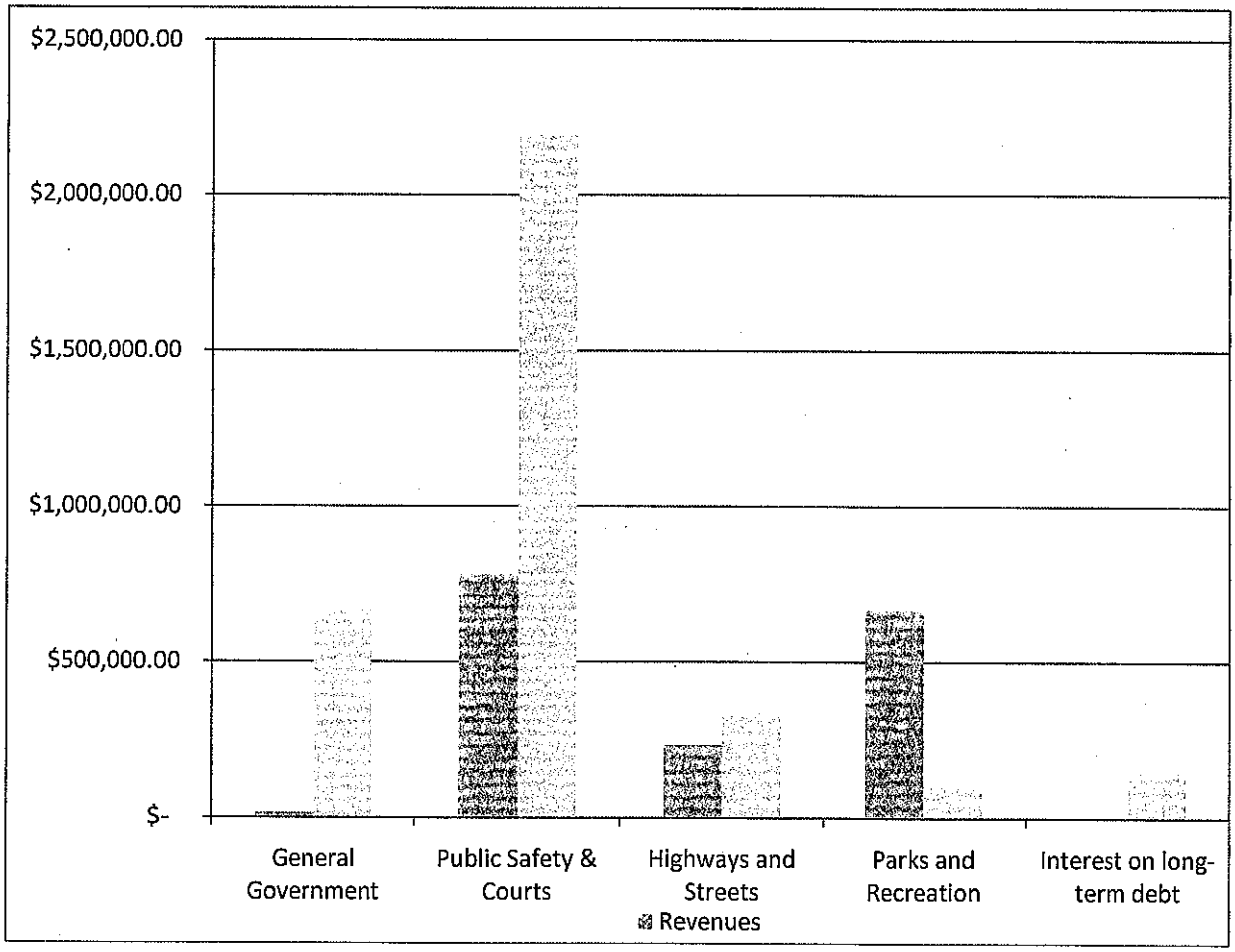
Governmental activities. Governmental activities increased the City's net position by $744,562. Key elements of this increase are as follows:

City of Lake City's Change in Net Position
For The Years Ended December 31, 2012 and 2011

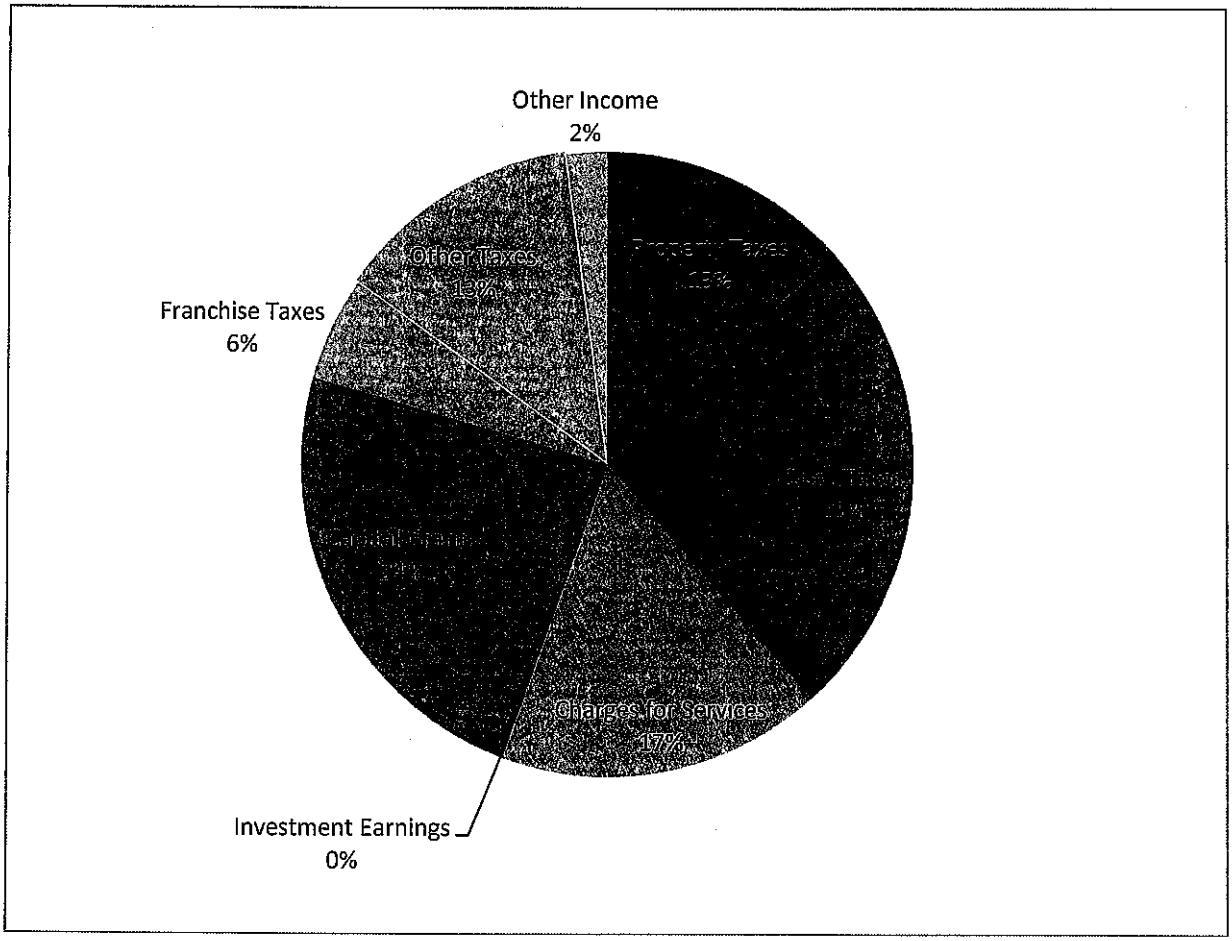
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues -						
Charges for services	$ 714,266	$ 606,733	$ 139,851	$ 111,992	$ 854,117	$ 718,725
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	985,366	963,237	-	-	985,366	963,237
General Revenues-						
Property taxes	550,711	568,645	-	-	550,711	568,645
Sales taxes	1,049,945	992,410	-	-	1,049,945	992,410
Other taxes	764,652	725,281	-	-	764,652	725,281
Interest	7,059	11,214	-	-	7,059	11,214
Other	91,304	1,066	-	-	91,304	1,066
	4,163,303	3,868,586	139,851	111,992	4,303,154	3,980,578
Expenses:						
General government	663,876	675,068	-	-	663,876	675,068
Public safety and courts	2,191,289	2,170,665	-	-	2,191,289	2,170,665
Highways and strees	336,244	345,160	-	-	336,244	345,160
Parks and recreation	102,936	18,409	-	-	102,936	18,409
Interest on long-term debt	146,979	178,244	-	-	146,979	178,244
Solid waste	-	-	123,904	125,002	123,904	125,002
	3,441,324	3,387,546	123,904	125,002	3,565,228	3,512,548
Increase (decrease) in Net Position before transfers	721,979	481,040	15,947	(13,010)	737,926	468,030
Transfers	22,583	(13,424)	(22,583)	13,424	-	-
Increase (decrease) in Net Position	744,562	467,616	(6,636)	414	737,926	468,030
Net Position - beginning of year, adjusted	6,939,127	6,566,031	25,988	25,574	6,965,115	6,591,605
Net Position - end of year	$ 7,683,689	$ 7,033,647	$ 19,352	$ 25,988	$ 7,703,041	$ 7,059,635

- Occupational taxes increased by $18,662 (6.7 percent) while sales taxes increased $57,535 (5.8%) for the year. The occupational tax increase could be a result of several actions. The first being a change in reporting status from number of employees to gross receipts, while a second could be an actual increase in business gross receipts. The increase in the sales taxes is a result of a second consecutive year of a slight rise in county-wide sales.
- Property tax revenues decreased $17,934 (3.2%). This is primarily due to an overall decrease in property tax evaluations by Clayton County's Tax Assessor's office. This is a downward trend that we anticipate will continue for several more years.
- Fines and related charges increased $112,272 (19.2%) for the year. This increase is due to Council's approval of an increase in all fines as of August 2012 and an overall increase in probation fine collections.
- Overall revenues increased $294,717 while expenses increased $53,778. The overall increase in revenues is reflective of the previously stated occupational tax, sales tax and fine collections The City also received a law enforcement related grant from the State of Georgia. The overall expense increase is primarily two-fold: an increase in service provided by the City Attorney's office and an increase in court related mandated fees due to the parallel increase in court revenues.

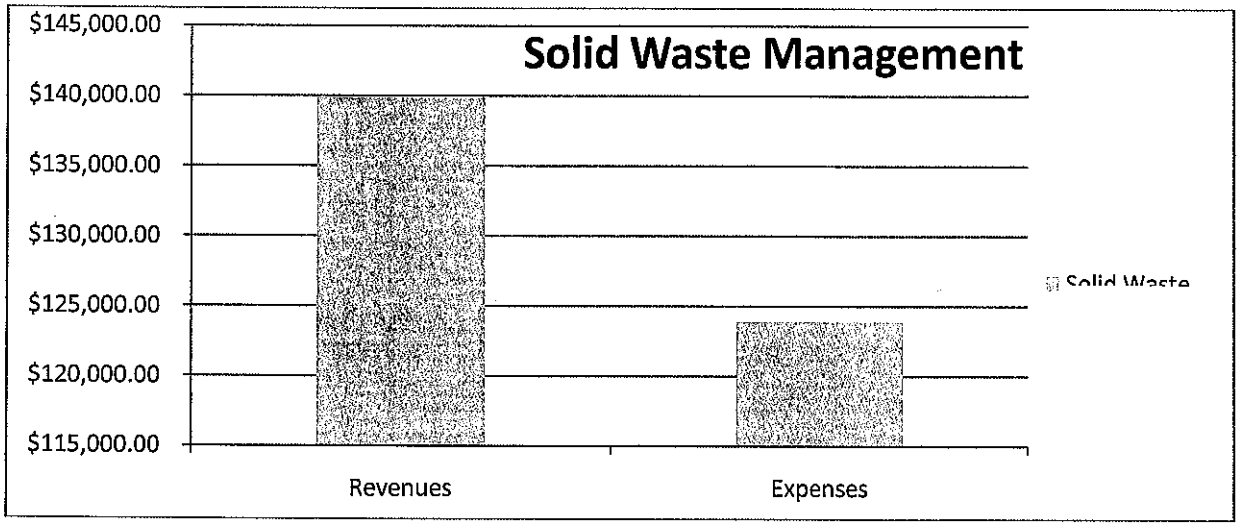
Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities



Business-type activities. Business type activities decreased the City's net position by $6,636. All though the Solid Waste Management Fund had operating income of $15,947, it transferred $22,583 to the General Fund as a result of net cash flows. As of fiscal year 2012, City Council implemented a sanitation tax as opposed to the previous sanitation charge in an effort to collect such fees. This venture was successful in that comparatively, 2012 saw an increase in operating income of $15,947 versus showing an operating loss of $13,010 for 2011.



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, 2012 the City's governmental funds reported combined ending fund balances of $2,856,831. Of this amount, $2,799,815 (98.0 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 $35,863 is restricted for Police Activities and $21,153 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 $3,002,975 while the total fund balance totaled $3,024,975. 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 93.6 percent of the total general fund expenditures, while total fund balance represents 94.2 percent of that same amount.

During the current fiscal year the fund balance of the City's general fund decreased by $536,193 which is totally due to the transfer of $564,472 to the SPLOST Fund to help pay the debt service of the revenue bonds..

The Seized Assets Special Revenue Fund is used to account for court approved forfeitures of assets confiscated by police during investigations of illegal drug activities. The Seized Assets Fund's fund balance as of December 31, 2012, was $35,863; 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 $8,384,000 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 original budget adopted this fiscal year totaled $3,300,250. However, the City spent $3,209,472 which is a difference of $90,778. This reduction in expenditures was attributable in part to the following:

- The implementation of tighter financial and quality controls in our purchasing practices.
- The renegotiation of vendor contracts which produced additional savings.
- The use of college interns versus the hiring of full or part time employees for certain special projects.
- The changing of insurance carrier to handle the health and welfare coverage.
- The continued low turnover of the work force which relieved the city of new employee training costs and unemployment insurance claims.
- The insistence of additional training and development for employees which as a result produced new ideas for creating cost effective efficiencies.
- The full year's implementation of a newly designed purchasing policy manual.
- The elimination of overtime pay for municipal employees.
- The redefinition of departmental job content which upgraded service levels and reducing cost of operations.
- The implementation of a "use or lose" vacation policy.
- The implementation of a "pay for performance" evaluation policy.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets at December 31, 2012 amounts to $ 7,799,432 (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 community center for $673,799 and police department equipment purchases of a RapidID System and computers for police vehicle totally $25,904. 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 $3,220,653 in outstanding debt consisting of the following:

CITY OF LAKE CITY'S OUTSTANDING DEBT

	Balance
Governmental Activities:	
Certificates of Participation	$ 1,545,653
Revenue Bonds	1,675,000
Total Long-Term Debt	$ 3,220,653

The City's total debt decreased by $932,635 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 $7,600,000 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 properties seem to be rebounding. A large shopping center across from City Hall was recently purchased with the promise of a two year extensive remodeling project. Sales tax receipts continue to illustrate upward trends. Bobcat was purchased by Doosan, and appears to be thriving. Economic redevelopment is a primary objective of the City and with it there has been an array of initiatives geared toward that objective which hopefully will bring increased activity to our community in the near future.

All of these factors were considered in preparing the City of Lake City's budget for F/Y 2013.

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 1,349,922	$ -	$ 1,349,922
Investments	891,225	-	891,225
Receivables, net			
Taxes	573,321	-	573,321
Accounts	89,244	30,653	119,897
Fines	127,832	-	127,832
Due from other governments	162,700	-	162,700
Prepaid expenses	21,153	-	21,153
Restricted assets -			
Cash	245,268	-	245,268
Investment	-	-	-
Capital assets -			
Non-depreciable capital assets	1,052,801	-	1,052,801
Other capital assets, net of depreciation	6,746,631	-	6,746,631
Deferred loan cost, net	-	-	-
Total Assets	11,260,097	30,653	11,290,750
LIABILITIES			
Accounts payable -			
Trade	53,482	11,301	64,783
Capital	-	-	-
Accrued expenses -			
Salaries	222,981	-	222,981
Interest	54,700	-	54,700
Unearned items	1,500	-	1,500
Bond deposits	23,092	-	23,092
Long-term liabilities -			
Due within one year	964,437	-	964,437
Due in more than one year	2,256,216	-	2,256,216
Total Liabilities	3,576,408	11,301	3,587,709
NET POSITION			
Invested in capital assets, net of related debt	4,578,779	-	4,578,779
Restricted for:			
Law enforcement activities	35,863	-	35,863
Unrestricted	3,069,047	19,352	3,088,399
Total Net Position	$ 7,683,689	$ 19,352	$ 7,703,041

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, 2012

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General Government	$ 663,876	$ 15,809	$ -	$ -
Public Safety and Courts	2,191,289	698,457	-	83,704
Highways and Streets	336,244	-	-	234,887
Park Areas	102,936	-	-	666,775
Interest on long-term debt	146,979	-	-	-
Total Governmental Activities	3,441,324	714,266	-	985,366
Business-Type Activities:				
Solid Waste Management	123,904	139,851	-	-
Total Primary Government	$ 3,565,228	$ 854,117	$ -	$ 985,366

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 Position

Net Position - beginning, adjusted

Net Position - 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
$ (648,067)	$ -	$ (648,067)
(1,409,128)	-	(1,409,128)
(101,357)	-	(101,357)
563,839	-	563,839
(146,979)	-	(146,979)
(1,741,692)	-	(1,741,692)
-	15,947	15,947
(1,741,692)	15,947	(1,725,745)
550,711	-	550,711
42,737	-	42,737
1,049,945	-	1,049,945
66,414	-	66,414
224,748	-	224,748
297,110	-	297,110
130,130	-	130,130
3,513	-	3,513
7,059	-	7,059
91,304	-	91,304
2,463,671	-	2,463,671
22,583	(22,583)	-
2,486,254	(22,583)	2,463,671
744,562	(6,636)	737,926
6,939,127	25,988	6,965,115
$ 7,683,689	$ 19,352	$ 7,703,041

CITY OF LAKE CITY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
ASSETS				
Cash and cash equivalents	$ 1,349,922	$ -	$ -	$ 1,349,922
Investments	891,225	-	-	891,225
Receivables -				-
Taxes	573,321	-	-	573,321
Accounts receivable	89,244	-	-	89,244
Fines, net	127,832	-	-	127,832
Due from other funds	574,708	-	-	574,708
Due from other governments	-	-	162,700	162,700
Prepaid expenses	21,153	-	-	21,153
Restricted assets -				
Cash	-	44,900	200,368	245,268
Investments	-	-	-	-
Interest receivable	-	-	-	-
Total Assets	$ 3,627,405	$ 44,900	$ 363,068	$ 4,035,373
Liabilities:				
Accounts payable -				
Trade	$ 52,925	$ -	$ 557	$ 53,482
Capital	-	-	-	-
Due to other funds	-	9,037	565,671	574,708
Accrued expenses -				
Salaries	222,981	-	-	222,981
Bond deposits	23,092	-	-	23,092
Unearned revenues	1,500	-	-	1,500
Total Liabilities	300,498	9,037	566,228	875,763
Deferred Inflows of Resources				
Unavilable revenues	302,779	-	-	302,779
Fund Balances:				
Nonspendable	21,153	-	-	21,153
Restricted -				
Capital outlay	-	-	-	-
Law enforcement activities	-	35,863	-	35,863
Assigned for appropriation for next year's budget	-	-	-	-
Unassigned	3,002,975	-	(203,160)	2,799,815
Total Fund Balances	3,024,128	35,863	(203,160)	2,856,831
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 3,627,405	$ 44,900	$ 363,068	$ 4,035,373

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 POSITION
DECEMBER 31, 2012

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances -- total governmental funds	$	2,856,831
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,799,432
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		302,779
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of participation		(1,545,653)
Revenue bonds		(1,675,000)
Accrued interest payable		(54,700)
Net position of governmental activities.	$	7,683,689

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, 2012

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
REVENUES:				
Taxes	$ 2,395,078	$ -	$ -	$ 2,395,078
Business licenses and permits	12,678	-	-	12,678
Intergovernmental	15,504	-	969,433	984,937
Charges for services	9,661	-	-	9,661
Fines and forfeitures	684,959	-	-	684,959
Investment income	7,059	-	429	7,488
Miscellaneous	90,229	-	-	90,229
Total Revenues	3,215,168	-	969,862	4,185,030
EXPENDITURES:				
Current -				
General Government	583,415	-	-	583,415
Municipal Court	382,833	-	-	382,833
Public Safety	1,674,829	3,300	-	1,678,129
Highways and Streets	307,949	-	-	307,949
Park Areas	12,547	-	-	12,547
Capital Outlay -				-
General Government	1,644	-	-	1,644
Police	31,531	-	-	31,531
Park Areas	-	-	682,855	682,855
Debt Service -				
Principal	132,635	-	800,000	932,635
Interest	82,089	-	77,513	159,602
Total Expenditures	3,209,472	3,300	1,560,368	4,773,140
Excess (deficiency) of revenues over expenditures	5,696	(3,300)	(590,506)	(588,110)
OTHER FINANCING SOURCES (USES):				
Transfers	(541,889)	-	564,472	22,583
Proceeds from revenue bonds	-	-	-	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	(541,889)	-	564,472	22,583
Net change in fund balances	(536,193)	(3,300)	(26,034)	(565,527)
Fund balances - beginning	3,560,321	39,163	(177,126)	3,422,358
Fund balances - ending	$ 3,024,128	$ 35,863	$ (203,160)	$ 2,856,831

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, 2012

Net change in fund balances -- total governmental funds	$	(565,527)
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		699,703
Depreciation expense		(313,145)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property tax		(30,418)
Fines		8,691
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayments of principal		932,635
Proceeds from debt issues		-
Net effect of transactions involving capital assets (sales, dispositions)		-
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.		12,623
Change in net position of governmental activities.	$	744,562

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, 2012

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes -				
Property	$ 659,500	$ 578,500	$ 580,471	$ 1,971
Motor vehicle	40,000	40,000	42,747	2,747
Real estate transfer	3,000	3,500	3,513	13
Franchise	230,000	238,000	224,748	(13,252)
Local option sales	1,020,000	1,040,000	1,049,945	9,945
Alcohol beverage	56,000	64,000	66,414	2,414
Business occupation	275,000	295,500	297,110	1,610
Insurance premium	123,000	130,000	130,130	130
Licenses and permits	13,500	10,500	12,678	2,178
Charges for services	10,250	8,650	9,661	1,011
Grants	-	15,500	15,504	4
Fines and forfeitures	595,000	690,000	684,959	(5,041)
Investment earnings	11,000	7,000	7,059	59
Miscellaneous	12,000	91,000	90,229	(771)
Total Revenues	3,048,250	3,212,150	3,215,168	3,018
EXPENDITURES:				
Current -				
General government -				
Mayor and council	59,600	60,050	59,841	209
City administrator	93,250	93,250	94,573	(1,323)
General administration	340,500	357,200	340,999	16,201
Building and grounds	95,250	100,250	88,002	12,248
Municipal court	358,000	391,250	382,833	8,417
Public safety -				
Police services	1,339,000	1,301,900	1,299,829	2,071
Fire administration	375,000	375,000	375,000	-
Highways and streets	351,000	327,870	307,949	19,921
Park areas	14,000	12,350	12,547	(197)
Capital Outlay	60,000	38,500	33,175	5,325
Debt Service	215,000	215,000	214,724	276
Total expenditures	3,300,600	3,272,620	3,209,472	63,148
Excess of revenues over (under) expenditures	(252,350)	(60,470)	5,696	66,166
OTHER FINANCING SOURCES (USES)				
Transfers	-	(542,000)	(541,889)	111
Sale of capital assets	2,000	-	-	-
Total other financing sources (uses)	2,000	(542,000)	(541,889)	111
Net change in fund balances	(250,350)	(602,470)	(536,193)	66,277
Fund balances - beginning	3,560,321	3,560,321	3,560,321	-
Fund balances - ending	$ 3,309,971	$ 2,957,851	$ 3,024,128	$ 66,277

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, 2012

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Confiscations	$ -	$ -	$ -	$ -
Interest income	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES:				
Current -				
Police services	3,000	3,000	3,300	(300)
Total expenditures	3,000	3,000	3,300	(300)
Excess of revenues over (under) expenditures	(3,000)	(3,000)	(3,300)	(300)
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	-	-
Net change in fund balances	(3,000)	(3,000)	(3,300)	(300)
Fund balances - beginning	39,163	39,163	39,163	-
Fund balances - ending	$ 36,163	$ 36,163	$ 35,863	$ (300)

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET POSITION
SOLID WASTE MANAGEMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Current assets		
Receivables-		
Accounts (net)	$ 30,653	$ 36,844
Total current assets	30,653	36,844
Total assets	30,653	36,844
LIABILITIES		
Current liabilities		
Accounts payable	11,301	10,856
Accrued salaries and wages	-	-
Total current liabilities	11,301	10,856
Total liabilties	11,301	10,856
Net Position		
Unrestricted	19,352	25,988
Total Net Position	$ 19,352	$ 25,988

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 POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Charges for services	$ 139,851	$ 111,992
Miscellaneous	-	-
Total operating revenues	139,851	111,992
OPERATING EXPENSES		
Purchased/contracted services	118,904	121,002
Bad debt	5,000	4,000
Total operating expenses	123,904	125,002
Operating income (loss) before capital contributions and transfers	15,947	(13,010)
Transfers	(22,583)	13,424
Change in net assets	(6,636)	414
NET POSITION - BEGINNING	25,988	25,574
NET POSITION - ENDING	$ 19,352	$ 25,988

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, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Cash received from customers and users	$ 141,042	$ 107,336
Cash paid to suppliers for goods	(118,459)	(120,760)
Cash paid to employees	-	-
Net cash provided from operating activities	22,583	(13,424)
Cash flows from investing activities:		
Interest received	-	-
(Purchase) / redemption of investments	-	-
Net cash from investing activities	-	-
Cash flows from non-capital financing activities:		
Transfers	(22,583)	13,424
Net cash flows from non-capital financing activities	(22,583)	13,424
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, 2012 AND 2011

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2012	2011
Operating income (loss)	$ 15,947	$ (13,010)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	-	-
Bad debt expense	5,000	4,000
(Increase) decrease in receivables	1,191	(4,656)
Increase (decrease) in payables	445	242
Total adjustments	6,636	(414)
Net cash from operating activities	$ 22,583	$ (13,424)

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). 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 Position 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 position is reported in three parts—invested in capital assets, net of related debt; restricted net position; and unrestricted net position. 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 position 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 position, 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. .

(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 unavailable revenues.

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 position.

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.

(See Independent Auditor's Report)

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

F. Measurement Focus, Continued

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 position. The statement of changes in revenues, expenses, and changes in fund net position 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.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2012.

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.

(See Independent Auditor's Report)

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

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, 2012 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.

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.

(See Independent Auditor's Report)

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

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.

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. No interest was capitalized during the fiscal year ended December 31, 2012.

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

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 May 2013.
6. Unexpended budget appropriations at year-end lapse.

S. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has no items that qualify for reporting in this category as of December 31, 2012.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, probation fines, and intergovernmental revenues.

T. Net Position

Net Position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position 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 position is 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 position reports $35,863 of restricted net position, 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 position are available.

(See Independent Auditor's Report)

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

U. Fund Equity – Governmental Funds

As of December 31, 2012, 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 approved by City Council prior to end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

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 through passage of a resolution. Unlike commitments, assignments generally only exist temporarily and do not normally have to have an additional action taken for their removal.

Unassigned – all other spendable amounts.

As of December 31, 2012, fund balances are composed of the following:

	Non-Spendable - Prepaids	Restricted - Police Activities	Assigned - 2013 Budget	Unassigned	Total
General Fund	$ 21,153	$ -	$ -	$ 3,002,975	$ 3,024,128
Seized Assets Fund	-	35,863	-	-	35,863
SPLOST Fund	-	-	-	(203,160)	(203,160)
Total	$ 21,153	$ 35,863	$ -	$ 2,799,815	$ 2,856,831

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.

V. 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, 2012, $998,615 of the City's bank balance of $1,636,632 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Collateralized with securities held by the pledging financial institution or its agent	998,615
Total	$ 998,615

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.

Investments as of December 31, 2012 were as follows:

Investments	Maturities	Fair Value
Georgia Fund 1	41 days average	$ 891,225
		$ 891,225

As of December 31, 2012, 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 2012 amount to $1,049,945. Property tax revenues amounted to $550,711 at the government-wide level for the year ended December 31, 2012. Property taxes receivable as of December 31, 2012 was $259,976.

4. RECEIVABLES

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

	General	Solid Waste	Total
Taxes	$ 573,321	$ -	$ 573,321
Accounts	89,244	104,653	193,897
Fines	320,832	-	320,832
Gross Receivables	983,397	104,653	1,088,050
Less: Allowance for Uncollectibles	(193,000)	(74,000)	(267,000)
Total	$ 790,397	$ 30,653	$ 821,050

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 $23,092, shown as a liability, represent money that has been paid in advance for court cases which have not been heard as of December 31, 2012.

7. INTER-FUND TRANSACTIONS

The following is a summary of interfund receivable and payable balances as of December 31, 2012:

	Payable From		
Payable To	Seized Assets	Splost	Total
General Fund	$ 9,037	$ 565,671	$ 574,708
Total	$ 9,037	$ 565,671	$ 574,708

As of December 31, 2012, the Seized Assets Fund owed the General Fund $9,037 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, 2012:

	Transfer From		
Transfer To	General	Solid Waste Management	Total
General Fund	$ -	$ 22,583	$ 22,583
Splost Fund	564,472	-	564,472
Total	$ 564,472	$ 22,583	$ 587,055

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 from the Solid Waste Fund are for the net cash flows of the Solid Waste Fund. The General Fund transferred $564,472 to the SPLOST Fund to help finance debt service payments related to the financing of SPLOST projects.

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 2010, the City of Lake City pays a monthly charge, for such services of $31,250 through June 30, 2015 and then the monthly rate increases 2.5% each year from July 1, 2015 through June 30, 2020. For the year ended December 31, 2012 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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,052,801	$ -	$ -	$ 1,052,801
Construction in progress	243,656	673,799	(917,455)	-
Total capital assets, not being depreciated	1,296,457	673,799	(917,455)	1,052,801
Capital assets being depreciated:				
Buildings	3,146,702	917,455	-	4,064,157
Improvements other than buildings	3,197,018	-	-	3,197,018
Other machinery and equipment	618,144	25,904	-	644,048
Office equipment	270,382	-	-	270,382
Vehicles	636,680	-	-	636,680
Total capital assets being depreciated	7,868,926	943,359	-	8,812,285
Less accumulated depreciation for:				
Buildings	653,380	82,491	-	735,871
Improvements other than buildings	100,534	80,907	-	181,441
Other machinery and equipment	353,739	64,528	-	418,267
Office equipment	209,781	23,898	-	233,679
Vehicles	435,074	61,322	-	496,396
Total accumulated depreciation	1,752,508	313,146	-	2,065,654
Total capital assets being depreciated, net	6,116,418	630,213	-	6,746,631
Governmental capital assets, net	$ 7,412,875	$ 1,304,012	$ (917,455)	$ 7,799,432

(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	$ 78,818
Public safety	124,698
Highways and streets	28,297
Park areas	81,333
Total depreciation expense	$ 313,146

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, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Certificates of Participation	$ 1,678,288	$ -	$ (132,635)	$ 1,545,653	$ 139,437
Revenue Bonds	2,475,000	-	(800,000)	1,675,000	825,000
Total Long-Term Liabilities	$ 4,153,288	$ -	$ (932,635)	$ 3,220,653	$ 964,437

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, 2008 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, 2008, (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 $1,752,516, payable through August, 2014. For the current year, interest paid was $77,513 and principal paid was $800,000. SPLOST taxes started being collected in July, 2009.

Annual debt service requirements to maturity for the above debt, including interest of $456,631, are as follows:

F/Y/E DEC. 31	Certificates of Participation		Revenue Bonds	
	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL
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	$ 379,115	$ 1,545,653	$ 77,516	$ 1,675,000

12. 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

(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)	$ 4,949,547
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 $74,616, equal to 5.9% of eligible salaries. Total employer matching contribution for the year ended December 31, 2012 amounted to $55,114 or 4.3 % of eligible salaries. Eligible salaries for the year amounted to $1,270,630. Gross salaries for the year amounted to $1,414,437. 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. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2012 the City adopted Governmental Accounting Standard Board's Statements No. 63 *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 *Items Previously Reported as Assets and Liabilities*. These Statements provide guidance for reporting deferred outflows of resources and deferred inflows of resources balances which are distinguished from assets and liabilities. The Statements changes the terminology of the residual of all other elements presented in a statement of financial position to *net position* from net assets. The Statements provide guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities along with defining items previously reported as assets and liabilities.

As a result of the adoption of the Statements, the City was required to make a prior period adjustment to its previously reported Net Position (Net Assets) since debt issuance cost is no longer considered an asset. The Statements changed the reporting requirement for debt issuance costs so that these cost are now recognized as an expense in the period incurred. The City made the following prior period adjustment as a result of the adoption of these Statements:

	Governemtnal Activities
Net Position (Net Assets) -	
Beginning of year	$ 7,033,647
Adjustment to write-off debt issuance cost, net of accumulated amortization	(94,520)
Beginning of the year, adjusted	$ 6,939,127

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, 2012 of $203,160. 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, 2012, none of the City's individual funds nor any individual department had expenditures that materially exceeded its respective appropriations. Material excesses are considered to have occurred if expenditures exceed appropriations by factors of over 5 percent and greater than $10,000.

(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, 2012 AND 2011

	2012	2011
ASSETS		
Cash	$ 1,349,922	$ 1,181,787
Investments	891,225	1,639,641
Accounts receivable:		
Taxes	573,321	607,771
Fines and forfeitures, net of allowance of $193,000 in 2012 and $185,000 in 2011	127,832	115,640
Other	89,244	1,506
Due from other funds	574,708	571,408
Prepaid expenses	21,153	21,139
Total Assets	$ 3,627,405	$ 4,138,892
LIABILITIES:		
Accounts payable - Trade	$ 52,925	$ 49,145
Accrued salaries	222,981	183,434
Accrued expenditures	-	-
Bond deposits	23,092	19,737
Unearned revenues	1,500	1,750
Total Liabilities	300,498	254,066
DEFERRED INFLOWS OF REVENUES		
Unavailable revenues	302,779	324,505
FUND EQUITY:		
Fund balance-		
Nonspendable	21,153	21,139
Assigned for appropriation for next years budget	-	250,000
Unassigned	3,002,975	3,289,182
Total Fund Equity	3,024,128	3,560,321
Total Liabilities, deferred inflows of revenues and Fund Equity	$ 3,627,405	$ 4,138,892

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, 2012 AND 2011

	2012	2011
REVENUES:		
Taxes	$ 2,395,078	$ 2,214,060
Business licenses and permits	12,678	17,987
Intergovernmental	15,504	-
Charges for services	9,661	12,099
Fines and forfeitures	684,959	590,501
Investment income	7,059	11,213
Miscellaneous	90,229	17,564
Total Revenues	3,215,168	2,863,424
EXPENDITURES:		
Current -		
General Government	583,415	567,791
Municipal Court	382,833	343,739
Public Safety	1,674,829	1,690,515
Highways and Streets	307,949	329,340
Park Areas	12,547	13,108
Debt Service	214,724	214,452
Capital Outlay -		
General Government	1,644	1,299
Municipal Court	-	-
Police Services	31,531	-
Highways and Streets	-	-
Park Areas	-	4,140
Total Expenditures	3,209,472	3,164,384
Excess of Revenues Over (Under) Expenditures	5,696	(300,960)
Other Financing Sources (Uses):		
Transfers	(541,889)	(13,424)
Sale of capital assets	-	-
Total Other Financing Sources (Uses)	(541,889)	(13,424)
Change in Fund Balance	(536,193)	(314,384)
Fund Balance - Beginning of Year	3,560,321	3,874,705
Fund Balance - End of year	$ 3,024,128	$ 3,560,321

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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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012			2011
	Final Budget	Actual	Variance	Actual
Taxes:				
Property taxes	$ 578,500	$ 580,471	$ 1,971	$ 496,369
Motor vehicle	40,000	42,747	2,747	31,600
Real estate transfer	3,500	3,513	13	405
Franchise -				
Atlanta Gas Light	18,000	16,922	(1,078)	17,501
Georgia Power	198,000	186,192	(11,808)	197,990
AT&T	10,000	8,082	(1,918)	10,058
Cable TV	12,000	13,552	1,552	12,189
Other	-	-	-	-
Local option sales	1,040,000	1,049,945	9,945	992,410
Beer and wine	63,000	64,970	1,970	53,109
Consumption	1,000	1,444	444	1,467
Business occupation	295,500	297,110	1,610	278,448
Insurance premium	130,000	130,130	130	122,514
Licenses and Permits -				
Business licenses	5,000	5,750	750	6,750
Building permits	5,500	4,879	(621)	10,522
Other permits	-	2,049	2,049	715
Grants:				
Federal - Police	15,500	15,504	4	-
State - DOT	-	-	-	-
Services:				
Other	8,650	9,661	1,011	12,099
Fines and Forfeitures	690,000	684,959	(5,041)	590,501
Investment income	7,000	7,059	59	11,213
Miscellaneous	91,000	90,229	(771)	17,564
Total Revenues	$ 3,212,150	$ 3,215,168	$ 3,018	$ 2,863,424

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012			2011
	Final Budget	Actual	Variance	Actual
General Government:				
Governing Body -				
Personal services	$ 51,800	$ 51,672	$ 128	$ 52,012
Purchased/contracted services	8,250	8,109	141	9,824
Supplies	-	60	(60)	135
City Administrator -				
Personal services	90,200	91,403	(1,203)	109,072
Purchased/contracted services	2,850	3,105	(255)	249
Supplies	200	65	135	716
Contingency	-	-	-	-
General Administration -				
Personal services	114,900	119,399	(4,499)	113,487
Purchased/contracted services	201,450	199,333	2,117	167,348
Supplies	14,200	15,979	(1,779)	15,139
Other	16,650	6,288	10,362	4,059
Contingency	10,000	-	10,000	-
Buildings and Grounds -				
Purchased/contracted services	59,000	58,667	333	49,189
Supplies	31,250	29,335	1,915	46,561
Contingency	10,000	-	10,000	-
Total General Government	610,750	583,415	27,335	567,791
Municipal Court -				
Personal services	102,500	110,132	(7,632)	108,033
Purchased/contracted services	64,850	66,591	(1,741)	66,385
Supplies	700	827	(127)	1,008
Other costs	218,200	205,283	12,917	168,313
Contingency	5,000	-	5,000	-
Total Municipal court	391,250	382,833	8,417	343,739
Public Safety:				
Police Services -				
Police Administration -				
Personal services	162,000	164,952	(2,952)	170,486
Purchases/contracted services	1,100	1,048	52	925
Supplies	-	-	-	-
Other	15,500	15,529	(29)	15,117
Contingency	-	-	-	-
Crime Control -				
Personal services	156,200	158,184	(1,984)	154,802
Purchased/contracted services	-	-	-	-
Supplies	1,000	929	71	20
Traffic Control -				
Personal services	822,000	838,013	(16,013)	842,728
Purchased/contracted services	37,750	37,626	124	38,595
Supplies	81,350	83,548	(2,198)	89,678
Other	25,000	-	25,000	3,164
Total Police Services	1,301,900	1,299,829	2,071	1,315,515

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012			
	Final Budget	Actual	Variance	2011 Actual
Fire Services -				
Purchased/contracted services	$ 375,000	$ 375,000	$ -	$ 375,000
Total Public Safety	1,676,900	1,674,829	2,071	1,690,515
Highways and Streets:				
Personal services	224,800	231,209	(6,409)	242,607
Purchased/contracted services	23,520	21,202	2,318	30,130
Supplies	56,550	55,497	1,053	55,532
Other	23,000	41	22,959	1,071
Total Highways and Streets	327,870	307,949	19,921	329,340
Parks Areas:				
Purchased/contracted services	3,700	3,166	534	9,665
Supplies	8,650	9,381	(731)	3,443
Total Parks	12,350	12,547	(197)	13,108
Debt Service:				
Principal	133,000	132,635	365	126,165
Interest	82,000	82,089	(89)	88,287
Total Debt Service	215,000	214,724	276	214,452
Capital Outlay:				
General Administration	-	1,644	(1,644)	1,299
Buildings and Grounds	-	-	-	-
Municipal Court	-	-	-	-
Police Services	38,500	31,531	6,969	-
Highways and Streets	-	-	-	-
Park Areas	-	-	-	4,140
Total Capital Outlay	38,500	33,175	5,325	5,439
Total Expenditures	$ 3,272,620	$ 3,209,472	$ 63,148	$ 3,164,384

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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, 2012 AND 2011

Assets	2012	2011
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	$ 9,037	$ 5,737
Total Liabilities	9,037	5,737
Fund Balance		
Restricted for law enforcement activities	35,863	39,163
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, 2012 AND 2011

	2012	2011
Revenues		
Fines and forfeitures	$ -	$ -
Interest income	-	-
Total Revenues	-	-
Expenditures		
Current -		
Public safety-		
Purchased/contracted services	3,300	2,297
Total Expenditures	3,300	2,297
Excess (deficiency) of revenues over (under) expenditures.	(3,300)	(2,297)
Fund balance-		
Beginning of year	39,163	41,460
End of year	$ 35,863	$ 39,163

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, 2012 AND 2011

Assets	2012	2011
Cash	$ -	$ -
Due from Clayton County	162,700	232,926
Restricted assets -		
Cash	200,368	194,781
Investments	-	71,007
Interest receivable	-	-
Total assets	$ 363,068	$ 498,714
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 557	$ 110,169
Accrued payroll	-	-
Accrued expenditures	-	-
Due to other funds	565,671	565,671
Total Liabilities	566,228	675,840
Fund Balance		
Unassigned	(203,160)	(177,126)
Total liabilities and fund balance	$ 363,068	$ 498,714

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, 2012 AND 2011

	2012	2011
Revenues:		
Intergovernmental	$ 969,433	$ 963,237
Interest earned	429	751
Total Revenues	969,862	963,988
Expenditures:		
Capital -		
Public Safety	-	-
Public Works	-	228,668
Parks	682,855	1,513,424
Debt Service -		
Principal	800,000	775,000
Interest	77,513	101,800
Total Expenditures	1,560,368	2,618,892
Excess (deficiency) of revenues over (under) expenditures.	(590,506)	(1,654,904)
Other financing sources (uses):		
Proceeds from revenue bonds	-	-
Transfers	564,472	-
Total other financing sources (uses)	564,472	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(26,034)	(1,654,904)
Fund balance-		
Beginning of year	(177,126)	1,477,778
End of year	$ (203,160)	$ (177,126)

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, 2012

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES:				
Intergovernmental	$ 2,487,384	$ 969,433	$ 3,456,817	$ 6,400,000
Interest	157,245	429	157,674	200,000
Total Revenues	2,644,629	969,862	3,614,491	6,600,000
EXPENDITURES:				
Capital outlay -				
Public safety	506,494	-	506,494	450,000
Public works building	615,766	-	615,766	750,000
Highways & streets	-	-	-	800,000
Parks	3,718,394	682,855	4,401,249	4,400,000
Debt service -				
Debt issue costs	80,000	-	80,000	80,000
Principal	1,525,000	800,000	2,325,000	4,000,000
Interest	378,101	77,513	455,614	579,335
Total Expenditures	6,823,755	1,560,368	8,384,123	11,059,335
Excess of revenues over (under) expenditures	(4,179,126)	(590,506)	(4,769,632)	(4,459,335)
OTHER FINANCING SOURCES (USES):				
Transfers	2,000	564,472	566,472	459,335
Proceeds from revenue bonds	4,000,000	-	4,000,000	4,000,000
Total Other Financing Sources (Uses)	4,002,000	564,472	4,566,472	4,459,335
Net Change in fund balance	$ (177,126)	(26,034)	$ (203,160)	$ -
Fund balances - beginning		(177,126)		
Fund balances - ending		$ (203,160)		

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