City of Lake Park, Georgia

Lake Park, Georgia

Financial Statements

For the Year Ended December 31, 2011

City of Lake Park, Georgia

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
of the City of Lake Park, Georgia
Lake Park, Georgia

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

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of City of Lake Park, Georgia, as of December 31, 2011 and the respective change in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of Lake Park, Georgia has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 26, 2013 on our consideration of City of Lake Park, 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* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lake Park, Georgia's basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and are not a required part of the basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



February 26, 2013

City of Lake Park, Georgia
Statement of Net Assets
December 31, 2011

Assets	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 136,561	$ 5,635	$ 142,196
Investments	102,375	81,036	183,411
Receivables, net	113,164	3,952	117,116
Restricted Assets			
Cash and Cash Equivalents	67,125	5,807	72,932
Capital Assets			
Land and Other Nondepreciable Assets	61,404		61,404
Other Capital Assets, Net of Depreciation	886,268	97,135	983,403
Total Capital Assets	947,672	97,135	1,044,807
Total Assets	$ 1,366,897	$ 193,565	$ 1,560,462
Liabilities and Net Assets			
Liabilities			
Accounts Payable	$ 7,638	$ 625	$ 8,263
Accrued Liabilities	5,992	-	5,992
Compensated Absences	3,764		3,764
Deposits	-	11,612	11,612
Long-term Liabilities			
Current Portion of Long-Term Debt	13,047		13,047
Non-Current Portion of Long-Term Debt	134,601	-	134,601
Total Liabilities	165,042	12,237	177,279
Net Assets			
Invested in Capital Assets, net of Related Debt	800,024	97,135	897,159
Restricted for:			
Capital Projects	72,111		72,111
Memorial Cemetery Trust Fund	67,125		67,125
Unrestricted	262,595	84,193	346,788
Total Net Assets	1,201,855	181,328	1,383,183
Total Liabilities and Net Assets	$ 1,366,897	$ 193,565	$ 1,560,462

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

City of Lake Park, Georgia
Statement of Activities
For the Year Ended Decemer 31, 2011

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Governmental Activities							
General Government	$ 148,004	$ 17,229	$ -	$ 31,819	$ (98,956)		$ (98,956)
Judicial	17,597	-	-		(17,597)		(17,597)
Public Safety	266,824	49,997	-	39,270	(177,557)		(177,557)
Public Works	126,678	-	-	53,557	(73,121)		(73,121)
Culture and Recreation	9,693	9,300	-		(393)		(393)
Interest on Long-Term Debt	8,514				(8,514)		(8,514)
Total Governmental Activities	577,310	76,526	-	124,646	(376,138)	-	(376,138)
Business Type Activities:							
Water System	55,027	62,479				7,452	7,452
Total Business Type Activities	55,027	62,479	-	-		7,452	7,452
Total Primary Government	$ 632,337	$ 139,005	$ -	$ 124,646	$ (376,138)	$ 7,452	$ (368,686)
General Revenues							
Taxes							
Property Taxes					134,126		134,126
Sales Tax					105,318		105,318
Insurance Premium Tax					34,381		34,381
Franchise					50,463		50,463
Alcoholic Beverage					28,967		28,967
Other Taxes					2,718		2,718
Investment					896	1,977	2,873
Miscellaneous					6,621		6,621
Transfers					13,973	(13,973)	-
Total General Revenues, Special Items and Transfers					377,463	(11,996)	365,467
Changes in Net Assets					1,325	(4,544)	(3,219)
Net Assets, Beginning of Period					1,200,530	185,872	1,386,402
Net Assets, End of Period					$ 1,201,855	$ 181,328	$ 1,383,183

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

City of Lake Park, Georgia
Balance Sheet
Governmental Funds
December 31, 2011

	General	Major Capaital Project Funds: Special Purpose Local Option Sales Tax 2002 Issue	Major Capaital Project Funds: Special Purpose Local Option Sales Tax 2008 Issue	Memorial Cemetery Trust Fund	Total Governmental Funds
Assets					
Cash and Cash Euivalents	$ 80,233	$ -	$ 56,328	$ -	$ 136,561
Investments	102,375				102,375
Receivables					
Taxes	65,875				65,875
Intergovernmental	10,093		15,783	-	25,876
Other	21,413			-	21,413
Resticted Assets					
Cash and Investments				67,125	67,125
Other					-
Total Assets	$ 279,989	$ -	$ 72,111	$ 67,125	$ 419,225
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	$ 7,638			$ -	$ 7,638
Accrued Expenses	(269)			-	(269)
Deferred Revenue	29,255				29,255
Deposits					-
Total Liabilities	36,624	-	-	-	36,624
Fund Balance					
Nonspendable					-
Restricted			72,111		72,111
Commited				67,125	67,125
Assigned					-
Unassigned	243,365				243,365
Total Fund Balance	243,365	-	72,111	67,125	382,601
Total Liabilities and Fund Balance	$ 279,989	$ -	$ 72,111	$ 67,125	$ 419,225

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

City of Lake Park, Georgia
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2011

	General	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2002 Issue	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2008 Issue	Memorial Cemetery Trust Fund	Total Governmental Funds
Revenues					
Property Taxes	$ 130,834	$ -	$ -	$ -	$ 130,834
Sales Tax	105,318				105,318
Insurance Premium Tax	34,381				34,381
Other Taxes	83,148				83,148
Licenses and Permits	16,229				16,229
Intergovernmental		34,236	90,182		124,418
Charges for Services	2,356			9,300	11,656
Fines and Forfeitures	55,101				55,101
Investment	136		228	760	1,124
Other	6,621				6,621
Total Revenues	434,124	34,236	90,410	10,060	568,830
Expenditures					
Current					
General Government	136,318				136,318
Judicial	17,597				17,597
Public Safety	205,431		3,979		209,410
Public Works	102,758				102,758
Culture and Recreation	3,238			3,260	6,498
Debt Service					
Principal	2,352		10,000		12,352
Interest	9,007				9,007
Capital		34,236	129,768		164,004
Total Expenditures	476,701	34,236	143,747	3,260	657,944
Excess (Deficit) of Revenues Over (Under) Expenditures	(42,577)	-	(53,337)	6,800	(89,114)
Other Financing Sources (Uses)					
Transfers, net	18,108		(4,135)		13,973
Net Other Financing Sources (Uses)	18,108	-	(4,135)	-	13,973
Change in Fund Balance	(24,469)	-	(57,472)	6,800	(75,141)
Fund Balance, Beginning	267,834	-	129,583	60,325	457,742
Fund Balance, Ending	$ 243,365	$ -	$ 72,111	$ 67,125	$ 382,601

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

City of Lake Park, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2011

Net Change in Fund Balance - Total Governmental Funds (Page 6)	$	(75,141)
Amounts Reported for *Governmental Activities* in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital outlays is allocated over their estimated useful lives as depreciation expense.		164,005
Depreciation is not reported as an expense in Governemntal Funds. However, depreciation expense is included in the Statement of Activities.		(99,598)
Revenues that do not provide current financial resources are reported in the Statement of Activities, but are excluded from revenues in Governemntal Funds.		(4,168)
Proceeds from long-term debt provides current financial resources in Governmental Funds, but the issuing of debt increases liabilities in the Statement of Activities.		-
Repayment of long-term debt is a use of current financial resources in Governmental Funds, but the repayment of debt decrease liabilities in the Statement of Activities.		12,352
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governemntal funds.		3,875
Change in Net Assets of Governmental Activities (Page 4)	$	1,325

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

City of Lake Park, Georgia
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2011

Total Fund Balance - Governmental Funds (Page 5)		$ 382,601
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because		
In Governmental Activities capital outlays are considered a use of financial resources and treated as expenditures in the period acquired. In the Statement of Net Assets capital assets are capitalized and reported as assets, net of accumulated depreciation. These assets consists of:		
Infrastructure	$ 59,454	
Site and site improvements, including buildings	748,290	
Machinery and Equipment	628,550	
	1,436,294	
Accumulated Depreciation	488,622	
	947,672	
Construction in Progress	-	947,672

Proceeds from general long-term debt is reported as a source of current financial resources in Governmental Fund Activities. In the Statement of Net Assets the balance of general long-term debt is reported as a liability. These liabilities consits of:

	Amount Payable			
	Current	Long-Term	Total	
Capitalized Leases	$ 13,047	$ 134,601	$ 147,648	
			-	
Totals	$ 13,047	$ 134,601	$ 147,648	(147,648)

Property tax revenues collected after the end of the year but not available to pay current period expenditures are deferred in Governemntal Activities.	21,718
Fines and forfeitures collected after the end of the year and not available to py current period expenditures are deferred in Governmental Actibities.	7,538
Expenses reported in the Statement of Activities which do not require the use of current financial resources and are not reported as expenditures in governmental activities.	(10,026)
Net Assets of Governmental Activities (Page 3)	$ 1,201,855

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

City of Lake Park
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2011

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	$ 128,450	$ 128,450	$ 130,834	$ 2,384
Local Option Sales Tax	118,000	118,000	105,318	(12,682)
Insurance Premium Tax	30,000	30,000	34,381	4,381
Other Taxes	68,600	68,600	83,148	14,548
Licenses and Permits	15,750	15,750	16,229	479
Charges for Services	2,100	2,100	2,356	256
Fines and Forfeitures	51,000	51,000	55,101	4,101
Investment	200	200	136	(64)
Other and Miscellaneous	3,950	3,950	6,621	2,671
Total Revenues	418,050	418,050	434,124	16,074
Expenditures				
General Government	138,865	144,365	136,318	8,047
Judicial	13,800	17,300	17,597	(297)
Public Safety	183,936	213,936	205,431	8,505
Public Works	84,693	89,218	102,758	(13,540)
Culture and Recreation	3,325	3,325	3,238	87
Debt Service	11,539	11,539	11,359	180
Total Expenditures	436,158	479,683	476,701	2,982
Excess (Deficit) of Revenues Over (Under) Expenditures	(18,108)	(61,633)	(42,577)	19,056
Other Financing Sources (Uses)				
Transfers In	18,108	18,108	18,108	-
Appropriation of Surplus		43,525		(43,525)
Net Other Financing Sources (Uses)	18,108	61,633	18,108	(43,525)
Change in Fund Balance before	-	-	(24,469)	(24,469)
Fund Balance, Beginning	267,834	267,834	267,834	-
Fund Balance, Ending	$ 267,834	$ 267,834	$ 243,365	$ (24,469)

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

City of Lake Park
Statement of Net Assets
Proprietary Fund
December 31, 2011

	Major Enterprise Fund Water System
Assets	
Current Assets	
Cash and Cash Equivalents	$ 5,635
Investments (Certificates of Deposit)	81,036
Receivables, net of allowance for doubtful accounts	3,952
Restricted Assets	
Customer Deposits	5,807
Total Current Assets	96,430
Non-Current Assets	
Capital Assets	
Equipment	17,167
Distribution System	262,644
	279,811
Accumulated Depreciation	182,676
	97,135
Total Assets	$ 193,565
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	$ 625
Accrued Expenses	-
Intergovernmental	-
Total Current Liabilities	625
Non-Current Liabilities	
Water Deposits	11,612
Total Long-Term Liabilities	11,612
Total Liabilities	12,237
Net Assets	
Invested in Capital Assets	97,135
Restricted	-
Unrestricted	84,193
Total Net Assets	181,328
Total Liabilities and Net Assets	$ 193,565

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

City of Lake Park
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Major Enterprised Fund Solid Waste
Operating Revenues	
User Fees	$ 62,479
Other	-
Total Operating Revenues	62,479
Operating Expenses	
Salary and Wages	12,857
Benefits	1,304
	14,161
Professional and Technical	4,045
Insurance	2,518
Maintenance and Repairs	12,362
Materials and Supplies	6,455
Utilities	10,009
Other	969
Depreciation	4,509
Total Operating Expeses	55,028
Operating Income (Loss)	7,451
Non-Operating Revenue (Expense)	
Investment Income	1,977
Total Non-Operating Revenue (Expense)	1,977
Income (Loss) Before Transfers	9,428
Transfers In (Out)	(13,973)
Change in Net Assets	(4,545)
Net Assets, Beginning	185,873
Net Assets, Ending	$ 181,328

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

City of Lake Park
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Major Enterprise Fund Water System
Cash Flow from Operating Activities	
Receipts from Customers	$ 62,025
Other Operating Revenue	-
Purchase of Goods and Services	36,232
Compensation and Benefits	14,161
Cash flow from Operating Activities	11,632
Cash Flow from Non-Capital Financing Activities	
Transfers In (Out)	(18,108)
Decrease in Customer Deposits	77
Cash Flow from Non-Capital Financing Activities	(18,031)
Cash Flow from Capital and Related Financing	
Cash Flow from Capital and Related Financing	-
Cash flow from Investing Activities	
Decrease in Investments	1,463
Investment Inome	1,977
Cash Flow from Investing Activities	3,440
Net Increase (Decrease) in Cash and Cash Equivalents	(2,959)
Cash and Cash Equivalents, Beginning	8,594
Cash and Cash Equivalents, ending	$ 5,635
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities	
Operating Income (Loss)	$ 7,451
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	4,509
Change in Assets and Liabilities:	
Receivables	(1,030)
Accounts Payable	127
Customer Deposits	575
Net Cash Provided (Used) By Operating Activities	$ 11,632
Non-Cash Capital and Related Financing Activities	
Capital assets acquired by Capital Project Funds	$ 4,135

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

Note 1 - Summary of Significant Accounting Policies

The City operates under a mayor - council form of government and provides the following services in addition to general administrative responsibilities: public safety (police and fire), highways and streets, sanitation, water, and culture and recreation.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) Statements and Interpretations issued through November 30, 19189, to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies:

(A) Reporting Entity

In evaluating the City, for financial reporting purposes, management considers all potential component units. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standard Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- if the organization is legally separate and can sue and be sued in their own name
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial burden or benefit on the City
- there is a fiscal dependency by the organization of the City

There are no boards, commissions, authorities, or other units of government (component units) for which the City is accountable.

(B) Basis of Presentation

Effective January 1, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement establishes accounting and financial reporting standards for general purpose external financial reporting by local governments and establishes specific standards for the basic financial statements, management's discussion and analysis, and certain required supplementary information. Governments are required to report government-wide as well as fund level financial statements.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Governmental activities, which are generally supported by taxes, intergovernmental revenues and non-exchange transactions, are reported separate from business-type activities, which rely primarily on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are expenses which are specifically associated with a particular activity. Program revenues include (a) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given activity and (b) grants and contributions which are restricted to meeting the operational or capital requirement of a particular activity. Taxes and other revenues not classified as programs revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

The accounts of the City are organized by funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equities, revenues (income) and expenditures (expenses). Resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City's fund types are:

Governmental Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balance of expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The objective for evaluation is based upon the determination of changes in financial position rather than objectives for net income. The following are the City's governmental fund types:

General Fund - The principal operating fund of the City and is used to account for all financial resources not otherwise accounted for in another fund.

Capital Project Fund - This fund accounts for financial resources used for the acquisition and construction of fixed assets and repair and renovation of major capital facilities (other than acquisition, construction and repairs financed by proprietary and special assessment funds).

Proprietary Funds

Proprietary funds are used to account for on-going activities, which are similar to the activities often found in the private sector. The objective for evaluation is based upon the determination of financial position and results of operations (net income). The City's proprietary fund is:

Enterprise Fund (Water Fund) - This fund is used to account for operations and activities (a) that are financed and operated in a manner similar to the private business enterprise where costs (expenses, including depreciation) of providing services to the public is financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is necessary for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others, including other governments, or on behalf of other funds within the government. The City's "nonexpendable trust" is used to account for trust principal, income and operating expenses of the Lake Park Memorial Cemetery.

(C) Measurement Focus, Basis of Accounting, and Financial Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue when eligibility requirements have been satisfied.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay current period liabilities. The government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Revenues susceptible to accrual include property taxes, franchise taxes, governmental grants, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Fines, forfeitures, and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Proprietary Funds

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The City's major governmental funds are:

The General Fund is the government's primary operating fund. All financial resources of the general government, other than resources required to be accounted for in another fund, are reported in the general fund.

The Special Purpose Local Option Sales Tax (Capital Project) Funds for capital projects financed from the special purpose local option sales tax referendums.

The City's Fiduciary Fund - the Lake Park Memorial Cemetery Trust Fund.

The City's only proprietary fund is the Water Fund.

Program Revenues

Amounts reported as program revenues include (a) charges to customers or applicants for goods, services, or privileges provided, (b) operating grants and contributions which finance current operating activities including restricted investment income, and (c) capital grants and contributions, including special assessments, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions on program use. For identifying to which function program revenue pertains, the determining factor for the charge for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted.

Taxes and other revenue sources not included with program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or supported by general revenues.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

For the most part, interfund transactions have been eliminated from the statements.

(D) Cash and Investments

Cash includes amounts in demand and savings (including time) deposits. The City does not have any investments other than interest bearing checking accounts and certificates of deposit.

The Official Code of Georgia (O.C.G.A. 36-83-4) authorizes the City to invest in obligations of this or other states, the United States government, obligations fully insured or guaranteed by the United States government or a United States government agency, obligations of any corporation of the United States government, prime banker's acceptances, local government investment pools established by O.C.G.A. Section 36-83-8, repurchase agreements, and obligations of other political subdivisions of this state.

(E) Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepaid items. The City typically does not have any prepaid expenses.

(F) Inventory

The City does not value its inventories for financial reporting purposes. Purchases of materials and supplies are charged to operations when acquired.

(G) Restricted Assets

Cash and other resources are classified as restricted assets because use is limited by law, grants, or local ordinances.

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial estimated useful life of more than one year and a cost of more than $500. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements. General infrastructure assets include roads, streets, sidewalks, and bridges and other similar assets acquired subsequent to December 31, 2003.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the constructed assets.

The costs of normal maintenance and repairs that do not increase the value of the asset or materially extend useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Asset Classification	Lives
Land and Improvements	
Infrastructure, including utility system	20 to 40 years
Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 10 years
Office and Technology Equipment	5 to 10 years
Transportation Equipment	5 to 10 years

(I) Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the governmental funds statement of revenues, expenditures and changes in fund balance the proceeds of long-term debt financing is reported as other financing sources. The repayment of general long-term debt is reported as an expenditure of current financial resources.

(J) Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

(K) Interfund Transactions

During the course of its operations, the City processes transactions to finance the operations (i.e. the payment of payroll, payables, construction of assets, etc.) for special revenue, capital projects, and enterprise funds. Internal receivables and payables are recorded to report the amounts not reimbursed as of December 31st. To the extent that these balances are between governmental funds, they are eliminated on the statement of net assets.

Interfund transfers are reported as other financing sources (uses) in governmental funds and after non-operating revenues (expenses) in enterprise funds.

(L) Compensated Absences

The City provides vacation and sick pay benefits to its full-time, regular employees. Only vacation leave is payable upon termination, accordingly, only accumulated unpaid vacation benefits, which are reasonably estimable, are accrued when earned.

The cost of compensated absences is recorded as liabilities in the applicable government-wide, business-type activities, or proprietary fund type statement of net assets. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. These liabilities are typically liquated by the general fund.

(M) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(N) Statement of Cash Flows

For purposes of the statement of cash flows, the Water (Enterprise) Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(O) Schedules of Financial Assistance and One Percent Special Purpose Local Option Sales Tax Project Cost Schedules

The basis of accounting employed by the fund type in which revenues and expenditures are reported for funding from federal, state and other financial assistance programs and one percent special purposes local option sales tax

(P) Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee or the City's finance director to assign fund balances.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balances are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: Committed, Assigned, Unassigned.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other assets are reported as unrestricted.

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

Note 2 – Stewardship, Compliance and Accountability

(A) Budgetary Accounting

The City's Finance Ordinance requires the governing authority to adopt annual budgets for all governmental fund types (general and special revenues). An annual budget is also prepared for the City's enterprise and non-expendable trust funds. Budgets for capital projects funds are adopted on a total project basis rather than on an annual basis. The budgets are prepared and adopted on a basis consistent with generally accepted accounting principles.

The City budget officer may transfer appropriations in any fund among the various accounts within a department. Transfers within a department, which increase salaries, require approval of the City Council. Any increase in appropriation for any fund or department within a fund requires approval of the City Council. All appropriations, to the extent not expended or encumbered, lapse at the close of the period for which the appropriation was budgeted.

The City Council advertises and conducts public hearings according to the requirements of state law and the City's finance ordinance. The final budget for the calendar year is adopted by the preceding December 31st.

Budget Revisions

Budgeted amounts on all budget comparisons are as amended as of December 31, 2011 by Mayor and Council. Supplemental appropriations, which result primarily from receipt of unanticipated revenues from governmental grants are included in budgeted amounts.

(B) – Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in two departments in the general fund – Judicial - $297 and Public Works - $13, 540.

(C) – Deficit fund Balances

There are no funds with deficit fund balances.

(D) - Compliance

The City expended $3,979 for non-referendum, non-capital supply expenditures which were not authorized in the referendum for imposition of the special purpose local option sales tax

Note 3 – Cash and Cash Equivalents

As of December 31, 2011, the primary government's deposits, including certificates of deposits, were $398,539 and the account balances per the financial institutions were $400,219. Of the total account balances per the financial institutions, $400,219 was insured through the Federal Deposit Insurance Corporation (the FDIC).

Cash and cash equivalents, invested in savings and certificates of deposit in financial institutions, consist of the following:

Account Type	
Cash on Hand	$ 120
Cash and demand deposits	169,180
Investments (time deposits)	229,239
Total	$ 398,539

Total cash and equivalents include restricted cash of the Memorial Cemetery Fund of $67,125 and customer deposits in the Water System of $5,807.

Note 4 - Taxes Receivable

Taxes on intangible and personal property including mobile homes are collected by the Lowndes County Tax Commissioner. The City bills and collects all other tax revenues. Georgia statutes do not provide a maximum milage rate, which may be levied.

Tax revenues are recognized during the period for which they are levied. An allowance is established for delinquent taxes to the extent that their collectibility is questionable. Taxes collected during the current period and within sixty days thereafter are considered available to finance current operations. The City's property tax calendar is as follows:

Assessment Date	January 1
Return of real and personal property	March 1
Assessors submit returns to Clerk	July 1
Digest submitted to State Revenue Commissioner	July 28
Levy Date	October 1
Tax bills mailed by Clerk	October 20
Due date of taxes, other than motor vehicles	December 20
Execution (lien) date for unpaid taxes	December 21

Taxes due the City as of December 31st are summarized as follows:

Realty, Personalty, Franchise and Other Taxes	
Current year levies	$ 20,508
Prior years levies	5,868
	26,376
Less Allowance for delinquencies	(10,387)
Net property taxes receivable	$ 15,989

Note 5 – Receivables (Other than Property Taxes)

Intergovernmental and other receivables are summarized as follows:

	Governmental Fund Types			Proprietary Fund Types	
	General Fund	Capital Projects	Other	Enterprise Fund	Total
Taxes					
Property Taxes, net	$ 15,989	$	$	$	$ 15,989
Franchise	49,886				49,886
	$ 65,875	$	$	$	$ 65,875
Intergovernmental					
Lowndes County, Georgia Local Option Sales And Use Tax	$ 10,093	$ 15,783	$	$	$ 25,876
	$ 10,093	$ 15,783	$	$	$ 25,876
Other					
Fines and Forfeitures	$ 18,530				18,530
Excise Taxes	2,092				2,092
Other	791				791
User Fees, net				3,982	3,982
	$ 21,413	$	$	$ 3,982	$ 165,444
Total	$ 491,339	$ 15,783	$ -	$ 58,945	$ 550,284

In accordance with the terms of the June 11, 2002 agreement between Lowndes County, Georgia and participating municipalities within the county proceeds from the 2002 Special Purpose Local Option Sales Tax Referendum are invested in a special fund which is accounted for and administered by the Lowndes County Finance Department. The agreement requires that the proceeds of the tax be invested in the Georgia Investment Pool. The municipalities apply to the County for reimbursement of qualifying project expenditures. As of December 31, 2011 the City's unexpended share of the 2002 Special Purpose Local Option Sales and Use Tax including accrued interest was $23,253. Terms of the referendum restrict use of the Special Purpose Local Option Sales Tax for qualifying projects for the construction of roads, streets and bridges, construction and improvements to public facilities and equipment for environmental protection, renovation, construction and improvements to public facilities and equipment consisting of the city hall and the fire station, and construction and improvement of water and sewerage facilities.

In accordance with the terms of the August 23, 2007 agreement between Lowndes County, Georgia and participating municipalities within the county proceeds from the 2008 Special Purpose Local Option Sales Tax Referendum are invested in a special fund. Terms of the referendum restrict use of the special purpose local option sales tax for qualifying projects for the construction of roads, streets and bridges, construction and improvements to public facilities and equipment for environmental protection, renovation, construction and improvements to public facilities and equipment consisting of the general governmental administration, public works, police, fire, and construction of water improvements, and retirement of general obligation debt.

Note 6 – Interfund Balances

Interfund receivables and payables result from temporary advances, primarily from the general fund to other funds, to finance current operating expenditures and are summarized as follows:

Transfers primarily from the general fund to other funds to finance current operations are summarized as follows:

	Transfers	
	In	Out
Major Governmental Funds		
General Fund	$ 18,108	$
Capital Project Fund		4,135
Total Governmental Funds	18,108	4,135
Proprietary-Enterprise Fund		13,973
Totals	$ 18,108	$ 18,108

Note 7 - Changes in Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Governmental Activities:					
Capital Assets not being Depreciated					
Land and Improvements	$ 23,907	$ 37,497	$ -	$ -	$ 61,404
Total Assets not being Depreciated	23,907	37,497	-	-	61,404
Other Capital Assets					
Buildings and Improvements	670,263	16,623	-	-	686,886
Infrastructure		59,454	-	-	59,454
Machinery and Equipment	578,119	50,431	-	-	628,550
Total Other Capital Assets	1,248,382	126,508	-	-	1,374,890
Less Accumulated Depreciation					
Buildings & Improvements	(189,300)	(28,206)	-	-	(217,506)
Infrastructure		(3,191)	-	-	(3,191)
Machinery & Equipment	(199,724)	(68,201)	-	-	(267,925)
Total Depreciation	(389,024)	(99,598)	-	-	(488,622)
Net Other Capital Assets	859,358	26,910	-	-	886,268
Total Capital Assets, net	$ 883,265	$ 64,407	$ -	$ -	$ 947,672
Business-Type Activities:					
Capital Assets not being Depreciated	$ -	$ -	$ -	$ -	$ -
Other Capital Assets					
Buildings and Improvements					
Utility System and Equipment	258,509	4,135	-	-	262,644
Machinery and Equipment	17,167	-	-	-	17,167
Total Other Capital Assets	275,676	4,135	-	-	279,811
Less Accumulated Depreciation					
Buildings and Improvements					
Utility System and Equipment	(161,000)	(4,509)	-	-	(165,509)
Machinery and Equipment	(17,167)	-	-	-	(17,167)
Total Depreciation	(178,167)	(4,509)	-	-	(182,676)
Net Other Capital Assets	97,509	(4,509)	-	-	93,000
Total Capital Assets, net	$ 97,509	$ (374)	$ -	$ -	$ 97,135

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 11,567
Public safety	60,438
Public works	24,398
Culture and recreation	3,195
Total depreciation expense – governmental activities	$ 99,598
Business—type activities	
Water fund	$ 4,509
Total depreciation expense – business-type activities	$ 4,509

Note 8 – Fund Balance

	General	Major Capital Project Funds: Special Purpose Local Option Sales Tax – 2002 Issue	Major Capital Project Funds: Special Purpose Local Option Sales Tax – 2008 Issue	Memorial Cemetery Trust Fund	Total Funds
Nonspendable:	$	$ -0-	$ -0-	$ -0-	$
Restricted for: Capital Project Funds:			72,111		72,111
Committed to: Lake Park Memorial Cemetery Trust Fund				67,125	67,125
Assigned to:					
Unassigned to:	243,365				$ 243,365
Total	$ 243,365		72,111	67,125	$ 382,601

Note 9 - Retirement Benefits

Plan Description

The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a noncontributory agent multiple-employer defined benefit public employer retirement system that acts as a common investment and administrative agent for governmental entities in the State of Georgia. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The plan is administered by Georgia Municipal Association. Benefit provisions and all other requirements are established by state statute. Plan features, including benefit provisions, are established by the plan Board of Trustees. Georgia Municipal Association issues a publicly available financial report that includes financial statement and required supplementary information for GMEBS. That report may be obtained from the Georgia Municipal Association, 201 Pryor Street S.W., Atlanta, Georgia 30303-3606.

Recommended Contribution

The GMEBS Board of Trustees has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

The plan is subject to minimum funding standards of the Public Retirement System Standard Law (Georgia Code Section 47-20-10).

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with net effective amortization period of 10 years.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost of Living Adjustments	0.00%
Membership of the Plan	
Retirees and beneficiaries	2
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members	4
Total	7

The significant assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standards of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

Information regarding the funding status of the plan is provided below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Surplus) AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) – (a)] / (c)
05/01/2006	$ 202,743	$ 291,975	$ 89,232	69.44%	$ 125,248	71.24%
05/01/2007	220,390	314,878	94,488	69.99%	125,225	75.45%
05/01/2008	245,769	319,458	73,689	76.93%	136,818	53.86%
05/01/2009	213,127	469,913	256,786	45.35%	198,728	129.21%
07/01/2010	325,785	473,363	147,578	68.82%	160,277	92.08%
07/01/2011	396,471	493,637	97,166	80.32%	130,191	74.63%

**Not less than zero*

The Schedule of Retirement Plan funding Progress following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Four Year Trend Information

Fiscal Year End	Annual Pension Costs	Percentage of APC Contributed	Pension Obligation
2011	$ 35,484	100%	$ -
2010	$ 44,359	100%	$ -
2009	$ 54,971	100%	$ -
2008	$ 24,570	100%	$ -

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; crimes; and natural disasters. The City is a participant in the Georgia Municipal Association Property and Liability Self-Insurance Program, a public entity risk pool operating as a common risk management and insurance program for member governments. The GMA Property and Liability Self-Insurance Program is a fund established and administered as a part of the Georgia Inter-Local Risk Management Agency (GIRMA) an unincorporated nonprofit instrumentality of participating municipalities.

The purpose of risk pools is to establish and administer one or more groups of self-insurance funds which provide risk management services, prevent or lessen indices and severity of casualty and property losses, and defend and protect participating members from liability or loss from general liability, motor vehicle liability, property damage, crimes and other claims which members are jointly self-insured. Claim settlement, determination of risk, institution of loss prevention programs and accounting systems, acquisition of excess insurance and reinsurance coverage and the performance of daily operations are responsibilities of the board of trustees.

Admission of members into the agency is subject to the approval of the administrator in accordance with policies established by the board of trustees. Each member is required to continue membership until completion of the second full fiscal year of membership. Membership is continued on a year-to-year basis. A member may withdraw or choose not to renew membership effective at the end of any fiscal year upon giving ninety days advanced written notice to the agency.

Members failing to pay required contributions, assessments, or other sums in such amounts and at times established by the board of trustees may, upon proper notice, be immediately suspended from membership and coverage shall immediately cease. Terminated members remain liable for assessments for any fiscal year in which they were members and have no rights to surplus or dividends. The capital contribution, if any, of a terminated member may be returned in whole, or in part, at the discretion of the board of trustees.

Additional responsibilities and obligations of participating members include; selection of a person to serve as member representative, allow GIRMA and its agents reasonable access to facilities and records, allow attorneys designated by GIRMA to investigate, litigate, and discuss settlement options for claims made against participating members, including assisting and participating in the defense and settlement of claims, cooperate with GIRMA attorneys, adjustors, agents or independent contractors relating to the purposes of GIRMA, provide budget, operating and underwriting information requested by the board, and promptly report all incidents which could result in any claim.

In accordance with O.C.G.A. Sections 36-85-9 and 36-85-19, each member is jointly and severally liable for all legal obligations of the agency or funds and assessments may be imposed to meet financial deficiencies of the agency or of any fund.

Policy deductibles are funded from and charged to operations during the period in which losses are settled. Insurance provides coverage up to a maximum of $600,000 for each general liability claim, and various limits up to an aggregate of $616,464 for property damage claims. Deductible limits are $1,000 per occurrence.

The City's exposure, which is limited to policy deductibles, is charged to current operations when incurred. No claims in excess of insured limits were threatened, pending or outstanding as of June 30th. Accordingly, no liability has been provided for claims threatened, pending or outstanding. There have been no significant reductions in insurance coverage. Settled claims have not exceeded coverage limits for the current or preceding three years.

The City has not compiled a record of claims paid in excess of applicable deductibles for the current or prior fiscal years. Management is not aware of any outstanding and unpaid claims as of June 30th. Accordingly, no provision has been made for potential claims.

The City is also a participant in the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The purpose of the fund is to insure the participating member's obligations under state workers compensation laws for employer liability to employees for claims for injuries and medical expenses and demands for compensation. The fund is responsible for cost incurred by members in any legal proceeding defended by the members, interest accruing after judgment, and expenses incurred for investigation or defense. Coverage provides up to a maximum of $100,000 for each worker's compensation claim.

Each participating member city is required to continue membership until completion of the second full fiscal year of membership. Membership is continued on a year-to-year basis. A member may withdraw or choose not to renew membership effective at the end of any fiscal year upon giving ninety day advanced written notice to the association. Members failing to pay required contributions, assessments, or other sums in such amounts and at time established by the association may, upon notice, be immediately suspended from membership and coverage shall immediately cease. Terminated members remain liable for assessments for any fiscal year in which they were members and have no rights to surplus or dividends. The capital contribution, if any, of a terminated member may be returned in whole, or in part, at the discretion of the board. Additional responsibilities and obligations of participating members include; allow attorneys designated by Georgia Municipal Association to investigate, litigate, and discuss settlement options for claims made against participating members, including assisting and participating in the defense and settlement of claims, and promptly report all incidents which could result in any claim. Each member is jointly and severally liable for all legal obligations of the association or funds and assessments may be imposed to meet financial deficiencies of the fund.

No claims in excess of insured limits were threatened, pending or outstanding as of December 31, 2011. Accordingly, no liability is provided for claims threatened, pending or outstanding. There have been no significant reductions in insurance coverage. Settled claims have not exceeded coverage limits for the current or preceding three years.

Changes in the City's liability for claims in excess of insurance coverage are summarized as follows:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability End of Year
2011	$ -0-	$ -0-	$ -0-	$ -0-
2010	-0-	-0-	-0-	-0-
2009	-0-	-0-	-0-	-0-

Note 11 - Changes in Long-Term Debt

The City entered into a capital lease with Republic First National Corporation to purchase two fire trucks with a cost of $125,000 each for a total of $250,000. The capital lease in the amount of $160,000 is payable in annual installments of $21,358.54, including interest at 5.629% per annum through April 2020.

Interest of $6,262 has been accrued on the above capital lease at December 31, 2011.

Maturities of governmental long-term debt are as follows:

Year	Principal	Interest	Total
2012	$ 13,047	$ 8,311	$ 21,358
2013	13,782	7,577	21,359
2014	14,557	6,801	21,358
2015	15,377	5,982	21,359
2016	16,242	5,116	21,359
2017	74,643	10,791	85,433
Total	$ 147,648	$ 44,578	$ 192,226

Changes in long-term debt obligations for the year ended December 31, 2011 are summarized as follows:

	Balance Beginning of Period	Additions	Repayments	Balance End of Period	Amount Due in One Year
Governmental Activities					
Capitalized Lease Obligations	$ 160,000	$ -	$ 12,352	$ 147,648	$ 13,047
Compensated Absences	7,146	6,524	9,906	3,764	3,764
Total Governmental Activities	$ 167,146	$ 6,524	$ 22,258	$ 151,412	$ 16,811

Compensated absences are liquidated primarily from governmental activities.

Note 12 – Joint Venture (South Georgia Regional Commission)

The City is a participating member of the Southern Georgia Regional Commission (SGRC), a governmental entity legislatively established by O.C.G.A. 50-8-34. The SGRC is comprised of the municipalities and counties within the ten county district created and established by the Act. The SGRC is managed by a board, which includes the chief elected official of the district's member municipalities and county governments. The municipalities and counties within the district are responsible for the debts, obligations, and operating deficits of the Regional Commission and are required to pay annual minimum dues to support operations. The City's dues for the year ended December 31, 2011 were paid by the County.

Separate financial statements may be obtained from:

Southern Georgia Regional Commission
327 West Savannah Avenue
Valdosta, GA 31601.

Note 13 - Litigation

The City is a not involved in any current lawsuits. The City and an employee are potential parties to one threatened lawsuit. The City Attorney believes the City employee will be granted summary judgment on the grounds of official and sovereign immunity. The City has liability insurance and is being represented by the carrier's attorney. The City's exposure should not exceed the insurance deductible.

Note 14 - Contingencies

The City participates in federally assisted grant programs. These programs are subject to compliance audits by the grantors or their representatives.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCEAND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To Mayor and Council
City of Lake Park, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of City of Lake Park, Georgia as of and for the year ended December 31, 2011, which collectively comprise City of Lake Park, Georgia's basic financial statements and have issued our report there on dated February 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the schedule of findings and responses, as items 2011.01, 2011.02, and 2011.05 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, item 2011.04 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lake Park, Georgia's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011.03.

City of Lake Park, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Lake Park, Georgia's response and, accordingly, we express no opinion on it.

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



February 26, 2013

Financial Statement Findings and Responses

Current Year Findings

2011.01 Absence of Optimum Level of Appropriate Segregation of Duties

(*This is a modified repeat finding*)

Requirement: A properly designed and effective system of internal control requires that there are a sufficient number of properly trained, skilled personnel to be able to segregate duties and responsibilities among personnel so that individuals initiating, processing, verifying, reviewing, approving, recording or processing financial transactions, and preparing financial statements are not being performed by the same individual. The City's accounting policies and procedures should be compiled in a formal written document.

Condition: The City does not have sufficient personnel to provide an optimum level of appropriate segregation of duties and responsibilities.

Effect: Errors, intentional or otherwise, and fraud could occur in the processing of financial transactions and the preparation of financial statements and not be timely detected and corrected. In the event of a change of key personnel the operations of the City could be compromised without definitive operating guides.

Recommendation: Staffing should include a sufficient number of properly trained personnel in order to assign duties and responsibilities among the staff in order to reduce to a minimum level of risk that misstatements resulting from fraud or error might occur and not be detected by employees during the normal course of performing assigned duties.

City's Response: The City agrees with this finding. Because of the City's size and economic limitations the City does not believe it financially feasible to hire additional staff solely for purpose of mitigating this weakness. The City has only one part-time staff person in the accounting and finance office. She is responsible for billings, collections, and recording and posting of receipts, processing and payment of vendor invoices, and payment of employees. A second person has been contracted with to perform the accounting duties related to recording and posting transactions, reconciling the bank accounts and preparing quarterly financial statements. Mayor and Council maintain oversight activities related to investments including review of institutional compliance with FDIC insurance coverage. Mayor and Council review all financial transactions and financial statements. Checks require the signature of two persons one of which must be an elected official.

2011.02 Anti-Fraud Program and Controls

Requirement: Policies to prevent and procedures to identify and detect financial statement misstatements caused by error or fraud and misappropriation of assets are required to prevent and minimize the risk of material misstatements in the financial statements and the inappropriate use or loss of assets. The policies and procedures should be in writing, formally adopted by the Mayor and Council, communicated to the entire organization, monitored by management and strictly enforced.

Condition: The City has not adopted anti-fraud policies and procedures.

Effect: Errors, including fraud, may occur and not be detected and assets could be lost or damaged and not be recovered resulting in significant economic loss.

Recommendation: The Mayor and Council should formally adopt written policies and procedures to prevent, detect and prosecute fraud. The policies and procedures should be communicated to all City employees and elected officials. Employees and elected official should acknowledge receipt and understanding of the policies. Any violations should be justification for termination of employment and basis for prosecution.

City's Response: The City agrees with this finding and recommendation. Mayor and Council will work on developing and adopting formal polices and procedures to prevent, detect, and prosecute fraud. The City will consult with legal council for guidance and will incorporate these policies and procedures into the City's Ordinances.

2011.03 Budgetary - Financial Compliance

(*This is a modified repeat finding*)

Specific Requirement: O.C.G.A. 36-81-3(b)(1) requires each unit of local government to adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund. O.C.G.A. 36-81-3(b)(2) requires a project-length balanced budget for each capital project fund with the project-length balanced budget being adopted by ordinance or resolution in the year that the project initially begins. The project-length balanced budget should appropriate total expenditures for the duration of the capital project. O.C.G.A. 36-81-3(b)(3) provides that a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Conditions: Capital Projects Fund – means a fund(s) used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City's capital project funds are the 2002 and 2008 Special Purpose Local Option Sales Tax Referendums. Generally accepted governmental accounting principles, which are incorporated by O.C.G.A. 36-81-7(b)(1), defines a capital project fund as one of seven major fund types to account for financial resources used for the acquisition and construction of major capital facilities.

Expenditures exceeded appropriations in two departments in the general fund – Judicial - $297 and Public Works - $13,540. Non-capital expenditures in the amount of $3,979 were paid by the 2008 Special Purpose Local Option Sales and Use Tax Referendum.

Effect: The City is not in compliance with state laws by incurring expenditures in excess of appropriations and using in Special Purpose Local Sales and Use Tax funds for non-capital purchases.

Recommendation: Expenditures should be controlled within appropriations and restricted special purpose capital projects funds should be used only for expenditures approved by the referendum and state laws.

City's Response: The City agrees with this finding.

2011.04 Auditor Preparation of Annual Financial Statements

(*This is a modified repeat finding*)

Requirement: Generally accepted auditing standards require auditors to audit client prepared annual financial statements including the related notes to financial statements and all required supplemental information, statements, and schedules.

Condition: The City's annual financial statements, supplementary information, and schedules required by state statutes, or regulators, and grantors are auditor prepared.

Effect: The City's auditor audits the auditor prepared financial statements.

Recommendation: The City should prepare the annual financial statements, notes to basic financial statements, supplementary information, and financial schedules required by state statutes or regulators, and grantors.

City's Response: The City does not have professional staff with the training and expertise to prepare the annual audited financial statements. The Mayor and Council have considered alternatives for the preparation of the audited statements including contracting the services of a consultant. The Mayor and Council believe having the auditors prepare the statements is the only economically feasible option for the City. The Mayor and Council formally reviews and accepts responsibility for the financial statements and all related disclosures.

2011.05 Capital Assets Records and Supporting Documentation

Requirement: Generally accepted accounting principles require that detail records or subsidiary ledgers be maintained for all capital assets and properly integrated in the financial reporting system. The subsidiary ledgers should be periodically balanced to control accounts or ledgers. Assets should be tagged or labeled with identification information and inventoried on a systematic basis. Custodians of capital assets should be responsible for and required to report any change in status of capital assets. Safeguards should be established to prevent loss due to fire, theft or misappropriation. Periodic review and appraisals should be made relative to insurance coverage. Access to property records should be limited to responsible persons.

O.C.G.A. 36-81-7 requires that the governing authority of each unit of local government shall provide for and cause to be made an annual audit of the financial affairs and transactions of all funds and activities of the local government for each fiscal year. This section further requires that the financial statements be prepared in conformity with generally accepted governmental accounting principles, setting forth the financial condition and results of operation of each fund and activity of the local government. Generally accepted governmental accounting principles require that the capital assets of the governmental entity be reported in the financial statements. The opinion of the auditor, in addition to an explanation of any qualification or disclaimer contained in the opinion shall also disclose any apparent material violation of state or local law discovered during the audit including weakness or deficiencies in internal controls over financial reporting and non-compliance with state laws and regulations.

Condition: The City did not have current complete detailed historical cost records and related supporting documentation for all of the City's fixed assets, other than as accumulated by the auditor, and is not in compliance with generally accepted accounting principles. Depreciation expense has been recorded on the basis of auditor maintained accounting records and may not include all capital assets of the City.

Effect: Failure to maintain adequate detailed records of the capital assets could result in theft, loss, misuse or misappropriation, or damage to assets which may be discovered and reported to appropriate authorities and failure to maintain adequate insurance for reimbursement for loss or damage to the City's property. Financial statements may not be in compliance with generally accepted governmental accounting principles and applicable state laws. The financial statements may be incorrect and misleading.

Recommendation: The City should comply with the requirement of state law and generally accepted accounting principles by taking and maintaining and inventory of the City's capital assets.

City's Response: The City agrees with finding and will cause an inventory to be taken of the City's assets.

Prior Year Findings

10-01 Uncorrected and included in 2011.01

10-02 Uncorrected and included in 2011.04

10-03 Uncorrected and included in 2011.01

10-04 Uncorrected and included in 2011.03

City of Lake Park, Georgia
One Percent Special Purpose Local Option Sales Tax
Project Cost Schedule - 2008 Issue
For the Year Ending December 31, 2011

	Estimated Cost		Prior	Current	Cumulative	Percent
	Original	Current	Periods	Period	Cost	Complete
Road, Street and Bridge Projects	$ 325,000	$ -	$ 1,500	$ 25,218	26,718	8.2%
Public Facility Projects						
Water and Sewer Facilities	100,000		-	4,135	4,135	4.1%
Public Works	99,000		-	47,440	47,440	47.9%
Police	90,000		68,472	37,735	106,207	118.0%
Fire	73,706		53,962	1,535	55,497	75.3%
Administrative	44,644		12,475	21,819	34,294	76.8%
Retirement of General Obligation Debt	20,000		-	10,000	10,000	50.0%
Totals	$ 752,350	$ -	$ 136,409	$ 147,882	$ 284,291	

Current Year Expenditures are Reported in:	
Governmental Funds	$ 143,747
Proprietary Funds	4,135
Total	$ 147,882