City of Lake Park, Georgia

Lake Park, Georgia

Financial Statements

For the Year Ended December 31, 2012

City of Lake Park, Georgia

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GARY R. ZEIGLER, P.C.

Certified Public Accountants and Business Consultants

609 N. Patterson Street • P. O. Box 1389 • Valdosta, Georgia 31603-1389 • (229) 244-3262 • Fax (229) 247-7286

www.grzeiglercpa.com

Report on Financial Statements Issued in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statement of governmental activities, the business-type activities, and each major fund of the City of Lake Park, Georgia, as of and for the year ended December 31, 2012, and the related notes to 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 from 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 financial position of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the general fund of the City of Lake Park, Georgia as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the City of Lake Park, Georgia's financial statements. The accompanying 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 schedules of expenditure of special purpose local option sales tax 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 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 24, 2013, on our consideration of the 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* in considering Lake Park, Georgia's internal control over financial reporting and compliance.



Gary R. Zeigler, P.C.
Valdosta, Georgia

June 24, 2013

City of Lake Park, Georgia
Statement of Net Position
December 31, 2012

Assets	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 211,226	$ 13,633	$ 224,859
Investments	103,522	66,208	169,730
Receivables, net	117,108	6,588	123,696
Restricted Assets			
Cash and Cash Equivalents	55,241	6,761	62,002
Interfund	(15,677)	15,677	-
Capital Assets			
Land and Other Nondepreciable Assets	61,404		61,404
Other Capital Assets, Net of Depreciation	681,154	92,627	773,781
Total Capital Assets	742,558	92,627	835,185
Total Assets	$ 1,213,978	$ 201,494	$ 1,415,472
Liabilities and Net Position			
Liabilities			
Accounts Payable	$ 9,523	$ 620	$ 10,143
Accrued Liabilities	93	-	93
Compensated Absences	1,868		1,868
Deposits	-	9,450	9,450
Long-term Liabilities			
Current Portion of Long-Term Debt	-		-
Non-Current Portion of Long-Term Debt	-	-	-
Total Liabilities	11,484	10,070	21,554
Net Position			
Investment in Capital Assets	742,558	92,627	835,185
Restricted for:			
Capital Projects	108,790		108,790
Memorial Cemetery Trust Fund	72,711		72,711
Unrestricted	278,435	98,797	377,232
Total Net Position	1,202,494	191,424	1,393,918
Total Liabilities and Net Position	$ 1,213,978	$ 201,494	$ 1,415,472

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

City of Lake Park, Georgia
Statemnt of Activities
For the Year Ended December 31, 2012

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 Change in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Change in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Change in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities							
General Government	$ 183,200	$ 23,992	$ -	$ 47,903	$ (111,305)		$ (111,305)
Judicial	19,356	-	-	-	(19,356)		(19,356)
Public Safety	215,622	43,913	-	29,289	(142,420)		(142,420)
Public Works	120,433	-	-	12,240	(108,193)		(108,193)
Culture and Recreation	7,301	6,400	-		(901)		(901)
Interest on Long-Term Debt	2,049				(2,049)		(2,049)
Total Governmental Activities	547,961	74,305	-	89,432	(384,224)	-	(384,224)
Business Type Activities:							
Water System	51,984	79,339				27,355	27,355
Total Business Type Activities	51,984	79,339	-	-		27,355	27,355
Total Primary Government	$ 599,945	$ 153,644	$ -	$ 89,432	$ (384,224)	$ 27,355	$ (356,869)
General Revenues							
Taxes							
Property Taxes					130,015		130,015
Sales Tax					104,247		104,247
Insurance Premium Tax					36,518		36,518
Franchise					44,774		44,774
Alcoholic Beverage					38,686		38,686
Other Taxes					2,428		2,428
Investment					1,434	849	2,283
Miscellaneous					8,653		8,653
Transfers					18,108	(18,108)	-
Total General Revenues and Transfers					384,863	(17,259)	367,604
Changes in Net Position					639	10,096	10,735
Net Position, Beginning of Period					1,201,855	181,328	1,383,183
Net Position, End of Period					$ 1,202,494	$ 191,424	$ 1,393,918

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

City of Lake Park, Geoergia
Balance Sheet
Governmental Funds
December 31, 2012

	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	$ 118,166	$ -	$ 93,060	$ -	$ 211,226
Investments	103,522				103,522
Receivables					
Taxes	73,081				73,081
Intergovernmental	9,816		15,730	-	25,546
Other	18,481				18,481
Interfund	-			17,470	17,470
Resticted Assets					
Cash and Investments				55,241	55,241
Other					-
Total Assets	$ 323,066	$ -	$ 108,790	$ 72,711	$ 504,567
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	$ 9,523			$ -	$ 9,523
Accrued Expenses	93			-	93
Deferred Revenue	37,360				37,360
Interfund	33,147				33,147
Total Liabilities	80,123	-	-	-	80,123
Fund Balance					
Nonspendable					-
Restricted			108,790		108,790
Commited				72,711	72,711
Assigned					-
Unassigned	242,943				242,943
Total Fund Balance	242,943	-	108,790	72,711	424,444
Total Liabilities and Fund Balance	$ 323,066	$ -	$ 108,790	$ 72,711	$ 504,567

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

City of Lake Park, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2012

	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	$ 127,169	$ -	$ -	$ -	$ 127,169
Sales Tax	104,247				104,247
Insurance Premium Tax	36,518				36,518
Other Taxes	85,889				85,889
Licenses and Permits	23,992				23,992
Intergovernmental		-	89,075		89,075
Charges for Services	962			6,400	7,362
Fines and Forfeitures	37,692				37,692
Investment	1,171		357	263	1,791
Other	8,653				8,653
Total Revenues	426,293	-	89,432	6,663	522,388
Expenditures					
Current					
General Government	171,592		2,723		174,315
Judicial	19,356				19,356
Public Safety	165,691				165,691
Public Works	85,064		6,183		91,247
Culture and Recreation	3,120			1,077	4,197
Debt Service					
Interest	8,311				8,311
Capital		-	43,847		43,847
Total Expenditures	453,134	-	52,753	1,077	506,964
Excess (Deficit) of Revenues Over (Under) Expenditures	(26,841)	-	36,679	5,586	15,424
Other Financing Sources (Uses)					
Transfers, net	18,108		-		18,108
Increase in Long-Term Debt	8,311		-		8,311
Net Other Financing Sources (Uses)	26,419	-	-	-	26,419
Change in Fund Balance	(422)	-	36,679	5,586	41,843
Fund Balance, Beginning	243,365	-	72,111	67,125	382,601
Fund Balance, Ending	$ 242,943	$ -	$ 108,790	$ 72,711	$ 424,444

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 Position
December 31, 2012

Total Fund Balance - Governmental Funds (Page 5)		$ 424,444
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	483,104	
	1,290,848	
Accumulated Depreciation	548,290	
	742,558	
Construction in Progress	-	742,558
Property tax revenues collected after the end of the year but not available to pay current period expenditures are deferred in Governemntal Activities.		24,564
Fines and forfeitures collected after the end of the year and not available to py current period expenditures are deferred in Governmental Actibities.		12,796
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.		(1,868)
Net Position of Governmental Activities (Page 3)		$ 1,202,494

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

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, 2012

Net Change in Fund Balance - Total Governmental Funds (Page 6)			$ 41,843
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.			104,554
Depreciation is not reported as an expense in Governemntal Funds. However, depreciation expense is included in the Statement of Activities.			(93,001)
Repayment of long-term debt is a use of current financial resources in Governmental Funds, but in the Statement of Activities the repayment of debt is reported as decrease in liabilities.			
Decrease in debt secured by exchanged financed fire equipment	$ 147,648		
Accrued interest on financed equipment	8,311		
	155,959		
Less Basis of Exchanged Assets	216,666		(60,707)
Revenues that do not provide current financial resources are reported in the Statement of Activities, but are excluded from revenues in Governemntal Funds.			8,105
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.			
Compensated Absences	1,896		
Other Expenses	(2,051)		(155)
Change in Net Position of Governmental Activities (Page 4)			$ 639

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

City of Lake Park, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	$ 140,900	$ 140,900	$ 127,169	$ (13,731)
Local Option Sales Tax	110,000	110,000	104,247	(5,753)
Insurance Premium Tax	30,000	30,000	36,518	6,518
Other Taxes	82,600	82,600	85,889	3,289
Licenses and Permits	15,550	15,550	23,992	8,442
Charges for Services	2,400	2,400	962	(1,438)
Fines and Forfeitures	54,998	54,998	37,692	(17,306)
Investment	200	200	1,171	971
Other and Miscellaneous	4,750	4,750	8,653	3,903
Total Revenues	441,398	441,398	426,293	(15,105)
Expenditures				
General Government	143,685	188,600	171,592	17,008
Judicial	15,520	19,520	19,356	164
Public Safety	213,626	162,511	165,691	(3,180)
Public Works	83,000	85,200	85,064	136
Culture and Recreation	3,675	3,675	3,120	555
Debt Service	-	-	8,311	(8,311)
Total Expenditures	459,506	459,506	453,134	(8,733)
Excess (Deficit) of Revenues Over (Under) Expenditures	(18,108)	(18,108)	(26,841)	(8,733)
Other Financing Sources (Uses)				
Transfers In	18,108	18,108	18,108	-
Increase in Long-Term Debt		-	8,311	8,311
Net Other Financing Sources (Uses)	18,108	18,108	26,419	8,311
Change in Fund Balance before	-	-	(422)	(422)
Fund Balance, Beginning	267,834	267,834	243,365	(24,469)
Fund Balance, Ending	$ 267,834	$ 267,834	$ 242,943	$ (24,891)

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

City of Lake Park, Georgia
Proprietary Fund
Statement of Net Position
December 31, 2012

	Major Enterprise Fund Water System
Assets	
Current Assets	
Cash and Cash Equivalents	$ 13,633
Investments (Certificates of Deposit)	66,208
Receivables, net of allowance for doubtful accounts	6,588
Interfund	15,677
Restricted Assets	
Customer Deposits	6,761
Total Current Assets	108,867
Non-Current Assets	
Capital Assets	
Machinery and Equipment	17,167
Distribution System	262,644
	279,811
Accumulated Depreciation	187,184
	92,627
Total Assets	$ 201,494
Liabilities and Net Position	
Current Liabilities	
Accounts Payable	$ 620
Accrued Expenses	-
Intergovernmental	-
Total Current Liabilities	620
Non-Current Liabilities	
Water Deposits	9,450
Total Long-Term Liabilities	9,450
Total Liabilities	10,070
Net Position	
Investment in Capital Assets	92,627
Restricted	-
Unrestricted	98,797
Total Net Position	191,424
Total Liabilities and Net Position	$ 201,494

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

City of Lake Park, Georgia
Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2012

	Major Enterprised Fund Solid Waste
Operating Revenues	
User Fees	$ 79,339
Other	-
Total Operating Revenues	79,339
Operating Expenses	
Salary and Wages	18,974
Benefits	1,326
	20,300
Professional and Technical	3,415
Insurance	2,724
Maintenance and Repairs	9,989
Materials and Supplies	3,942
Utilities	6,414
Other	691
Depreciation	4,509
Total Operating Expeses	51,984
Operating Income (Loss)	27,355
Non-Operating Revenue (Expense)	
Investment Income	849
Total Non-Operating Revenue (Expense)	849
Income (Loss) Before Transfers	28,204
Transfers In (Out)	(18,108)
Change in Net Position	10,096
Net Position, Beginning	181,328
Net Position, Ending	$ 191,424

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

City of Lake Park, Georgia
Proprietary Fund
Statement of Cash Flows
For the Year Ended December 31, 2012

	Major Enterprise Fund Water System
Cash Flow from Operating Activities	
Receipts from Customers	$ 74,540
Other Operating Revenue	-
Purchase of Goods and Services	(27,180)
Compensation and Benefits	(20,300)
Cash flow from Operating Activities	27,060
Cash Flow from Non-Capital Financing Activities	
Transfers In (Out)	(18,108)
Interfund Receivable	(15,677)
Decrease in Customer Deposits	(954)
Cash Flow from Non-Capital Financing Activities	(34,739)
Cash Flow from Capital and Related Financing	
Cash Flow from Capital and Related Financing	-
Cash flow from Investing Activities	
Decrease in Investments	14,828
Investment Inome	849
Cash Flow from Investing Activities	15,677
Net Increase (Decrease) in Cash and Cash Equivalents	7,998
Cash and Cash Equivalents, Beginning	5,635
Cash and Cash Equivalents, ending	$ 13,633
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities	
Operating Income (Loss)	$ 27,355
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	4,509
Change in Assets and Liabilities:	
Receivables	(2,636)
Accounts Payable	(6)
Customer Deposits	(2,162)
Net Cash Provided (Used) By Operating Activities	$ 27,060

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 position 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 non-expendable trust 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 capital 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.

Non-Expendable Trust Fund

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, the special purpose local option sales tax (capital projects) fund, the memorial cemetery trust fund, and the enterprise (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, 2012 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 Position.

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 Position.

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 Position. 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 Position – Net Position represent the difference between assets and liabilities. 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 (i.e., the amount that the City has not spent) for the acquisition, construction or improvement of those assets. Net Position 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 Position 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, 2012 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 the general fund – Public Safety - $3,180 and Debt Service - $8,311.

(C) – Deficit fund Balances

There are no funds with deficit fund balances.

(D) - Compliance

The City expended $8,906 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, 2012, the primary government's deposits, including certificates of deposits, were $456,591 and the account balances per the financial institutions were $461,261. Of the total account balances per the financial institutions, $461,261 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	258,148
Investments (time deposits)	198,323
Total	$ 456,591

Total cash and equivalents include restricted cash of the Memorial Cemetery Fund of $55,241 and customer deposits in the Water System of $6,761.

Note 4 - Taxes Receivable

The County Tax Commissioner bills and collects all property and related 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	April 1
Assessors submit returns to the County Tax Commissioner	July 1
Digest submitted to State Revenue Commissioner	August 1
Levy Date	September 15
Tax bills mailed by the County Tax Commissioner/Collector	September 13
Due date of taxes, other than motor vehicles	November 15
Execution (lien) date for unpaid taxes	December 15

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

Current year levies	$ 23,041
Prior years levies	12,266
	35,307
Less Allowance for delinquencies	(7,000)
Net property taxes receivable	$ 28,307

Note 5 – Receivables

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	$ 28,307	$ -	$ -	$ -	$ 28,307
Franchise	44,774				44,774
	$ 73,081	$ -	$ -	$ -	$ 73,081
Intergovernmental					
Lowndes County, Georgia Local Option Sales And Use Tax	$ 9,816	$ 15,730	$ -	$ -	$ 25,546
	$ 9,816	$ 15,730	$ -	$ -	$ 25,546
Other					
Fines and Forfeitures	$ 15,261				15,261
Excise Taxes	2,575				2,575
Other	645				645
User Fees, net	-			6,588	6,588
	$ 18,481	$ 15,730	$ -	$ 6,588	$ 25,069
Total	$ 101,378	$ 15,730	$ -	$ 6,588	$ 123,696

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, 2012 the City's unexpended share of the 2002 Special Purpose Local Option Sales and Use Tax including accrued interest was $2,763. 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 other funds to the general fund, to finance current operating expenditures and are summarized as follows:

	Interfund Balances	
	Received	Payable
Major Governmental Funds		
General Fund	$	$ 33,147
Memorial Cemetery Trust Fund	17,470	
Total Governmental Funds	17,470	33,147
Proprietary-Enterprise Fund	15,677	-
Totals	$ 33,147	$ 33,147

During the current year enterprise and cemetery fund certificates of deposits were redeemed and transferred to the general fund to pay current operating expenses. Management intend to repay the advances in January 2014 when general fund certificates of deposit mature.

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

	Transfers	
	In	Out
Major Governmental Funds		
General Fund	$ 18,108	$ -
Memorial Cemetery Trust Fund		
Total Governmental Funds	18,108	-
Proprietary-Enterprise Fund		18,108
Totals	$ 18,108	$ 18,108

Note 7 - Changes in Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Governmental Activities:					
Capital Assets not being Depreciated					
Land and Improvements	$ 61,404	$ -	$ -	$ -	$ 61,404
Total Assets not being Depreciated	61,404				61,404
Other Capital Assets					
Buildings and Improvements	686,886				686,886
Infrastructure	59,454				59,454
Machinery and Equipment	628,550	104,554	(250,000)		483,104
Total Other Capital Assets	1,374,890	104,554	(250,000)		1,229,444
Less Accumulated Depreciation					
Buildings & Improvements	(217,506)	(35,346)			(252,852)
Infrastructure	(3,191)	(5,945)			(9,136)
Machinery & Equipment	(267,925)	(51,710)	33,333		(286,302)
Total Depreciation	(488,622)	(93,001)	33,333		(548,290)
Net Other Capital Assets	886,268	11,553	(216,667)		681,154
Total Capital Assets, net	$ 947,672	$ 11,553	$ (216,667)	$ -	$ 742,558
Business-Type Activities:					
Capital Assets not being Depreciated	$ -	$ -	$ -	$ -	$ -
Other Capital Assets					
Utility System	262,644				262,644
Machinery and Equipment	17,167				17,167
Total Other Capital Assets	279,811				279,811
Less Accumulated Depreciation					
Utility System	(165,509)	(4,509)			(170,018)
Machinery and Equipment	(17,167)				(17,167)
Total Depreciation	(182,676)	(4,509)			(187,185)
Net Other Capital Assets	97,135	(4,509)			92,626
Total Capital Assets, net	$ 97,135	$ (4,509)	$ -	$ -	$ 92,626

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 8,885
Public safety	51,827
Public works	29,185
Culture and recreation	3,104
Total depreciation expense – governmental activities	$ 93,001
Business—type activities	
Water fund	$ 4,509
Total depreciation expense – business-type activities	$ 4,509

In April 2012 the City exchanged two lease financed fire trucks (2001 Ferrara Fire Trucks) for a 1997 Ford Class A E-1 1,000 gallon pumper fire truck. The two Ferrara Fire Trucks were acquired April 1, 2010 at a cost of $125,000 each. The City's basis of the Ferrara trucks was $216,666 (original cost of $250,000 less accumulated depreciation of $33,334) and the unpaid balance of the lease contract was $155,959, including accrued interest of $8,311. The City's basis in the replacement trucks is $60,707.

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	$ -	$ -	$ -	$ -	$ -
Restricted					
Capital Project Funds:			108,790		108,790
Committed					
Lake Park Memorial Cemetery Trust Fund				72,711	72,711
Assigned					
Unassigned	242,943				$ 242,943
Total	$ 242,943		108,790	72,711	$ 424,444

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, 2012
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	3
Terminated plan members entitled to, but not yet receiving benefits	2
Active plan members	2
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)
05/01/2007	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%
07/01/2012	444,760	525,569	80,809	84.62%	41,473	194.85%

**Not less than zero*

Four Year Trend Information

Fiscal Year End	Annual Pension Costs	Annual Pension Contribution	Percentage of APC Contributed	Pension Obligation
2012	$ 18,428	$ 18,428	100%	$ -
2011	$ 35,484	$ 35,484	100%	$ -
2010	$ 44,359	$ 44,359	100%	$ -
2009	$ 54,971	$ 54,971	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; injury to employees; and natural disasters. The City purchases insurance from commercial insurers for claims in excess of deductibles. Policy deductibles are funded from and charged to operations during the period in which losses are incurred. Commercial insurance provides coverage up to a maximum of $2,000,000 aggregate general liability limit, and various limits up to an aggregate of $1,906,118 for property damage claims. Deductible limits range from $500 to $5,000 per occurrence.

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, 2012. 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
2012	$ -0-	$ -0-	$ -0-	$ -0-
2011	-0-	-0-	-0-	-0-
2010	-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. The lease including accrued interest was cancelled in an exchange for a 1997 Ford Class A E-1 1,000 gallon pumper fire trucks. See Note 7.

Changes in long-term debt obligations for the year ended December 31, 2012 are summarized as follows:

	Balance Beginning of Period	Additions	Repayments	Balance End of Period	Amount Due in One Year
Governmental Activities					
Capitalized Lease Obligations	$ 147,648	$ 8,311	$ 155,959	$ -	$ -
Compensated Absences	3,764	1,868	3,764	1,868	
Total Governmental Activities	$ 151,412	$ 10,179	$ 159,723	$ 1,868	$ -

Compensated absences are liquidated primarily from governmental (general fund) activities.

Note 12 – Joint Venture (Southern 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 June 30, 2012 were paid by the County.

Separate financial statements may be obtained from:

Southern Georgia Regional Commission
3395 Harris Road
Waycross, Georgia 31503

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 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.

GARY R. ZEIGLER, P.C.
Certified Public Accountants and Business Consultants
609 N. Patterson Street • P. O. Box 1389 • Valdosta, Georgia 31603-1389 • (229) 244-3262 • Fax (229) 247-7286
www.grzeiglercpa.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Material Weaknesses and Significant Deficiencies Identified, and Reportable Instances of Noncompliance or Other Matters Identified

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

We have audited 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lake Park, Georgia as of and for the year ended December 31, 2012, and the related notes to the financial statements, ad have issued our report thereon dated June 24. 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lake Park, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Park, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Financial Statement Findings and Reponses*, we identified certain deficiencies in internal control that we consider to be material weakness and 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, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Financial Statement Findings and Responses,* items 2012.01, 2012.02, and 2012.05 to be a material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Financial Statement Findings and Responses*, item 2012.04, to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Park, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Financial Statement Finds and Responses* as item 2012.03.

Authority's Response to Findings

The City of Lake Park, Georgia's responses to the findings identified in our audit are described in the accompanying *Financial Statement Findings and Reponses*. The City of Lake Park, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gary R. Zeigler, P.C.
Valdosta, Georgia

June 24, 2013

Financial Statement Findings and Responses

Current Year Findings

2012.01 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 and understands this weakness in internal control procedures and that financial statement errors and fraud could occur and not be timely detected and corrected. Mayor and Council have determined that available financial resources do not justify hiring additional personnel solely for the purpose of mitigating this condition. The City has only one full-time clerk and one part-time clerk. The full time clerk is primarily responsible for billings, collections, and recording and posting of receipts, processing and payment of vendor invoices, and payment of employees. The part-time clerk performs most of the accounting duties related to recording and posting transactions, reconciling the bank accounts and preparing monthly financial statements. Bank statements are opened and reviewed by the Mayor before being reconciled by the clerk. Checks require the signature of two elected officials. Supporting documentation is reviewed by check signor prior to signature. Time records are reviewed by the Mayor prior to processing payroll. Mayor and council receive and review monthly financial statements, budget and actual departmental statements, and all financial transactions. Mayor and Council also maintain oversight for investments including review of institutional compliance with FDIC insurance coverage.

2012.02 Anti-Fraud Program and Controls

(This is a modified repeat finding)

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 Attorney has prepared a draft document for review and approval.

2012.03 Budgetary - Financial Compliance

(This is a revised 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 – Public Safety - $3,180 and Debt Service - $8,311. Non-capital expenditures in the amount of $8,906 were paid by the 2008 Special Purpose Local Option Sales and Use Tax Referendum. Machinery and equipment repairs and maintenance expenditures were $6,183 and advances for design and installation of accounting software programs that were not completed and installed in the amount of $2,723.

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.

2012.04 Auditor Preparation of Annual Financial Statements

(This is a 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.

2012.05 Capital Assets Records and Supporting Documentation

(This is a repeat finding)

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 capital 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.

Prior Year Findings

2011.01 Absence of Optimum Level of Appropriate Segregation of Duties

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.

Current Status: There has been no change in this condition.

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.

Current Status: The city is in the process of adopting policies.

2011.03 Budgetary - Financial Compliance

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.

Current Status: There is no change in this condition.

2011.04 Auditor Preparation of Annual Financial Statements

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.

Current Status: There is no change in this condition.

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 capital 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.

Current Status: There is no change in this condition.

City of Lake Park, Georgia
One Percent Special Purpose Local Option Sales Tax
Project Cost Schedule - 2002 Issue
For the Year Ending December 31, 2012

	Estimated Cost		Prior	Current	Cumulative	Percent
	Original	Revised	Periods	Period	Cost	Complete
Road, Street and Bridge Projects	$ 100,000	$ 94,976	$ 94,676	$ -	94,676	100.0%
Public Facility Projects	340,000	317,634				
Water and Sewer Facilities		-	-	-	-	
Parks an Recreation		-	23,782	-	23,782	100.0%
Police		-	121,201	-	121,201	100.0%
City Hall and Police Facilities		-	201,068	-	201,068	100.0%
Totals	$ 440,000	$ 412,610	$ 440,727	$ -	$ 440,727	

Prior period cost for road, street and bridge projects have been restated to agree with information provided by Lowndes County.

Balance, per prior reports	$ 43,305
Additional cost incurred prior to 2010 and not reported on City's Project Cost Schedule	51,671
Restated Prior Period Project Cost	$ 94,976

City of Lake Park, Georgia
One Percent Special Purpose Local Option Sales Tax
Project Cost Schedule - 2008 Issue
For the Year Ending December 31, 2012

	Estimated Cost		Prior	Current	Cumulative	Percent
	Original	Current	Periods	Period	Cost	Complete
Road, Street and Bridge Projects	$ 325,000	$ -	$ 26,718	$ -	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	12,240	59,680	60.3%
Police	90,000		106,207	2,341	108,548	120.6%
Fire	73,706		55,497	26,948	82,445	111.9%
Administrative	44,644		34,294	2,318	36,612	82.0%
Retirement of General Obligation Debt	20,000		10,000	-	10,000	50.0%
Total Referendum Expenditures	752,350	-	284,291	43,847	328,138	
Non-referemdum Expenditures				8,906	8,906	
Total Exenditures	$ 752,350	$ -	$ 284,291	$ 52,753	$ 337,044	
Current Year Expenditures are Reported in:						
Governmental Funds				$ 52,753		
Enterpride Funds				-		
Total				$ 52,753		