CITY OF LAKELAND, GEORGIA

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2011

TABLE OF CONTENTS

	Page No
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT DISCUSSION AND ANALYSIS	3 - 11
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance Of Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Fund Financial Statements:	
Statement of Net Assets	18 - 19
Statement of Revenue, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21 - 22
Notes to the Financial Statements	23 - 39
REQUIRED SUPPLEMENTAL INFORMATION	
Schedules of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – Major Funds: General Fund	40 – 41
Notes to Required Supplementary Information	42

TABLE OF CONTENTS

Page No

MAJOR AND NONMAJOR CAPITAL PROJECT FUND SCHEDULES

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:

Major Fund:
Capital Projects Special Purpose Local Option Sales Tax Fund 43

Nonmajor Fund:
Combining Balance Sheet – All Nonmajor Governmental Funds 44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – All Nonmajor Governmental Funds 45

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Funds

Capital Project 2011 CDBG Grant Fund 46

COMPLIANCE SECTION

Schedule of Projects Constructed with Special Sales Tax Proceeds 47

Source and Application of Funds Schedule – CDBG 48

CDBG – Project Cost Schedule 49

Schedule of State Contractual Assistance 50

Schedule of Expenditures of Federal Awards 51

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 52 - 53

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133 54 - 55

Schedule of Findings and Questioned Cost 56 - 57

Tillman & Tillman, LLP
Certified Public Accountants & Consultants

Joseph H. Tillman, CPA
H. Harrison Tillman, Jr., CPA
Pamela K. Tillman, CPA
Eric M. Tillman, CPA
H. Harrison Tillman, Sr., CPA (1927-2010)

Serving Clients Since 1954

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Lakeland
Lakeland, Georgia

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 misstatements. An audit also 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 aggregate remaining fund information of the City of Lakeland, Georgia, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2012, on our consideration of the City of Lakeland, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakeland, Georgia's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented as additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the accompanying major and nonmajor capital project schedule, the Schedule of Projects Constructed with Special Sales Tax Proceeds, the Source and Application of Funds Schedule – CDBG Grants, the Project Cost Schedule – CDBG Grants and the Schedule of State Contractual Assistance are presented for purposes of additional analysis as required by State of Georgia and are not a required part of the financial statements of the City of Lakeland, Georgia. The schedule of expenditures of federal awards, the major and nonmajor capital project schedules, the Schedule of Projects Constructed with Special Sales Tax Proceeds, the Source and Application of Funds Schedule – CDBG Grants, the Project Cost Schedule – CDBG Grants and the Schedule of State Contractual Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Tillman & Tillman LLP

Tillman & Tillman, LLP

Valdosta, Georgia
August 31, 2012

CITY OF LAKELAND, GEORGIA
Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2011

As Management of the City of Lakeland, Georgia, we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the year ending December 31, 2011. We encourage our readers to consider the information presented within this Management's discussion and analysis in conjunction with the basic financial statements. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

Financial Highlights

Key financial highlights for 2011 are as follows:

The City's governmental fund assets exceeded its liabilities at December 31, 2011 by $3,898,509 (net assets). Of this amount $530,195 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, unreserved fund balance for the General Fund decreased by $86,257 resulting in a fund balance of $530,195.

Net assets for business-type activities increased $568,516 from $1,917,594 to $2,486,110.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the City as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The City's basic financial statements are comprised of three components: the government -wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail that the government-wide statements.

Government-Wide Financial Statements

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

Statement of Net Assets and the Statement of Activities

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the City's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the statement of net assets and the statement of activities, the City is divided into three kinds of activities:

Governmental Activities—Most of the City's programs and services are reported here, including general government, public safety and public works, These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities—These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The City's water and sewer and sanitation operations are reported here.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Fund financial statements provide detailed information about the City's major funds. Based on the restriction on the use of moneys, the City has established many funds that account for the multitude of services provided to our residents. The City's major governmental fund is the General Fund.

Fund Financial Statements

Governmental Funds—Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds that focus on how money flows into and out of the funds and the year-end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided, along with the financial resources available.

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

The City maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds— Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The City uses an enterprise fund to account for the Water and Sewer Fund and the Sanitation Fund.

Notes to the Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules.

Government-Wide Financial Analysis

The following table reflects the condensed Statement of Net Assets:

City of Lakeland's Net Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010 Restated	2011	2010 Restated	2011	2010 Restated	2011	2010-2011
Assets							
Current and other assets	$ 811,218	$ 827,041	$1,330,890	$1,444,049	$ 2,142,108	$ 2,271,090	6.02%
Capital assets, net	3,228,156	3,238,630	4,638,377	4,935,489	7,866,533	8,174,118	3.91%
Total Assets	**4,039,374**	**4,065,671**	**5,969,267**	**6,379,538**	**10,008,641**	**10,445,209**	**4.36%**
Liabilities							
Current and other liabilitie	7,467	167,162	158,230	300,858	165,697	468,020	182.46%
Long-term liabilities	-	-	3,893,443	3,592,570	3,893,443	3,592,570	-7.73%
Total Liabilities	**7,467**	**167,162**	**4,051,673**	**3,893,428**	**4,059,140**	**4,060,590**	**0.04%**
Net Assets							
Invested in capital assets, net of related debt	3,228,156	3,238,630	634,934	1,352,653	3,863,090	4,591,282	18.85%
Restricted	203,022	129,684	-	-	203,022	129,684	100.00%
Unrestricted	600,729	530,195	1,282,660	1,133,457	1,883,389	1,663,652	-11.67%
Total Net Assets	**$ 4,031,907**	**$3,898,509**	**$1,917,594**	**$2,486,110**	**$ 5,949,501**	**$ 6,384,618**	**7.31%**

As noted earlier, the City's net assets, when reviewed over time, may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by $6,384,618 ($3,898,509 in governmental activities and $2,486,110 in business-type activities) as of December 31, 2011. A portion of the City's net assets (72 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

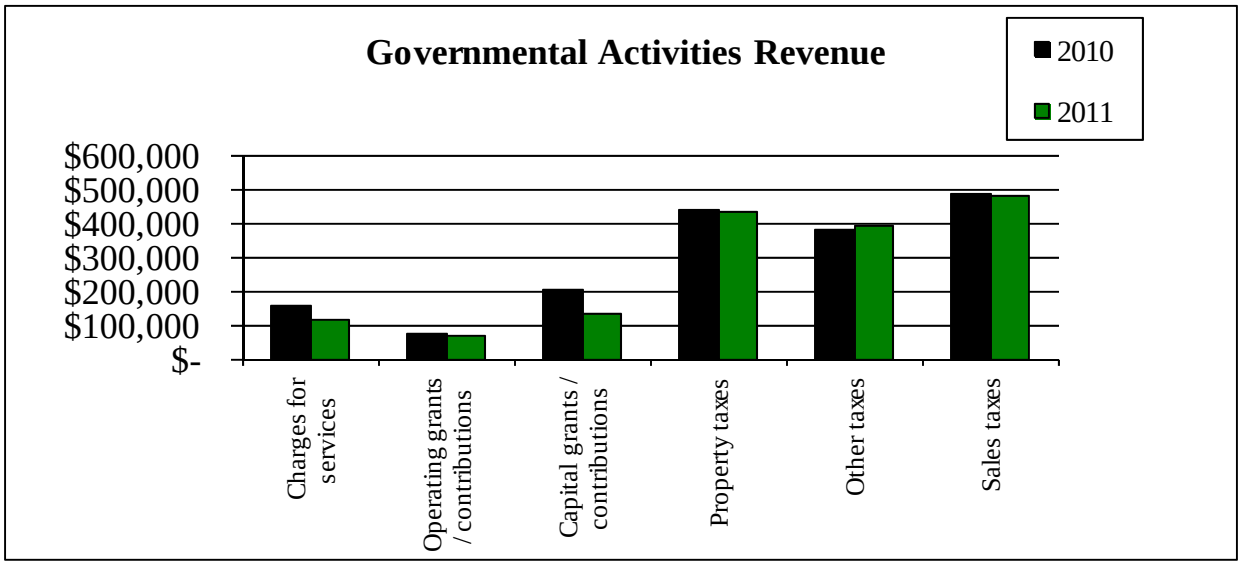
The remaining balance of unrestricted assets ($1,663,652) may be used to meet the City's ongoing obligations to citizens and creditors.

The next table shows the changes in net assets for the year ending December 31, 2011.

City of Lakeland's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010 Restated	2011	2010 Restated	2011	2010 Restated	2011	2010-2011
Revenues							
Program Revenues							
Charges for services	$ 157,716	$ 117,357	$ 896,978	$ 946,567	$ 1,054,694	$ 1,063,924	0.88%
Operating grants and contributions	76,206	64,923	15,925	3,948	92,131	68,871	-25.25%
Capital grants and contributions	205,000	134,574	-	500,000	205,000	634,574	209.55%
Total Program Revenues	438,922	316,854	912,903	1,450,515	1,351,825	1,767,369	30.74%
General Revenues							
Property taxes	440,957	433,427	-	-	440,957	433,427	-1.71%
Interest and penalties	10,559	5,477	-	-	10,559	5,477	0.00%
Alcholic beverage taxes	58,297	51,285	-	-	58,297	51,285	-12.03%
Franchise taxes	172,681	178,200	-	-	172,681	178,200	3.20%
Insurance premium taxes	146,961	157,880	-	-	146,961	157,880	7.43%
Sales taxes	485,535	478,501	-	-	485,535	478,501	-1.45%
Intangible taxes	2,380	1,175	-	-	2,380	1,175	-50.64%
Real estate transfer taxes	755	387	-	-	755	387	-48.78%
Total General Revenues	1,318,125	1,306,331	-	-	1,318,125	1,306,331	-0.89%
Total Revenues	**1,757,047**	**1,623,185**	**912,903**	**1,450,515**	**2,669,950**	**3,073,700**	**15.12%**
Program Expenses							
General Government	366,572	547,342	-	-	366,572	547,342	49.31%
Public safety	478,598	472,401	-	-	478,598	472,401	-1.29%
Public works	842,267	817,336	-	-	842,267	817,336	-2.96%
Interest on long-term debt	366	-	-	-	366	-	-100.00%
Water and sewer	-	-	483,729	590,614	483,729	590,614	22.10%
Sanitation	-	-	164,300	210,890	164,300	210,890	28.36%
Total Expenses	1,687,803	1,837,078	648,029	801,504	2,335,832	2,638,582	12.96%
Revenue Over (Under) Expense	**69,244**	**(213,893)**	**264,874**	**649,011**	**334,118**	**435,118**	**30.23%**
Transfers	-	80,495	-	(80,495)	-	-	0.00%
Increase (Decrease) in Net Assets	**69,244**	**(133,398)**	**264,874**	**568,516**	**334,118**	**435,118**	**30.23%**
Beginning Net Assets, Restated	3,962,663	4,031,907	1,652,720	1,917,594	5,615,383	5,949,501	5.95%
Net Assets, Ending	**$4,031,907**	**$ 3,898,509**	**$1,917,594**	**$2,486,110**	**$ 5,949,501**	**$ 6,384,619**	**7.31%**

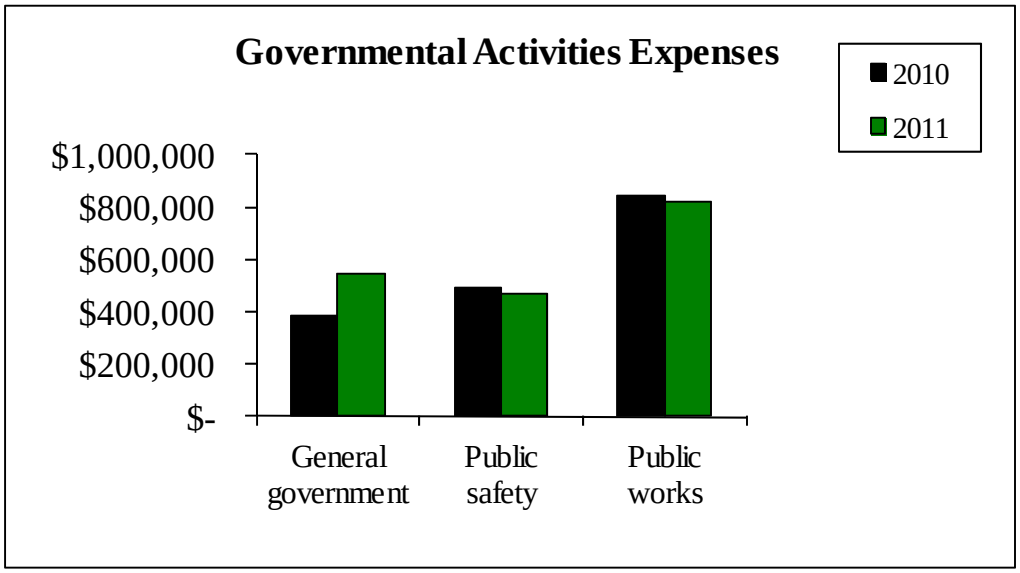
Governmental Activities



The largest portion of the City's program revenue is from capital grants / contributions which accounted for $134,574 or 42% of total program revenues.

Property tax revenues are the major contributor to general revenues and account for $433,427 or 33% of total general revenues. Another major component was sales taxes, which accounted for $478,501 or 37% of total general revenues.

Governmental Activities - Continued



The following table provides the total cost of services and the net cost of services for the governmental activities. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting these services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Net Cost of City of Lakeland's Governmental Activities

Function	Total Cost of Services 2010	Total Cost of Services 2011	Percentage Change 2010-2011	Net Cost of Services 2010	Net Cost of Services 2011	Percentage Change 2010-2011
General Government	$ 366,572	$ 547,342	49.31%	$ 244,456	$ 441,402	80.57%
Public safety	478,598	472,401	-1.29%	367,524	396,644	7.92%
Public works	842,267	817,336	-2.96%	427,882	682,179	59.43%
Interest on long-term debt	336	-	0.00%	336	-	0.00%
Total	**$ 1,687,773**	**$1,837,078**	**8.85%**	**$1,040,198**	**$1,520,225**	**46.15%**

Business-Type Activities

The net assets for business-type activities increased by $568,516 during the year ending December 31, 2011. The major source of revenue was from charges for services, which amounted to $ 916,154.

Financial Analysis of City Funds

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of December 31, 2011, the City's governmental funds reported an ending fund balance of $659,879, a decrease of $143,870. The amount of undesignated unreserved fund balance is $255,883, which is available for spending at the City's discretion but is currently held for adequate fund balance reserves for daily operations.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Fund oversees the operations of providing water and sewer services to the City businesses and residence.

The Sanitation Fund accounts for the operations of the City sanitation services to the businesses and residence of the City.

Budgetary Highlights

By State statute, the City Council adopts the annual operating budget for the fiscal year on or before the first day of the fiscal year.

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2011, was $8,174,118 (net of accumulated depreciation and related debt). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery, equipment, vehicles and infrastructure.

Major capital asset events during 2011 included facilities for general government, water and sewer system improvements, and equipment.

Note 5 (Capital Assets) provides additional information about capital asset activity during 2011.

Debt

At December 31, 2011, the City had total revenue obligation bonded debt outstanding of $1,400,000 and a GEFA note payable balance of $2,432,304.

Notes 7 and 8 provide further information regarding liabilities.

Economic Factors

The City as of December 31, 2011 had approximately two months reserve based on the average monthly expenditures in the fund balance.

Charges for services in the business-type activities grew $49,589.

The City is completing a major renovation of aging water lines throughout the City and is continuing to work on sidewalk improvement projects.

After year end the City settled a law suit that resulted in a liability of $150,000 that has been recognized in the financials.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Lakeland, Georgia, City Clerk, 122 South Valdosta Road, Lakeland, Georgia 31635.

CITY OF LAKELAND, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 177,665	$ 20,458	$ 198,123
Receivables (net of allowance for doubtful accounts)			
Taxes	218,882	-	218,882
Accounts	153,738	96,626	250,364
Grants	15,473	-	15,473
Due from other governments	261,283	-	261,283
Deferred bond cost	-	94,139	94,139
Restricted cash	-	1,232,826	1,232,826
Nondepreciable capital assets	444,542	160,374	604,916
Depreciable capital assets, net	2,794,088	4,775,115	7,569,202
TOTAL ASSETS	4,065,671	6,379,538	10,445,209
LIABILTIES			
Accounts payable	14,234	8,555	22,789
Accrued liabilities	152,928	-	152,928
Payable from restricted assets:			
Customer deposits	-	43,143	43,143
Current portion of bonds payable	-	115,000	115,000
Current portion of notes payable	-	124,734	124,734
Accrued interest on bonds payable	-	9,427	9,427
Long-term liabilities:			
Due in more than one year			
Bonds payable	-	1,285,000	1,285,000
Notes payable	-	2,307,570	2,307,570
TOTAL LIABILITIES	167,162	3,893,428	4,060,590
NET ASSETS			
Invested in capital assets, net of related debt	3,238,630	1,352,653	4,591,282
Restricted for capital projects	129,684	-	129,684
Unrestricted	530,195	1,133,457	1,663,652
TOTAL NET ASSETS	$ 3,898,509	$ 2,486,110	$ 6,384,618

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

CITY OF LAKELAND, GEORGIA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2011

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions, and Interest	Program Revenues: Capital Grants, Contributions, and Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities							
General Government	$ 547,342	$ 41,600	$ 64,340	$ -	$ (441,402)	$ -	$ (441,402)
Public Safety	472,401	75,757	-	-	(396,644)	-	(396,644)
Public Works	817,336	-	-	135,157	(682,179)	-	(682,179)
Total Governmental Activities	1,837,078	117,357	64,340	135,157	(1,520,225)	-	(1,520,225)
Business-Type Activities							
Water and Sewer	590,614	718,296	3,733	500,000	-	631,415	631,415
Sanitation	210,890	228,271	215	-	-	17,596	17,596
Total Business-Type Activitie	801,504	946,567	3,948	500,000	-	649,011	649,011
Total	$ 2,638,582	$ 1,063,924	$ 68,288	$ 635,157	$ (1,520,225)	$ 649,011	$ (871,214)
General Revenues							
Property Taxes Levied for:							
General Operating					433,427	-	433,427
Interest and Penalties					5,477	-	5,477
Alcholic Beverage Taxes					51,285	-	51,285
Franchise Taxes					178,200	-	178,200
Insurance Premium Taxes					157,880	-	157,880
Sales Taxes					478,501	-	478,501
Intangible Taxes					1,175	-	1,175
Real Estate Transfer Taxes					387	-	387
Total General Revenue					1,306,331	-	1,306,331
Excess (Deficit) Before Transfers					(213,893)	649,011	435,118
Transfers In (Out)					80,495	(80,495)	-
Changes In Net Assets					(133,398)	568,516	435,118
Net Assets, Restated					4,031,907	1,917,594	5,949,501
Net Assets End of Year					$ 3,898,509	$ 2,486,110	$ 6,384,619

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

CITY OF LAKELAND, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2011

	General	Capital Projects Fund Special Purpose Local Option Sales Tax	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 76,291	$ 101,253	$ 121	$ 177,665
Receivables (net of allowance for doubtful accoun				
Taxes	183,443	35,439	-	218,882
Accounts	153,731	-	7	153,738
Grant	15,473	-	-	15,473
Due from other governments	261,283	-	-	261,283
TOTAL ASSETS	690,221	136,692	128	827,041
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 7,098	$ 7,136	$ -	$ 14,234
Accrued liabilities	152,928	-	-	152,928
TOTAL LIABILITIES	160,026	7,136	-	167,162
FUND BALANCES				
Restricted for capital projects	-	129,556	128	129,684
Assigned for:				
Property tax roll back	274,312	-	-	274,312
Unassigned reported in:				
General Fund	255,883	-	-	255,883
TOTAL FUND BALANCES	530,195	129,556	128	659,879
TOTAL LIABILITIES AND FUND BALANCES	$ 690,221	$ 136,692	$ 128	$ 827,041

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

CITY OF LAKELAND, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2011

Total Governmental Funds Balances	$	659,879
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,238,630
Net Assets of Governmental Activities	$	3,898,509

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

CITY OF LAKELAND, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For The Year Ended December 31, 2011

	General	Capital Projects Fund Special Purpose Local Option Sales Tax	Other Governmental Funds	Total
REVENUES				
Taxes	$ 1,102,142	$ 204,189	$ -	$ 1,306,331
Licenses and permits	36,943	-	-	36,943
Intergovernmental revenues	112,588	-	33,522	146,110
Charges for services	5,753	-	-	5,753
Fines and forfeitures	75,757	-	-	75,757
Miscellaneous	52,804	583	-	53,387
TOTAL REVENUES	$ 1,385,987	$ 204,772	$ 33,522	$ 1,624,281
EXPENDITURES				
Current				
General Government	851,556	-	-	851,556
Public safety	447,188	-	-	447,188
Public works	253,996	260,009	35,898	549,903
TOTAL EXPENDITURES	1,552,739	260,009	35,898	1,848,646
EXCESS OF REVENUES (UNDER) EXPENDITURES	(166,752)	(55,237)	(2,376)	(224,365)
OTHER FINANCING SOURCES (USES):				
Transfer In	80,495	-	-	80,495
TOTAL OTHER FINANCING SOURCES (USES	80,495	-	-	80,495
NET CHANGES IN FUND BALANCE	(86,257)	(55,237)	(2,376)	(143,870)
FUND BALANCES, RESTATED	616,452	184,793	2,504	803,749
FUND BALANCES AT END OF YEAR	$ 530,195	$ 129,556	$ 128	$ 659,879

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

CITY OF LAKELAND, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds		$ (143,870)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:		
Capital outlay - depreciable capital assets	531,999	
Depreciation	(520,430)	
		11,569
Loss on sale of capital asset		(1,097)
Changes in Net Assets of Governmental Activities		$ (133,398)

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2011

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 19,135	$ 1,323	$ 20,458
Accounts receivable	74,101	24,748	98,849
Allowance for doubtful accounts	(2,223)	-	(2,223)
Interfund receivable	-	-	-
Deferred bond cost	94,139	-	94,139
Restriced Cash			
CDBG Sewer Grant	4,458	-	4,458
Customer deposits account	64,027	-	64,027
Debt service funds	303,673	-	303,673
Renewal and extension	752,941	-	752,941
Revenue bond sinking accounts	107,727	-	107,727
TOTAL CURRENT ASSETS	1,417,978	26,071	1,444,049
NONCURRENT ASSETS			
Capital Assets			
Land	160,374	-	160,374
Depreciable capital assets, net	4,745,731	29,384	4,775,115
TOTAL NONCURRENT ASSETS	4,906,105	29,384	4,935,489
TOTAL ASSETS	$ 6,324,083	$ 55,455	$ 6,379,538

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS - CONTINUED
December 31, 2011

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accouts payable	$ 8,555	$ -	$ 8,555
Interfund payable	-	-	-
Payable from restricted cash:			
Deposits	43,143	-	43,143
Current portion of notes payable	124,734	-	124,734
Current portion of bonds payable	115,000	-	115,000
Accrued interest on bonds payable	9,427	-	9,427
TOTAL CURRENT LIABILITIES	300,858	-	300,858
LONG-TERM LIABILITIES			
Bonds payable, net of current portion	1,285,000	-	1,285,000
Notes payable, net of curret portion	2,307,570	-	2,307,570
TOTAL LONG-TERM LIABILITIES	3,592,570	-	3,592,570
TOTAL LIABILITIES	3,893,428	-	3,893,428
NET ASSETS			
Invested in capital assets, net of related debt	1,323,269	29,384	1,352,653
Unrestricted	1,107,386	26,071	1,133,457
TOTAL NET ASSETS	$ 2,430,655	$ 55,455	$ 2,486,110

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For The Year Ended December 31, 2011

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
OPERATING REVENUES			
Charges for services	$ 687,883	$ 228,271	$ 916,154
Penalties	30,413	-	30,413
TOTAL OPERATING REVENUE	718,296	228,271	946,567
OPERATING EXPENSES			
Salaries and wages	93,757	26,541	120,298
Employee benefits	17,426	10,383	27,809
Supplies and other expenses	240,350	149,091	389,441
Depreciation	180,525	24,875	205,400
TOTAL OPERATING EXPENSES	532,058	210,890	742,948
OPERATING INCOME	186,238	17,381	203,619
NONOPERATING REVENUES (EXPENSES)			
Interest income	11,862	215	12,077
GEFA Grant	500,000	-	500,000
Gain/loss on sale of assets	(8,129)	-	(8,129)
Interest expense	(58,556)	-	(58,556)
TOTAL NON-OPERATING REVENUES (EXPENSES)	445,177	215	445,392
INCOME (LOSS) BEFORE TRANSFERS	631,415	17,596	649,011
Transfers Out	(80,495)	-	(80,495)
CHANGE IN NET ASSETS	550,920	17,596	568,516
NET ASSETS, RESTATED	1,879,735	37,859	1,917,594
NET ASSETS, END OF YEAR	$ 2,430,655	$ 55,455	$ 2,486,110

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2011

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows From Operating Activities			
Cash received from customers	$ 699,372	$ 226,462	$ 925,834
Cash payments for personal services	(111,183)	(36,924)	(148,107)
Cash payments for materials and supplies	(236,965)	(149,091)	(386,056)
Cash payments to other funds	(88,480)	(35,891)	(124,371)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	262,744	4,556	267,300
Cash Flows From Capital and Related Financing Activities			
Cash from loans	1,227	-	1,227
Cash from grants	500,000	-	500,000
Cash payments for acquisition of capital assets	(503,599)	(7,043)	(510,642)
Cash payments for interest and principle	(231,664)	-	(231,664)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(234,036)	(7,043)	(241,079)
Cash Flows From Investing Activities			
Cash received from interest	11,862	215	12,077
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	11,862	215	12,077
NET INCREASE IN CASH	40,570	(2,272)	38,298
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,211,391	3,595	1,214,986
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,251,961	$ 1,323	$ 1,253,284

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - CONTINUED
For The Year Ended December 31, 2011

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fimd	Sanitation Fund	Total
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities			
Operating (loss) income	$ 186,238	$ 17,381	$ 203,619
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities			
Depreciation	180,525	24,875	205,400
Change in assets and liabilities			
(Increase) decrease in accounts receivable	(29,175)	(1,809)	(30,984)
(Increase) decrease in interfund receivable	-	(35,891)	(35,891)
Increase (decrease) in accounts payable	3,385	-	3,385
Increase (decrease) in interfund payable	(88,480)	-	(88,480)
Increase (decrease) in customer deposits	10,251	-	10,251
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 262,744	$ 4,556	$ 267,300

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

Note 1 – Reporting Entity

The City of Lakeland, Georgia, operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water and sewage service, animal control, parks and recreation and general administrative services.

The accounting policies of the City of Lakeland conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The Entity. These financial statements present the City of Lakeland, Georgia (the primary government). The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- organization is legally separate (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 benefit/burden on the City
- there is a fiscal dependency by the organization of the City

Based on the criteria of GASB 2100, the City of Lakeland has no component units.

Joint Ventures. The City, in conjunction with cities and counties in the (10) City South Georgia area are members of the Southern Georgia Regional Commission. Membership in a Regional Commission is automatic for each municipality and City in the state. The official Code Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the Regional Commission's. Each City and municipality in the state is required by law to pay minimum annual dues to the Regional Commission. The City paid annual dues in the amount of $5,782 to the Regional Commission for the year ended December 31, 2011. The Regional Commission Board membership includes the Chief elected official of each City and the Chief elected official of each municipality.

The City Board members and municipal Board members from the same City elect one member of the Board who is a resident (but not an elected of appointed official or employee of the City of municipality) to serve as the non-public Board member from a City.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines a Regional Commission as "public agencies and instrumentality's of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of a Regional Commission beyond its resources. (O.C.G.A. 50-8-39.1)

A copy of the financial report can be obtained at the following address:
Southern Georgia Regional Commission
327 West Savannah Avenue
Valdosta, GA 31601

Jointly Governed

Lakeland – Lanier City Parks and Recreation Board

The City and the Board of Commissioners for Lanier City participate in the Board whose purpose is the development of area parks. Two members of the Board are appointed by the City, and two are appointed by the City. The City and City each contribute funding to the Board. The City has no financial interest in, or significant influence over the Board.

Lakeland – Lanier City Development Authority

The City and the Board of Commissioners for Lanier City participate in the Lakeland-Lanier City Development Authority whose purpose is to attract industry to the area. Three members of the Board are appointed by the City, and four are appointed by the City. The City has no financial interest in, or significant influence over the Board.

Related Organization. The related organization is excluded from the financial entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the organization. The related organization is described as follows:

Related Organization	Brief Description of Activities and Relationship to the City
Lakeland Housing Authority (LHA)	Administer Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the Governing Board are appointed by the Mayor and approved by the City Council. The City has no significant influence over the management, budget, or policies of LHA. The Authority reports independently.

Note 2 – Summary of Significant Accounting Policies

The financial statements of City of Lakeland have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City has elected to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Note 2 - Summary of Significant Accounting Policies - Continued

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund. The General Fund accounts for all financial resources, except those required to be accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Capital Projects Special Purpose Sales Tax Fund. The Capital Projects Special Purpose Sales Tax Fund accounts for the special purpose local option sales tax that is received by the City through and intergovernmental agreement with the County. The revenue is restricted to the stated projects of the referendum that approved collection of the tax.

The following is a nonmajor governmental fund for the City:

Capital Projects CDBG Funds. The Capital Projects CDBG Fund account for the CDBG grant funding that is being used to repair and replace aging water and sewer infrastructure.

Proprietary Funds

Proprietary Fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's enterprise funds may be used to account for any activity for which a fee is charged to external users of goods or services. The following are the City's major enterprise funds:

Water and Sewer Fund. Accounts for the operations of the water and sewer services.
Sanitation Fund. Accounts for the operations of the sanitation services.

Note 2 – Summary of Significant Accounting Policies – Continued

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues—Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year end.

Note 2 - Summary of Significant Accounting Policies - Continued

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes are recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred. Prepaid expenditures in governmental funds are recognized during the benefiting period.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring the subsequent fiscal year.

Note 2 - Summary of Significant Accounting Policies - Continued

E. Budgetary Process

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

(1) The Mayor and City Council develop a proposed operating budget for the fiscal year commencing the following January 1, for the general fund, special revenue funds and proprietary funds. The operating budget includes proposed expenditures and the means of financing them. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
(2) After public hearings are conducted, the budget is modified if necessary and then adopted.
(3) The Mayor and Council compares budgeted revenue and expenditures to actual operating results on a monthly basis.
(4) There are no unused appropriations at the end of the year.
(5) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
(6) Budget line items with the exception of personnel expenses can be amended with approval of the City Clerk and provided the total departmental budget does not change. All other budget changes have to be approved by the City Council.

F. Encumbrances

The City does not use the encumbrance system of accounting.

G. Cash and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less when purchased, that are readily convertible to know amounts of cash, and so near their maturity that they present insignificant rates of changes in value because of changes in interest rates.

The City's deposit policy limits deposit choices to checking accounts, money market accounts and certificates of deposits with local banks. All deposits are to be secured as required by state statutes. The state statute requires the deposits to be secured at an amount equal to the total deposits less FDIC insurance, and then multiplied by 110 percent.

The City is authorized to invest in funds in (1) obligations which constitute direct obligations of, or are unconditionally guaranteed by, the United States of America; (2) certificates of deposit issued by state and national banks located in the state of Georgia when secured by acceptable collateral; (3) obligations of the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank and Federal Bank of Cooperatives; and (4) bonds or other obligations issued by any public housing agency or municipality which are served by a pledge of annual contributors under contract with the United States Government, or project notes secured by a payment agreement with the United States Government.

Note 2 - Summary of Significant Accounting Policies - Continued

H. Inventory

Materials purchased are shown as expenditures when acquired due to lack of materiality.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Certain resources set aside for the payment of bond debt and customer deposits for the water and sewer fund are classified as restricted assets on the balance sheet because their use is limited.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of $1,000. The City's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and improvements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Building Improvements	40-100 years
Improvements Other Than Buildings	40 years
Machinery and Equipment	5-20 years
Vehicles	6-20 years
Water and Sewerage System	5-40 years
Infrastructure	5-50 years

Capital assets include some prior additions to public domain (infrastructure) general capital assets consisting of certain improvements including roads and bridges for which historical cost information was available.

Note 2 - Summary of Significant Accounting Policies - Continued

K. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

L. Compensated Absences

Accumulated unpaid vacation, sick pay and other employee benefits are not expended until paid in all funds. At December 31, 2011, unrecorded liabilities for those items were not significant.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2 - Summary of Significant Accounting Policies - Continued

O. Fund Balances

The City has implemented GASB No. 54, Fund Balance Report and Governmental Fund Type Definitions. Under GASB Statement No. 54, fund balances are required to be reported in the following classifications:

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form , or, for legal or contractual reasons, must be kept intact.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors, grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City's highest level of decision-making authority, the City Council.

Assigned fund balance – Amounts that are constrained by the City's intent to be used for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balances – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City Council has assigned amounts for specific purposes which are reflected in the Governmental Funds Balance Sheet. The City Council would expend funds that are committed for a specific purpose as that event occurs. City Council would expend unassigned amounts first and then use assigned amounts if necessary.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and sewer and sanitation services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

Note 2 - Summary of Significant Accounting Policies - Continued

Q. Interfund Transactions

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

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Cash and Investments

At December 31, 2011 the City's deposits with financial institutions were secured by FDIC insurance in the amount of $250,000 and the balance of $1,203,366 was secured by pledged collateral by the financial institution in the government's name.

Note 4 – Property Taxes

The property taxes for the City of Lakeland are assessed and the digest completed by the Lanier County Tax Commissioner's Office. Motor vehicle and mobile home property taxes are collected by the Lanier County Tax Commissioner and remitted to the City.

The property tax calendar is as follows:

January 1	- Assessment date
June 1	- Tax assessors send returns to Tax Commissioner
September 10	- Millage rate is set by the City Council
September 30	- City tax digest is submitted to the State Revenue Commissioner
October 1	- Bills are mailed by Tax Commissioner
December 20	- Due date for property taxes
December 21	- Execution date for unpaid taxes

For the year ended December 31, 2011, the City of Lakeland had $156,943 in taxes receivable. All of these taxes are expected to be collected and no reserve for loss has been established.

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended December 31, 2011, is as follows:

	Balance January 1, 2011	Prior Year Adjustment	Additions	Deletions	Balance December 31, 2011
Governmental Activities:					
Nondepreciable Capital Assets:					
Land	$ 213,227	$ -	$ 105,000	$ -	$ 318,227
Construction in progress	806,152	-	142,054	821,891	126,315
Total Nondepreciable Capital Assets	1,019,379	-	247,054	821,891	444,542
Depreciable Capital Assets:					
Buildings and improvements	300,680	3,498	943,370	-	1,247,548
Autos and trucks	489,742	22,204	8,750	3,770	516,926
Machinery and equipment	469,560	(25,702)	37,600	11,935	469,523
Office equipment	54,520	-	7,336	22,091	39,765
Infrastructure	6,315,538	-	109,782	-	6,425,320
Total Depreciable Capital Assets	7,630,040	-	1,106,838	37,796	8,699,082
Less Accumulated Depreciation for:					
Buildings and improvements	108,332	-	23,799	-	132,131
Autos and trucks	354,329	-	47,497	3,770	398,056
Machinery and equipment	261,028	-	38,245	10,838	288,435
Office equipment	52,624	-	1,330	22,091	31,863
Infrastructure	4,644,950	-	409,559	-	5,054,509
Total Accumulated Depreciation	5,421,263	-	520,430	36,699	5,904,994
Total Depreciable Capital Assets, Net	2,208,777	-	586,408	1,097	2,794,088
Governmental Acitivites Capital Assets, Net	$ 3,228,156	$ -	$ 833,462	$ 822,988	$ 3,238,630

Depreciation was charged to governmental functions as follows:

Governmental Activities:	
General government	$ 43,005
Public safety	27,037
Public works	450,388
Total Depreciation Expense-Governmental Acitivit	$ 520,430

Note 5 – Capital Assets - Continued

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Business Type Activities:				
Nondepreciable Capital Assets:				
Land	$ 160,374	$ -	$ -	$ 160,374
Total Nondepreciable Capital Assets	160,374	-	-	160,374
Depreciable Capital Assets:				
Water and sewerage system	6,762,998	499,039	-	7,262,037
Machinery and equipment	105,991	-	895	105,096
Autos and trucks	205,783	7,043	-	212,826
Office equipment	26,976	4,559	21,205	10,330
Total Depreciable Capital Assets:	7,101,748	510,641	22,100	7,590,289
Less Accumulated Depreciation for:				
Water and sewerage system	2,393,789	169,832	-	2,563,621
Machinery and equipment	55,192	6,983	895	61,280
Autos and trucks	158,480	24,962	-	183,442
Office equipment	16,284	3,623	13,077	6,830
Total Accumulated Depreciation	2,623,745	205,400	13,972	2,815,173
Total Depreciable Capital Assets, Net	4,478,003	305,240	8,128	4,775,115
Business Type Acitivities Capital Assets, Net	$ 4,638,377	$ 305,240	$ 8,128	$ 4,935,489

Note 6 – Transfers

Transfers during 2011 were as follows

	Transfers In	Transfers Out
General Fund	$ 80,495	$ -
Water and Sewer Fund	-	80,495
	$ 80,495	$ 80,495

Transfers were made from the water and sewer fund to account for administrative cost incurred by the general fund.

Note 7 – Long-Term Debt

Revenue Bonds and Note Payable:

Terms of the bonds payable at December 31, 2011 are as follows:

Revenue Bonds, Series 2011. These revenue bonds refunded the Revenue Bonds, Series 1997 and were originally issued for $1,750,000 dated October 16, 2010. Interest rates are 6.00% for 2011, 6.05% for 2011 to 2016 and 6.10% for 2017 to 2021. The bonds of this issue are secured by a first lien on the water and sewer revenues. Monthly payments are made to a bond sinking fund to assure funding of biannual interest expense and annual premium payments. A debt service reserve has also been establish in the amount of $175,000 and will remain on account until the final payment in 2021.

Note Payable – GEFA. A construction loan was obtained from GEFA for water and sewer construction for $2,494,670. Through December 31, 2011 the City has drawn all the funds from the GEFA Loan. The loan is for twenty years and with no interest and a monthly payment of $10,394.50.

The following is a summary of the City's future annual debt service requirements on long-term obligations:

$	Business-Type Activities			
	Revenue Bonds		Note Payable GEFA	
	Principle	Interest	Principle	Interest
2012	115,000	54,237	124,734	-
2013	125,000	49,389	124,734	-
2014	125,000	44,339	124,734	-
2015	130,000	39,188	124,734	-
2016			124,734	-
2017-2021	735,000	111,201	623,665	-
2022-2026	170,000	3,434	623,665	-
2027-2031	-	-	561,303	-
	$ 1,400,000	$ 301,788	$ 2,432,303	$ -

The following is a summary of debt transactions of the City for the year ended December 31, 2011:

	Balance at January 1, 2011	Additions	Reductions	Balance at December 31, 2011	Amount Due In One Year
Business-Type Activities					
Note Payable GEFA	$ 2,493,443	$ 1,227	$ 62,367	$ 2,432,303	$ 124,734
Revenue Bonds	1,510,000	-	110,000	1,400,000	115,000
Total Business-Type Acitivities	$ 4,003,443	$ 1,227	$ 172,367	$ 3,832,303	$ 239,734

Note 8 – Contingent Liabilities

The City participates in federal and state assisted grant programs subject to program compliance audits by the grantors or their representatives. It is the City's opinion that no material unrecorded liabilities will arise from audits previously performed or to be performed. Regardless, receipt of these federal and state grant revenues is not assured in the future.

The City is not contingently liable for the obligations of any other governmental agencies or authorities, as guarantor or otherwise.

Note 9– Pension Plan

The City of Lakeland has no retirement plan in place and has no pension fund obligations.

Note 10 – Risk Management

The Government is exposed to various risks of losses related to injuries to employees. The Government has joined together with other municipalities in the state as part of the Georgia Municipal Association Workers' Compensation Self Insurance Fund , a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage description issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussion and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation , negotiation or defense. The funds provide $1,000,000 in coverage for general liability claims and public official and law enforcement claim with a $2,000 deductible for wrongful events for public officials and $1,000 deductible for law enforcement. The funds provide $300,000 in automobile liability coverage with a $250 deductible for physical damage. The funds provide $340,300 in coverage for property with a $2,500 deductible.

Settled claims in the past three years have not exceeded the coverage. There was no significant reduction in insurance coverage from the prior year.

Note 10 – Risk Management - Continued

The Government is exposed to various risks of losses related to torts, thefts of, damages to, and destruction of assets; errors and omissions; and natural disasters. The City covers this risk through insurance obtained from Trident Insurance Company. Coverage for general liability, public officials and law enforcement is limited to $1,000,000 on all liabilities with the exception of Fire damage which is limited to $100,000. Commercial automobile liability is limited to $300,000. Commercial property limit is $368,300 for buildings and $393,300 for equipment breakdown

Note 11 – Expenditures in Excess of Appropriation

The following General Fund departments had expenditures in excess of appropriations:

	Expenditures Actual	Appropriations	Amount Exceeding Appropriations
General Fund			
General Government	$ 851,556	$ 674,192	$ 177,364
SPLOST Fund	260,009	189,479	70,530
	$ 1,111,565	$ 863,671	$ 247,894

The City acquired land and settled a law suit that had not been budgeted for in the general fund and did not amend the budget. Funds for road projects exceeded budgeted expectations.

Note 12 – Prior Year Adjustments

Prior year adjustments to net assets and fund balances were as follows.

	Governmental Activities	Business-Type Activities
Net Assets, Beginning of Year	$ 3,816,195	$ 2,173,103
Prior Year Adjustment:		
Correct prior year sales tax accrual	(39,799)	-
Correct prior year transfers	255,511	(255,509)
Net Assets, Restated	$ 4,031,907	$ 1,917,594

	General Fund	Special Purpose Local Option Sales Tax	Snitation Fund
Fund Balance, Beginning of Year	$ 385,017	$ 200,518	$ 293,368
Prior Year Adjustment:			
Correct prior year sales tax accrual	(24,074)	(15,725)	-
Correct prior year transfers	255,509	-	(255,509)
Fund Balance, Restated	$ 616,452	$ 184,793	$ 37,859

Note 13 – Subsequent Events

Subsequent events were evaluated through August 31, 2012, which is the date the financial statements were available to be issued.

The City settled a law suit after year end that resulted in a $150.000 liability that has been recognized in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKELAND, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2011

	Budgeted Amounts			Variance With Final Budger
	Original	Final	Actual	Over (Under)
REVENUE				
Taxes	$ 1,155,794	$ 1,155,794	$ 1,102,142	$ (53,652)
Licenses and permits	38,700	38,700	36,943	(1,757)
Intergovernmental	62,278	62,278	112,588	50,310
Charges for services	6,000	6,000	5,753	(247)
Fines and forfeitures	113,435	113,435	75,757	(37,678)
Miscellaneous	40,475	40,475	52,804	12,329
TOTAL REVENUE	1,416,682	1,416,682	1,385,987	(30,695)
EXPENDITURES				
GENERAL GOVERNMENT				
City Council				
Personal services	9,600	9,600	9,300	(300)
Other services and charges	12,800	12,800	9,650	(3,150)
	22,400	22,400	18,950	(3,450)
General Government				
Personal services	150,852	150,852	114,612	(36,240)
Supplies	10,363	10,363	9,905	(458)
Other services and charges	151,728	151,728	414,746	263,018
Capital outlay	338,849	338,849	293,343	(45,506)
	651,792	651,792	832,606	180,814
TOTAL GENERAL GOVERNMENT	674,192	674,192	851,556	177,364
PUBLIC SAFETY				
Police Department				
Personal services	327,382	327,382	262,286	(65,096)
Supplies	10,153	10,153	16,088	5,935
Other services and charges	107,782	107,782	95,919	(11,863)
Capital outlay	30,246	30,246	3,727	(26,519)
	475,563	475,563	378,020	(97,543)

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

CITY OF LAKELAND, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2011

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
Animal Control				
Personal services	37,486	37,486	22,089	(15,397)
Supplies	4,500	4,500	3,568	(932)
Other services and charges	5,209	5,209	6,227	1,018
	47,195	47,195	31,884	(15,311)
Fire Department				
Personal services	19,585	19,585	14,930	(4,655)
Supplies	14,906	14,906	8,159	(6,747)
Other services and charges	9,074	9,074	13,709	4,635
Capital outlay	2,613	2,613	486	(2,127)
	46,178	46,178	37,284	(8,894)
TOTAL PUBLIC SAFETY	568,936	568,936	447,188	(121,748)
PUBLIC WORKS				
Road Maintenance				
Personal services	200,946	200,946	116,169	(84,777)
Supplies	24,040	24,040	13,894	(10,146)
Other services and charges	170,289	170,289	106,976	(63,313)
Capital outlay	-	-	16,957	16,957
TOTAL PUBLIC WORKS	395,275	395,275	253,996	(141,279)
TOTAL EXPENDITURES	1,638,403	1,638,403	1,552,739	(85,664)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(221,721)	(221,721)	(166,752)	54,969
OTHER FINANCING SOURCES (USES):				
Transfer In	-	-	80,495	80,495
TOTAL OTHER FINANCING SOURCES	-	-	80,495	80,495
NET CHANGES IN FUND BALANCE	(221,721)	(221,721)	(86,257)	135,464
FUND BALANCE, RESTATED	-	-	616,452	616,452
FUND BALANCE, END OF YEAR	$ (443,442)	$ (443,442)	$ 530,195	$ 967,875

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

CITY OF LAKELAND, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended December 31, 2011

Note 1 – Budgetary Basis of Accounting

While reporting of financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the Budgetary Basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General Fund is presented on the Budgetary Basis to provide meaningful comparison of actual results with the budget. There were no differences between the Budgetary Basis and GAAP for this fiscal year.

MAJOR AND NONMAJOR CAPITAL PROJECT FUND SCHEDULES

CITY OF LAKELAND, GEORGIA
ALL NONMAJOR FUNDS
COMBINING BALANCE SHEET
December 31, 2011

	Capital Project 2010 CDBG Grant Fund	Total Nonmajor Governmental Funds
ASSETS		
Cash	$ 128	$ 128
TOTAL ASSETS	$ 128	$ 128
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ -	$ -
TOTAL LIABILITIES	-	-
FUND BALANCES		
Restricted for capital projects	128	128
TOTAL FUND BALANCE	128	128
TOTAL LIABILITIES AND FUND BALANCE	$ 128	$ 128

See independent auditors' report.

CITY OF LAKELAND, GEORGIA
ALL NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
December 31, 2011

	Capital Project 2010 CDBG Grant Fund	Total Nonmajor Governmental Funds
REVENUES		
Intergovernmental	$ 33,522	$ 33,522
TOTAL REVENUES	33,522	33,522
EXPENDITURES		
Public works	35,898	35,898
TOTAL EXPENDITURES	35,898	35,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,376)	(2,376)
FUND BALANCE, BEGINNING OF YEAR	2,504	2,504
FUND BALANCE, END OF YEAR	$ 128	$ 128

See independent auditors' report.

CITY OF LAKELAND, GEORGIA
MAJOR CAPITAL PROJECTS SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2011

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 189,222	$ 189,222	$ 204,189	$ 14,967
Investment income	257	257	583	326
TOTAL REVENUES	189,479	189,479	204,772	15,293
EXPENDITURES				
Current				
Public works	189,479	189,479	260,009	70,530
TOTAL EXPENDITURES	189,479	189,479	260,009	70,530
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(55,237)	(55,237)
FUND BALANCE , RESTATED	-	-	184,793	184,793
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 129,556	$ 129,556

See the independent auditors' report.

CITY OF LAKELAND, GEORGIA
NONMAJOR CAPITAL PROJECTS 2010 CDBG GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2011

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Intergovernmental revenues	$ 497,026	$ 497,026	$ 33,522	$ (463,504)
TOTAL REVENUES	497,026	497,026	33,522	(463,504)
EXPENDITURES				
Current:				
Public works	497,026	497,026	35,898	(461,128)
TOTAL EXPENDITURES	497,026	497,026	35,898	(461,128)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(2,376)	(2,376)
FUND BALANCE AT BEGINNING OF YEAR	-	-	2,504	2,504
FUND BALANCE AT END OF YEAR	$ -	$ -	$ 128	$ 128

See the independent auditors' report.

COMPLIANCE SECTION

CITY OF LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
Year Ended December 31, 2011

	Original Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Roads, streets and bridge purposes	$ 1,885,000	$ 419,090	$ 260,009	$ 679,099	36.03%
Totals	$ 1,885,000	$ 419,090	$ 260,009	$ 679,099	

See independent auditors' report.

SOURCE and APPLICATION OF FUNDS SCHEDULE
Community Development Block Grant

City of Lakeland, Georgia

10p-x-086-2-5260

For the Period Ending: December 31, 2011
Cumulative

I. Total Fiscal Year 2010 CDBG Funds Awarded to Recipient:	$	499,522
II. Total Amount of Drawdown by Recipient from DCA:	$	38,522
III. Less: CDBG Funds Expended by Recipient:	$	38,394
IV. Amount of Fiscal Year 2010 CDBG Funds held by Recipient:	$	128

See independent auditors' report.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
PROJECT COST SCHEDULE

Recipient: City of Lakeland Georgia

Grant #: 10p-x-086-2-5260

For the Period Ending: December 31, 2011

Program Activity	CDBG Activity Number	Latest Approved Budget	Accumulative CDGB Expenditures To Date	Accumulative Expenditures To Date (Other Funds)	Grand Total of Expenditures To Date	Questioned Costs
Contingencies	C-022-00	$ 26,417	$ -	$ -	$ -	$ -
Engineering - Water/Sewer	T-03J-00	$ 37,836	$ 20,922	$ -	$ 20,922	$ -
Sewer Facilities	P-03J-02	$ 405,298	$ -	$ -	$ -	$ -
Administration	A-21A-00	$ 29,971	$ 17,472	$ -	$ 17,472	$ -
TOTAL		$ 499,522	$ 38,394	$ -	$ 38,394	$ -

See independent auditors' report.

CITY OF LAKELAND, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
Year Ended December 31, 2011

	Contract Number	Revenue	Expenditures	Due (To) From State
Passed through the Georgia Department of Community Affairs				
CDBG Grant	10p-x-086-2-5260	33,522	35,898	-
Passed through the Georgia Environmental Finance Authority				
GEFA Loan	DW06-005	501,227	499,039	-
Passed through the Georgia Department of Transportation	E30713-08-000-0	101,051	101,051	-
Total		$ 635,800	$ 635,988	$ -

See independent auditor's report.

CITY OF LAKELAND, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
Department of Housing and Urban Development			
Passed through the Georgia Department of Community Affairs			
CDBG Grant	14.218	10p-x-086-2-5260	35,898
Environmental Protection Agency			
Passed through the Georgia Environmental Finance Authority			
GEFA Loan	66.468	DW06-005	499,039
Department of Transportation			
Passed through the Georgia Department of Transportation	20.205	E30713-08-000-0	101,051
Total			$ 635,988

Basis of Presentation

The schedule of expenditures of federal awards included the federal grant activity of the City of Lakeland, Georgia is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See independent auditor's report.

Tillman & Tillman, LLP
Certified Public Accountants & Consultants

Joseph H. Tillman, CPA
H. Harrison Tillman, Jr., CPA
Pamela K. Tillman, CPA
Eric M. Tillman, CPA
H. Harrison Tillman, Sr., CPA (1927-2010)

Serving Clients Since 1954

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Council
City of Lakeland, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Georgia as of and for the year ended December 31, 2011 which collectively comprise the City's basic financial statements and have issued our report thereon, dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Lakeland, Georgia, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Lakeland, 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 the City of Lakeland, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lakeland, Georgia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lakeland, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Lakeland, Georgia, in a separate letter dated August 31, 2012.

This report is intended solely for the information and use of the City Council, management, the State of Georgia Department of Audits and 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.

Tillman & Tillman LLP

Tillman & Tillman, LLP

August 31, 2012
Valdosta, Georgia

Tillman & Tillman, LLP
Certified Public Accountants & Consultants

Joseph H. Tillman, CPA
H. Harrison Tillman, Jr., CPA
Pamela K. Tillman, CPA
Eric M. Tillman, CPA
H. Harrison Tillman, Sr., CPA (1927-2010)

Serving Clients Since 1954

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and City Council
City of Lakeland, Georgia

Compliance

We have audited the City of Lakeland, Georgia' compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Lakeland, Georgia's major federal programs for the year ended December 31, 2011. City of Lakeland, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Lakeland, Georgia's management. Our responsibility is to express an opinion on City of Lakeland, Georgia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lakeland, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Lakeland, Georgia's compliance with those requirements.

In our opinion, City of Lakeland, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of City of Lakeland, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Lakeland, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lakeland, Georgia's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, the State of Georgia Department of Audits and 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.

Tillman & Tillman LLP

Tillman & Tillman, LLP

August 31, 2012
Valdosta, Georgia

CITY OF LAKELAND, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unqualified
Internal control over financial reporting		
Material weakness identified?	_____Yes	__X__No
Significant deficiencies identified not considered to be a material weakness?	_____Yes	__X__None reported
Noncompliance material to financial statements noted?	_____Yes	__X__No

Federal Awards

Internal control over major programs		
Material weaknesses identified?	_____ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses? reported	_____ Yes	__X__ None

Type of auditor's report issued on compliance for major programs:
Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ____ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program
20.205	Highway Planning and Construction
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee considered a low risk auditee _____ Yes __X__No

CITY OF LAKELAND, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

Section II - Financial Findings

No matters reported in current year or prior year.

Section III – Federal Award findings and Questioned Costs

No matters were reported in the current or prior year.