CITY OF LAKE CITY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

JAMES L. WHITAKER, P.C.

CERTIFIED PUBLIC ACCOUNTANT

SNELLVILLE, GEORGIA 30078

CITY OF LAKE CITY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of City of Lake City, Georgia (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly , in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Lake City, Georgia, as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and the Seized Assets Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Historic Pension Information on page 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake City, Georgia's basic financial statements. The individual fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Lake City, Georgia's basic financial statements for the year ended December 31, 2013, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake City, Georgia's basic financial statements as a whole. The individual fund financial statements, related to the 2013 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 30, 2015 on our consideration of City of Lake City, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Lake City, Georgia's internal control over financial reporting and compliance.

James L. Whitaker, P.C.

Snellville, Georgia
June 30, 2015

CITY OF LAKE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, we offer readers of the City of Lake City's financial statements this narrative overview and analysis of the financial activities of the City of Lake City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented in this analysis with their review of the financial statements.

Financial Highlights

- The assets of the City of Lake City exceeded its liabilities at December 31, 2014 by $9,030,057. Of this amount unrestricted net position of $2,922,689 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by $379,850. Of this amount an increase of $376,646 was associated with governmental activities and an increase of $3,204 was associated with business-type activities.
- As of the close of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of $2,762,422 a decrease of $172,399 in comparison with the prior year. Of this amount $2,276,353 is unassigned and available for spending; $142,066 is restricted for Police Activities and Capital Outlay; $321,180 is assigned for appropriation for the 2015 budget and $22,823 is nonspendable and in the form of prepaid expenses.
- At the end of the current year, unassigned fund balance for the general fund was $2,335,892 or 56.3 percent of total General Fund expenditures.
- The City of Lake City's total debt obligations consisted of certificates of participation in the amount of $1,259,628, and capital leases in the amount of $170,497. The City made $882,853 in principal payments during 2014 and obtained a capital lease in the amount of $147,186 for the purchase of five vehicles and equipment for police use. The revenue bonds were issued during 2008 to finance capital projects detailed in the special purpose local option sales tax referendum and were paid off during 2014.
- Overall, the City continues to maintain a healthy financial position.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lake City's basic financial statements. The City of Lake City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the city's assets, deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lake City can be divided into two categories: governmental funds and proprietary funds.

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

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

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

The City of Lake City adopts an annual budget for its General Fund and its Seized Assets Fund and a project-length budget for its SPLOST Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the FY 14 budget. The budgetary comparison statements begin on page 17.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements beginning on page 43.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities by $9,030,057. The City's net position reflect its net investment in capital assets $5,965,302 (66.1 percent). Capital assets are used to provide services to citizens and they are not available for future spending. Of the total net position of $9,030,057, $142,066 (1.6 percent) is restricted for police activities and $2,922,689 (32.3 percent) is unrestricted.

City of Lake City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 3,400,835	$ 3,604,615	$ 18,205	$ 15,635	$ 3,419,040	$ 3,620,250
Capital assets	7,395,427	7,547,882	-	-	7,395,427	7,547,882
Total assets	10,796,262	11,152,497	18,205	15,635	10,814,467	11,168,132
Current liabilities	343,565	340,779	10,720	11,354	354,285	352,133
Long-term liabilities	1,430,125	2,165,792	-	-	1,430,125	2,165,792
Total liabilities	1,773,690	2,506,571	10,720	11,354	1,784,410	2,517,925
Net Position:						
Net investment in capital assets	5,965,302	5,382,090	-	-	5,965,302	5,382,090
Restricted	142,066	93,254	-	-	142,066	93,254
Unrestricted	2,915,204	3,170,582	7,485	4,281	2,922,689	3,174,863
Total Net Position	$ 9,022,572	$ 8,645,926	$ 7,485	$ 4,281	$ 9,030,057	$ 8,650,207

A portion of the net position (1.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position ($2,922,689) may be used to meet the government's ongoing obligations to citizens and creditors.

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

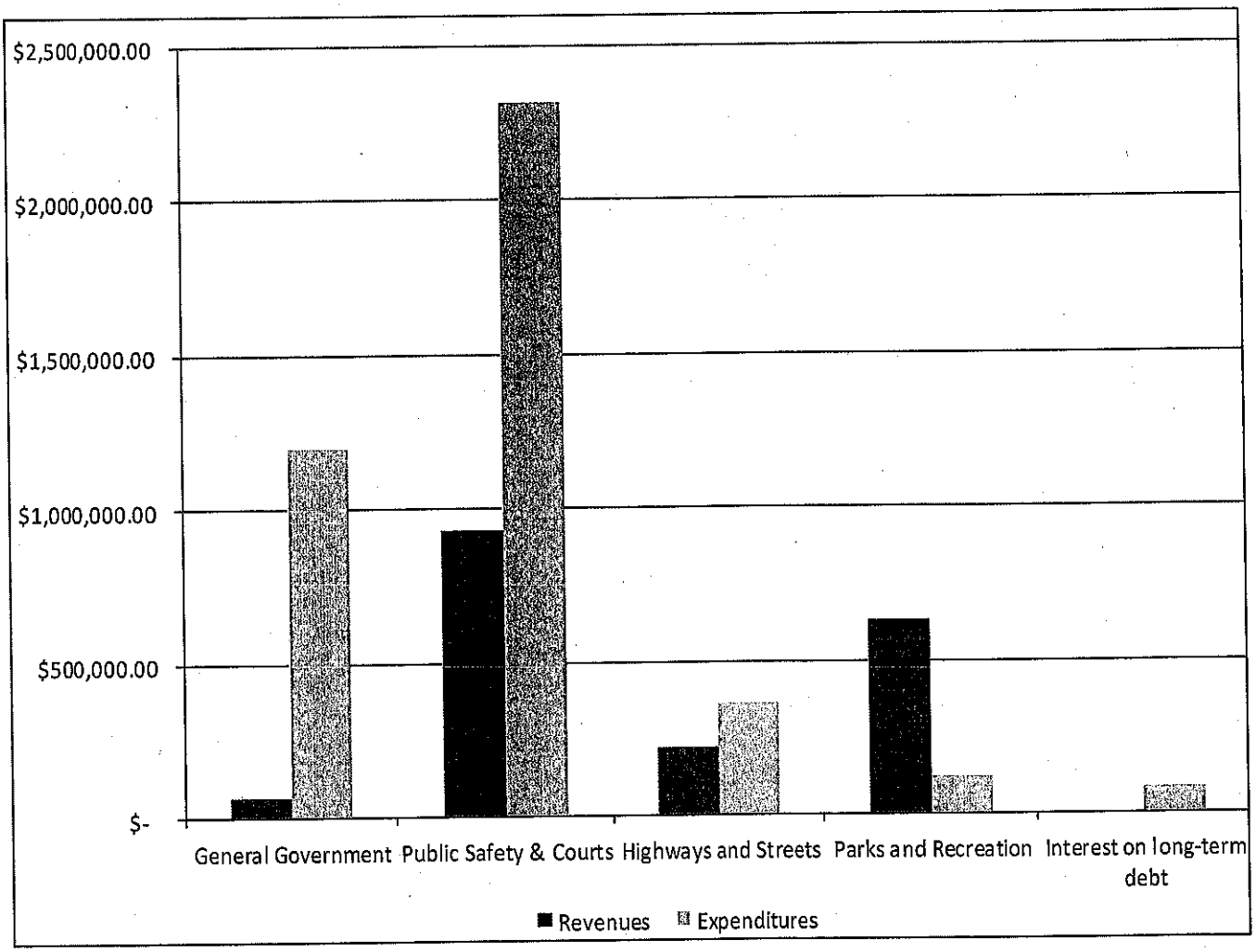
Governmental activities. Governmental activities increased the City's net position by $376,646. Key elements of this increase are as follows:

City of Lake City's Change in Net Position
For The Years Ended December 31, 2014 and 2013

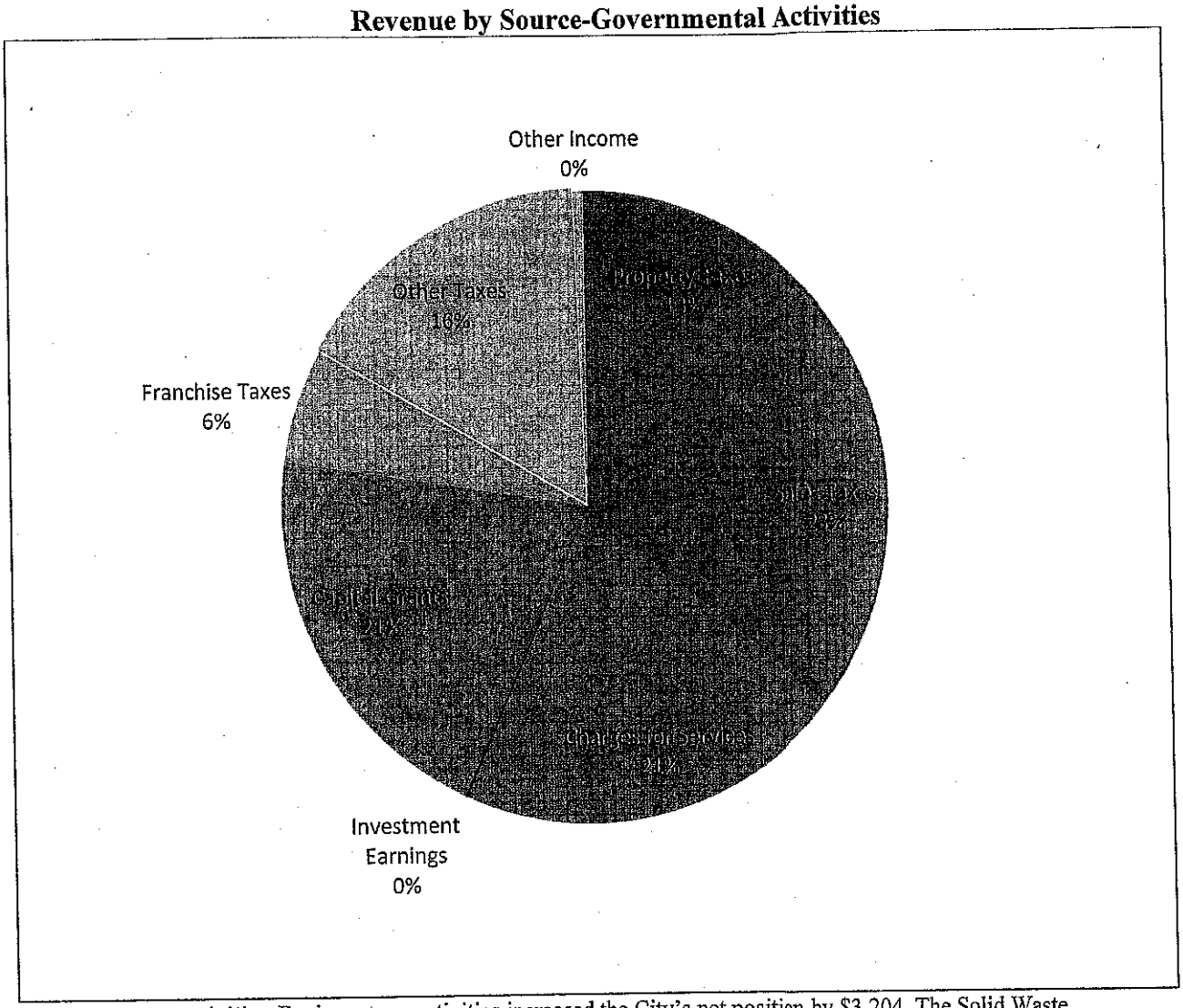
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues -						
Charges for services	$ 933,795	$ 833,757	$ 141,160	$ 141,351	$ 1,074,955	$ 975,108
Operating grants and contributions	-	1,263	-	-	-	1,263
Capital grants and contributions	913,683	977,644	-	-	913,683	977,644
General Revenues-						
Property taxes	559,048	541,327	-	-	559,048	541,327
Sales taxes	1,026,010	1,042,144	-	-	1,026,010	1,042,144
Other taxes	979,638	934,533	-	-	979,638	934,533
Interest	4,642	7,043	-	-	4,642	7,043
Other	23,897	82,066	-	-	23,897	82,066
	4,440,713	4,419,777	141,160	141,351	4,581,873	4,561,128
Expenses:						
General government	1,196,209	698,681	-	-	1,196,209	698,681
Public safety and courts	2,315,780	2,228,314	-	-	2,315,780	2,228,314
Highways and strees	362,866	334,739	-	-	362,866	334,739
Parks and recreation	123,463	119,630	-	-	123,463	119,630
Interest on long-term debt	82,048	111,333	-	-	82,048	111,333
Solid waste	-	-	121,657	121,265	121,657	121,265
	4,080,366	3,492,697	121,657	121,265	4,202,023	3,613,962
Increase (decrease) in Net Position before transfers	360,347	927,080	19,503	20,086	379,850	947,166
Transfers	16,299	35,157	(16,299)	(35,157)	-	-
Increase (decrease) in Net Position	376,646	962,237	3,204	(15,071)	379,850	947,166
Net Position - beginning of year, adjusted	8,645,926	7,683,689	4,281	19,352	8,650,207	7,703,041
Net Position - end of year	$ 9,022,572	$ 8,645,926	$ 7,485	$ 4,281	$ 9,030,057	$ 8,650,207

- Occupational taxes have increased over the last two years by approximately $70,000 per year while sales taxes, including SPLOST have decreased $80,095 (4.0%) for the year. The occupational tax increase is the result of a significant equipment retailer beginning sales operations inside the city limits. Not unlike the previous several years, the Sales Tax decrease is a result of the overall negative growth in the county.
- Property tax revenues increased $17,721 (3.3%). This increase is an initial indication of the housing market's turnaround and property values starting to increase.
- Fines and related charges increased $110,000 (14.4%) for the year 2014 over 2013. This increase is a function of the implementation of license plate readers in patrol cars and a full staff of officers.
- Overall revenues increased $20,936 while expenses increased $587,669. The overall increase in revenues is reflective of the previously stated occupational tax and fine collections along with the decrease in sales taxes and the significant receipt of abandoned car sales during 2013. The overall expense increase is a result of an increase in court related mandated fees due to the parallel increase in court revenues and the cost of the implementation of a new retirement plan for the city employees and council members. The City funded past service cost of $524,000 during 2014.

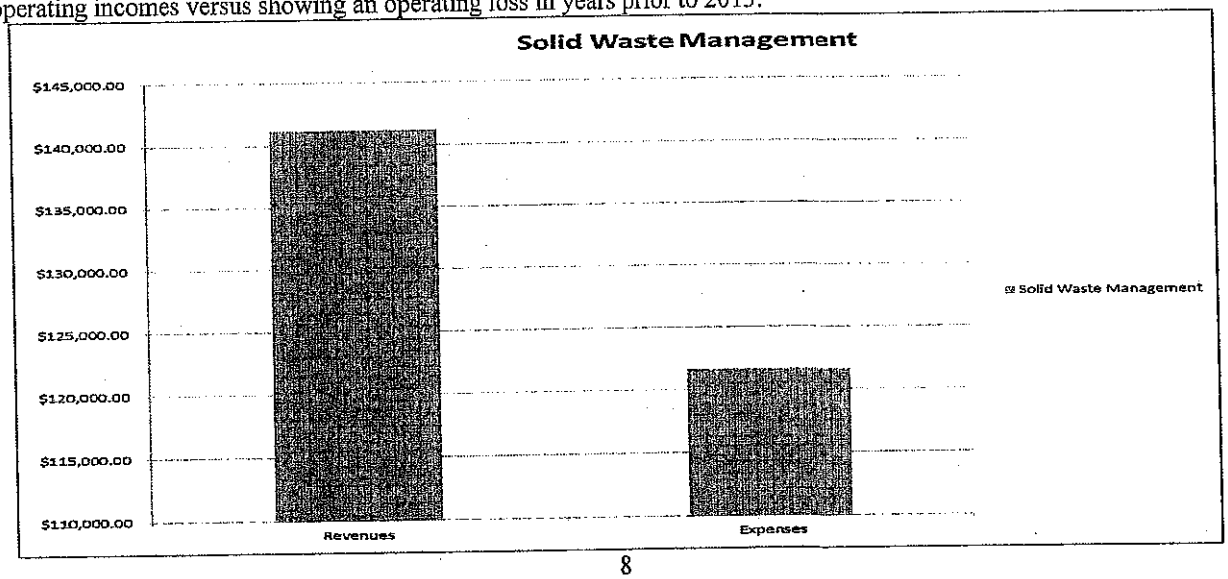
Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities



Business-type activities. Business type activities increased the City's net position by $3,204. The Solid Waste Management Fund had operating income of $19,503, it transferred $16,299 to the General Fund as a result of net cash flows. As of fiscal year 2012, City Council implemented a sanitation tax as opposed to the previous sanitation charge in an effort to collect such fees. This venture was successful in that comparatively, 2013 and 2014 reported positive operating incomes versus showing an operating loss in years prior to 2013.



Financial Analysis of the Government's Funds

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

Governmental Funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2014 the City's governmental funds reported combined ending fund balances of $2,762,422. Of this amount, $2,276,353 (82.4 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because $142,066 is restricted for Police Activities and Capital Outlay, $321,180 is assigned for appropriations for the 2015 budget and $22,823 is nonspendable consisting of prepaid expenses.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,335,892 while the total fund balance totaled $2,757,416. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56.3 percent of the total general fund expenditures, while total fund balance represents 66.4 percent of that same amount.

During the current fiscal year the fund balance of the City's general fund decreased by $372,193 which can be attributed to the City's Defined Contribution Plan being replaced with an Employee Benefit Pension Plan. The pension cost was $637,326 for 2014, which included $113,236 of normal cost plus $524,090 of past credited expense for up to five years of past employment for all eligible employees, compared to prior year of $55,279.

The Seized Assets Special Revenue Fund is used to account for court approved forfeitures of assets confiscated by police during investigations of illegal drug activities. The Seized Assets Fund's fund balance as of December 31, 2014, was $64,545; all of which is restricted for police activities authorized under state and federal laws.

The SPLOST Fund is used to account for the acquisition and construction of major capital outlays for equipment, facilities and improvements that were approved by the voters of Clayton County, Georgia through the special purpose local option sales tax referendum. The fund is also being used to account for the proceeds from the issuance of revenue bonds in the amount of $4,000,000, the proceeds of which are being used to finance a portion of the cost of SPLOST related projects. The bonds were issued during FY 2008 and the City has spent approximately $10,131,000 on items approved by the SPLOST referendum since inception, including principal and interest payments on the bonds. The bonds were completely paid off in 2014.

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

General Fund Budgetary Highlights

The original budget adopted this fiscal year totaled $3,582,750 and was amended to $4,166,015 in June 2015. The large budget amendment was made to account for the City's payment of $524,000 to fund past service cost of the City's new defined pension plan and to account for the purchase of police vehicles with financing from a capital lease obligation.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets at December 31, 2014 amounts to $ 7,395,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles, equipment, and parks. Purchases of capital assets during the year included improvements to the front office of City Hall for $6,122, software upgrade for $26,174 and 6 police vehicles and equipment for $168,972. Additional information on the City's capital assets can be found in Note 10 on page 35 of this report.

Long-term debt. At the end of the current fiscal year, the City had $1,430,125 in outstanding debt consisting of the following:

CITY OF LAKE CITY'S OUTSTANDING DEBT

	Balance
Governmental Activities:	
Certificates of Participation	$ 1,259,628
Capital Lease	170,497
Total Long-Term Debt	$ 1,430,125

The City's total debt decreased by $882,853 which is due to normal debt service payments. The City also entered into a capital lease agreement for $147,186 for the purchase of the 5 vehicles and equipment for police use. Additional information on the City's long-term debt can be found in note 11 on page 36 of this report.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Lake City is approximately $8,600,000 which is significantly in excess of the City of Lake City's outstanding general obligation debt.

Status of the City of Lake City's Economy

Lake City, Forest Park and Morrow banded together approximately two years ago in an unprecedented way to arrest economic decline, promote regional development, and remake the image of this part of the south Atlanta metro-area into one of a thriving, prosperous, and innovative community.

Lake City, Forest Park and Morrow created this consortium because of our common borders, our common demographics and our common desire to align our development objectives and planning goals "as one."

A working group was established wherein the City Managers and Planning Directors from each of the three cities met almost monthly over the course of the last two years with the result that:

The Tri City area is on the cusp of a potential economic resurgence as past efforts at renewal begin to come to fruition, including projects such as the local acquisition of the Ft.Gillem complex, the redevelopment of Southlake Mall, and the expansion of Clayton State University.

This Urban Redevelopment Plan (URP) is the first step toward implementing this grand vision. It is anticipated that the URP will be approved during the first quarter of 2015, followed by extensive staff work to complete an application to the Department of Community Affairs for the Opportunity Zone Tax Credit initiative that our business community can participate in.

Requests for Information

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

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 1,445,608	$ -	$ 1,445,608
Investments	893,572	-	893,572
Receivables, net			
Taxes	611,451	-	611,451
Accounts	660	18,205	18,865
Fines	134,876	-	134,876
Due from other governments	164,262	-	164,262
Prepaid expenses	43,486	-	43,486
Restricted assets -			
Cash	106,920	-	106,920
Investment	-	-	-
Capital assets -			
Non-depreciable capital assets	1,068,975	-	1,068,975
Other capital assets, net of depreciation	6,326,452	-	6,326,452
Deferred loan cost, net	-	-	-
Total Assets	10,796,262	18,205	10,814,467
LIABILITIES			
Accounts payable -			
Trade	69,762	10,720	80,482
Capital	-	-	-
Accrued expenses -			
Salaries	220,165	-	220,165
Interest	27,597	-	27,597
Unearned items	6,072	-	6,072
Bond deposits	19,969	-	19,969
Long-term liabilities -			
Due within one year	190,304	-	190,304
Due in more than one year	1,239,821	-	1,239,821
Total Liabilities	1,773,690	10,720	1,784,410
NET POSITION			
Net investment in capital assets	5,965,302	-	5,965,302
Restricted for:			
Capital outlay	77,521	-	77,521
Law enforcement activities	64,545	-	64,545
Unrestricted	2,915,204	7,485	2,922,689
Total Net Position	$ 9,022,572	$ 7,485	$ 9,030,057

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General Government	$ 1,196,209	$ 67,990	$ -	$ -
Public Safety and Courts	2,315,780	865,805	-	64,244
Highways and Streets	362,866	-	-	221,282
Park Areas	123,463	-	-	628,157
Interest on long-term debt	82,048	-	-	-
Total Governmental Activities	4,080,366	933,795	-	913,683
Business-Type Activities:				
Solid Waste Management	121,657	141,160	-	-
Total Primary Government	$ 4,202,023	$ 1,074,955	$ -	$ 913,683

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

Change in Net Position

Net Position - beginning

Net Position - ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
$ (1,128,219)	$ -	$ (1,128,219)
(1,385,731)	-	(1,385,731)
(141,584)	-	(141,584)
504,694	-	504,694
(82,048)	-	(82,048)
(2,232,888)	-	(2,232,888)
-	19,503	19,503
(2,232,888)	19,503	(2,213,385)
559,048	-	559,048
121,760	-	121,760
1,026,010	-	1,026,010
67,987	-	67,987
259,847	-	259,847
383,255	-	383,255
140,878	-	140,878
5,911	-	5,911
4,642	-	4,642
23,897	-	23,897
2,593,235	-	2,593,235
16,299	(16,299)	-
2,609,534	(16,299)	2,593,235
376,646	3,204	379,850
8,645,926	4,281	8,650,207
$ 9,022,572	$ 7,485	$ 9,030,057

CITY OF LAKE CITY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
ASSETS				
Cash and cash equivalents	$ 1,445,608	$ -	$ -	$ 1,445,608
Investments	893,572	-	-	893,572
Receivables -				-
Taxes	611,451	-	-	611,451
Accounts receivable	660	-	-	660
Fines, net	134,876	-	-	134,876
Due from other funds	266,176	-	-	266,176
Due from other governments	-	-	164,262	164,262
Prepaid expenses	22,823	-	-	22,823
Restricted assets -				
Cash	-	64,545	42,375	106,920
Investments	-	-	-	-
Interest receivable	-	-	-	-
Total Assets	$ 3,375,166	$ 64,545	$ 206,637	$ 3,646,348
Liabilities:				
Accounts payable -				
Trade	$ 69,762	$ -	$ -	$ 69,762
Capital	-	-	-	-
Due to other funds	-	-	266,176	266,176
Accrued expenses -				
Salaries	220,165	-	-	220,165
Bond deposits	19,969	-	-	19,969
Unearned revenues	6,072	-	-	6,072
Total Liabilities	315,968	-	266,176	582,144
Deferred Inflows of Resources				
Unavilable revenues	301,782	-	-	301,782
Fund Balances:				
Nonspendable	22,823	-	-	22,823
Restricted -				
Capital outlay	77,521	-	-	77,521
Law enforcement activities	-	64,545	-	64,545
Assigned for appropriation for next year's budget	321,180	-	-	321,180
Unassigned	2,335,892	-	(59,539)	2,276,353
Total Fund Balances	2,757,416	64,545	(59,539)	2,762,422
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 3,375,166	$ 64,545	$ 206,637	$ 3,646,348

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

CITY OF LAKE CITY, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances -- total governmental funds	$	2,762,422
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,395,427
The prepaid pension is not an available resource and, therefore, is not reported in the funds.		20,663
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		301,782
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of participation		(1,259,628)
Revenue bonds		-
Capital lease		(170,497)
Accrued interest payable		(27,597)
Net position of governmental activities.	$	9,022,572

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
REVENUES:				
Taxes	$ 2,614,221	$ -	$ -	$ 2,614,221
Business licenses and permits	22,946	-	-	22,946
Intergovernmental	-	-	913,683	913,683
Charges for services	63,684	-	-	63,684
Fines and forfeitures	874,055	20,533	-	894,588
Investment income	4,642	-	-	4,642
Miscellaneous	18,942	-	-	18,942
Total Revenues	3,598,490	20,533	913,683	4,532,706
EXPENDITURES:				
Current -				
General Government	1,144,566	-	-	1,144,566
Municipal Court	467,639	-	-	467,639
Public Safety	1,735,773	-	-	1,735,773
Highways and Streets	338,638	-	-	338,638
Park Areas	23,016	-	-	23,016
Capital Outlay -				
General Government	28,020	-	-	28,020
Municipal Court	132			132
Police	172,575	-	-	172,575
Park Areas	-	-	-	-
Debt Service -				
Principal	170,874	-	711,979	882,853
Interest	71,462	-	22,443	93,905
Total Expenditures	4,152,695	-	734,422	4,887,117
Excess (deficiency) of revenues over expenditures	(554,205)	20,533	179,261	(354,411)
OTHER FINANCING SOURCES (USES):				
Transfers	16,299	-	-	16,299
Proceeds from debt issue	147,186	-	-	147,186
Sale of capital assets	18,527	-	-	18,527
Total Other Financing Sources (Uses)	182,012	-	-	182,012
Net change in fund balances	(372,193)	20,533	179,261	(172,399)
Fund balances - beginning	3,129,609	44,012	(238,800)	2,934,821
Fund balances - ending	$ 2,757,416	$ 64,545	$ (59,539)	$ 2,762,422

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

CITY OF LAKE CITY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances -- total governmental funds	$	(172,399)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		201,268
Depreciation expense		(306,190)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property tax		19,320
Fines		(16,304)
Business/Occupation Tax		(69,703)
Change in net pension asset		20,663
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayments of principal		882,853
Proceeds from debt issues		(147,186)
Net effect of transactions involving capital assets (sales, dispositions)		(47,533)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the difference between the beginning and ending accrued interest payable.		11,857
Change in net position of governmental activities.	$	376,646

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

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes -				
Property	$ 594,650	$ 534,850	$ 538,870	$ 4,020
Motor vehicle	80,000	115,700	121,760	6,060
Real estate transfer	3,000	5,100	5,911	811
Franchise	222,000	220,000	259,847	39,847
Local option sales	1,092,000	1,026,000	1,026,010	10
Alcohol beverage	66,000	66,725	67,987	1,262
Business occupation	275,000	455,300	452,958	(2,342)
Insurance premium	133,000	141,000	140,878	(122)
Licenses and permits	14,500	27,400	22,946	(4,454)
Charges for services	44,250	63,100	63,684	584
Grants	-	-	-	-
Fines and forfeitures	675,000	871,700	874,055	2,355
Investment earnings	8,000	4,650	4,642	(8)
Miscellaneous	17,600	19,000	18,942	(58)
Total Revenues	3,225,000	3,550,525	3,598,490	47,965
EXPENDITURES:				
Current -				
General government -				
Mayor and council	60,800	56,475	55,975	500
City administrator	92,950	114,950	115,666	(716)
General administration	475,450	890,140	881,338	8,802
Building and grounds	100,500	92,000	91,587	413
Municipal court	403,300	463,750	467,639	(3,889)
Public safety -				
Police services	1,440,200	1,369,000	1,360,773	8,227
Fire administration	375,000	375,000	375,000	-
Highways and streets	388,000	337,050	338,638	(1,588)
Park areas	32,550	23,850	23,016	834
Capital Outlay	-	200,800	200,727	73
Debt Service	214,000	243,000	242,336	664
Total expenditures	3,582,750	4,166,015	4,152,695	13,320
Excess of revenues over (under) expenditures	(357,750)	(615,490)	(554,205)	61,285
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	16,299	16,299
Proceeds from debt issue	-	147,200	147,186	(14)
Sale of capital assets	-	38,200	18,527	(19,673)
Total other financing sources (uses)	-	185,400	182,012	(3,388)
Net change in fund balances	(357,750)	(430,090)	(372,193)	57,897
Fund balances - beginning	3,129,609	3,129,609	3,129,609	-
Fund balances - ending	$ 2,771,859	$ 2,699,519	$ 2,757,416	$ 57,897

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

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Confiscations	$ -	$ 20,000	$ 20,533	$ 533
Interest income	-	-	-	-
Total Revenues	-	20,000	20,533	533
EXPENDITURES:				
Current -				
Police services	-	3,000	-	3,000
Total expenditures	-	3,000	-	3,000
Excess of revenues over (under) expenditures	-	17,000	20,533	3,533
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	-	-
Net change in fund balances	-	17,000	20,533	3,533
Fund balances - beginning	44,012	44,012	44,012	-
Fund balances - ending	$ 44,012	$ 61,012	$ 64,545	$ 3,533

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET POSITION
SOLID WASTE MANAGEMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets		
Receivables-		
Accounts (net)	$ 18,205	$ 15,635
Total current assets	18,205	15,635
Total assets	18,205	15,635
LIABILITIES		
Current liabilities		
Accounts payable	10,720	11,354
Accrued salaries and wages	-	-
Total current liabilities	10,720	11,354
Total liabilties	10,720	11,354
Net Position		
Unrestricted	7,485	4,281
Total Net Position	$ 7,485	$ 4,281

See accompanying notes to the basic financial statements

CITY OF LAKE CITY, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Charges for services	$ 141,160	$ 141,351
Miscellaneous	-	-
Total operating revenues	141,160	141,351
OPERATING EXPENSES		
Purchased/contracted services	121,657	121,265
Bad debt	-	-
Total operating expenses	121,657	121,265
Operating income (loss) before capital contributions and transfers	19,503	20,086
Transfers	(16,299)	(35,157)
Change in net assets	3,204	(15,071)
NET POSITION - BEGINNING	4,281	19,352
NET POSITION - ENDING	$ 7,485	$ 4,281

See accompanying notes to the basic financial statements

CITY OF LAKE CITY, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers and users	$ 138,590	$ 156,369
Cash paid to suppliers for goods	(122,291)	(121,212)
Cash paid to employees	-	-
Net cash provided from operating activities	16,299	35,157
Cash flows from investing activities:		
Interest received	-	-
(Purchase) / redemption of investments	-	-
Net cash from investing activities	-	-
Cash flows from non-capital financing activities:		
Transfers	(16,299)	(35,157)
Net cash flows from non-capital financing activities	(16,299)	(35,157)
Cash flows from capital financing activities:		
Purchase / construction of capital assets	-	-
Net cash flows from capital financing activities	-	-
Net cash flows	-	-
Cash and cash equivalents - beginning	-	-
Cash and cash equivalents - ending	$ -	$ -

See accompanying notes to the basic financial statements

CITY OF LAKE CITY, GEORGIA
SOLID WASTE MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2014	2013
Operating income (loss)	$ 19,503	$ 20,086
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	-	-
Bad debt expense	-	-
(Increase) decrease in receivables	(2,570)	15,018
Increase (decrease) in payables	(634)	53
Total adjustments	(3,204)	15,071
Net cash from operating activities	$ 16,299	$ 35,157

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

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

Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB No. 61 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on organization's for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City regardless of whether the organization has a separate elected or appointed governing board. Blended component units, although legally separate entities, are, in substance part of the government's operations and are reported with similar funds of the primary government.

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

(See Independent Auditor's Report)

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

C. Basic Financial Statements—Government-Wide Statements

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

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

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

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

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

(See Independent Auditor's Report)

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

D. Basic Financial Statements-Fund Financial Statements

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

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

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

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

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

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

Solid Waste Management Fund – The Solid Waste Management Enterprise Fund is used to account for the revenues generated from the charges for sanitation and recycling services provided to the residential and commercial users of the City.

(See Independent Auditor's Report)

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

E. Basis of Accounting

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

1. Accrual

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

2. Modified Accrual:

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

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

F. Measurement Focus

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

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

(See Independent Auditor's Report)

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

F. Measurement Focus, Continued

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

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

G. Cash and Cash Equivalents

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

H. Investments

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2014.

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

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

(See Independent Auditor's Report)

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

I. Inventory

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

J. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond December 31, 2014 are recorded as prepaid items and are expensed during the period benefited.

K. Capital Assets

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

(See Independent Auditor's Report)

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

M. Revenues

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

N. Expenditures

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

O. Compensated Absences

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

P. Interfund Activity

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

Q. Capitalization of Interest

The City's governmental funds do not capitalize interest cost incurred during the construction period to finance the construction of capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended December 31, 2014.

(See Independent Auditor's Report)

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

R. Budgets and Budgetary Accounting

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

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

1. The City Administrator presents a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Any revisions that increase expenditures of any department must be approved by City Council.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Final budget amounts are as amended in June 2015.
6. Unexpended budget appropriations at year-end lapse.

S. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has no items that qualify for reporting in this category as of December 31, 2014.

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

T. Net Position

Net Position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City's government-wide statement of net position reports $142,066 of restricted net position, all of which are restricted by enabling legislation.

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

(See Independent Auditor's Report)

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

U. Fund Equity – Governmental Funds

As of December 31, 2014, fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of City of Lake City's Council. Lake City's Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council prior to end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes through passage of a resolution. Unlike commitments, assignments generally only exist temporarily and do not normally have to have an additional action taken for their removal.

Unassigned – all other spendable amounts.

As of December 31, 2014, fund balances are composed of the following:

	Non-Spendable-Prepaids	Restricted Police and Court Activities	Restricted Police and Court Capital Outlay	Assigned 2015 Budget	Unassigned	Total
General Fund	$ 22,823	$ -	$ 77,521	$ 321,180	$ 2,335,892	$ 2,757,416
Seized Assets Fund	-	64,545	-	-	-	64,545
SPLOST Fund	-	-	-	-	(59,539)	(59,539)
Total	$ 22,823	$ 64,545	$ 77,521	$ 321,180	$ 2,276,353	$ 2,762,422

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

V. Estimates

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

(See Independent Auditor's Report)

2. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of December 31, 2014, $1,081,291 of the City's bank balance of $1,581,291 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Collateralized with securities held by the pledging financial institution or its agent	1,081,291
Total	$ 1,081,291

Investments

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

Investments as of December 31, 2014 were as follows:

Investments	Maturities	Fair Value
Georgia Fund 1	51 days average	$ 893,572
		$ 893,572

As of December 31, 2014, the City's investment in the Georgia Fund 1 was rated AAAf by Standard and Poor's.

"Georgia Fund 1" created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAf rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share. The fund is managed by the Georgia Office of the State Treasury (OST). OST is guided by the policies of the State Depository Board and OCGA 55-17-2 and 50-17-63.

(See Independent Auditor's Report)

3. PROPERTY TAX

Property taxes become the obligation of the property owner as of January 1. Taxes were levied on September 8, 2014 and were due and payable on or before December 20, and penalties and interest may be assessed if not paid by this date. The City bills and collects its own property taxes.

In 1995, a local option sales tax was implemented. Proceeds from this tax are remitted to the City on a monthly basis and are utilized to give property owners tax relief. Total revenues recognized from sales taxes in 2014 amount to $1,026,010. Property tax revenues amounted to $559,048 at the government-wide level for the year ended December 31, 2014. Property taxes receivable as of December 31, 2014 was $249,200.

4. RECEIVABLES

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

	General	Solid Waste	Total
Taxes	$ 611,451	$ -	$ 611,451
Accounts	660	92,205	92,865
Fines	335,876	-	335,876
Gross Receivables	947,987	92,205	1,040,192
Less: Allowance for Uncollectibles	(201,000)	(74,000)	(275,000)
Total	$ 746,987	$ 18,205	$ 765,192

5. FINES AND FORFEITURES (NET OF ALLOWANCE)

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

(See Independent Auditor's Report)

6. POLICE BAIL BOND DEPOSITS

Police bail bonds of $19,969, shown as a liability, represent money that has been paid in advance for court cases which have not been heard as of December 31, 2014.

7. INTER-FUND TRANSACTIONS

The following is a summary of interfund receivable and payable balances as of December 31, 2014:

	Payable From		
Payable To	Seized Assets	Splost	Total
General Fund	$ -	$ 266,176	$ 266,176
Total	$ -	$ 266,176	$ 266,176

As of December 31, 2014, the SPLOST Fund owed the General Fund $266,176 for payment of items that were eligible to be paid out of the respective accounts and will eventually be repaid to the General Fund.

The following is a summary of interfund transfers for the year ended December 31, 2014:

	Transfer From		
Transfer To	General	Solid Waste Management	Total
General Fund	$ -	$ 16,299	$ 16,299
Splost Fund	-	-	-
Total	$ -	$ 16,299	$ 16,299

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

8. LITIGATION:

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

(See Independent Auditor's Report

9. CITY OF MORROW FIRE PROTECTION

The City is under a ten-year contract with the City of Morrow to provide the City of Lake City with fire protection. Pursuant to the contract which was renewed in 2010, the City of Lake City pays a monthly charge, for such services of $31,250 through June 30, 2015 and then the monthly rate increases 2.5% each year from July 1, 2015 through June 30, 2020. For the year ended December 31, 2014 the City paid the City of Morrow $375,000 for fire protection.

10. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,052,801	$ -	$ (10,000)	$ 1,042,801
Construction in progress	-	26,174	-	26,174
Total capital assets, not being depreciated	1,052,801	26,174	(10,000)	1,068,975
Capital assets being depreciated:				
Buildings	4,064,157	6,122	-	4,070,279
Improvements other than buildings	3,197,018	-	-	3,197,018
Other machinery and equipment	659,096	30,381	(82,153)	607,324
Office equipment	286,067	-	-	286,067
Vehicles	636,680	138,591	(220,209)	555,062
Total capital assets being depreciated	8,843,018	175,094	(302,362)	8,715,750
Less accumulated depreciation for:				
Buildings	837,475	101,655	-	939,130
Improvements other than buildings	262,348	80,907	-	343,255
Other machinery and equipment	452,361	70,383	(67,191)	455,553
Office equipment	250,386	10,532	-	260,918
Vehicles	545,367	42,713	(197,638)	390,442
Total accumulated depreciation	2,347,937	306,190	(264,829)	2,389,298
Total capital assets being depreciated, net	6,495,081	(131,096)	(37,533)	6,326,452
Governmental capital assets, net	$ 7,547,882	$ (104,922)	$ (47,533)	$ 7,395,427

(See Independent Auditor's Report)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

General government	$ 76,581
Public safety	104,934
Highways and streets	24,228
Park areas	100,447
Total depreciation expense	$ 306,190

11. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Certificates of Participation	$ 1,406,216	$ -	$ (146,588)	$ 1,259,628	$ 154,104
Capital Lease	$ 47,597	147,186	(24,286)	170,497	36,200
Revenue Bonds	711,979	-	(711,979)	-	-
Total Long-Term Liabilities	$ 2,165,792	$ 147,186	$ (882,853)	$ 1,430,125	$ 190,304

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

Certificates of Participation

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

Capital Lease

On February 6, 2013 the City entered into a lease purchase agreement with the Georgia Municipal Association, Inc. to purchase three license plate readers for $55,340. The interest rate for the capital lease is 3.24% and payments will be made to BB&T. The lease is for 60 months with quarterly payments of $3,008 beginning with July 1, 2014. The final payment is due, April 1, 2018. The depreciation expense recorded for the year was $11,068. Accumulated depreciation on the equipment amounted to $18,447 as of December 31, 2014.

11. LONG-TERM DEBT – (Continued)

The City entered a lease agreement on May 13, 2014 to purchase five police vehicles for the amount of $147,186. The interest rate for the capital lease is 3.26% and payments will be payable to B&T. The lease is for 60 months with payments of $8,005 due quarterly beginning with August 22, 2014. The final payment is due May 22, 2019. The depreciation expense recorded for the year was $10,071. Accumulated depreciation on the vehicles amounted to $10,071 as of December 31, 2014.

Revenue Bonds

In April, 2008 the City Council approved the issuance of revenue bonds in the amount of $4,000,000. Proceeds from the bond issue are to finance all or a portion of the cost of (i) certain of the capital outlay projects identified in the SPLOST referendum approved by the voters of Clayton County in February, 2008, (ii) capitalization interest on the bond and (iii) issuing the bond. The interest rate associated with the bond is 3.07%. Principal and interest are payable in February and August of each year until the final payment in August, 2014. The purpose of issuing the bond was to begin land acquisition and to take advantage of reduced construction costs.

The City has pledged a portion of future special purpose local option sales tax (SPLOST) revenues to repay the $4,000,000 in revenue bonds. The bonds are payable solely from the City's portion of SPLOST revenues generated by retail sales in the County. SPLOST revenues were projected to produce $6.4 million or 141 percent of the debt service requirements over the life of the bond. The final payment on the lease was made August 7, 2014. For the current year, interest paid was $22,423 and principal paid was $711,979. SPLOST taxes started being collected in July, 2009.

Annual debt service requirements to maturity for the above debt, including interest of $249,370, are as follows:

F/Y/E DEC. 31	Certificates of Participation		Capital Lease	
	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL
2015	59,982	154,104	4,845	36,200
2016	52,101	162,007	3,885	40,169
2017	43,549	170,316	2,562	41,492
2018	34,696	179,050	1,220	36,818
2019	25,388	188,232	194	15,818
2020	15,631	197,885	-	-
2021	5,317	208,034	-	-
TOTALS	$ 236,664	$ 1,259,628	$ 12,706	$ 170,497

(See Independent Auditor's Report)

12. JOINT VENTURE

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

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

13. RISK MANAGEMENT

The City of Lake City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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

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

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:	
Buildings and Contents (Blanket)	$ 4,924,217
Automobile Physical Damage	Per Application on file with GIRMA
COVERAGE DESCRIPTION – CASUALTY:	
Comprehensive General Liability	$ 2,000,000
Automobile Liability	$ 1,000,000
Errors and Omissions (Public Officials) Liability	$ 2,000,000
Employees Benefits Liability	$ 2,000,000

(See Independent Auditor's Report)

13. RISK MANAGEMENT – (Continued)

COVERAGE DESCRIPTION – CRIME	
Blanket Bond	$ 500,000
Computer	$ 500,000
Depositors Forgery	$ 500,000
Money and Securities – Loss Inside and Outside the Premises	$ 500,000

DEDUCTIBLE:
All coverages are subject to a per occurrence deductible of $ 1,000

COVERAGE EXCEPTIONS: None

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

14. EMPLOYEE BENEFIT PLANS:

DEFERRED COMPENSATION PLAN

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

DEFINED CONTRIBUTION PLAN

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

The Defined Contribution Plan ended May 31, 2014 and was replaced with an Employee Benefit Pension Plan beginning June 1, 2014.

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

During the year, employees contributed $31,202, equal to 5.8% of eligible salaries. Total employer matching contribution for the year ended December 31, 2014 amounted to $24,271 or 4.5% of eligible salaries. Eligible salaries amounted to $542,358 for the five month period. Gross salaries amounted to $606,783 for the five month period. Matching contributions are subject to the following vesting schedule:

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

14. EMPLOYEE BENEFIT PLANS - Continued:

Investments are managed by the plan's trustee under one of three investment options, or a combination thereof. The participant makes the choice of the investment option(s). The Defined Contribution Plan ended May 31, 2014 and was replaced with an Employee Benefit Pension Plan beginning June 1, 2014.

DEFINED BENEFIT PLAN –

Creation of Plan
In April 2014 the Mayor and Council approved an ordinance creating the City of Lake City Defined Benefit Pension Plan, which effectively terminated the City's previous Defined Contribution Plan. The effective date of the new Defined Benefit Plan was June 1, 2014.

Plan Description
The City's defined benefit pension plan, City of Lake City Retirement Plan (LCRP), provides retirement, disability and death benefits to all full time employees, elected and appointed members of the City, and their beneficiaries. These retirement provisions were established by an adoption agreement executed by the City Council. LCRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association issues a publicly available financial report on GMEBS that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, Atlanta, Georgia, 30303.

Funding Policy
LCRP members are required to contribute 5% of their gross salary to the plan. The City (including employee contributions) is required to contribute at an actuarially determined rate; the current rate is 8.90% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

Annual Pension Cost
For 2014, the City's annual pension cost of $637,326 included $113,236 of normal cost and $524,090 of past credited expense for up to five years of past employment for all eligible employees for LCRP. The required contribution was determined as part of the June 1, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases at 3.5% per year plus age and service based merit increases. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of LCRP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

(See Independent Auditor's Report)

14. EMPLOYEE BENEFIT PLANS – (Continued)

The City has an overpayment in the amount of $20,663 in pension assets as of December 31, 2014.

Three-Year Trend Information for SRP

Actuarial Valuation Date	Annual Pension Cost (APC) Employer	Annual Pension Cost (APC) Employee	Percentage of APC Contributed	Net Pension Obligation (Asset)
*6/1/2014	$ 561,624	$ 29,094	103.5%	$ (20,663)

* 7 Months

Under the Adoption Agreement, participants in the plan who were actively employed with the City on June 1, 2014, and who had more than five years of service with the City prior to June 1, 2014, could purchase service credit under the Plan (for their service with the City prior to June 1, 2014, that is not otherwise creditable under the terms of the Adoption Agreement (i.e. service in excess of five years). As a result employees of the City transferred $1,666,436 out of the terminated defined contribution plan to the new defined contribution plan for the purchase of service credits under the new plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/1/2014	$ -	$ 524,090	$ 524,090	0.0%	$ 1,303,185	40.2%

Trend Information
Annual trend information required by generally accepted accounting principles is presented on page 42 and reveals the progress made in accumulating sufficient assets to pay benefits when due.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit fund balances or retained earnings balances of individual funds – The SPLOST Fund had a negative fund balance as of December 31, 2014 of $59,539. The deficit is expected to be funded by future SPLOST revenues and transfers from the General Fund.

B. Excess of revenues and expenditures over (under) appropriations in individual funds are as follows:
For the year ended December 31, 2014, none of the City's individual funds nor any individual department had expenditures that materially exceeded its respective appropriations. Material excesses are considered to have occurred if expenditures exceed appropriations by factors of over 5 percent and greater than $10,000.

CITY OF LAKE CITY, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF PENSION PLAN FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/1/2014	$ -	$ 524,090	$ 524,090	0.0%	$ 1,303,185	40.2%

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GENERAL FUND

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

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash	$ 1,445,608	$ 1,687,419
Investments	893,572	892,379
Accounts receivable:	-	-
Taxes	611,451	609,533
Fines and forfeitures, net of allowance of $201,000 in 2014 and $214,000 in 2013	134,876	141,997
Other	660	-
Due from other funds	266,176	447,208
Prepaid expenses	22,823	20,867
Total Assets	$ 3,375,166	$ 3,799,403
LIABILITIES:		
Accounts payable - Trade	$ 69,762	$ 70,038
Accrued salaries	220,165	215,498
Accrued expenditures	-	-
Bond deposits	19,969	14,289
Unearned revenues	6,072	1,500
Total Liabilities	315,968	301,325
DEFERRED INFLOWS OF REVENUES		
Unavailable revenues	301,782	368,469
FUND EQUITY:		
Fund balance-		
Nonspendable	22,823	20,867
Restricted for capital outlay	77,521	49,242
Assigned for appropriation for next years budget	321,180	357,750
Unassigned	2,335,892	2,701,750
Total Fund Equity	2,757,416	3,129,609
Total Liabilities, deferred inflows of revenues and Fund Equity	$ 3,375,166	$ 3,799,403

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES - BY DEPARTMENT
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES:		
Taxes	$ 2,614,221	$ 2,459,264
Business licenses and permits	22,946	16,431
Intergovernmental	-	1,263
Charges for services	63,684	53,213
Fines and forfeitures	874,055	761,016
Investment income	4,642	7,043
Miscellaneous	18,942	80,733
Total Revenues	3,598,490	3,378,963
EXPENDITURES:		
Current -		
General Government	1,144,566	619,093
Municipal Court	467,639	421,330
Public Safety	1,735,773	1,672,887
Highways and Streets	338,638	318,785
Park Areas	23,016	19,172
Debt Service	242,336	223,507
Capital Outlay -		
General Government	28,020	6,864
Municipal Court	132	-
Police Services	172,575	81,975
Highways and Streets	-	2,516
Park Areas	-	-
Total Expenditures	4,152,695	3,366,129
Excess of Revenues Over (Under) Expenditures	(554,205)	12,834
Other Financing Sources (Uses):		
Transfers	16,299	35,157
Proceeds from debt issue	147,186	55,340
Sale of capital assets	18,527	2,150
Total Other Financing Sources (Uses)	182,012	92,647
Change in Fund Balance	(372,193)	105,481
Fund Balance - Beginning of Year	3,129,609	3,024,128
Fund Balance - End of year	$ 2,757,416	$ 3,129,609

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CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014			2013
	Final Budget	Actual	Variance	Actual
Taxes:				
Property taxes	$ 534,850	$ 538,870	$ 4,020	$ 552,289
Motor vehicle	115,700	121,760	6,060	150,280
Real estate transfer	5,100	5,911	811	7,852
Franchise -		-		
Atlanta Gas Light	19,000	18,838	(162)	17,141
Georgia Power	180,500	223,555	43,055	180,489
AT&T	8,000	5,558	(2,442)	6,937
Cable TV	12,500	11,896	(604)	12,300
Other	-	-	-	-
Local option sales	1,026,000	1,026,010	10	1,042,144
Beer and wine	65,500	66,780	1,280	67,488
Consumption	1,225	1,207	(18)	1,269
Business occupation	455,300	452,958	(2,342)	286,338
Insurance premium	141,000	140,878	(122)	134,737
Licenses and Permits -				
Business licenses	9,750	5,500	(4,250)	5,500
Building permits	17,650	16,066	(1,584)	9,856
Other permits	-	1,380	1,380	1,075
Grants:				
Federal - Police	-	-	-	1,263
State - DOT	-	-	-	-
Services:				
Other	63,100	63,684	584	53,213
Fines and Forfeitures	871,700	874,055	2,355	761,016
Investment income	4,650	4,642	(8)	7,043
Miscellaneous	19,000	18,942	(58)	80,733
Total Revenues	$ 3,550,525	$ 3,598,490	$ 47,965	$ 3,378,963

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014			2013
	Final Budget	Actual	Variance	Actual
General Government:				
Governing Body -				
Personal services	$ 53,800	$ 53,472	$ 328	$ 58,447
Purchased/contracted services	2,625	2,436	189	5,127
Supplies	50	67	(17)	70
City Administrator -				
Personal services	113,000	114,061	(1,061)	97,117
Purchased/contracted services	1,450	1,333	117	1,325
Supplies	500	272	228	381
Contingency	-	-	-	-
General Administration -				
Personal services	650,190	650,471	(281)	116,138
Purchased/contracted services	222,050	203,662	18,388	238,141
Supplies	17,700	20,402	(2,702)	14,755
Other	200	6,803	(6,603)	5,370
Contingency	-	-	-	-
Buildings and Grounds -				
Purchased/contracted services	55,500	55,017	483	53,688
Supplies	36,500	36,570	(70)	28,534
Contingency	-	-	-	-
Total General Government	1,153,565	1,144,566	8,999	619,093
Municipal Court -				
Personal services	127,550	129,376	(1,826)	113,905
Purchased/contracted services	67,100	65,336	1,764	69,605
Supplies	1,550	1,561	(11)	1,047
Other costs	267,550	271,366	(3,816)	236,773
Contingency	-	-	-	-
Total Municipal court	463,750	467,639	(3,889)	421,330
Public Safety:				
Police Services -				
Police Administration -				
Personal services	155,400	155,189	211	161,849
Purchases/contracted services	600	521	79	1,763
Supplies	-	160	(160)	-
Other	11,400	11,396	4	6,407
Contingency	-	-	-	-
Crime Control -				
Personal services	161,200	161,383	(183)	156,084
Purchased/contracted services	-	-	-	-
Supplies	2,100	2,078	22	995
Traffic Control -				
Personal services	873,800	871,777	2,023	830,841
Purchased/contracted services	57,100	52,062	5,038	54,542
Supplies	96,900	95,699	1,201	85,406
Other	10,500	10,508	(8)	-
Total Police Services	1,369,000	1,360,773	8,227	1,297,887

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014			2013
	Final Budget	Actual	Variance	Actual
Fire Services -				
Purchased/contracted services	$ 375,000	$ 375,000	$ -	$ 375,000
Total Public Safety	1,744,000	1,735,773	8,227	1,672,887
Highways and Streets:				
Personal services	237,700	240,680	(2,980)	223,176
Purchased/contracted services	41,150	39,851	1,299	39,287
Supplies	58,200	58,107	93	56,322
Other	-	-	-	-
Total Highways and Streets	337,050	338,638	(1,588)	318,785
Parks Areas:				
Purchased/contracted services	6,400	5,945	455	4,887
Supplies	17,450	17,071	379	14,286
Total Parks	23,850	23,016	834	19,173
Debt Service:				
Principal	171,000	170,874	126	147,180
Interest	72,000	71,462	538	76,327
Total Debt Service	243,000	242,336	664	223,507
Capital Outlay:				
General Administration	27,300	28,020	(720)	6,864
Buildings and Grounds	-	-	-	-
Municipal Court	-	132	(132)	-
Police Services	173,500	172,575	925	81,974
Highways and Streets	-	-	-	2,516
Park Areas	-	-	-	-
Total Capital Outlay	200,800	200,727	73	91,354
Total Expenditures	$ 4,166,015	$ 4,152,695	$ 13,320	$ 3,366,129

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SPECIAL REVENUE FUND

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

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2014 AND 2013

Assets	2014	2013
Cash - restricted	$ 64,545	$ 44,012
Due from other funds	-	-
Total assets	$ 64,545	$ 44,012
Liabilities and Fund Balance		
Liabilities		
Due to other funds	$ -	$ -
Total Liabilities	-	-
Fund Balance		
Restricted for law enforcement activities	64,545	44,012
Total liabilities and fund balance	$ 64,545	$ 44,012

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Revenues		
Fines and forfeitures	$ 20,533	$ 9,743
Interest income	-	-
Total Revenues	20,533	9,743
Expenditures		
Current -		
Public safety-		
Purchased/contracted services	-	1,594
Total Expenditures	-	1,594
Excess (deficiency) of revenues over (under) expenditures.	20,533	8,149
Fund balance-		
Beginning of year	44,012	35,863
End of year	$ 64,545	$ 44,012

CAPITAL PROJECTS FUND

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

CITY OF LAKE CITY, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2014 AND 2013

Assets	2014	2013
Cash	$ -	$ -
Due from Clayton County	164,262	161,367
Restricted assets -		
Cash	42,375	47,041
Investments	-	-
Interest receivable	-	-
Total assets	$ 206,637	$ 208,408
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ -	$ -
Accrued payroll	-	-
Accrued expenditures	-	-
Due to other funds	266,176	447,208
Total Liabilities	266,176	447,208
Fund Balance		
Unassigned	(59,539)	(238,800)
Total liabilities and fund balance	$ 206,637	$ 208,408

CITY OF LAKE CITY, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Revenues:		
Intergovernmental	$ 913,683	$ 977,639
Interest earned	-	5
Total Revenues	913,683	977,644
Expenditures:		
Capital -		
Public Safety	-	-
Public Works	-	-
Parks	-	10
Debt Service -		
Principal	711,979	963,021
Interest	22,443	50,253
Total Expenditures	734,422	1,013,284
Excess (deficiency) of revenues over (under) expenditures.	179,261	(35,640)
Other financing sources (uses):		
Proceeds from revenue bonds	-	-
Transfers	-	-
Total other financing sources (uses)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	179,261	(35,640)
Fund balance-		
Beginning of year	(238,800)	(203,160)
End of year	$ (59,539)	$ (238,800)

CITY OF LAKE CITY, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - PROJECT LENGTH BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES:				
Intergovernmental	$ 4,434,456	$ 913,683	$ 5,348,139	$ 6,400,000
Interest	157,679	-	157,679	200,000
Total Revenues	4,592,135	913,683	5,505,818	6,600,000
EXPENDITURES:				
Capital outlay -				
Public safety	506,494	-	506,494	450,000
Public works building	615,766	-	615,766	750,000
Highways & streets	-	-	-	800,000
Parks	4,401,259	-	4,401,259	4,400,000
Debt service -				
Debt issue costs	80,000	-	80,000	80,000
Principal	3,288,021	711,979	4,000,000	4,000,000
Interest	505,867	22,443	528,310	579,335
Total Expenditures	9,397,407	734,422	10,131,829	11,059,335
Excess of revenues over (under) expenditures	(4,805,272)	179,261	(4,626,011)	(4,459,335)
OTHER FINANCING SOURCES (USES):				
Transfers	566,472	-	566,472	459,335
Proceeds from revenue bonds	4,000,000	-	4,000,000	4,000,000
Total Other Financing Sources (Uses)	4,566,472	-	4,566,472	4,459,335
Net Change in fund balance	$ (238,800)	179,261	$ (59,539)	$ -
Fund balances - beginning		(238,800)		
Fund balances - ending		$ (59,539)		

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