CITY OF LAKE CITY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

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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, 2016, 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, 2016 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 schedules of "Changes in Net Pension Liability and Related Ratios" and "Contributions" on pages 45 - 47 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, 2015, 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 2015 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 2015 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 2015 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 28, 2017 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 28, 2017

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, 2016. 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, 2016 by $9,295,842. Of this amount unrestricted net position of $2,399,525 may be used to meet the government's ongoing obligations to citizens and creditors.

- The total net position increased by $537,095. Of this amount an increase of $531,510 was associated with governmental activities and an increase of $5,585 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 $3,244,754 an increase of $179,506 in comparison with the prior year. Of this amount $2,331,457 is unassigned and available for spending; $494,701 is restricted for Police Activities and Capital Outlay; $395,010 is assigned for the 2017 budget; and $23,586 is nonspendable and in the form of prepaid expenses.

- At the end of the current year, unassigned fund balance for the general fund was $2,331,457 or 68.4 percent of total General Fund expenditures.

- The City of Lake City's total debt obligations consisted of certificates of participation in the amount of $943,516 and a net pension obligation of $646,139. The City made $293,529 in principal payments during 2016 which included payoffs of its capital lease obligations of $131,521.

- 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 increases 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 16 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 48.

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, 2016, the City's assets exceeded liabilities by $9,295,842. The City's net position reflects its net investment in capital assets $6,401,616 (68.9 percent). Capital assets are used to provide services to citizens and they are not available for future spending. Of the total net position of $9,295,842, $494,701 (5.3 percent) is restricted for police activities and capital projects and $2,399,525 (25.8 percent) is unrestricted.

City of Lake City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 3,745,727	$ 3,569,371	$ 26,091	$ 20,377	$ 3,771,818	$ 3,589,748
Capital assets	7,345,132	7,235,768	-	-	7,345,132	7,235,768
Deferred pension outflows	169,965	61,691	-	-	169,965	61,691
Total assets	11,260,824	10,866,830	26,091	20,377	11,286,915	10,887,207
Current liabilities	391,645	380,435	9,773	9,644	401,418	390,079
Long-term liabilities	1,589,655	1,738,381	-	-	1,589,655	1,738,381
Total liabilities	1,981,300	2,118,816	9,773	9,644	1,991,073	2,128,460
Net Position:						
Net investment in capital assets	6,401,616	5,998,723	-	-	6,401,616	5,998,723
Restricted	494,701	498,843	-	-	494,701	498,843
Unrestricted	2,383,207	2,250,448	16,318	10,733	2,399,525	2,261,181
Total Net Position	$ 9,279,524	$ 8,748,014	$ 16,318	$ 10,733	$ 9,295,842	$ 8,758,747

A portion of the net position (5.3 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position ($2,399,525) 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 $531,510. Key elements of this increase are as follows:

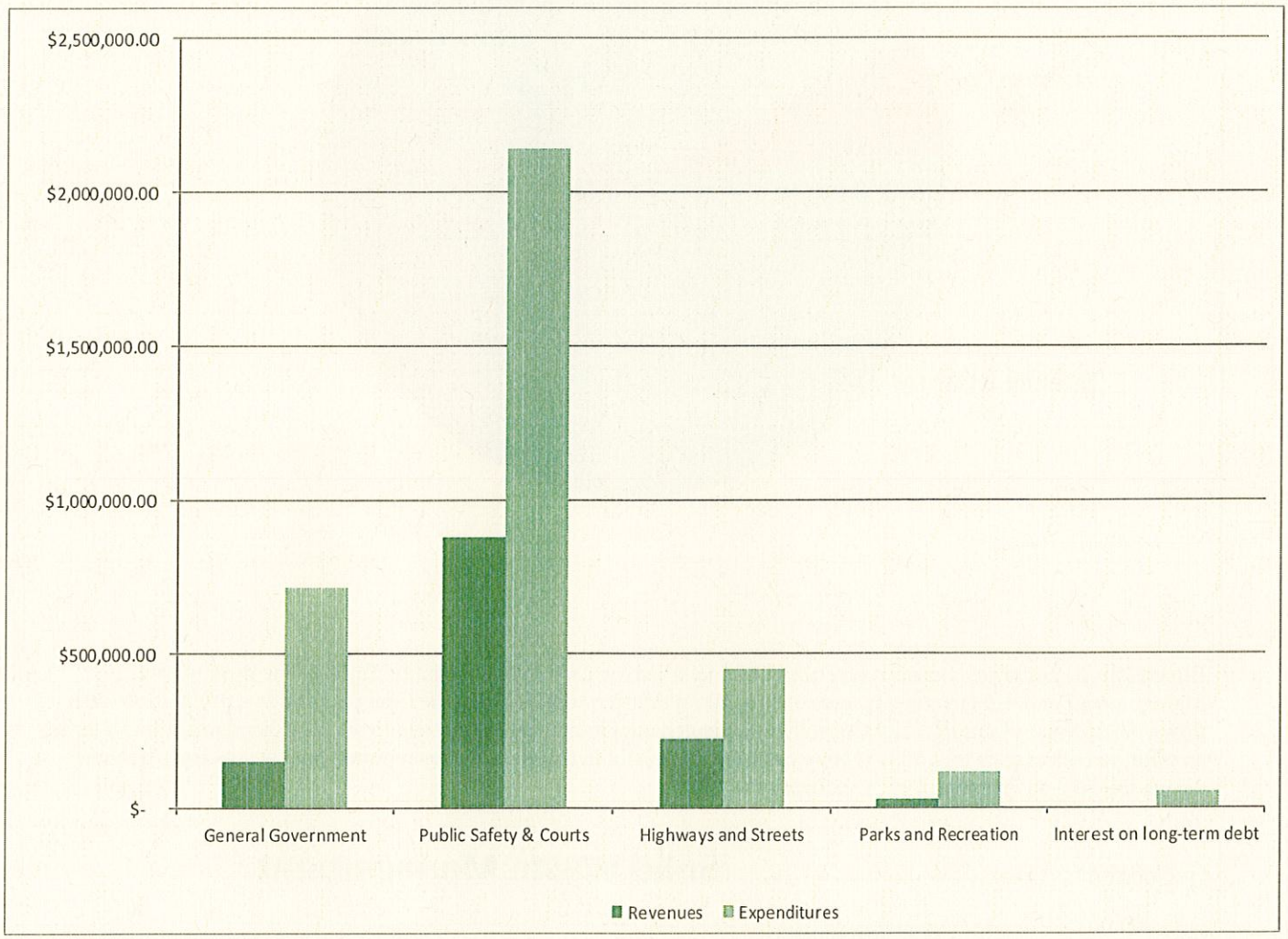
City of Lake City's Change in Net Position
For The Years Ended December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues -						
Charges for services	$ 837,082	$ 776,626	$ 134,878	$ 142,753	$ 971,960	$ 919,379
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	443,974	445,298	-	-	443,974	445,298
General Revenues-						
Property taxes	651,530	559,279	-	-	651,530	559,279
Sales taxes	1,110,704	1,114,468	-	-	1,110,704	1,114,468
Other taxes	923,252	870,315	-	-	923,252	870,315
Interest	5,617	4,239	-	-	5,617	4,239
Other	17,909	16,959	-	-	17,909	16,959
	3,990,068	3,787,184	134,878	142,753	4,124,946	3,929,937
Expenses:						
General government	715,583	1,741,577	-	-	715,583	1,741,577
Public safety and courts	2,139,315	2,289,862	-	-	2,139,315	2,289,862
Highways and strees	450,603	420,474	-	-	450,603	420,474
Parks and recreation	114,808	116,550	-	-	114,808	116,550
Interest on long-term debt	51,425	61,859	-	-	51,425	61,859
Solid waste	-	-	116,117	121,808	116,117	121,808
	3,471,734	4,630,322	116,117	121,808	3,587,851	4,752,130
Increase (decrease) in Net Position before transfers	518,334	(843,138)	18,761	20,945	537,095	(822,193)
Transfers	13,176	17,697	(13,176)	(17,697)	-	-
Increase (decrease) in Net Position	531,510	(825,441)	5,585	3,248	537,095	(822,193)
Net Position - beginning of year, adjusted	8,748,014	9,573,455	10,733	7,485	8,758,747	9,580,940
Net Position - end of year	$ 9,279,524	$ 8,748,014	$ 16,318	$ 10,733	$ 9,295,842	$ 8,758,747

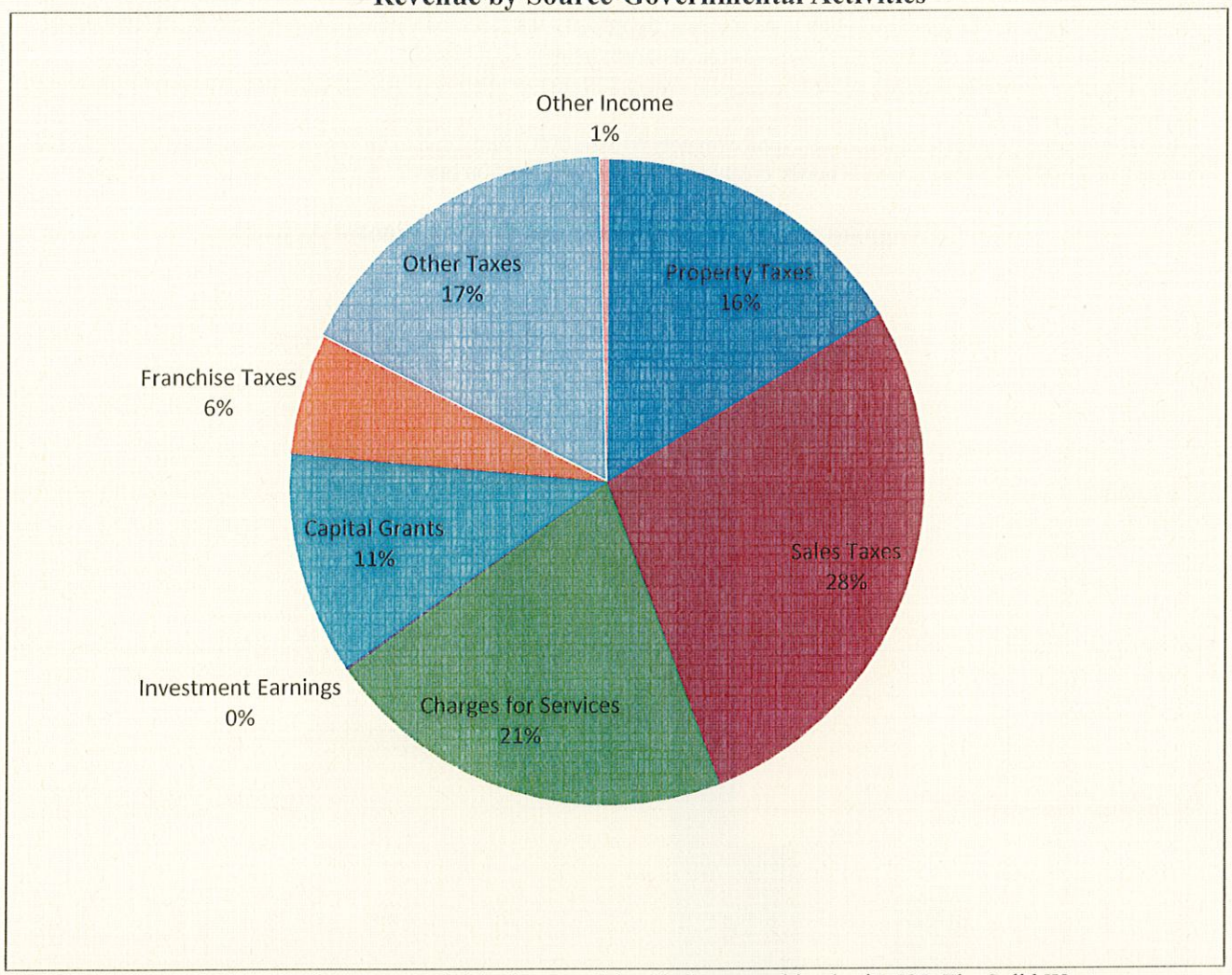
* The net position for Governmental Activities was adjusted as of January 1, 2015 in order to implement GASB 68, *Accounting and Financial Reporting for Pensions*. The adjustment amounted to an increase in the net position of $550,883 to record pension payments made prior to January 1, 2015 for the City's newly created defined benefit pension plan created in June 2014.

- Property tax revenues increased $92,000 over 2015, while penalty and interest payments increased more than $10,000 for the same period. The increase is due to an increase in property tax assessed values of approximately $10,000,000.
- Local Option Sales Tax revenue remained constant at approximately $1,110,000.
- Although fines and forfeitures decreased by approximately $30,000, probation payments and jail bond revenue increased a total of $53,000.
- General government expenses decreased approximately $1,026,000 mainly due to an expense recognized in 2015 in the amount of $1,095,415 for the City's newly created defined benefit pension plan.

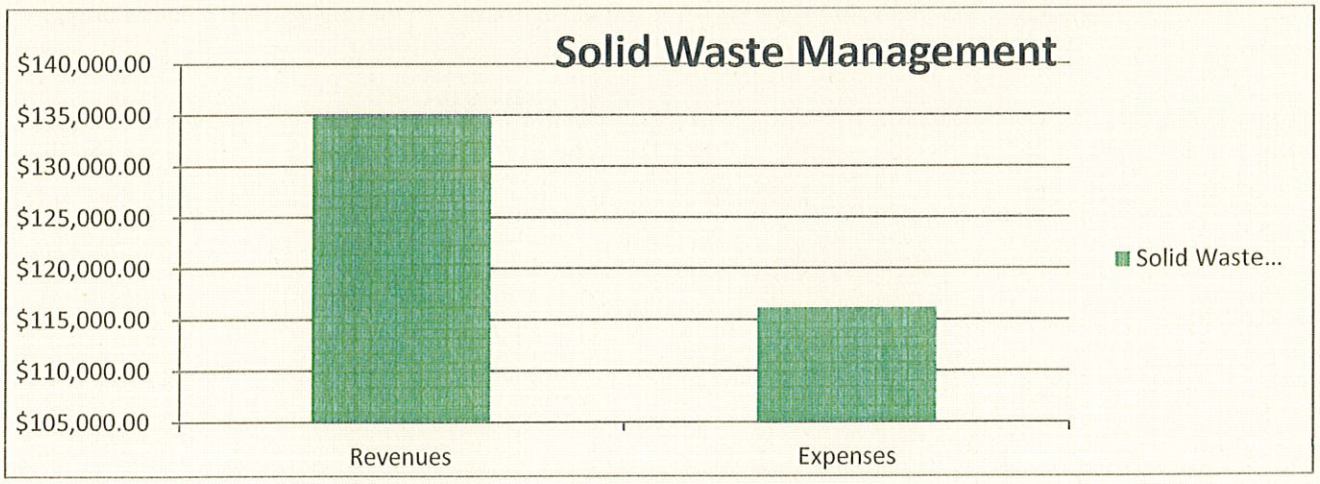
Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities



Business-type activities. Business type activities increased the City's net position by $5,585. The Solid Waste Management Fund had operating income of $18,761, it transferred $13,176 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 has been successful in that the City has 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, 2016 the City's governmental funds reported combined ending fund balances of $3,244,754. Of this amount, $2,331,457 (71.8 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 $494,701 is restricted for Police Activities and Capital Outlay, $395,010 is assigned for the 2017 budget, and $23,586 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 $2,331,457 while the total fund balance totaled $2,819,698. 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 68.4 percent of the total general fund expenditures, while total fund balance represents 82.7 percent of that same amount.

During the current fiscal year the fund balance of the City's general fund increased by $177,562 which can be attributed to a combination of increased revenue and a decrease in overall expenses. Significant increases in revenue were in property taxes, occupational taxes and insurance premium taxes. In addition to these increases, the City's overall expenses decreased due to the lack of costs associated with a permanent City Manager for approximately six months, changes in some personnel status, contingency funds not being used and decreases in fuel costs for vehicles and repair and maintenance of city equipment and vehicles.

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. All of these assets are restricted for police activities authorized under state and federal laws. The change in fund balance was due to funds being authorized by the Chief of Police to purchase new tasers, patrol rifles, ammunition for the patrol rifles, and new uniform items for the uniformed patrol division.

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 newly approved 2015 SPLOST series is currently being accounted for in this fund. As of December 31, 2016 the fund balance in this fund amounted to $417,851 and is restricted for capital projects approved under the 2015 SPLOST referendum.

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 $3,503,122 and was amended to $3,582,530 in May 2017. The amendments made, an increase of $79,408 or 2.3%, were the result of an increase in expected cost of a number of departments which were funded through higher than expected revenues. The most significant increase was in debt service where the City paid off several capital leases.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets at December 31, 2016 amounts to $ 7,345,132 (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 police department portable and mobile radios and other police equipment in the amount of approximately $142,000 and five fully equipped police vehicles costing approximately $193,000. Improvements of $40,000 were made to City Hall facilities. 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 $1,589,655 in outstanding debt consisting of the following:

CITY OF LAKE CITY'S OUTSTANDING DEBT

	Balance
Governmental Activities:	
Certificates of Participation	$ 943,516
Capital Lease	-
Net Pension Liability	646,139
Total Long-Term Debt	$ 1,589,655

The City's total debt decreased by $148,726 which is due to an increase of $144,803 in the City's net pension liability, normal debt service payments of $162,008 and the payoff of capital leases in the amount of $131,521. 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 $8,400,000 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

Residential and commercial property starting to trend upwards as is reflected on the 2016 Gross Digest. The amount of $93,873,920 is up $9,702,102 from the 2015 Gross Digest of $84,171,818.

Sales tax receipts are remaining consistent at approximately $1,110,000 annually.

Mayor and Council entered into an intergovernmental agreement with Clayton County to provide Fire, EMS and Hazmat services to the City of Lake City. This agreement included the construction of a fire station to be staffed by Clayton County Fire and EMS. The City of Lake City provided the property for the station to be built on and Clayton County will be responsible for the construction of the Fire Station. The Fire station will be funded by a fire tax to be paid by the residents and businesses located in the City of Lake City. This tax will be in addition to current property taxes and be included in their annual tax bill.

Special Purpose Local Option Sales Tax was voted on and approved by the residents of Lake City and Clayton County. The SPLOST will be in effect for a period of five years from the approval date of November 2015. The City of Lake City will utilize this money to address infrastructure implementation and repairs. In addition, the City will make improvements to the Lake City Community Park and purchase equipment that is not budgeted such as patrol vehicles for the Police Department and equipment for Public Works.

Lake City has several areas within the City boundaries designated as "Opportunity Zones". This designation will assist the City to recruit new businesses and provide incentives for existing businesses to expand by offering a $3,500 State Tax Exemption for each new job created.

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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, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 1,743,883	$ -	$ 1,743,883
Investments	898,601	-	898,601
Receivables, net			
Taxes	490,896	-	490,896
Accounts	864	26,091	26,955
Fines	87,536	-	87,536
Due from other governments	77,470	-	77,470
Prepaid expenses	23,586	-	23,586
Restricted assets -			
Cash	422,891	-	422,891
Investment	-	-	-
Capital assets -			
Non-depreciable capital assets	1,042,801	-	1,042,801
Other capital assets, net of depreciation	6,302,331	-	6,302,331
Total Assets	11,090,859	26,091	11,116,950
Deferred Outflows			
Deferred pension outlflows	169,965	-	169,965
Total Assets and Deferred Outflows	11,260,824	26,091	11,286,915
LIABILITIES			
Accounts payable -			
Trade	72,146	9,773	81,919
Capital	-	-	-
Accrued expenses -			
Salaries	211,345	-	211,345
Interest	20,050	-	20,050
Unearned items	74,451	-	74,451
Bond deposits	13,653	-	13,653
Long-term liabilities -			
Due within one year	170,315	-	170,315
Due in more than one year	1,419,340	-	1,419,340
Total Liabilities	1,981,300	9,773	1,991,073
Deferred pension inflows			
Deferred pension inflows	-	-	-
Total Liabilities and Deferred Inflows	1,981,300	9,773	1,991,073
NET POSITION			
Net investment in capital assets	6,401,616	-	6,401,616
Restricted for:			
Capital outlay	487,496	-	487,496
Law enforcement activities	7,205	-	7,205
Unrestricted	2,383,207	16,318	2,399,525
Total Net Position	$ 9,279,524	$ 16,318	$ 9,295,842

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, 2016

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General Government	$ 715,583	$ 72,910	$ -	$ 78,811
Public Safety and Courts	2,139,315	764,172	-	114,314
Highways and Streets	450,603	-	-	223,278
Park Areas	114,808	-	-	27,571
Interest on long-term debt	51,425	-	-	-
Total Governmental Activities	3,471,734	837,082	-	443,974
Business-Type Activities:				
Solid Waste Management	116,117	134,878	-	-
Total Primary Government	$ 3,587,851	$ 971,960	$ -	$ 443,974

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, restated

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
$ (563,862)	$ -	$ (563,862)
(1,260,829)	-	(1,260,829)
(227,325)	-	(227,325)
(87,237)	-	(87,237)
(51,425)	-	(51,425)
(2,190,678)	-	(2,190,678)
-	18,761	18,761
(2,190,678)	18,761	(2,171,917)
607,345	-	607,345
44,185	-	44,185
1,110,704	-	1,110,704
69,033	-	69,033
239,907	-	239,907
448,036	-	448,036
163,025	-	163,025
3,251	-	3,251
5,617	-	5,617
17,909	-	17,909
2,709,012	-	2,709,012
13,176	(13,176)	-
2,722,188	(13,176)	2,709,012
531,510	5,585	537,095
8,748,014	10,733	8,758,747
$ 9,279,524	$ 16,318	$ 9,295,842

CITY OF LAKE CITY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
ASSETS				
Cash and cash equivalents	$ 1,743,883	$ -	$ -	$ 1,743,883
Investments	898,601	-	-	898,601
Receivables -				
Taxes, net	490,896	-	-	490,896
Accounts receivable	864	-	-	864
Fines, net	87,536	-	-	87,536
Due from other funds	5,660	-	-	5,660
Due from other governments	-	-	77,470	77,470
Prepaid expenses	23,586	-	-	23,586
Restricted assets -				
Cash	69,645	7,205	346,041	422,891
Investments	-	-	-	-
Interest receivable	-	-	-	-
Total Assets	$ 3,320,671	$ 7,205	$ 423,511	$ 3,751,387
Liabilities:				
Accounts payable -				
Trade	$ 72,146	$ -	$ -	$ 72,146
Capital	-	-	-	-
Due to other funds	-	-	5,660	5,660
Accrued expenses -				
Salaries	211,345	-	-	211,345
Bond deposits	13,653	-	-	13,653
Unearned revenues	74,451	-	-	74,451
Total Liabilities	371,595	-	5,660	377,255
Deferred Inflows of Resources				
Unavilable revenues	129,378	-	-	129,378
Fund Balances:				
Nonspendable	23,586	-	-	23,586
Restricted -				
Capital outlay	69,645	-	417,851	487,496
Law enforcement activities	-	7,205	-	7,205
Assigned for appropriation for next year's budget	395,010	-	-	395,010
Unassigned	2,331,457	-	-	2,331,457
Total Fund Balances	2,819,698	7,205	417,851	3,244,754
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 3,320,671	$ 7,205	$ 423,511	$ 3,751,387

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, 2016

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances -- total governmental funds	$	3,244,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,345,132
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		129,378
Deferred inflows and outflows related to the net pension liability is not a current asset or liability:		
Deferred outflows		169,965
Deferred inflows		-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of participation		(943,516)
Revenue bonds		-
Capital lease		-
Accrued interest payable		(20,050)
Net pension liability		(646,139)
Net position of governmental activities.	$	9,279,524

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, 2016

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SEIZED ASSETS	SPLOST	
REVENUES:				
Taxes	$ 2,716,245	$ -	$ -	$ 2,716,245
Business licenses and permits	11,682	-	-	11,682
Intergovernmental	10,472	-	433,502	443,974
Charges for services	81,288	-	-	81,288
Fines and forfeitures	741,367	-	-	741,367
Investment income	5,617	-	-	5,617
Miscellaneous	8,067	-	-	8,067
Total Revenues	3,574,738	-	433,502	4,008,240
EXPENDITURES:				
Current -				
General Government	594,418	-	-	594,418
Municipal Court	519,245	-	-	519,245
Public Safety	1,481,132	232	-	1,481,364
Highways and Streets	425,837	-	-	425,837
Park Areas	19,345	-	-	19,345
Capital Outlay -				
General Government	9,914	-	40,509	50,423
Municipal Court	-	-	-	-
Police	19,701	65,136	312,016	396,853
Highway and Streets	-	-	5,660	5,660
Park Areas	-	-	-	-
Debt Service -				
Principal	288,320	-	5,209	293,529
Interest	52,440	-	2,796	55,236
Total Expenditures	3,410,352	65,368	366,190	3,841,910
Excess (deficiency) of revenues over expenditures	164,386	(65,368)	67,312	166,330
OTHER FINANCING SOURCES (USES):				
Transfers	13,176	-	-	13,176
Proceeds from debt issue	-	-	-	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	13,176	-	-	13,176
Net change in fund balances	177,562	(65,368)	67,312	179,506
Fund balances - beginning	2,642,136	72,573	350,539	3,065,248
Fund balances - ending	$ 2,819,698	$ 7,205	$ 417,851	$ 3,244,754

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, 2016

Net change in fund balances -- total governmental funds	$	179,506
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		417,838
Depreciation expense		(308,474)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property tax		(31,701)
Fines		13,530
Business/Occupation Tax		-
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		293,529
Proceeds from debt issues		-
Net effect of transactions involving capital assets (sales, dispositions)		-
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest		3,811
Change in net pension liability and related deferred items		(36,529)
Change in net position of governmental activities.	$	531,510

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, 2016

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Taxes -				
Property	$ 521,800	$ 574,800	$ 638,102	$ 63,302
Motor vehicle	115,000	53,000	44,185	(8,815)
Real estate transfer	4,000	5,600	3,251	(2,349)
Franchise	234,000	244,000	239,908	(4,092)
Local option sales	1,045,000	1,123,000	1,110,704	(12,296)
Alcohol beverage	66,000	66,000	69,033	3,033
Business occupation	355,000	447,000	448,036	1,036
Insurance premium	145,000	163,000	163,026	26
Licenses and permits	16,250	9,850	11,682	1,832
Charges for services	68,250	78,850	81,288	2,438
Grants	-	31,000	10,472	(20,528)
Fines and forfeitures	690,000	771,000	741,367	(29,633)
Investment earnings	4,500	5,700	5,617	(83)
Miscellaneous	4,800	9,200	8,067	(1,133)
Total Revenues	3,269,600	3,582,000	3,574,738	(7,262)
EXPENDITURES:				
Current -				
General government -				
Mayor and council	66,250	64,300	62,074	2,226
City administrator	120,440	78,590	77,950	640
General administration	429,066	390,530	373,973	16,557
Building and grounds	95,500	94,500	80,421	14,079
Municipal court	523,850	535,614	519,245	16,369
Public safety -				
Police services	1,507,510	1,561,570	1,481,132	80,438
Fire administration	-	-	-	-
Highways and streets	476,106	452,606	425,837	26,769
Park areas	34,000	34,000	19,345	14,655
Capital Outlay	36,400	30,000	29,615	385
Debt Service	214,000	340,820	340,760	60
Total expenditures	3,503,122	3,582,530	3,410,352	172,178
Excess of revenues over (under) expenditures	(233,522)	(530)	164,386	164,916
OTHER FINANCING SOURCES (USES)				
Transfers	231,522	-	13,176	13,176
Proceeds from debt issue	-	-	-	-
Sale of capital assets	2,000	-	-	-
Total other financing sources (uses)	233,522	-	13,176	13,176
Net change in fund balances	-	(530)	177,562	178,092
Fund balances - beginning	2,642,136	2,642,136	2,642,136	-
Fund balances - ending	$ 2,642,136	$ 2,641,606	$ 2,819,698	$ 178,092

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, 2016

	Budget			
	Original	Final	Actual	Variance
REVENUES:				
Confiscations	$ -	$ -	$ -	$ -
Interest income	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES:				
Current -				
Police services	-	44,000	65,368	(21,368)
Total expenditures	-	44,000	65,368	(21,368)
Excess of revenues over (under) expenditures	-	(44,000)	(65,368)	(21,368)
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	-	-
Net change in fund balances	-	(44,000)	(65,368)	(21,368)
Fund balances - beginning	72,573	72,573	72,573	-
Fund balances - ending	$ 72,573	$ 28,573	$ 7,205	$ (21,368)

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

CITY OF LAKE CITY, GEORGIA
STATEMENT OF NET POSITION
SOLID WASTE MANAGEMENT FUND
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Receivables-		
Accounts (net)	$ 26,091	$ 20,377
Total current assets	26,091	20,377
Total assets	26,091	20,377
LIABILITIES		
Current liabilities		
Accounts payable	9,773	9,644
Accrued salaries and wages	-	-
Total current liabilities	9,773	9,644
Total liabilties	9,773	9,644
Net Position		
Unrestricted	16,318	10,733
Total Net Position	$ 16,318	$ 10,733

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, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Charges for services	$ 134,878	$ 142,753
Miscellaneous	-	-
Total operating revenues	134,878	142,753
OPERATING EXPENSES		
Purchased/contracted services	116,117	115,808
Bad debt	-	6,000
Total operating expenses	116,117	121,808
Operating income (loss) before capital contributions and transfers	18,761	20,945
Transfers	(13,176)	(17,697)
Change in net assets	5,585	3,248
NET POSITION - BEGINNING	10,733	7,485
NET POSITION - ENDING	$ 16,318	$ 10,733

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, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Cash received from customers and users	$ 129,164	$ 134,581
Cash paid to suppliers for goods	(115,988)	(116,884)
Cash paid to employees	-	-
Net cash provided from operating activities	13,176	17,697
Cash flows from investing activities:		
Interest received	-	-
(Purchase) / redemption of investments	-	-
Net cash from investing activities	-	-
Cash flows from non-capital financing activities:		
Transfers	(13,176)	(17,697)
Net cash flows from non-capital financing activities	(13,176)	(17,697)
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, 2016 AND 2015

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2016	2015
Operating income (loss)	$ 18,761	$ 20,945
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	-	-
Bad debt expense	-	6,000
(Increase) decrease in receivables	(5,714)	(8,172)
Increase (decrease) in payables	129	(1,076)
Total adjustments	(5,585)	(3,248)
Net cash from operating activities	$ 13,176	$ 17,697

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 organizations 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.

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.

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.

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.

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.

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, 2016

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.

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.

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

J. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond December 31, 2016 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.

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.

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

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, 2016.

R. Budgets and Budgetary Accounting

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

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

1. The City Administrator presents a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Any revisions that increase expenditures of any department must be approved by City Council.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Final budget amounts are as amended in May 2017.
6. Unexpended budget appropriations at year-end lapse.

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

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 one item that qualifies for reporting in this category as of December 31, 2016 which is deferred pension outflows recognized in the Statement of Net Position.

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 $494,701 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.

U. Fund Equity – Governmental Funds

As of December 31, 2016, 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.

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

U. Fund Equity – Governmental Funds – (Continued):

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, 2016, fund balances are composed of the following:

	Non-Spendable Prepaids	Restricted Police and Court Activities	Restricted Police and Court Capital Outlays	Assigned 2017 Budget	Unassigned	Total
General Fund	23,586	-	69,645	395,010	2,331,457	2,819,698
Seized Assets Fund	-	7,205		-	-	7,205
SPLOST Fund	-	-	417,851	-	-	417,851
Total	23,586	7,205	487,496	395,010	2,331,457	3,244,754

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 expenditure 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.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Lake City Retirement Plan (LCRP) and additions to/deductions from LCRP's fiduciary net position have been determined on the same basis as they are reported in the LCRP. For this purpose, benefit payments (including refunds of employee contributions, if applicable) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2016, $1,727,673 of the City's bank balance of $2,227,673 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ -
Collateralized with securities held by the pledging financial institution or its agent	1,727,673
Total	$ 1,727,673

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, 2016 were as follows:

Investments	Maturities	Fair Value
Georgia Fund 1	52 days average	$ 898,601
		$ 898,601

As of December 31, 2016, 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.

3. PROPERTY TAX

Property taxes become the obligation of the property owner as of January 1. Taxes were levied on October 10, 2016 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 2016 amount to $1,110,704. Property tax revenues amounted to $607,35 at the government-wide level for the year ended December 31, 2016. Property taxes receivable as of December 31, 2016 was $168,416, net of an $80,000 allowance for bad debt.

4. RECEIVABLES

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

	General	Solid Waste	Total
Taxes	$ 570,896	$ -	$ 570,896
Accounts	864	106,091	106,955
Fines	218,536	-	218,536
Gross Receivables	790,296	106,091	896,387
Less: Allowance for Uncollectibles	(211,000)	(80,000)	(291,000)
Total	$ 579,296	$ 26,091	$ 605,387

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.

6. POLICE BAIL BOND DEPOSITS

Police bail bonds of $13,653, shown as a liability, represent money that has been paid in advance for court cases which have not been heard as of December 31, 2016.

7. INTER-FUND TRANSACTIONS

The following is a summary of interfund receivable and payable balances as of December 31, 2016:

	Payable From			
Payable To	General Fund	Seized Assets	Splost	Total
General Fund	$ -	$ -	$ 5,660	$ 5,660
Seized Assets	-	-	-	-
Total	$ -	$ -	$ 5,660	$ 5,660

As of December 31, 2016, the SPLOST Fund owed the General Fund $5,660 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, 2016:

	Transfer From		
Transfer To	General	Solid Waste Management	Total
General Fund	$ -	$ 13,176	$ 13,176
Splost Fund	-	-	-
Total	$ -	$ 13,176	$ 13,176

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 was 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 paid a monthly charge, for such services of $31,250 through June 30, 2015 and then the monthly rate increased 2.5% each year from July 1, 2015 through June 30, 2020. During the year ending December 31, 2016, the cities mutually agreed to cancel the agreement. The City of Lake City now has the the same fire protection as county residents and pay additional county property taxes for the service.

10. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,042,801	$ -	$ -	$ 1,042,801
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	1,042,801	-	-	1,042,801
Capital assets being depreciated:				
Buildings	4,070,279	-	-	4,070,279
Improvements other than buildings	3,197,018	29,074	-	3,226,092
Other machinery and equipment	707,765	225,712	(66,112)	867,365
Office equipment	320,891	13,234	(11,026)	323,099
Vehicles	579,409	149,817	-	729,226
Total capital assets being depreciated	8,875,362	417,837	(77,138)	9,216,061
Less accumulated depreciation for:				
Buildings	1,040,887	101,757	-	1,142,644
Improvements other than buildings	424,162	80,716	-	504,878
Other machinery and equipment	512,101	69,869	(66,112)	515,858
Office equipment	272,342	10,534	(11,026)	271,850
Vehicles	432,903	45,597	-	478,500
Total accumulated depreciation	2,682,395	308,473	(77,138)	2,913,730
Total capital assets being depreciated, net	6,192,967	109,364	-	6,302,331
Governmental capital assets, net	$ 7,235,768	$ -	$ -	$ 7,345,132

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

General government	$ 81,338
Public safety	106,906
Highways and streets	24,767
Park areas	95,462
Total depreciation expense	$ 308,473

11. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
Certificates of Participation	$ 1,105,524	$ -	$ (162,008)	$ 943,516	$ 170,315
Capital Lease	131,521	-	(131,521)	-	-
Net Pension Obligation	501,336	144,803	-	646,139	-
	-				
Total Long-Term Liabilities	$ 1,738,381	$ 144,803	$ (293,529)	$ 1,589,655	$ 170,315

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities.

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 was 3.24% and payments were made to BB&T. The lease was for 60 months with quarterly payments of $3,008 beginning with July 1, 2013. The final payment was made during the year ending December 31, 2016. The depreciation expense recorded for the year was $11,068. Accumulated depreciation on the equipment amounted to $40,583 as of December 31, 2016.

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 was 3.26% and payments were payable to BB&T. The lease was for 60 months with payments of $8,005 due quarterly beginning with August 22, 2014. The final payment was made during the year ending December 31, 2016. The depreciation expense recorded for the year was $20,866. Accumulated depreciation on the vehicles amounted to $51,803 as of December 31, 2016.

Annual debt service requirements to maturity for the above debt, including interest of $124,581, are as follows:

F/Y/E DEC. 31	Certificates of Participation INTEREST	PRINCIPAL
2017	$ 43,549	$ 170,315
2018	34,696	179,050
2019	25,388	188,232
2020	15,631	197,885
2021	5,317	208,034
TOTALS	$ 124,581	$ 943,516

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)	$ 4,113,499
Automobile Physical Damage	Per Application on file with GIRMA
COVERAGE DESCRIPTION – CASUALTY:	
Comprehensive General Liability	$ 2,000,000
Automobile Liability	$ 1,000,000
Errors and Omissions (Public Officials) Liability	$ 2,000,000
Employees Benefits Liability	$ 2,000,000
COVERAGE DESCRIPTION – CRIME	
Blanket Bond	$ 500,000
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 provided 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 was administered by the Principal Financial Group.

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, as authorized by the City Council, has established a defined benefit pension plan (The City of Lake City Retirement Plan) covering all full-time employees and elected officials. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City and City Employees are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by State law, benefit provisions for Participants in GMEBS are established and amended by the respective employers. As authorized by the City Council, the Plan provides pension benefits and death benefits for Plan members and beneficiaries. All full-time employees are eligible to participate immediately upon hiring. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.00% of final average earnings of covered compensation. Elected officials also participate with no waiting period and immediate vesting. An employee may elect early retirement at age 55 provided he or she has a minimum of 10 years total credited service to receive partial benefits. Death benefits are calculated using an actuarial reserve.

14. EMPLOYEE BENEFIT PLANS – Continued:

At July 1, 2016, the date of the most recent actuarial valuation, there were 34 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	1
Terminated vested participants not yet receiving benefits	1
Active employees - vested	23
Active employees - nonvested	9
Total	34

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standard law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets State minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. For fiscal year 2016, the actuarially determined contribution rate was $76,184 or 5.29% of covered payroll. LCRP members are required to contribute 5% of their gross salary to the plan. For fiscal year ended December 31, 2016 member contributions amounted to $70,229.

For fiscal year ended December 31, 2016, the City's recommended and actual contribution was $76,184 which was actuarially determined and is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The amount of employer contributions recognized in the actuarial report date July 1, 2016 in the Government-Wide Statement of Activity was $67,686 for eligible employees. The amount of expense in the Government-Wide Statement of Activity was $103,881.

14. EMPLOYEE BENEFIT PLANS – Continued:

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Outflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of $646,139 for its net pension liability. The net pension liability was measured as of March 31, 2016 and was determined by an actuarial valuation as of July 1, 2016. The changes in the Net Pension Liability for the year ended March 31, 2016 (the measurement date) were as follow:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2015	$ 2,093,546	$ 1,592,210	$ 501,336
Changes for the year-			
Service cost	112,323	-	112,323
Interest	161,906	-	161,906
Differences between expected and actual experience	13,593	-	13,593
Contributions - Employer	-	67,686	(67,686)
Contributions - Employee	-	73,328	(73,328)
Transfers from defined contribution plan	-	-	-
Net investment income	-	7,136	(7,136)
Benefit payments, including refunds of employee contributions	(8,872)	(8,872)	-
Administrative expense	-	(4,856)	4,856
Other	275	-	275
Net Changes	279,225	134,422	144,803
Balance at March 31, 2016	$ 2,372,771	$ 1,726,632	$ 646,139

For the year ended December 31, 2016 the City recognized pension expense and deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	$ 112,323
Interest on The Pension Liability (TPL)	161,906
Administrative expenses	4,856
Employee Contributions	(73,328)
Expected return on assets	(128,329)
Expensed portion of current year period differences between expected and actual experience in TPL	1,941
Current year plan changes	275
Expensed portion of current year period assumption changes	-
Expensed portion of current year period differences between projected and actual investment earnings	24,237
Total expense	$ 103,881

14. EMPLOYEE BENEFIT PLANS – Continued:

$61,357 reported as deferred outflows of resources related to pensions resulting from the City's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

F/Y/E June 30	Deferred Outflows
2017	$ 26,181
2018	26,181
2019	26,181
2020	26,181
2021	1,942
2022 and thereafter	1,942
	$ 108,608

Outstanding balances of deferred outflows/inflows of resources related to pensions as of December 31, 2016 are as follow:

	Outflows	Inflows
Contributions subsequent to the measurement date	$ 61,357	$ -
Demographic	11,652	-
Investment	96,956	-
Assumption change	-	-
Total	$ 169,965	$ -

14. EMPLOYEE BENEFIT PLANS – Continued:

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates -	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - sex distinct rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45.00%	6.75%
International equity	20.00%	7.45%
Real estate	10.00%	4.55%
Global fixed income	5.00%	3.30%
Domestic fixed income	20.00%	1.75%
Cash	0.00%	
Total	100.00%	

14. EMPLOYEE BENEFIT PLANS – Continued:

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the City will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability
To Changes in the Discount Rate

The following presents the City's net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.75%	Current Rate 7.75%	1% Increase 8.75%
Net Pension Liability	$ 1,014,156	$ 646,139	$ 336,490

Pension Plan Net Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Lake City Retirement Plan financial report.

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 – As of December 31, 2016 no fund of the City had a deficit fund balance.

B. Excess of revenues and expenditures over budget - The Seized Assets Fund incurred expenditures that exceeded the corresponding appropriations, which is a violation of state law. The material (if are over 5 percent and greater than $5,000) department budget variance is as follows:

C.

	Budget	Actual	Variance
Seized Assets Fund			
Police services	$ 44,000	$ 65,368	$ (21,368)

Management will prepare and closely monitor budgets for all funds in the future.

(See Independent Auditor's Report)

CITY OF LAKE CITY, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service cost	$ 112,323	$ 2,093,546								
Interest	161,906	-								
Differerences between expected and actual experience	13,593	-	(Historical information prior to implementation of GASB 67/68 is not required)							
Other	-	-								
Changes of benefit terms	275	-								
Benefit payments	(8,872)	-								
Net changes in total pension liability	279,225	2,093,546								
Total pension liability - beginning	2,093,546	-								
Total pension liability - ending	$ 2,372,771	$ 2,093,546								
Plan Fiduciary Net Position										
Contributions - employer	$ 67,686	$ 594,079								
Contributions - employees	73,328	33,478								
Transfers from define contribution plan	-	929,549								
Net investment income	7,136	37,824								
Benefit payments	(8,872)	-	(Historical information prior to implementation of GASB 67/68 is not required)							
Administrative expense	(4,856)	(2,720)								
Other	-	-								
Net change in fiduciary net position	134,422	1,592,210								
Plan fiduciary net position - beginning	1,592,210	-								
Plan dicuciary net position - ending	$ 1,726,632	$ 1,592,210								
Net Pension Liability										
Net pension liability	$ 646,139	$ 501,336								
Plan's fiduciary net position as a percentage of the total pension liability	72.77%	76.05%	(Historical information prior to implementation of GASB 67/68 is not required)							
Covered-employee payroll	$ 1,513,483	$ 1,416,077								
Net pension liability as a percentage of covered payroll	42.69%	35.40%								

CITY OF LAKE CITY, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	Fiscal Year End									
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Actuarially determined contributions	$ 76,184	66,052								
Contributions in relation to the actuarially determined contribution	(76,184)	(66,052)	(Historical information prior to implementation of GASB 67/68 is not required)							
Contribution deficiency (excess)	-									
Covered-employee payroll	$ 1,513,483	1,416,077								
Contributions as a percentage of covered-employee payroll	5.03%	4.66%								

CITY OF LAKE CITY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1

Significant methods and assumptions used in calculating the actuarially determined calculations are as follow:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period vaires for the bases, with a net effective amortization period of 30 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality Rates -	
Healthy	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years for males and 1 year for females
Disabled	RP-2000 Disabled Retiree Mortality Table - sex distinct rates
Plan Termination Basis	1994 Group Annuity Reserving Unisex Table

(See Independent Auditor's Report)

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, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 1,813,528	$ 1,565,401
Investments	898,601	895,121
Accounts receivable:		
Taxes, net of allowance of $80,000 in 2016 and 2015	490,896	491,625
Fines and forfeitures, net of allowance of $131,000 in 2016 and $125,000 in 2015	87,536	83,760
Other	864	1,186
Due from other funds	5,660	88,854
Prepaid expenses	23,586	19,663
Total Assets	$ 3,320,671	$ 3,145,610
LIABILITIES:		
Accounts payable - Trade	$ 72,146	$ 64,098
Accrued salaries	211,345	221,946
Due to other funds	-	390
Bond deposits	13,653	17,776
Unearned revenues	74,451	51,716
Total Liabilities	371,595	355,926
DEFERRED INFLOWS OF REVENUES		
Unavailable revenues	129,378	147,548
FUND EQUITY:		
Fund balance-		
Nonspendable	23,586	19,663
Restricted for capital outlay	69,645	75,731
Assigned for appropriation for next years budget	395,010	231,522
Unassigned	2,331,457	2,315,220
Total Fund Equity	2,819,698	2,642,136
Total Liabilities, deferred inflows of revenues and Fund Equity	$ 3,320,671	$ 3,145,610

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, 2016 AND 2015

	2016	2015
REVENUES:		
Taxes	$ 2,716,245	$ 2,645,955
Business licenses and permits	11,682	19,115
Intergovernmental	10,472	918
Charges for services	81,288	77,343
Fines and forfeitures	741,367	732,355
Investment income	5,617	4,239
Miscellaneous	8,067	7,926
Total Revenues	3,574,738	3,487,851
EXPENDITURES:		
Current -		
General Government	594,418	634,911
Municipal Court	519,245	446,272
Public Safety	1,481,132	1,747,683
Highways and Streets	425,837	392,273
Park Areas	19,345	20,473
Debt Service	340,760	258,313
Capital Outlay -		
General Government	9,914	15,375
Municipal Court	-	67
Police Services	19,701	41,585
Highways and Streets	-	3,972
Park Areas	-	-
Total Expenditures	3,410,352	3,560,924
Excess of Revenues Over (Under) Expenditures	164,386	(73,073)
Other Financing Sources (Uses):		
Transfers	13,176	(42,207)
Proceeds from debt issue	-	-
Sale of capital assets	-	-
Total Other Financing Sources (Uses)	13,176	(42,207)
Change in Fund Balance	177,562	(115,280)
Fund Balance - Beginning of Year	2,642,136	2,757,416
Fund Balance - End of year	$ 2,819,698	$ 2,642,136

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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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			2015
	Final Budget	Actual	Variance	Actual
Taxes:				
Property taxes	$ 574,800	$ 638,102	$ 63,302	$ 551,491
Motor vehicle	53,000	44,185	(8,815)	109,681
Real estate transfer	5,600	3,251	(2,349)	2,553
Franchise -				-
Atlanta Gas Light	20,000	20,881	881	19,968
Georgia Power	208,000	202,303	(5,697)	208,317
AT&T	4,000	3,519	(481)	4,054
Cable TV	12,000	13,205	1,205	13,393
Other	-	-	-	-
Local option sales	1,123,000	1,110,704	(12,296)	1,114,468
Beer and wine	65,000	68,223	3,223	67,292
Consumption	1,000	810	(190)	1,128
Business occupation	447,000	448,036	1,036	403,105
Insurance premium	163,000	163,026	26	150,505
Licenses and Permits -				
Business licenses	5,000	6,100	1,100	6,750
Building permits	3,600	3,612	12	11,179
Other permits	1,250	1,970	720	1,186
Grants:				
Federal - Police	-	-	-	-
State - DOT	31,000	10,472	(20,528)	918
Services:				
Other	78,850	81,288	2,438	77,343
Fines and Forfeitures	771,000	741,367	(29,633)	732,355
Investment income	5,700	5,617	(83)	4,239
Miscellaneous	9,200	8,067	(1,133)	7,926
Total Revenues	$ 3,582,000	$ 3,574,738	$ (7,262)	$ 3,487,851

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			2015
	Final Budget	Actual	Variance	Actual
General Government:				
Governing Body -				
Personal services	$ 52,250	$ 51,706	$ 544	$ 49,341
Purchased/contracted services	11,950	10,294	1,656	3,158
Supplies	100	74	26	1,301
City Administrator -				
Personal services	75,900	76,630	(730)	138,315
Purchased/contracted services	2,610	1,095	1,515	1,783
Supplies	80	225	(145)	930
Contingency	-	-	-	-
General Administration -				
Personal services	134,580	142,586	(8,006)	121,522
Purchased/contracted services	226,900	204,039	22,861	200,845
Supplies	18,150	16,138	2,012	20,842
Other	900	11,210	(10,310)	5,600
Contingency	10,000	-	10,000	-
Buildings and Grounds -				
Purchased/contracted services	50,500	45,849	4,651	49,328
Supplies	34,000	34,572	(572)	41,946
Contingency	10,000	-	10,000	-
Total General Government	627,920	594,418	33,502	634,911
Municipal Court -				
Personal services	181,100	181,641	(541)	159,593
Purchased/contracted services	93,750	88,925	4,825	78,284
Supplies	2,000	1,421	579	2,088
Other costs	253,764	247,258	6,506	206,307
Contingency	5,000	-	5,000	-
Total Municipal court	535,614	519,245	16,369	446,272
Public Safety:				
Police Services -				
Police Administration -				
Personal services	190,420	189,749	671	162,390
Purchases/contracted services	25,570	1,273	24,297	20,719
Supplies	-	-	-	-
Other	11,000	10,882	118	7,984
Contingency	12,000	-	12,000	-
Crime Control -				
Personal services	207,680	208,551	(871)	162,243
Purchased/contracted services	-	-	-	-
Supplies	2,000	1,214	786	1,497
Traffic Control -				
Personal services	963,000	944,770	18,230	879,630
Purchased/contracted services	55,150	49,630	5,520	40,855
Supplies	84,250	65,073	19,177	87,484
Other	10,500	9,990	510	9,881
Total Police Services	1,561,570	1,481,132	80,438	1,372,683

CITY OF LAKE CITY, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES - COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			2015
	Final Budget	Actual	Variance	Actual
Fire Services -				
Purchased/contracted services	$ -	$ -	$ -	$ 375,000
Total Public Safety	1,561,570	1,481,132	80,438	1,747,683
Highways and Streets:				
Personal services	320,606	317,605	3,001	317,387
Purchased/contracted services	57,900	51,847	6,053	15,524
Supplies	64,100	56,385	7,715	59,362
Other	10,000	-	10,000	-
Total Highways and Streets	452,606	425,837	26,769	392,273
Parks Areas:				
Purchased/contracted services	8,800	4,345	4,455	5,050
Supplies	25,200	15,000	10,200	15,423
Total Parks	34,000	19,345	14,655	20,473
Debt Service:				
Principal	288,320	288,320	-	193,080
Interest	52,500	52,440	60	65,233
Total Debt Service	340,820	340,760	60	258,313
Capital Outlay:				
General Administration	9,600	9,914	(314)	15,375
Buildings and Grounds	1,000	-	1,000	-
Municipal Court	-	-	-	67
Police Services	12,900	19,701	(6,801)	41,585
Highways and Streets	3,000	-	3,000	3,972
Park Areas	3,500	-	3,500	-
Total Capital Outlay	30,000	29,615	385	60,999
Total Expenditures	$ 3,582,530	$ 3,410,352	$ 172,178	$ 3,560,924

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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, 2016 AND 2015

Assets	2016	2015
Cash - restricted	$ 7,205	$ 73,222
Due from other funds	-	390
Total assets	$ 7,205	$ 73,612
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$ -	$ 1,039
Total Liabilities	-	1,039
Fund Balance		
Restricted for law enforcement activities	7,205	72,573
Total liabilities and fund balance	$ 7,205	$ 73,612

CITY OF LAKE CITY, GEORGIA
SEIZED ASSETS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Revenues		
Fines and forfeitures	$ -	$ 9,188
Interest income	-	-
Total Revenues	-	9,188
Expenditures		
Current -		
Public safety-		
Purchased/contracted services	232	1,160
Capital -		
Public Safety	65,136	-
Total Expenditures	65,368	1,160
Excess (deficiency) of revenues over (under) expenditures.	(65,368)	8,028
Fund balance-		
Beginning of year	72,573	64,545
End of year	$ 7,205	$ 72,573

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, 2016 AND 2015

Assets	2016	2015
Cash	$ -	$ -
Due from Clayton County	77,470	78,580
Restricted assets -		
Cash	346,041	360,813
Investments	-	-
Interest receivable	-	-
Total assets	$ 423,511	$ 439,393
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ -	$ -
Accrued payroll	-	-
Accrued expenditures	-	-
Due to other funds	5,660	88,854
Total Liabilities	5,660	88,854
Fund Balance		
Restricted for capital outlay	417,851	350,539
Total liabilities and fund balance	$ 423,511	$ 439,393

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, 2016 AND 2015

	2016	2015
Revenues:		
Intergovernmental	$ 433,502	$ 444,380
Interest earned	-	-
Total Revenues	433,502	444,380
Expenditures:		
Capital -		
General Administration	40,509	4,987
Public Safety	312,016	88,854
Public Works	5,660	-
Parks	-	-
Debt Service -		
Principal	5,209	-
Interest	2,796	365
Total Expenditures	366,190	94,206
Excess (deficiency) of revenues over (under) expenditures.	67,312	350,174
Other financing sources (uses):		
Proceeds from revenue bonds	-	-
Transfers	-	59,904
Total other financing sources (uses)	-	59,904
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	67,312	410,078
Fund balance-		
Beginning of year	350,539	(59,539)
End of year	$ 417,851	$ 350,539

CITY OF LAKE CITY, GEORGIA
2015 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, 2016

	Prior Years	Current Year	Total to Date	Project Authorization
REVENUES:				
Intergovernmental	$ 444,380	$ 433,502	$ 877,882	$ 2,749,774
Interest	-	-	-	-
Total Revenues	444,380	433,502	877,882	2,749,774
EXPENDITURES:				
Capital outlay -				
General administrative	4,987	40,509	45,496	500,000
Public safety	88,854	312,016	400,870	725,000
Highways & streets -				
Equipment	-	5,660	5,660	265,000
Sidewalks and streets	-	-	-	1,084,774
Parks	-	-	-	175,000
Debt service -				
Debt issue costs	-	-	-	-
Principal - Police	-	5,209	5,209	-
Interest - Police	-	2,796	2,796	-
Total Expenditures	93,841	366,190	460,031	2,749,774
Excess of revenues over (under) expenditures	350,539	67,312	417,851	-
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	-	-
Proceeds from revenue bonds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in fund balance	$ 350,539	67,312	$ 417,851	$ -
Fund balances - beginning		350,539		
Fund balances - ending		$ 417,851		

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