City of Lake Park, Georgia

Lake Park, Georgia

Financial Statements

For the Year Ended December 31, 2013

City of Lake Park, Georgia

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statement of governmental activities, the business-type activities, and each major fund of the City of Lake Park, Georgia, as of and for the year ended December 31, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the general fund of the City of Lake Park, Georgia as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the City of Lake Park, Georgia's financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and are not a required part of the basic financial statements.

The schedules of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relates 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 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 schedules of expenditures of special purpose local option sales tax are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2014, on our consideration of the City of Lake Park, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Park, Georgia's internal control over financial reporting and compliance.

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

June 18, 2014

City of Lake Park, Georgia
Statement of Net Position
December 31, 2013

Assets	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 281,525	$ 9,091	$ 290,616
Investments	103,907	66,598	170,505
Receivables, net	118,559	4,918	123,477
Restricted Assets			
Cash and Cash Equivalents	57,574	6,773	64,347
Interfund	(15,677)	15,677	-
Other	5,200		5,200
Capital Assets			
Land and Other Nondepreciable Assets	61,404	4,923	66,327
Other Capital Assets, Net of Depreciation	593,120	88,118	681,238
Total Capital Assets	654,524	93,041	747,565
Total Assets	$ 1,205,612	$ 196,098	$ 1,401,710
Liabilities and Net Position			
Liabilities			
Accounts Payable	$ 16,978	$ 1,449	$ 18,427
Accrued Liabilities	1,842	-	1,842
Compensated Absences	2,860		2,860
Deposits	-	9,468	9,468
Long-term Liabilities			
Current Portion of Long-Term Debt	-		-
Non-Current Portion of Long-Term Debt	-	-	-
Total Liabilities	21,680	10,917	32,597
Net Position			
Investment in Capital Assets	654,524	93,041	747,565
Restricted for:			
Capital Projects	195,444		195,444
Unrestricted	333,964	92,140	426,104
Total Net Position	1,183,932	185,181	1,369,113
Total Liabilities and Net Position	$ 1,205,612	$ 196,098	$ 1,401,710

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

City of Lake Park, Georgia
Statemnt of Activities
For the Year Ended December 31, 2013

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Change in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Change in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities							
General Government	$ 189,386	$ 23,495	$ -	$ 82,671	$ (83,220)		$ (83,220)
Judicial	16,868	-	-	-	(16,868)		(16,868)
Public Safety	223,949	59,907	-	6,053	(157,989)		(157,989)
Public Works	139,257	3,726	-	-	(135,531)		(135,531)
Culture and Recreation	11,749	8,700	-		(3,049)		(3,049)
Interest on Long-Term Debt	-				-		-
Total Governmental Activities	581,209	95,828	-	88,724	(396,657)	-	(396,657)
Business Type Activities:							
Water System	60,660	67,212				6,552	6,552
Total Business Type Activities	60,660	67,212	-	-		6,552	6,552
Total Primary Government	$ 641,869	$ 163,040	$ -	$ 88,724	$ (396,657)	$ 6,552	$ (390,105)
General Revenues							
Taxes							
Property Taxes					133,856		133,856
Sales Tax					100,483		100,483
Insurance Premium Tax					37,812		37,812
Franchise					45,304		45,304
Alcoholic Beverage					31,585		31,585
Other Taxes					1,451		1,451
Investment					581	390	971
Miscellaneous					13,838		13,838
Transfers					13,185	(13,185)	-
Total General Revenues and Transfers					378,095	(12,795)	365,300
Changes in Net Position					(18,562)	(6,243)	(24,805)
Net Position, Beginning of Period					1,202,494	191,424	1,393,918
Net Position, End of Period					$ 1,183,932	$ 185,181	$ 1,369,113

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

City of Lake Park, Georgia
Balance Sheet
Governmental Funds
December 31, 2013

	General	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2002 Issue	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2008 Issue	Memorial Cemetery Trust Fund	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 106,036	$ -	$ 175,489	$ -	$ 281,525
Investments	103,907				103,907
Receivables					
Taxes	66,088				66,088
Intergovernmental	9,434		14,755	-	24,189
Other	28,282				28,282
Interfund	-			17,470	17,470
Restricted Assets					
Cash and Investments				57,574	57,574
Other			5,200		5,200
Total Assets	$ 313,747	$ -	$ 195,444	$ 75,044	$ 584,235
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	$ 16,978			$ -	$ 16,978
Accrued Expenses	1,842			-	1,842
Deferred Inflows of Resources	44,804				44,804
Interfund	33,147				33,147
Total Liabilities	96,771	-	-	-	96,771
Fund Balance					
Nonspendable					-
Restricted			195,444		195,444
Committed				75,044	75,044
Assigned					-
Unassigned	216,976				216,976
Total Fund Balance	216,976	-	195,444	75,044	487,464
Total Liabilities and Fund Balance	$ 313,747	$ -	$ 195,444	$ 75,044	$ 584,235

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

City of Lake Park, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2013

Total Fund Balance - Governmental Funds (Page 5)		$ 487,464
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because		
In Governmental Activities capital outlays are considered a use of financial resources and treated as expenditures in the period acquired. In the Statement of Net Assets capital assets are capitalized and reported as assets, net of accumulated depreciation. These assets consists of:		
Infrastructure	$ 59,454	
Site and site improvements, including buildings	748,290	
Machinery and Equipment	489,157	
	1,296,901	
Accumulated Depreciation	642,377	
	654,524	
Construction in Progress	-	654,524
Property tax revenues collected after the end of the year but not available to pay current period expenditures are deferred in Governemntal Activities.		19,816
Fines and forfeitures collected after the end of the year and not available to pay current period expenditures are deferred in Governmental Actibities.		24,988
Expenses reported in the Statement of Activities which do not require the use of current financial resources and are not reported as expenditures in governmental activities.		(2,860)
Net Position of Governmental Activities (Page 3)		$ 1,183,932

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

City of Lake Park, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2013

	General	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2002 Issue	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2008 Issue	Memorial Cemetery Trust Fund	Total Governmental Funds
Revenues					
Property Taxes	$ 138,606	$ -	$ -	$ -	$ 138,606
Sales Tax	100,483				100,483
Insurance Premium Tax	37,812				37,812
Other Taxes	79,335				79,335
Licenses and Permits	22,495				22,495
Intergovernmental		2,765	85,833		88,598
Charges for Services	3,729			2,850	6,579
Fines and Forfeitures	47,715				47,715
Investment	466		126	115	707
Other	10,782		8,906		19,688
Total Revenues	441,423	2,765	94,865	2,965	542,018
Expenditures					
Current					
General Government	177,579				177,579
Judicial	16,868				16,868
Public Safety	173,868				173,868
Public Works	109,170				109,170
Culture and Recreation	8,013			632	8,645
Capital		2,765	8,211		10,976
Total Expenditures	485,498	2,765	8,211	632	497,106
Excess (Deficit) of Revenues Over (Under) Expenditures	(44,075)	-	86,654	2,333	44,912
Other Financing Sources (Uses)					
Transfers, net	18,108				18,108
	-				-
Net Other Financing Sources (Uses)	18,108	-	-	-	18,108
Change in Fund Balance	(25,967)	-	86,654	2,333	63,020
Fund Balance, Beginning	242,943	-	108,790	72,711	424,444
Fund Balance, Ending	$ 216,976	$ -	$ 195,444	$ 75,044	$ 487,464

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

City of Lake Park, Georgia
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2013

Net Change in Fund Balance - Total Governmental Funds (Page 6)		$ 63,020
Amounts Reported for *Governmental Activities* in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital outlays is allocated over their estimated useful lives as depreciation expense.		6,053
Depreciation is not reported as an expense in Governemntal Funds. However, depreciation expense is included in the Statement of Activities.		(94,087)
Revenues that do not provide current financial resources are reported in the Statement of Activities, but are excluded from revenues in Governemntal Funds.		7,444
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governemntal funds.		
Compensated Absences	(992)	
Other Expenses		(992)
Change in Net Position of Governmental Activities (Page 4)		$ (18,562)

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

City of Lake Park, Georgia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget-- Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	$ 140,900	$ 160,090	$ 138,606	$ (21,484)
Local Option Sales Tax	110,000	110,000	100,483	(9,517)
Insurance Premium Tax	30,000	32,400	37,812	5,412
Other Taxes	82,600	82,600	79,335	(3,265)
Licenses and Permits	15,550	15,550	22,495	6,945
Charges for Services	2,400	2,400	3,729	1,329
Fines and Forfeitures	54,998	54,998	47,715	(7,283)
Investment	200	200	466	266
Other and Miscellaneous	7,750	8,350	10,782	2,432
Total Revenues	444,398	466,588	441,423	(25,165)
Expenditures				
General Government	142,886	174,678	177,579	(2,901)
Judicial	19,420	19,420	16,868	2,552
Public Safety	199,813	182,813	173,868	8,945
Public Works	96,062	99,060	109,170	(10,110)
Culture and Recreation	4,325	8,725	8,013	712
Debt Service	-	-	-	-
Total Expenditures	462,506	484,696	485,498	(802)
Excess (Deficit) of Revenues Over (Under) Expenditures	(18,108)	(18,108)	(44,075)	(25,967)
Other Financing Sources (Uses)				
Transfers, net	18,108	18,108	18,108	-
Increase in Long-Term Debt		-	-	-
Net Other Financing Sources (Uses)	18,108	18,108	18,108	-
Change in Fund Balance before	-	-	(25,967)	(25,967)
Fund Balance, Beginning	242,943	242,943	242,943	-
Fund Balance, Ending	$ 242,943	$ 242,943	$ 216,976	$ (25,967)

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

City of Lake Park, Georgia
Proprietary Fund
Statement of Net Position
December 31, 2013

	Major Enterprise Fund Water System
Assets	
Current Assets	
Cash and Cash Equivalents	$ 9,091
Investments (Certificates of Deposit)	66,598
Receivables, net of allowance for doubtful accounts	4,918
Interfund	15,677
Restricted Assets	
Customer Deposits	6,773
Total Current Assets	103,057
Non-Current Assets	
Capital Assets	
Construction in Porgress	4,923
Machinery and Equipment	17,167
Distribution System	262,644
	284,734
Accumulated Depreciation	191,693
	93,041
Total Assets	$ 196,098
Liabilities and Net Position	
Current Liabilities	
Accounts Payable	$ 1,449
Accrued Expenses	-
Intergovernmental	-
Total Current Liabilities	1,449
Non-Current Liabilities	
Water Deposits	9,468
Total Long-Term Liabilities	9,468
Total Liabilities	10,917
Net Position	
Investment in Capital Assets	93,041
Unrestricted	92,140
Total Net Position	185,181
Total Liabilities and Net Position	$ 196,098

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

City of Lake Park, Georgia
Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

	Major Enterprised Fund Solid Waste
Operating Revenues	
User Fees	$ 67,212
Other	-
Total Operating Revenues	67,212
Operating Expenses	
Salary and Wages	14,472
Benefits	3,203
	17,675
Professional and Technical	7,675
Insurance	2,021
Maintenance and Repairs	12,941
Materials and Supplies	5,818
Utilities	8,977
Other	1,045
Depreciation	4,508
Total Operating Expeses	60,660
Operating Income (Loss)	6,552
Non-Operating Revenue (Expense)	
Investment Income	390
Total Non-Operating Revenue (Expense)	390
Income (Loss) Before Other Revenues (Expenses) and Transfers	6,942
Other Revenues (Expenses) and Transfers	
Capital Contributions (Capital Project Funds)	4,923
Transfer to General Fund	(18,108)
Total Other Revenues (Expenses) and Transfers	(13,185)
Increase (Decrease) in Net Position	(6,243)
Net Position, Beginning	191,424
Net Position, Ending	$ 185,181

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

City of Lake Park, Georgia
Proprietary Fund
Statement of Cash Flows
For the Year Ended December 31, 2013

	Major Enterprise Fund Water System
Cash Flow from Operating Activities	
Receipts from Customers	$ 68,901
Other Operating Revenue	-
Compensation and Benefits	(17,675)
Purchase of Goods and Services	(37,648)
Cash flow from Operating Activities	13,578
Cash Flow from Non-Capital Financing Activities	
Transfers Out	(18,108)
Cash Flow from Non-Capital Financing Activities	(18,108)
Cash Flow from Capital and Related Financing	
Cash Flow from Capital and Related Financing	-
Cash flow from Investing Activities	
Increase in Investments	(390)
Investment Inome	390
Cash Flow from Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	(4,530)
Cash and Cash Equivalents, Beginning	20,394
Cash and Cash Equivalents, ending	$ 15,864
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities	
Operating Income (Loss)	$ 6,552
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	4,508
Change in Assets and Liabilities:	
Receivables	1,670
Accounts Payable	829
Customer Deposits	19
Net Cash Provided (Used) By Operating Activities	$ 13,578
Supplementary Cash Flow Information	
Acquisition of Capital Assets (acquired through Capital Project Funds)	$ 4,923

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

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

Governmental Fund Types

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

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

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

Proprietary Funds

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

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

Non-Expendable Trust Fund

The City's "nonexpendable trust" is used to account for trust principal, income, and operating expenses of the Lake Park Memorial Cemetery.

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

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

Governmental Funds

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

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

Proprietary Funds

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

The City's major governmental funds are: the general fund, the special purpose local option sales tax (capital projects) fund, the memorial cemetery trust fund, and the enterprise (water) fund.

Program Revenues

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

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

Proprietary Funds

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

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

(D) Cash and Investments

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

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

(E) Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items. The City typically does not have any prepaid expenses.

(F) Inventory

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

(G) Restricted Assets

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

(H) Capital Assets

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

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

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

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

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

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

(I) Long-Term Obligations

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

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

(J) Contributions of Capital

Contributions of capital reported in proprietary funds and the government-wide financial statements arise from outside contributions of capital assets (i.e. developers), transfers from governmental (capital project funds), and grants or outside contributions of resources restricted to capital acquisition and construction.

(K) Interfund Transactions

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

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

(L) Compensated Absences

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

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

(M) Use of Estimates

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

(N) Statement of Cash Flows

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

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

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

(P) Fund Balance

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

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

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

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

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

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

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

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

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

Note 2 – Stewardship, Compliance and Accountability

Budgetary Accounting

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

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

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

Budget Revisions

Budgeted amounts on all budget comparisons are as amended as of December 31, 2013 by Mayor and Council. Supplemental appropriations, which result primarily from receipt of unanticipated revenues from governmental grants, are included in budgeted amounts.

Compliance

(A) – Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the general fund – General Government - $2,901 and Public Works - $10,170.

(B) – Deficit fund Balances

There are no funds with deficit fund balances.

Note 3 – Cash and Cash Equivalents

As of December 31, 2013, the primary government's deposits, including certificates of deposits, were $467,894 and the account balances per the financial institutions were $473,930. Of the total account balances per the financial institutions, $473,930 was insured through the Federal Deposit Insurance Corporation (the FDIC).

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

Account Type	
Cash on Hand	$ 120
Cash and demand deposits	297,269
Investments (time deposits)	$ 170,505
Total	$ 467,894

Total cash and equivalents include restricted cash of the Memorial Cemetery Fund of $57,574 and customer deposits in the Water System of $6,773.

Note 4 - Taxes Receivable

The County Tax Commissioner bills and collects all property and related tax revenues. Georgia statutes do not provide a maximum milage rate which may be levied.

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

Assessment Date	January 1
Return of real and personal property	April 1
Assessors submit returns to the County Tax Commissioner	July 1
Digest submitted to State Revenue Commissioner	August 1
Levy Date	October 10
Tax bills mailed by the County Tax Commissioner/Collector	October 16
Due date of taxes, other than motor vehicles	December 20
Execution (lien) date for unpaid taxes	January 20, 2014

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

Current year levies	$ 24,689
Prior years levies	4,195
	28,884
Less Allowance for delinquencies	8,100
Net property taxes receivable	$ 20,784

Note 5 – Receivables

Intergovernmental and other receivables are summarized as follows:

	Governmental Fund Types			Proprietary Fund Types	
	General Fund	Capital Projects	Other	Enterprise Fund	Total
Taxes					
Property Taxes, net	$ 20,784	$ -	$ -	$ -	$ 20,784
Franchise	45,304				45,304
	$ 66,088	$ -	$ -	$ -	$ 66,088
Intergovernmental					
Lowndes County, Georgia Local Option Sales And Use Tax	$ 9,434	$ 14,755	$ -	$ -	$ 24,189
	$ 9,434	$ 14,755	$ -	$ -	$ 24,189
Other					
Fines and Forfeitures	$ 24,988				24,988
Excise Taxes	2,003				2,003
Other	1,291				1,291
User Fees, net	-			4,918	4,918
	$ 28,282	$	$ -	$ 4,918	$ 33,200
Total	$ 103,804	$ 14,755	$ -	$ 4,918	$ 123,477

In accordance with the terms of the June 11, 2002 agreement between Lowndes County, Georgia and participating municipalities within the county proceeds from the 2002 Special Purpose Local Option Sales Tax Referendum are invested in a special fund which is accounted for and administered by the Lowndes County Finance Department. The agreement requires that the proceeds of the tax be invested in the Georgia Investment Pool. The municipalities apply to the County for reimbursement of qualifying project expenditures. As of December 31, 2013 the City's share of the 2002 Special Purpose Local Option Sales and Use Tax including accrued interest was $0. Terms of the referendum restrict use of the Special Purpose Local Option Sales Tax for qualifying projects for the construction of roads, streets and bridges, construction and improvements to public facilities and equipment for environmental protection, renovation, construction and improvements to public facilities and equipment consisting of the city hall and the fire station, and construction and improvement of water and sewerage facilities.

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

Note 6 – Interfund Balances

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

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

During the current year enterprise and cemetery fund certificates of deposits were redeemed and transferred to the general fund to pay current operating expenses. Management has approved repayment of the advance from the Memorial Cemetery Trust Fund. No decision has been made to repay the advance from the Enterprise Fund.

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

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

Note 7 - Changes in Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Governmental Activities:					
Capital Assets not being Depreciated					
Construction in Progress	$	$ 4,923	$	$ (4,923)	$ -
Land and Improvements	61,404	-	-	-	61,404
Total Assets not being Depreciated	61,404	4,923		(4,923)	61,404
Other Capital Assets					
Buildings and Improvements	686,886				686,886
Infrastructure	59,454				59,454
Machinery and Equipment	483,104	6,053			489,157
Total Other Capital Assets	1,229,444	6,053			1,235,497
Less Accumulated Depreciation					
Buildings & Improvements	252,852	32,075			284,927
Infrastructure	9,136	5,945			15,081
Machinery & Equipment	286,302	56,067			342,369
Total Depreciation	548,290	94,087			642,377
Net Other Capital Assets	681,154	(88,034)			593,120
Total Capital Assets, net	$ 742,558	$ (83,111)	$	$ (4,923)	$ 654,524
Business-Type Activities:					
Capital Assets not being Depreciated					
Construction in Progress	$ -	$ -	$ -	$ 4,923	$ 4,923
Other Capital Assets					
Utility System	262,644				262,644
Machinery and Equipment	17,167				17,167
Total Other Capital Assets	279,811				279,811
Less Accumulated Depreciation					
Utility System	170,018	4,508			174,526
Office and Technology Machinery and Equipment	17,167				17,167
Total Depreciation	187,185	4,508			191,693
Net Other Capital Assets	92,626	(4,508)			88,118
Total Capital Assets, net	$ 92,626	$ (4,508)	$ -	$ 4,923	$ 93,041

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 10,815
Public safety	50,081
Public works	30,087
Culture and recreation	3,104
Total depreciation expense – governmental activities	$ 94,087
Business—type activities	
Water fund	$ 4,508
Total depreciation expense – business-type activities	$ 4,508

Construction in Progress is summarized as follows:

	Cost to Date	Estimated Final Cost
Public Facilities Projects including Engineering Costs for Improvement to City Water System	$ 4,923	$ -

Note 8 – Fund Balance

	General	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2002 Issue	Major Capital Project Funds: Special Purpose Local Option Sales Tax 2008 Issue	Memorial Cemetery Trust Fund	Total Funds
Nonspendable	$ -	$ -	$ -	$ -	$ -
Restricted Capital Project Funds:			195,444		195,444
Committed Lake Park Memorial Cemetery Trust Fund				75,044	75,044
Assigned					
Unassigned	216,976				216,976
Total	$ 216,976	$ -	$ 195,444	$ 75,044	$ 487,464

Note 9 - Retirement Benefits

Plan Description

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

Recommended Contribution

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

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

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with net effective amortization period of 10 years.
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.50% plus age and service based merit increases
Cost of Living Adjustments	0.00%
Membership of the Plan	
Retirees and beneficiaries	4
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members	4
Total	9

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Surplus) AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) – (a)] / (c)
05/01/2008	245,769	319,458	73,689	76.93%	136,818	53.86%
05/01/2009	213,127	469,913	256,786	45.35%	198,728	129.21%
07/01/2010	325,785	473,363	147,578	68.82%	160,277	92.08%
07/01/2011	396,471	493,637	97,166	80.32%	130,191	74.63%
07/01/2012	444,760	525,569	80,809	84.62%	41,473	194.85%
07/01/2013	459,953	539,138	79,185	85.31%	113,080	70.03%

**Not less than zero*

Four Year Trend Information

Fiscal Year End	Annual Pension Costs	Annual Pension Contribution	Percentage of APC Contributed	Pension Obligation
2013	$ 27,907	$ 27,907	100%	$ -
2012	$ 18,428	$ 18,428	100%	$ -
2011	$ 35,484	$ 35,484	100%	$ -
2010	$ 44,359	$ 44,359	100%	$ -

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees; and natural disasters. The City purchases insurance from commercial insurers for claims in excess of deductibles. Policy deductibles are funded from and charged to operations during the period in which losses are incurred. Commercial insurance provides coverage up to a maximum of $2,000,000 aggregate general liability limit, and various limits up to an aggregate of $1,906,118 for property damage claims. Deductible limits range from $500 to $5,000 per occurrence.

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

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

member is jointly and severally liable for all legal obligations of the association or funds and assessments may be imposed to meet financial deficiencies of the fund.

No claims in excess of insured limits were threatened, pending or outstanding as of December 31, 2013. Accordingly, no liability is provided for claims threatened, pending or outstanding. There have been no significant reductions in insurance coverage. Settled claims have not exceeded coverage limits for the current or preceding three years.

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

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability End of Year
2013	$ -	$ -	$ -	$ -
2012	-	-	-	-
2011	-	-	-	-

Note 11 - Changes in Long-Term Debt

Changes in long-term debt obligations for the year ended December 31, 2013 are summarized as follows:

	Balance Beginning of Period	Additions	Repayments	Balance End of Period	Amount Due in One Year
Governmental Activities					
Compensated Absences	$ 1,868	$ 992	$ -	$ 2,860	$ 2,860
Total Governmental Activities	$ 1,868	$ 992	$ -	$ 2,860	$ 2,860

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

Note 12 – Joint Venture (Southern Georgia Regional Commission)

The City is a participating member of the Southern Georgia Regional Commission (SGRC), a governmental entity legislatively established by O.C.G.A. 50-8-34. The SGRC is comprised of the municipalities and counties within the ten county district created and established by the Act. The SGRC is managed by a board, which includes the chief elected official of the district's member municipalities and county governments. The municipalities and counties within the district are responsible for the debts, obligations, and operating deficits of the Regional Commission and are required to pay annual minimum dues to support operations. The City's dues for the year ended December 31, 2013 were paid by the County.

Separate financial statements may be obtained from:
Southern Georgia Regional Commission
3395 Harris Road
Waycross, Georgia 31503

Note 13 - Litigation

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

Note 14 - Contingencies

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

GARY R. ZEIGLER, P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lake Park, Georgia as of and for the year ended December 31, 2013, and the related notes to the financial statements, ad have issued our report thereon dated June 18, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Financial Statement Findings and Reponses*, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Financial Statement Findings and Responses,* items 2013.01, and 2013.04 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Financial Statement Findings and Responses*, item 2013.03, to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Park, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Financial Statement Finds and Responses* as item 2013.02.

Authority's Response to Findings

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

Purpose of this Report

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



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

June 18, 2014

Financial Statement Findings and Responses

Current Year Findings

2013.01 Absence of Optimum Level of Appropriate Segregation of Duties

(This is a modified repeat finding)

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

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

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

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

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

2013.02 Budgetary - Financial Compliance

(This is a revised finding)

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

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

Expenditures exceeded appropriations in two departments in the general fund – General Government - $2,901 and Public Works - $10,170.

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

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

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

2013.03 Auditor Preparation of Annual Financial Statements

(This is a repeat finding)

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

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

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

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

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

2013.04 Capital Assets Records and Supporting Documentation

(This is a repeat finding)

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

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

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

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

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

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

Prior Year Findings

2012.01 Absence of Optimum Level of Appropriate Segregation of Duties

(This is a modified repeat finding)

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

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

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

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

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

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

2012.02 Anti-Fraud Program and Controls

(This is a modified repeat finding)

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

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

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

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

City's Response: The City agrees with this finding and recommendation. Mayor and Council will work on developing and adopting formal policies and procedures to prevent, detect, and prosecute fraud. The City Attorney has prepared a draft document for review and approval.

Current Status: The City adopted a policy on July 2, 2013.

2012.03 Budgetary – Financial Compliance

(This is a revised finding)

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

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

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

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

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

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

Current Status: The City has repaid $8,906 to the 2008 Special Purpose Local Option Sales Tax account for non-referendum expenses.

2012.04 Auditor Preparation of Annual Financial Statements

(This is a repeat finding)

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

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

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

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

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

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

2012.05 Capital Assets Records and Supporting Documentation

(This is a repeat finding)

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

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

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

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

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

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

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

City of Lake Park, Georgia
One Percent Special Purpose Local Option Sales Tax
Project Cost Schedule - 2002 Issue
For the Year Ending December 31, 2013

	Estimated Cost		Prior	Current	Cumulative	Percent
	Original	Revised	Periods	Period	Cost	Complete
Road, Street and Bridge Projects	$ 100,000	$ 94,676	$ 94,676	$ -	94,676	100.0%
Public Facility Projects	340,000	-				
Water and Sewer Facilities		930	-	930	930	100.0%
Parks an Recreation		23,782	23,782	-	23,782	100.0%
Police		121,201	121,201	1,835	123,036	101.5%
City Hall and Police Facilities		201,068	201,068	-	201,068	100.0%
Totals	$ 440,000	$ 441,657	$ 440,727	$ 2,765	$ 443,492	

Current Year Expenditures are Reported in:	
Governmental Funds	$ 1,835
Enterprise Funds	930
	$ 2,765

City of Lake Park, Georgia
One Percent Special Purpose Local Option Sales Tax
Project Cost Schedule - 2008 Issue
For the Year Ending December 31, 2013

	Estimated Cost		Prior	Current	Cumulative	Percent
	Original	Current	Periods	Period	Cost	Complete
Road, Street and Bridge Projects	$ 325,000	$ 255,213	$ 26,718	$ -	26,718	10.5%
Public Facilities and Equipment						
Water and Sewer Facilities	100,000	100,000	4,135	3,993	8,128	8.1%
Public Works	99,000	99,000	59,680	-	59,680	60.3%
Police	90,000	108,548	108,548	-	108,548	100.0%
Fire	73,706	134,945	82,445	4,218	86,663	64.2%
Administrative	44,644	44,644	36,612	-	36,612	82.0%
Retirement of General Obligation Debt	20,000	10,000	10,000	-	10,000	100.0%
Total Referendum Expenditures	752,350	752,350	328,138	8,211	336,349	
Non-referendum Expenditures			8,906	(8,906)	-	
Total Exenditures, net	$ 752,350	$ 752,350	$ 337,044	$ (695)	$ 336,349	

Current Year Expenditures are Reported in:

Governmental Funds	$ 4,218
Enterprise Funds	3,993
Total	$ 8,211

Prior year non-referendum expenditures in the amount of $8,906 were reimbursed by the General Fund in 2013.