CITY OF LAKELAND, GEORGIA

ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Lakeland
Lakeland, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Lakeland, Georgia'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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit 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 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, each major fund and the aggregate remaining fund information of the City of Lakeland, Georgia, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 4 through 12 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakeland, Georgia's financial statements. The accompanying major and non-major capital project schedule, the Schedule of Projects Constructed with Special Sales Tax Proceeds, the Source and Application of Funds Schedule – CDBG Grant, the Project Cost Schedule – CDBG Grant and the Schedule of State Contractual Assistance are presented for purposes of additional analysis as required by State of Georgia and are not a required part of the financial statements.

The major and non-major capital project schedules, the Schedule of Projects Constructed with Special Sales Tax Proceeds, the Source and Application of Funds Schedule – CDBG Grants, the Project Cost Schedule – CDBG Grants and the Schedule of State Contractual Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017, on our consideration of the City of Lakeland, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lakeland, Georgia's internal control over financial reporting and compliance.

Tillman & Tillman, LLP

Tillman & Tillman, LLP

Valdosta, Georgia
May 26, 2017

CITY OF LAKELAND, GEORGIA
Management's Discussion and Analysis
Required Supplemental Information
For the Year Ended December 31, 2016

As Management of the City of Lakeland, Georgia, we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the year ending December 31, 2016. We encourage our readers to consider the information presented within this Management's discussion and analysis in conjunction with the basic financial statements. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

Financial Highlights

Key financial highlights for 2016 are as follows:

The City's governmental activities assets exceeded its liabilities at December 31, 2016 by $4,144,248 (net position). Of this amount $1,220,399 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, unrestricted fund balance for the General Fund increased by $277,668 resulting in a fund balance of $1,220,398.

Net position for business-type activities increased $689,089 from $4,169,144 to $4,858,233.

Overview of the Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the City is divided into two kinds of activities:

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

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

Fund Financial Statements

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

Fund Financial Statements

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

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

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

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

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

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

Government-Wide Financial Analysis

The following table reflects the condensed Statement of Net Position:

City of Lakeland's Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	2015-2016
Assets							
Current and other assets	$ 1,126,499	$1,395,709	$ 1,597,288	$ 1,627,850	$ 2,723,787	$ 3,023,559	11.01%
Capital assets, net	2,586,652	2,771,454	5,488,752	5,862,285	$ 8,075,404	8,633,739	6.91%
Total Assets	**3,713,151**	**4,167,163**	**7,086,040**	**7,490,135**	**10,799,191**	**11,657,298**	**7.95%**
Liabilities							
Current and other liabilities	21,481	16,617	338,260	318,000	359,741	334,617	-6.98%
Long-term liabilities	11,758	6,298	2,578,636	2,313,902	2,590,394	2,320,200	-10.43%
Total Liabilities	**33,239**	**22,915**	**2,916,896**	**2,631,902**	**2,950,135**	**2,654,817**	**-10.01%**
Net Position							
Net investment in capital assets	2,569,426	2,759,418	2,650,382	3,283,649	5,219,808	6,043,067	15.77%
Restricted	167,756	164,431	-	-	167,756	164,431	-1.98%
Unrestricted	942,730	1,220,399	1,518,762	1,574,584	2,461,492	2,794,983	13.55%
Total Net Position	**$ 3,679,912**	**$4,144,248**	**$ 4,169,144**	**$ 4,858,233**	**$ 7,849,056**	**$ 9,002,481**	**14.70%**

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by $9,002,481 ($4,144,248 in governmental activities and $4,858,233 in business-type activities) as of December 31, 2016. A portion of the City's net position (67 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

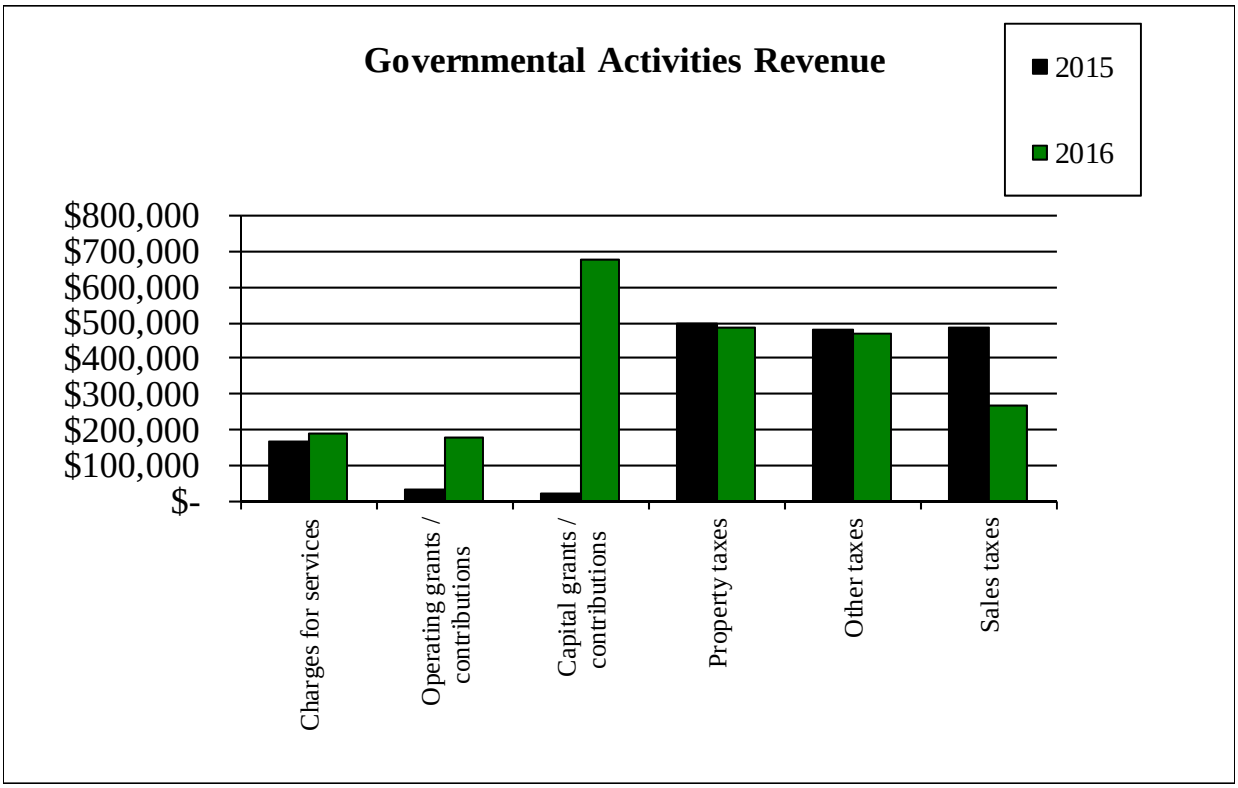
The balance of unrestricted assets ($2,794,983) may be used to meet the City's ongoing obligations to citizens and creditors.

The next table shows the changes in net position for the year ending December 31, 2016.

City of Lakeland's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	2015-2016
Revenues							
Program Revenues							
Charges for services	$ 168,863	$ 192,627	$ 945,773	$ 965,393	$ 1,114,636	$ 1,158,020	3.89%
Operating grants and contributions	33,648	177,670	-	-	33,648	177,670	428.03%
Capital grants and contributions	21,342	675,171	-	-	21,342	675,171	3063.58%
Total Program Revenues	223,853	1,045,468	945,773	965,393	1,169,626	2,010,861	71.92%
General Revenues							
Property taxes	498,271	483,190	-	-	498,271	483,190	-3.03%
Interest and penalties	1,809	2,791	-	-	1,809	2,791	54.28%
Alcoholic beverage taxes	75,678	69,710	-	-	75,678	69,710	-7.89%
Franchise taxes	212,179	188,206	-	-	212,179	188,206	-11.30%
Insurance premium taxes	193,835	209,961	-	-	193,835	209,961	8.32%
Sales taxes	483,652	266,107	-	-	483,652	266,107	-44.98%
Intangible taxes	1,382	3,287	-	-	1,382	3,287	137.84%
Real estate transfer taxes	368	822	-	-	368	822	123.37%
Other income	34,669	27,450	121	195	34,790	27,645	-20.54%
Interest	-	-	4,831	5,874	4,831	5,874	21.59%
Total General Revenues	1,501,843	1,251,524	4,952	6,069	1,506,795	1,257,593	-16.54%
Total Revenues	**1,725,696**	**2,296,992**	**950,725**	**971,462**	**2,676,421**	**3,268,454**	**22.12%**
Program Expenses							
General Government	391,634	390,468	-	-	391,634	390,468	-0.30%
Public safety	544,777	578,563	-	-	544,777	578,563	6.20%
Public works	458,120	453,946	-	-	458,120	453,946	-0.91%
Water and sewer	-	-	565,085	506,146	565,085	506,146	-10.43%
Sanitation	-	-	189,129	185,327	189,129	185,327	-2.01%
Total Expenses	1,394,531	1,422,977	754,214	691,473	2,148,745	2,114,450	-1.60%
Revenue Over (Under) Expense	**331,165**	**874,015**	**196,511**	**279,989**	**527,676**	**1,154,004**	**118.70%**
Transfers	(416,840)	(409,100)	416,840	409,100	-	-	0.00%
Increase (Decrease) in Net Position	**(85,675)**	**464,915**	**613,351**	**689,089**	**527,676**	**1,154,004**	**118.70%**
Net Position, Beginning	3,765,587	3,679,912	3,555,793	4,169,144	7,321,380	7,849,056	7.21%
Net Position, Ending	**$3,679,912**	**$ 4,144,827**	**$4,169,144**	**$4,858,233**	**$ 7,849,056**	**$ 9,003,060**	**14.70%**

Governmental Activities

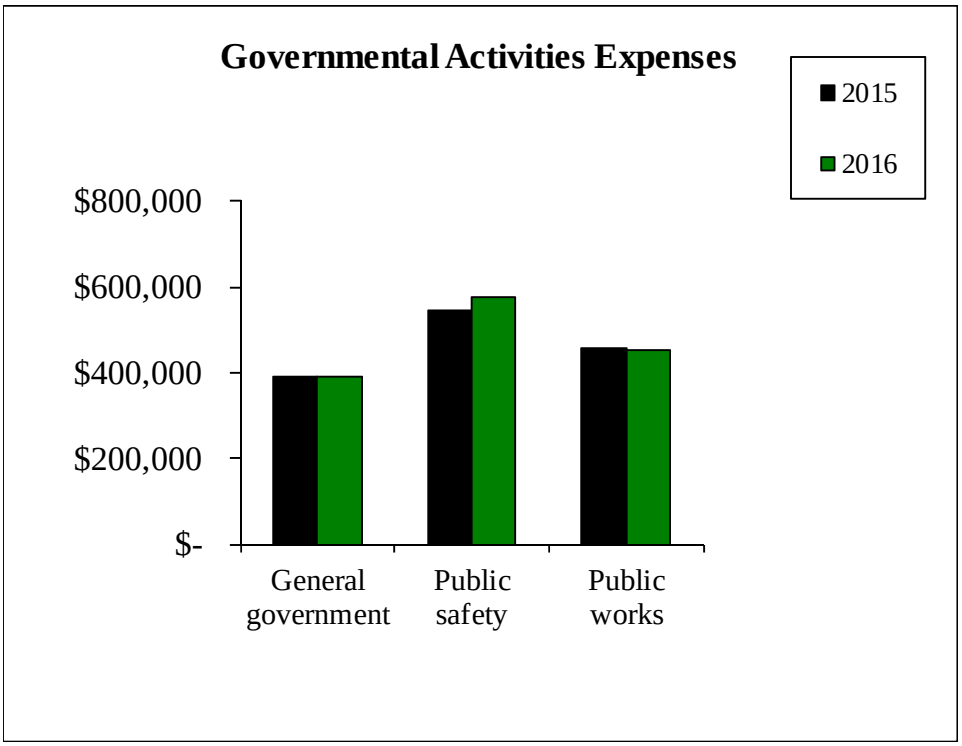


A significant portion of the City's program revenue is from capital grants which accounted for $474,524 or 56% of total program revenues.

Charges for services accounted for $192,627 or 23% of total program revenues.

Property tax revenues are the major contributor to general revenues and account for $483,190 or 33% of total general revenues. Another major component was sales taxes, which accounted for $466,754 or 32% of total general revenues.

Governmental Activities - Continued



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

Net Cost of City of Lakeland's Governmental Activities

Function	Total Cost of Services 2015	Total Cost of Services 2016	Percentage Change 2015-2016	Net Cost of Services 2015	Net Cost of Services 2016	Percentage Change 2015-2016
General Government	$ 391,634	$ 390,468	-0.30%	$ 228,332	$ 296,958	30.06%
Public safety	544,777	578,563	6.20%	468,239	468,696	0.10%
Public works	458,120	453,946	-0.91%	83,854	(388,145)	-562.88%
Total	**$ 1,394,531**	**$1,422,977**	**2.04%**	**$ 780,425**	**$ 377,509**	**-51.63%**

Business-Type Activities

The net position of business-type activities increased by $689,089 for the year ending December 31, 2016. The major source of revenue was from charges for services, which amounted to $ 933,176.

Financial Analysis of City Funds

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

Governmental Funds

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

As of December 31, 2016, the City's governmental funds reported an ending fund balance of $1,384,829, an increase of $274,343. The amount of unassigned fund balance is $949,210, which is available for spending at the City's discretion but is currently held for adequate fund balance reserves for daily operations.

Enterprise Funds

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

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

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

Budgetary Highlights

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

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2016, was $6,043,067 (net of accumulated depreciation and related debt). This investment in capital assets includes land and improvements, buildings and improvements, improvements other than buildings, machinery, equipment, vehicles and infrastructure.

Major capital asset events during 2016 included water and sewer system improvements and equipment.

Note 5 (Capital Assets) provides additional information about capital asset activity during 2016.

Debt

At December 31, 2016, the City had total revenue obligation bonded debt outstanding of $770,000, a GEFA note payable balance of $1,808,636 and a capital lease balance of $12,036.

Notes 7 and 8 provide further information regarding liabilities.

Economic Factors

The City as of December 31, 2016 had approximately eight months unassigned General Fund reserve based on the average monthly expenditures in the fund balance.

Charges for services in the business-type activities increased by $19,620.

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

Requests for Information

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

CITY OF LAKELAND, GEORGIA
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 394,338	$ 62,307	$ 456,645
Receivables (net of allowance for doubtful accounts)			
Taxes	208,577	-	208,577
Accounts	454,359	80,675	535,034
Other governments	109,991	-	109,991
Internal balances	223,363	(223,363)	-
Prepaid items	5,081	-	5,081
Restricted cash	-	1,708,231	1,708,231
Nondepreciable capital assets	486,009	160,374	646,383
Depreciable capital assets, net	2,285,445	5,701,911	7,987,356
TOTAL ASSETS	4,167,163	7,490,135	11,657,298
LIABILTIES			
Accounts payable	8,010	-	8,010
Accrued liabilities	2,869	-	2,869
Payable from restricted assets:			
Customer deposits	-	48,081	48,081
Current portion of lease payable	5,738	-	5,738
Current portion of bonds payable	-	140,000	140,000
Current portion of notes payable	-	124,734	124,734
Accrued interest on bonds payable	-	5,185	5,185
Long-term liabilities:			
Due in more than one year			
Lease payable	6,298	-	6,298
Bonds payable	-	630,000	630,000
Notes payable	-	1,683,902	1,683,902
TOTAL LIABILITIES	22,915	2,631,902	2,654,817
NET POSITION			
Net investment in capital assets	2,759,418	3,283,649	6,043,067
Restricted for capital projects	164,431	-	164,431
Unrestricted	1,220,399	1,574,584	2,794,983
TOTAL NET POSITION	$ 4,144,248	$ 4,858,233	$ 9,002,481

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

CITY OF LAKELAND, GEORGIA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2016

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions, and Interest	Program Revenues: Capital Grants, Contributions, and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
General Government	$ 390,468	$ 92,446	$ 1,064	$ -	$ (296,958)	$ -	$ (296,958)
Public Safety	578,563	100,181	9,686	-	(468,696)	-	(468,696)
Public Works	453,946	-	166,920	675,171	388,145	-	388,145
Interest on Long-term Debt	579	-	-	-	(579)	-	(579)
Total Governmental Activities	1,423,556	192,627	177,670	675,171	(378,088)	-	(378,088)
Business-Type Activities							
Water and Sewer	506,146	734,101	-	-	-	227,955	227,955
Sanitation	185,327	231,292	-	-	-	45,965	45,965
Total Business-Type Activitie	691,473	965,393	-	-	-	273,920	273,920
Total	$ 2,115,029	$ 1,158,020	$ 177,670	$ 675,171	$ (378,088)	$ 273,920	$ (104,168)
GENERAL REVENUES:							
Property Taxes Levied for:							
General Operating					483,190	-	483,190
Interest and Penalties					2,791	-	2,791
Alcoholic Beverage Taxes					69,710	-	69,710
Franchise Taxes					188,206	-	188,206
Insurance Premium Taxes					209,961	-	209,961
Sales Taxes					266,107	-	266,107
Intangible Taxes					3,287	-	3,287
Real Estate Transfer Taxes					822	-	822
Other income					27,450	195	27,645
Interest					-	5,874	5,874
TOTAL GENERAL REVENUES					1,251,524	6,069	1,257,593
EXCESS BEFORE TRANSFERS					873,436	279,989	1,153,425
TRANSFERS IN (OUT)					(409,100)	409,100	-
CHANGES IN NET POSITION					464,336	689,089	1,153,425
NET POSITION, BEGINNING OF YEAR					3,679,912	4,169,144	7,849,056
NET POSITION, END OF YEAR					$ 4,144,248	$ 4,858,233	$ 9,002,481

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

CITY OF LAKELAND, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016

	General	Capital Projects Funds: 2012 Special Purpose Local Option Sales Tax	Capital Projects Funds: CDBG Grant Fund	Total
ASSETS				
Cash and cash equivalents	$ 263,144	$ 131,135	$ 59	$ 394,338
Receivables (net of allowance for doubtful accounts):				
Taxes	175,280	33,296	-	208,576
Accounts	454,359	-	-	454,359
Due from other governments	109,991	-	-	109,991
Prepaid items	5,081	-	-	5,081
Due from other funds	265,718	-	-	265,718
TOTAL ASSETS	1,273,573	164,431	59	1,438,063
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES:				
Accounts payable	$ 8,010	$ -	$ -	$ 8,010
Accrued liabilities	2,869	-	-	2,869
Due to other fund	42,296	-	59	42,355
TOTAL LIABILITIES	53,175	-	59	53,234
FUND BALANCES				
Nonspendable	5,081	-	-	5,081
Restricted for capital projects	-	164,431	-	164,431
Assigned for:				
Property tax roll back	266,107	-	-	266,107
Unassigned reported in:				
General Fund	949,210	-	-	949,210
TOTAL FUND BALANCES	1,220,398	164,431	-	1,384,829
TOTAL LIABILITIES AND FUND BALANCES	$ 1,273,573	$ 164,431	$ 59	$1,438,063

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

CITY OF LAKELAND, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2016

Total Governmental Funds Balances	$	1,384,829
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,771,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental activities.		
Capital lease payable		(12,035)
Net Position of Governmental Activities	$	4,144,248

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

CITY OF LAKELAND, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For The Year Ended December 31, 2016

		Capital Projects Fund		
	General	2012 Special Purpose Local Option Sales Tax	CDBG Grant Fund	Total
REVENUES				
Taxes	$ 1,224,073	$ -	$ -	$ 1,224,073
Licenses and permits	48,975	-	-	48,975
Intergovernmental revenues	177,497	200,647	473,952	852,096
Charges for services	3,145	-	-	3,145
Fines and forfeitures	99,458	-	-	99,458
Grant revenues	9,686	-	-	9,686
Miscellaneous	91,905	572	-	92,477
TOTAL REVENUES	$ 1,654,739	$ 201,219	$ 473,952	$ 2,329,910
EXPENDITURES				
Current				
General Government	371,213	-	-	371,213
Public safety	595,828	-	-	595,828
Public works	410,030	138,179	473,952	1,022,161
Capital outlay	-	66,365	-	66,365
TOTAL EXPENDITURES	1,377,071	204,544	473,952	2,055,567
EXCESS OF REVENUES OVER EXPENDITURES	277,668	(3,325)	-	274,343
FUND BALANCES AT BEGINNING OF YEAR	942,730	167,756	-	1,110,486
FUND BALANCES AT END OF YEAR	$ 1,220,398	$ 164,431	$ -	$ 1,384,829

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

CITY OF LAKELAND, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds		$ 274,343
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:		
Capital outlay - depreciable capital assets	598,424	
Capital outlay - construction in process	167,782	
Depreciation	(139,387)	
		626,819
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Transfer of capital assets	(439,100)	
Loss on the disposal of a capital asset	(2,917)	
		(442,017)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities:		
Capital lease payments	5,191	
		5,191
Changes in Net Position of Governmental Activities		$ 464,336

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2016

	Business-Type Activities Enterprise Fund		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 31,204	$ 31,103	$ 62,307
Accounts receivable net of allowance	59,001	21,674	80,675
Interfund receivable	-	42,296	42,296
Restricted Cash			
Customer deposits account	177,296	-	177,296
Debt service funds	306,284	-	306,284
Renewal and extension	1,064,275	-	1,064,275
Revenue bond sinking accounts	160,376	-	160,376
TOTAL CURRENT ASSETS	1,798,436	95,073	1,893,509
NONCURRENT ASSETS			
Capital Assets			
Land	160,374	-	160,374
Depreciable capital assets, net	5,623,491	78,420	5,701,911
TOTAL NONCURRENT ASSETS	5,783,865	78,420	5,862,285
TOTAL ASSETS	$ 7,582,301	$ 173,493	$ 7,755,794

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION - CONTINUED
December 31, 2016

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Interfund payable	$ 265,659	$ -	$ 265,659
Payable from restricted cash:			
Deposits	48,081	-	48,081
Current portion of notes payable	124,734	-	124,734
Current portion of bonds payable	140,000	-	140,000
Accrued interest on bonds payable	5,185	-	5,185
TOTAL CURRENT LIABILITIES	583,659	-	583,659
LONG-TERM LIABILITIES			
Bonds payable, net of current portion	630,000	-	630,000
Notes payable, net of current portion	1,683,902	-	1,683,902
TOTAL LONG-TERM LIABILITIES	2,313,902	-	2,313,902
TOTAL LIABILITIES	2,897,561	-	2,897,561
NET POSITION			
Net investment in capital assets	3,205,229	78,420	3,283,649
Unrestricted	1,479,511	95,073	1,574,584
TOTAL NET POSITION	$ 4,684,740	$ 173,493	$ 4,858,233

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2016

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
OPERATING REVENUES			
Charges for services	$ 701,884	$ 231,292	$ 933,176
Penalties	32,217	-	32,217
TOTAL OPERATING REVENUE	734,101	231,292	965,393
OPERATING EXPENSES			
Salaries and wages	97,958	26,743	124,701
Employee benefits	14,369	10,643	25,012
Supplies and other expenses	217,535	123,827	341,362
Depreciation	143,358	24,114	167,472
TOTAL OPERATING EXPENSES	473,220	185,327	658,547
OPERATING INCOME	260,881	45,965	306,846
NONOPERATING REVENUES (EXPENSES)			
Other income	35	160	195
Interest income	5,874	-	5,874
Interest expense	(32,926)	-	(32,926)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(27,017)	160	(26,857)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	233,864	46,125	279,989
Capital contribution	439,100	-	439,100
Transfers Out	-	(30,000)	(30,000)
CHANGE IN NET POSITION	672,964	16,125	689,089
NET POSITION, BEGINNING OF YEAR	4,011,776	157,368	4,169,144
NET POSITION, END OF YEAR	$ 4,684,740	$ 173,493	$ 4,858,233

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows From Operating Activities			
Cash received from customers	$ 718,752	$ 232,293	$ 951,045
Cash received from interfund transactions	215,216	-	215,216
Cash payments for personal services	(112,327)	(37,386)	(149,713)
Cash payments for materials and supplies	(221,877)	(130,964)	(352,841)
Cash payments for interfund transactions	-	(4,802)	(4,802)
NET CASH PROVIDED BY OPERATING ACTIVITIES	599,764	59,141	658,905
Cash Flows From Noncapital Financing Activities			
Cash payments from transfer-out	-	(30,000)	(30,000)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(30,000)	(30,000)
Cash Flows From Capital and Related Financing Activities			
Cash payments for acquisition of capital assets	(62,519)	(39,351)	(101,870)
Cash payments for interest and principal	(293,569)	-	(293,569)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(356,088)	(39,351)	(395,439)
Cash Flows From Investing Activities			
Cash received from interest	5,874	160	6,034
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,874	160	6,034
NET INCREASE IN CASH	249,550	(10,050)	239,500
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,489,885	41,153	1,531,038
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,739,435	$ 31,103	$ 1,770,538

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

CITY OF LAKELAND, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS - CONTINUED
For The Year Ended December 31, 2016

	Business-Type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities			
Operating (loss) income	$ 260,881	$ 45,965	$ 306,846
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities			
Depreciation	143,358	24,114	167,472
Change in assets and liabilities			
(Increase) decrease in accounts receivable	(2,477)	1,001	(1,476)
(Increase) decrease in interfund receivable	-	(4,802)	(4,802)
Increase (decrease) in accounts payable	(4,342)	(7,137)	(11,479)
Increase (decrease) in interfund payable	215,216	-	215,216
Increase (decrease) in customer deposits	(12,872)	-	(12,872)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 599,764	$ 59,141	$ 658,905
Noncash Transactions			
Contribution of capital assets	$ 439,100	$ -	$ 439,100

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

Note 1 – Reporting Entity

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

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

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

- organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization of the City

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

Joint Ventures. The City, in conjunction with cities and counties in the (10) City South Georgia area are members of the Southern Georgia Regional Commission. Membership in a Regional Commission is automatic for each municipality and City in the state. The official Code Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the Regional Commission. Each City and municipality in the state is required by law to pay minimum annual dues to the Regional Commission. The City paid annual dues in the amount of $6,464 to the Regional Commission for the year ended December 31, 2016. The Regional Commission Board membership includes the Chief elected official of each City and the Chief elected official of each municipality.

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

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

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

Jointly Governed

Lakeland – Lanier City Parks and Recreation Board

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

Lakeland – Lanier City Development Authority

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Note 2 - Summary of Significant Accounting Policies - Continued

B. Fund Accounting

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

Governmental Funds

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

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

Capital Projects 2012 Special Purpose Sales Tax Fund. The Capital Projects Special Purpose Sales Tax Fund accounts for the special purpose local option sales tax that is received by the City through and intergovernmental agreement with the County. The revenue is restricted to the stated projects of the referendum that approved collection of the tax.

Capital Projects 2014 CDBG Fund. The Capital Projects 2014 CDBG Fund account for the 2014 CDBG grant funding that is being used to repair and replace aging water and sewer infrastructure.

Proprietary Funds

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

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

Sanitation Fund. Accounts for the operations of the sanitation services.

Note 2 – Summary of Significant Accounting Policies – Continued

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net 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 total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

Revenues—Exchange and Non-exchange Transactions

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

Note 2 - Summary of Significant Accounting Policies - Continued

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

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

Deferred Revenues

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

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

Expenses/Expenditures

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

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

Prepaid Items

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

Note 2 - Summary of Significant Accounting Policies - Continued

E. Budgetary Process

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

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

F. Encumbrances

The City does not use the encumbrance system of accounting.

G. Cash and Investments

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

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

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

Note 2 - Summary of Significant Accounting Policies - Continued

H. Inventory

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

I. Restricted Assets

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

J. Capital Assets

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

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

All capital assets are depreciated, except for land and improvements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. All infrastructure acquired prior to the implementation of GASB 34 has been capitalized and reported.

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

Description	Estimated Lives
Buildings and Building Improvements	40-100 years
Improvements Other Than Buildings	40 years
Office equipment	5-07 years
Machinery and Equipment	5-20 years
Vehicles	6-20 years
Water and Sewerage System	5-40 years
Infrastructure	5-50 years

Note 2 - Summary of Significant Accounting Policies - Continued

K. Interfund Receivables/Payables

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

L. Compensated Absences

Accumulated unpaid vacation, sick pay and other employee benefits are not expended until paid in all funds. At December 31, 2016, unrecorded liabilities for those items were not significant.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Position

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

Note 2 - Summary of Significant Accounting Policies - Continued

O. Fund Balances

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

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

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

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

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

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

Flow Assumptions

When both restricted and unrestricted amounts of fund balance 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 fund balance in the following order: Committed, Assigned and Unassigned.

P. Operating Revenues and Expenses

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

Note 2 - Summary of Significant Accounting Policies - Continued

Q. Interfund Transactions

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

R. Estimates

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

Note 3 – Cash and Investments

At December 31, 2016 the City's deposits with financial institutions were secured by FDIC insurance in the amount of $250,000 and the balance of $1,982,566 was secured by pledged collateral by the financial institution in the government's name.

Note 4 – Property Taxes

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

The property tax calendar is as follows:

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

For the year ended December 31, 2016, the City of Lakeland had $154,054 in property taxes receivable. All of these taxes are expected to be collected and no reserve for loss has been established.

Note 5 – Capital Assets

A summary of changes in capital assets for the year ended December 31, 2016, is as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	$ 318,227	$ -	$ -	$ 318,227
Construction in progress	-	167,782	-	167,782
Total Nondepreciable Capital Assets	318,227	167,782	-	486,009
Depreciable Capital Assets:				
Buildings and improvements	1,245,660	18,002	75,411	1,188,251
Autos and trucks	587,020	39,107	19,248	606,879
Machinery and equipment	552,349	3,950	14,398	541,901
Office equipment	19,991	1,931	-	21,922
Infrastructure	7,148,704	96,338	-	7,245,042
Total Depreciable Capital Assets	9,553,724	159,328	109,057	9,603,995
Less Accumulated Depreciation for:				
Buildings and improvements	274,298	30,280	72,743	231,835
Autos and trucks	455,849	47,839	18,998	484,690
Machinery and equipment	404,105	38,980	14,398	428,687
Office equipment	17,606	1,170	-	18,776
Infrastructure	6,133,444	21,118	-	6,154,562
Total Accumulated Depreciation	7,285,302	139,387	106,139	7,318,550
Total Depreciable Capital Assets, Net	2,268,422	19,941	2,918	2,285,445
Governmental Activities Capital Assets, Net	$ 2,586,649	$ 187,723	$ 2,918	$ 2,771,454

Governmental Activities:	
General government	$ 36,390
Public safety	32,804
Public works	70,193
Total Depreciation Expense-Governmental Activities	$ 139,387

Note 5 – Capital Assets - Continued

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Business Type Activities:				
Nondepreciable Capital Assets:				
Land	$ 160,374	$ -	$ -	$ 160,374
Construction in Progress	-	-	-	-
Total Nondepreciable Capital Assets	160,374	-	-	160,374
Depreciable Capital Assets:				
Water and sewerage system	7,921,586	485,005	-	8,406,591
Machinery and equipment	97,705	16,650	-	114,355
Autos and trucks	148,026	39,350	-	187,376
Office equipment	4,559	-	-	4,559
Total Depreciable Capital Assets:	8,171,876	541,005	-	8,712,881
Less Accumulated Depreciation for:				
Water and sewerage system	2,687,246	135,554	-	2,822,800
Machinery and equipment	66,901	7,752	-	74,653
Autos and trucks	84,844	24,114	-	108,958
Office equipment	4,507	52	-	4,559
Total Accumulated Depreciation	2,843,498	167,472	-	3,010,970
Total Depreciable Capital Assets, Net	5,328,378	373,533	-	5,701,911
Business Type Activities Capital Assets, Net	$ 5,488,752	$ 373,533	$ -	$ 5,862,285

Note 6 – Interfund Balances and Transfers

Individual fund interfund receivable and payable balances at December 31, 2016 are as follc

	Interfund Receivables	Interfund Payables
General Fund		
CDBG Fund	$ 59	$ -
Water and Sewer Fund	265,659	-
Sanitation Fund	-	42,296
	$ 265,659	$ 42,296
CDBG Fund		
General Fund	$ -	$ 59
Water and Sewer Fund		
General Fund	$ -	$ 265,659
Sanitation Fund		
General Fund	$ 42,296	$ -
	$ 307,955	$ 307,955

Transfers during 2016 were as follows:

	Transfers In	Transfers Out
General Fund	$ 30,000	$ -
Sanitation Fund	-	30,000
	$ 30,000	$ 30,000

Transfers were made from the Sanitation Fund to the General Fund to cover administrative cost.

Note 7 – Long-Term Debt

Revenue Bonds and Note Payable:

Terms of the bonds payable at December 31, 2016 are as follows:

Revenue Bonds, Series 2008. These revenue bonds refunded the Revenue Bonds, Series 1997 and were originally issued for $1,750,000 dated October 16, 2008. Interest rates are 6.00% for 2009, 6.05% for 2010 to 2016 and 6.10% for 2017 to 2021. The bonds of this issue are secured by a first lien on the water and sewer revenues. Monthly payments are made to a bond sinking fund to assure funding of biannual interest expense and annual premium payments. A debt service reserve has also been established in the amount of $175,000 and will remain on account until the final payment in 2021.

Note Payable – GEFA. A construction loan was obtained from GEFA for water and sewer construction for $2,494,670. Through December 31, 2016 the City has drawn all the funds from the GEFA Loan. The loan is for twenty years, with no interest and a monthly payment of $10,394.50.

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

	Revenue Bonds		Note Payable GEFA	
	Principle	Interest	Principle	Interest
2017	140,000	28,280	124,734	-
2018	145,000	22,523	124,734	-
2019	155,000	16,463	124,734	-
2020	160,000	10,100	124,734	
2021	170,000	3,434	124,734	
2022-2026	-	-	623,667	-
2027-2031	-	-	561,299	-
	$ 770,000	$ 80,800	$ 1,808,636	$ -

The following is a summary of debt transactions of the City for the year ended December 31, 2016:

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016	Amount Due In One Year
Business-Type Activities					
Note Payable GEFA	$ 1,933,370	$ -	$ 124,734	$ 1,808,636	$ 124,734
Revenue Bonds	905,000	-	135,000	770,000	140,000
Total Business-Type Activities	$ 2,838,370	$ -	$ 259,734	$ 2,578,636	$ 264,734

Note 7 – Long-Term Debt – Continued

Capital Lease

The City has entered into a capital lease for police department equipment. The lease has an original balance of $22,437 and will be paid in four installments of $6,317 at an interest rate of 7.77%.

The following is a summary of the capital lease transactions of the City for the year ending December 31, 2016:

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016	Amount Due In One Year
Governmental Activities					
Capital lease	$ 17,226	$ -	$ 5,190	$ 12,036	$ 6,298
Total Governmental Activities	$ 17,226	$ -	$ 5,190	$ 12,036	$ 6,298

The following is a summary of the City's future annual debt service requirement on the capital lease:

	Governmental Activities	
	Capital Leases	
	Principle	Interest
2017	5,738	579
2018	6,298	297
	$ 12,036	$ 876

The capital lease resulted in depreciable capital equipment as follows:

Governmental Activities:	
Equipment	$ 24,930
Less Accumulated Depreciation	(12,465)
	$ 12,465

The 2016 amortization included in depreciation expense was $4,9

Note 8 – Contingent Liabilities

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

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

Note 9– Pension Plan

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

Note 10 – Risk Management

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

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

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

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

Note 10 – Risk Management - Continued

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

Note 11 – Expenditures in Excess of Appropriations

The General Fund had department expenditures in excess of appropriations:

	Expenditures Actual	Appropriations	Difference
General Fund			
Police Department	514,882	479,700	35,182
Fire Department	58,062	47,535	10,527
Road Maintenance	410,030	336,645	73,385
	$ 982,974	$ 863,880	$ 119,094

All excess amounts were from unexpected expenditures incurred during the year.

Note 12 – Subsequent Events

Subsequent events were evaluated through May 26, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKELAND, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2016

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
REVENUE				
Taxes	$ 1,168,440	$ 1,168,440	$ 1,224,073	$ 55,633
Licenses and permits	37,000	37,000	48,975	11,975
Intergovernmental	34,400	34,400	177,497	143,097
Charges for services	-	-	3,145	3,145
Fines and forfeitures	77,500	77,500	99,458	21,958
Miscellaneous	103,500	103,500	91,905	(11,595)
Grant	-	-	9,686	9,686
TOTAL REVENUE	1,420,840	1,420,840	1,654,739	233,899
EXPENDITURES				
GENERAL GOVERNMENT				
City Council				
Personal services	22,800	22,800	22,800	-
Other services and charges	10,500	10,500	8,000	(2,500)
	33,300	33,300	30,800	(2,500)
General Government				
Personal services	180,945	180,945	130,782	(50,163)
Supplies	9,800	9,800	9,521	(279)
Other services and charges	247,600	247,600	182,531	(65,069)
Capital outlay	10,000	10,000	17,579	7,579
	448,345	448,345	340,413	(107,932)
TOTAL GENERAL GOVERNMENT	481,645	481,645	371,213	(110,432)
PUBLIC SAFETY				
Police Department				
Personal services	326,600	326,600	331,455	4,855
Supplies	10,200	10,200	20,858	10,658
Other services and charges	114,900	114,900	121,832	6,932
Capital outlay	28,000	28,000	40,737	12,737
	479,700	479,700	514,882	35,182

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

CITY OF LAKELAND, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2016

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
Animal Control				
Personal services	35,360	35,360	11,631	(23,729)
Supplies	6,000	6,000	6,229	229
Other services and charges	11,200	11,200	5,024	(6,176)
	52,560	52,560	22,884	(29,676)
Fire Department				
Personal services	16,435	16,435	14,390	(2,045)
Supplies	12,200	12,200	14,705	2,505
Other services and charges	15,900	15,900	25,299	9,399
Capital outlay	3,000	3,000	3,668	668
	47,535	47,535	58,062	10,527
TOTAL PUBLIC SAFETY	579,795	579,795	595,828	16,033
PUBLIC WORKS				
Road Maintenance				
Personal services	143,000	143,000	74,604	(68,396)
Supplies	33,500	33,500	23,775	(9,725)
Other services and charges	145,145	145,145	143,363	(1,782)
Capital outlay	15,000	15,000	168,288	153,288
TOTAL PUBLIC WORKS	336,645	336,645	410,030	73,385
TOTAL EXPENDITURES	1,398,085	1,398,085	1,377,071	(21,014)
EXCESS OF REVENUES OVER EXPENDITURES	22,755	22,755	277,668	254,913
FUND BALANCE, BEGINNING OF YEAR	-	-	942,730	942,730
FUND BALANCE, END OF YEAR	$ 22,755	$ 22,755	$ 1,220,398	$ 1,197,643

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

CITY OF LAKELAND, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended December 31, 2016

Note 1 – Budgetary Basis of Accounting

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

MAJOR CAPITAL PROJECT FUND SCHEDULES

CITY OF LAKELAND, GEORGIA
CAPITAL PROJECTS 2012 SPECIAL PURPOSE LOCAL OPTION SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2016

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	$ 194,400	$ 194,400	$ 200,647	$ 6,247
Investment income	276	276	572	296
TOTAL REVENUES	194,676	194,676	201,219	6,543
EXPENDITURES				
Current				
Public works	208,400	208,400	204,544	(3,856)
TOTAL EXPENDITURES	208,400	208,400	204,544	(3,856)
EXCESS OF REVENUES OVER EXPENDITURES	(13,724)	(13,724)	(3,325)	10,399
FUND BALANCE AT BEGINNING OF YEAR	-	-	167,756	167,756
FUND BALANCE AT END OF YEAR	$ (13,724)	$ (13,724)	$ 164,431	$ 178,155

See independent auditor's report.

CITY OF LAKELAND, GEORGIA
CAPITAL PROJECTS 2014 CDBG GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ending December 31, 2016

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Intergovernmental revenues	$ 500,000	$ 500,000	$ 473,952	$ (26,048)
TOTAL REVENUES	500,000	500,000	473,952	(26,048)
EXPENDITURES				
Current:				
Public works	60,900	60,900	34,852	(26,048)
Capital outlay	439,100	439,100	439,100	-
TOTAL EXPENDITURES	500,000	500,000	473,952	(26,048)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	$ -	$ -	$ -	$ -

See independent auditor's report.

COMPLIANCE SECTION

CITY OF LAKE, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
Year Ended December 31, 2016

2012 SPLOST	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total	Estimated Percentage of Completion
Roads, streets and bridge purposes	$3,770,000	$1,300,000	$ 512,088	$ 204,544	$ 716,632	55.13%
Totals	$3,770,000	$1,300,000	$ 512,088	$ 204,544	$ 716,632	

See independent auditor's report.

SOURCE and APPLICATION OF FUNDS SCHEDULE
Community Development Block Grant

City of Lakeland, Georgia

14p-x-086-2-5677

For the Period Ending: December 31, 2016
Cumulative

I. Total Fiscal Year 2014 CDBG Funds Awarded to Recipient:	$ 500,000
II. Total Amount of Drawdown by Recipient from DCA:	$ 500,000
III. Less: CDBG Funds Expended by Recipient:	$ 500,000
IV. Amount of Fiscal Year 2014 CDBG Funds held by Recipient:	$ -

See independent auditor's report.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
PROJECT COST SCHEDULE

Recipient: City of Lakeland Georgia

Grant #: 14p-x-086-2-5677

For the Period Ending: December 31, 2016

Program Activity	CDBG Activity Number	Latest Approved Budget	Accumulative CDGB Expenditures To Date	Accumulative Expenditures To Date (Other Funds)	Grand Total of Expenditures To Date	Questioned Costs
Contingencies	C-022-00	$ 23,280	$ -	$ -	$ -	$ -
Engineering - Water/Sewer	T-03J-00	$ 30,900	$ 30,900	$ -	$ 30,900	$ -
Sewer Facilities	P-03J-02	$ 415,820	$ 439,100	$ -	$ 439,100	$ -
Administration	A-21A-00	$ 30,000	$ 30,000	$ -	$ 30,000	$ -
TOTAL		$ 500,000	$ 500,000	$ -	$ 500,000	$ -

See independent auditor's report.

CITY OF LAKELAND, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
Year Ended December 31, 2016

	Contract Number	Revenue	Expenditures	Due (To) From State
Passed through the Georgia Department of Community Affairs				
CDBG Grant	14p-x-086-2-5677	473,952	473,952	-
Passed through the Georgia Department of Transportation	PI S 014337	39,571	39,571	39,571
Passed through the Georgia Department of Transportation	PI 0010589	127,349	127,349	70,420
Total		$ 640,872	$ 640,872	$ 109,991

See independent auditor's report.

Tillman & Tillman, LLP
Certified Public Accountants & Consultants

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H. Harrison Tillman, Sr., CPA (1927-2010)

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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*

To the Mayor and Council
City of Lakeland, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in G*overnment Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Georgia as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon, dated May 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lakeland, 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 Lakeland, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lakeland, Georgia's internal control.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, noted as 2016-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lakeland, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-1.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing internal control and compliance and the results 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.

Tillman & Tillman, LLP

Tillman & Tillman, LLP

May 26, 2017
Valdosta, Georgia

CITY OF LAKELAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting		
Material weakness identified?	____ Yes	_X_ No
Significant deficiencies identified not considered to be a material weakness?	_X_ Yes	____ None reported
Noncompliance material to financial statements noted?	_X_ Yes	____ No

Section II - Financial Findings

Current Year Findings

Violations of Law

2016-1 – Criteria

The City of Lakeland has established the "legal level of control" for budgetary purposes at the department level. Georgia Statutes, O.C.G.A. 36-81-3(d)(1) states, "Any increase in appropriation at the legal level of control of the local government, whether accomplished through a change in anticipated revenues in any fund or through a transfer of appropriations among departments, shall require the approval of the governing authority. Such amendment shall be adopted by ordinance or resolution."

2016-1 – Violation

Per Note 11 several departments in the General Fund had expenditures that exceeded appropriations.

2016-1 – Cause

Unexpected expenditures in some department funds were incurred that did not result in amendments to the budget.

2016-1 – Effect

The effect of this finding is a violation of Georgia Statutes (O.C.G.A. 36-81-3(d) (1)).

CITY OF LAKELAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2014

2016-1 – Recommendation

The City Council should be sure to amend budgets when unexpected expenditures are incurred and to amend budgets for new funds that are established during the year.

2016-1 – Management Response

The City Council and management concur with the finding and will work to improve the budget process to include amendments when necessary.

Prior Year Findings

There were no prior year findings noted.