

CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2011

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CITY OF LAVONIA, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2011

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Lavonia, Georgia

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavonia, Georgia, as of December 31, 2011, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2012, on our consideration of the City of Lavonia, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lavonia, Georgia's, basic financial statements as a whole. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Lavonia, Georgia's basic financial statements for the year ended December 31, 2010, which are not presented with the accompanying financial statements. In our report dated March 30, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lavonia's financial statements as a whole. The combining and individual fund financial statements and schedules related to the 2010 financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
April 12, 2012



CITY OF LAVONIA

"A GEORGIA CITY OF EXCELLENCE"

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RALPH M. OWENS

Mayor

City Manager

GARY M. FESPERMAN

Mayor Pro tem

DONALD CANADY

Council Members

DONALD CANADY

EDDIE FLOYD

HAROLD HARBIN

DAVID HOWELL

City Clerk

ANGELA V. GREER

Assistant City Clerk

SUSAN GORMAN

Utility Billing Clerk

AMY RATCLIFFE

HR Director

CHERYL HUMBERT

Water Superintendent

JAMES MOSELEY

Street Superintendent

RODNEY ANDREWS

Attorney

JOHN DICKERSON

Police Chief

BRUCE CARLISLE

Municipal Court Judge

FRANK GEORGE

Fire Chief

ROBERT C. WHITE

Better Hometown Director

MARIE MORSE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lavonia, it is our pleasure to present this narrative discussion and analysis of the City of Lavonia's financial performance, providing an overview of the activities for the year ended December 31, 2011. The purpose of this narrative is to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about the City of Lavonia. This analytical information is designed to be read in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City of Lavonia's assets exceeded its liabilities at December 31, 2011, by \$16,962,512. (reported as *net assets*).
- As of December 31, 2011, Lavonia's governmental funds reported combined ending fund balances of \$3,737,323. Approximately 79% of this total amount, \$2,947,848, is available for spending at the City Council's discretion (unassigned fund balance of the General Fund).

More detailed information regarding these activities and funds begins on page 7.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Lavonia's basic financial statements. The City of Lavonia's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole)

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Lavonia and is designed to provide readers with a broad overview of the City's financial activities in a manner similar to a private business enterprise.

The purpose of the **Statement of Net Assets** (pages 14-15) is to attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net assets*. Although the purpose of the City is not to accumulate net assets, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The **Statement of Activities** (page 16), on the other hand, presents the revenues and expenses of the City. Under the accrual basis of accounting mentioned earlier, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net assets*. The primary focus of the Statement of Activities is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants, or other sources.

In the Statement of Net Assets and the Statement of Activities, we divide the City of Lavonia into three types of activities:

- **Governmental activities** – Most of the City's basic services are reported under this category, including police, fire, public works, and general administration. Sales tax, property taxes, and intergovernmental revenues finance most of these services.
- **Business-type activities** – The City charges fees to customers to assist in covering all or most of the cost for certain services it provides. The City's water and sewer system and garbage collection fees are reported in this category.
- **Discretely Presented Component Unit** – Component units are legally separate organizations for which the elected officials of the City are financially accountable. The Downtown Development Authority, although legally separate, functions for all practical purposes as a department of the City of Lavonia, and therefore has been included as an integral part of the primary government.

The City's government-wide financial statements are presented on pages 14-16.

Fund Financial Statements (Reporting the City's Major Funds)

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 58. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- **Governmental Funds** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental fund financial statements focus on the short-term view of the City's general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided at the bottom of each statement.

In addition to the General Fund, which is reported as a major fund, the City of Lavonia maintains two governmental fund types:

1. Special Revenue Funds
2. Capital Projects Funds

The City of Lavonia adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The City's basic governmental fund financial statements are presented on pages 17-22 of this report.

- **Proprietary Funds** – When the City charges customers for the services it provides – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. These proprietary funds are prepared using the same accounting basis as the government-wide financial statements.

Enterprise fund statements report the same functions presented in the business-type activities columns of the government-wide financial statements. The City of Lavonia uses enterprise funds to account for its Water and Sewer system, and Solid Waste functions, which are reported as major funds.

The City's proprietary fund financial statements are presented on pages 23-26.

- **Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Lavonia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City acts as a trustee or fiduciary for the Municipal Court Agency Fund.

Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements.

The City's fiduciary fund Statement of Assets and Liabilities is presented on page 27.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-57 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 18 and 20) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement but are reported as deferred revenue on the fund statements.
- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

Overview of the City's Financial Position and Operations

The City's overall financial position and operations for this year is summarized as follows based on the information included in the government-wide financial statements (see pages 14-16):

City of Lavonia Net Assets (Financial Position) As of December 31, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 3,538,305	\$ 3,540,551	\$ 1,444,988	\$ 1,032,183	\$ 4,983,293	\$ 4,572,734
Capital assets	4,175,782	4,411,178	10,317,177	10,052,535	14,492,959	14,463,713
Other noncurrent assets	294,150	326,456	0	0	294,150	326,456
Total assets	8,008,237	8,278,185	11,762,165	11,084,718	19,770,402	19,362,903
Current liabilities	175,210	153,668	331,253	220,543	506,463	374,211
Noncurrent liabilities	120,037	141,284	2,181,390	2,225,121	2,301,427	2,366,405
Total liabilities	295,247	294,952	2,512,643	2,445,664	2,807,890	2,740,616
Net Assets						
Invested in capital assets, net of related debt	4,034,498	4,249,484	8,092,096	7,785,746	12,126,594	12,035,230
Restricted	561,354	626,441	101,655	86,430	663,009	712,871
Unrestricted	3,117,138	3,107,308	1,055,771	766,878	4,172,909	3,874,186
Total net assets	\$ 7,712,990	\$ 7,983,233	\$ 9,249,522	\$ 8,639,054	\$ 16,962,512	\$ 16,622,287

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets for the City of Lavonia exceeded liabilities by \$16,962,512 at the close of the current year. However, much of those net assets either are restricted as to the purposes for which they can be used, or are invested in capital assets.

The largest portion (72%) of the City of Lavonia's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire the assets. The City uses 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.

In addition, the surplus in governmental net assets was negatively affected by several factors of the City's recent financial activity: a noticeable decrease in property tax revenues, as well as capital grants and contributions due to the slow economy. Expenses for both governmental and business-type activities were up slightly from 2010.

Although the net assets of our business-type activities represents 55% (\$9,249,522) of total net assets, these resources cannot be used to add to the net asset surplus in governmental activities. The City generally can only use these net assets to finance the continuing operations of the business-type activities.

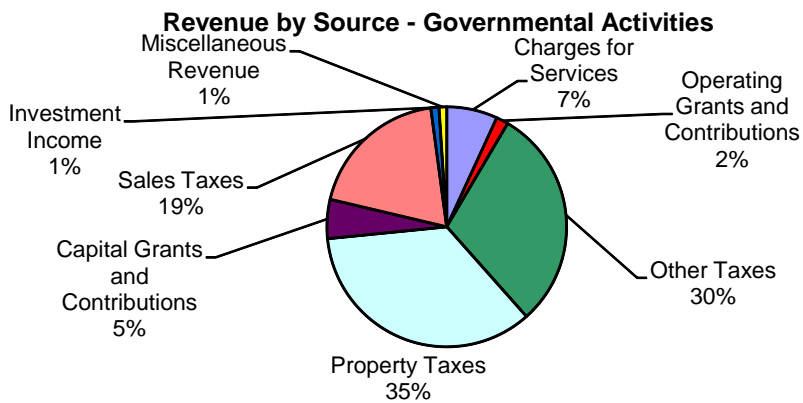
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Lavonia's net assets changed during the year.

City of Lavonia
Changes in Net Assets
For the years ending December 31, 2011 and 2010

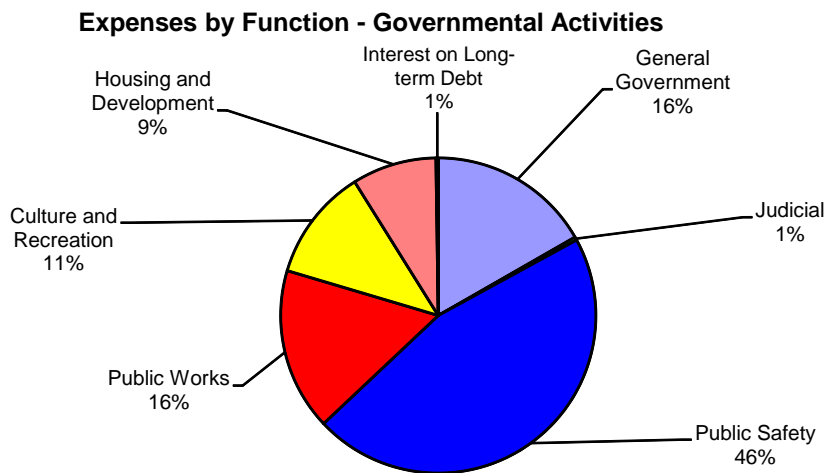
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 170,424	\$ 190,497	\$ 2,490,761	\$ 2,372,242	\$ 2,661,185	\$ 2,562,739
Operating grants and contributions	37,472	46,695	0	0	37,472	46,695
Capital grants and contributions	121,291	183,962	361,730	3,027	483,021	186,989
General revenues:						
Property taxes	804,587	864,358	0	0	804,587	864,358
Sales tax	441,246	395,274	0	0	441,246	395,274
Other taxes	676,291	668,486	0	0	676,291	668,486
Investment income	25,081	35,497	4,572	12,933	29,653	48,430
Miscellaneous revenue	23,793	34,376	34,714	3,068	58,507	37,444
Total revenues	2,300,185	2,419,145	2,891,777	2,391,270	5,191,962	4,810,415
Expenses						
General Government	421,885	445,040	0	0	421,885	445,040
Judicial	8,272	7,878	0	0	8,272	7,878
Public Safety	1,266,538	1,236,839	0	0	1,266,538	1,236,839
Public Works	420,537	407,387	0	0	420,537	407,387
Culture and Recreation	186,908	204,290	0	0	186,908	204,290
Housing and Development	218,973	218,838	0	0	218,973	218,838
Interest on long-term debt	5,897	218	0	0	5,897	218
Water and sewer	0	0	1,982,460	1,935,677	1,982,460	1,935,677
Solid Waste	0	0	340,267	351,852	340,267	351,852
Total expenses	2,529,010	2,520,490	2,322,727	2,287,529	4,851,737	4,808,019
Increase (decrease) in net assets before transfers	(228,825)	(101,345)	569,050	103,741	340,225	2,396
Transfers	(41,418)	(31,616)	41,418	31,616	0	0
Increase (decrease) in net assets	(270,243)	(132,961)	610,468	135,357	340,225	2,396
Net assets - beginning	7,983,233	8,116,194	8,639,054	8,503,697	16,622,287	16,619,891
Net assets - ending	\$ 7,712,990	\$ 7,983,233	\$ 9,249,522	\$ 8,639,054	\$ 16,962,512	\$ 16,622,287

Governmental Activities –

The following chart depicts revenues of the governmental activities for the year:



The following chart depicts the expenses of the governmental activities for the year:



Business-type Activities –

Business-type activities increased the City of Lavonia's net assets by \$610,468; this is \$475,111 more than the increase in net assets for 2010. The key elements of this increase are:

- FY2011 operating income increased by \$146,723 over FY2010 due to the rate increase implemented in early FY 2009 and increased customer usage in 2011. The continued easing of the regional severe drought conditions experienced in FY2008-09 resulted in increased Hartwell Lake seasonal residential usage, increased commercial and industrial usage, and an increase in outdoor watering. Expenditures were greater in FY2011 than FY2010 by \$70,706 due to necessary water and sewer plant equipment replacement and system repairs.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Lavonia'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As the City completed this year, its governmental funds reported a combined ending fund balance of \$3,737,323. Of this amount, \$2,928,515 (78%) constitutes unassigned fund balance, meaning no constraints have been placed on how this money may be spent. The General Fund is the only governmental fund that can have positive unassigned fund balance. The remainder of fund balance is either nonspendable, restricted by a third party or assigned for a specific purpose, including the 2012 budget.

The **General Fund** is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$2,947,848, while total fund balance was \$3,113,744. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 144% of total General Fund expenditures, while total fund balance represents 152% of that same amount.

General Fund Budget Highlights

The original budget for the General Fund was amended by various appropriations approved after the beginning of the year. In addition, Council approved several adjustments to prevent budget overruns.

Adjustments to the General Fund Expenditures

- Adjustments were made from one department to another department to prevent budget overruns. Corrective spending measures implemented early in the year resulted in a reduction of expenditures from FY2010 to FY2011 of \$66,629.

It is anticipated that the General Fund will not see a significant increase in revenues in 2012 due to an anticipated 12-15% tax digest downward adjustment; however, we do anticipate a comparable increase in Local Option Sales Tax, Building Permits, and Franchise Tax categories which should offset the loss of property tax revenue. Therefore, the City will continue to hold the line with operating budgets, employee positions and salary increases to help insure that the General Fund Reserve balance remains positive.

Proprietary Funds

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

Net assets of the City's two proprietary funds totaled as follows:

▪ Water and Sewer	\$ 9,244,976
▪ Solid Waste	\$ 4,546

The total increase in net assets for both funds was \$610,468. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City of Lavonia has invested \$14,463,713 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 69% of this investment is related to business-type activities and approximately 31% relates to governmental activities.

During 2011, the City invested \$807,434 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities 2010

Four 2011 Ford trucks and equipment	\$ 74,851
Lankford Road Water Main	17,600
Lake Hartwell Raw Water Intake upgrade	48,727
Watershed Management Plan required by Georgia EPD	32,285
Ty Cobb Regional Medical Ctr trunkline	288,484
Water Plant upgrade Ty Cobb Regional Medical Ctr	223,368
	<hr/>
	\$ 685,315

Governmental Activities 2011

Computer equipment for Police Dept	\$ 3,450
Two 2011 Crown Victoria Police cars and equipment	47,589
Repairs to Cultural Center roof	25,850
Two parking lots in Downtown Lavonia	38,830
Resurfacing of tennis courts at Lavonia Memorial Park	6,400
	<hr/>
	\$ 122,119

Capital assets held by the City at the end of the current year are summarized as follows:

City of Lavonia
Capital Assets (net of accumulated depreciation)
As of December 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 493,811	\$ 493,811	\$ 413,072	\$ 413,072	\$ 906,883	\$ 906,883
Buildings	4,391,589	4,391,589	177,559	177,559	4,569,148	4,569,148
Land improvements	1,194,766	1,123,686	3,800	3,800	1,198,566	1,127,486
Distribution system	0	0	14,315,673	14,321,006	14,315,673	14,321,006
Vehicles and equipment	2,336,981	2,426,760	577,769	562,068	2,914,750	2,988,828
Furniture and fixtures	142,377	138,927	71,012	71,012	213,389	209,939
Construction in progress	0	0	680,475	70,011	680,475	70,011
Total	8,559,524	8,574,773	16,239,360	15,618,528	24,798,884	24,193,301
Accumulated depreciation	(4,383,742)	(4,163,595)	(5,922,183)	(5,565,995)	(10,305,925)	(9,729,590)
Net Capital Assets	\$ 4,175,782	\$ 4,411,178	\$ 10,317,177	\$ 10,052,533	\$ 14,492,959	\$ 14,463,711

Additional information on the City of Lavonia's capital assets can be found in the Note 8 to the Financial Statements on pages 45-46 of this report.

Long-term debt. At December 31, 2010, the City of Lavonia had \$2,428,483 in bonds, notes, and capital leases outstanding, a decrease in total of \$751,927 from 2009.

City of Lavonia
Outstanding Debt
As of December 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds	\$0	\$0	\$2,225,081	\$2,266,789	\$2,225,081	\$2,266,789
Capital leases	141,284	161,694	0	0	141,284	161,694
Total	\$141,284	\$161,694	\$2,225,081	\$2,266,789	\$2,366,365	\$2,428,483

Additional information on the City's long-term debt can be found in the Note 10 to the Financial Statements on pages 48-49 of this report.

Economic Condition and Outlook

We, as management, in considering the current and forecasted economic conditions for FY2012, still see a continued recovery period ahead. During 2009-10, Sales Tax and Franchise Tax revenues were considerably lower than 2006-08 levels. We saw an increase in 2011 of about 12% and we see this trend continuing through 2012. Water sales should increase with the opening of the new Ty Cobb Regional Medical Center and related support businesses; however, we may see only a slight increase in overall industrial production usage as Parkdale Mills may close during 2012. Poultry house usage should remain constant with little increase due to increased rainfall and the recharging of well water supplies. The City will continue to monitor market conditions and the court settlement of the new SPLOST issue before giving approval to start any major proposed General Fund Capital Projects during 2012. Management has given careful consideration to the uncertainty of the market and the new economic growth in the preparation of the city budgets for FY2012. Noteworthy budget item and cost saving considerations were:

- FY2012 General Fund Budget Revenue projections were lowered another \$30,000 over the 2011 budget due to uncertain economic growth anticipated in the state and national economies through most of 2012. General Fund Budget Expenditures were also lowered by approximately \$100,000 via the continued delaying of major capital expenditures; i.e. machinery and equipment, major building improvements, and employee departmental shifts and vacant positions not being filled.
- With most revenue streams expected to remain at or below 2010-11 levels, certain departmental operational expenditures are expected to rise. Insurance, contract services, infrastructure raw materials, and service provision costs are expected to rise with the upturn in the economic forecast. This has and will continue to have a dramatic impact on the city's ability to maintain current operational levels or repair existing infrastructure as needed with the funding available through our present revenue sources. In addition, grant funding at the state and federal levels is expected to be more competitive with reduced federal funding being allocated to the states for disbursement through EDA, USDA and ARC programs.
- Natural gas and electricity budgets for all departments have been increased again to try and keep pace with those rising energy costs. Policies have already been put in place to reduce electricity, heating, and cooling usage, and change out inefficient lighting fixtures to conserve energy and help reduce energy costs for the city. Gasoline and diesel fuel costs are also expected to continue to increase in 2012 and city vehicle usage in all departments will be determined by these increases.
- Interest rates on C.D.'s are expected to be less than 1% for 2012, which is a decrease from 2011. This prediction is based on the Federal Reserve's reports regarding the lack of a strong economic turnaround and their efforts to stimulate the economy by keeping interest rates low. If the Fed continues to keep interest rates at these record lows, the rate of 2012 return on our investments will be lower than in 2010 and 2011.
- The Mayor and Council decided to suspend 2012 employee raises or COLA adjustments until we have a better understanding of the revenue streams into the city. If revenues increase to the point that a COLA adjustment can be given, the Mayor and Council will determine when that adjustment will be implemented. Management may also elect to not refill a vacant position in other cost cutting measures if necessary. Once again management expects to produce more with less this coming year.

Contacting the City's Financial Services Department

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Lavonia's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

City of Lavonia
Office of the City Manager
PO Box 564
Lavonia, GA 30553

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BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental	Business-type		Downtown
	Activities	Activities	Total	Development
				Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 738,256	\$ 144,750	\$ 883,006	\$ 23,111
Certificates of deposit	1,300,000	400,000	1,700,000	0
Restricted assets				
Cash and cash equivalents	0	144,079	144,079	0
Receivables (net)				
Accounts	4,881	292,502	297,383	0
Taxes	381,982	0	381,982	0
Intergovernmental	10,521	357,324	367,845	0
Interest	11,362	3,689	15,051	0
Notes	32,080	0	32,080	0
Internal balances	(16,700)	16,700	0	0
Inventories	0	71,105	71,105	0
Prepaid items	21,896	14,839	36,735	0
Property held for resale	1,054,027	0	1,054,027	0
Total current assets	3,538,305	1,444,988	4,983,293	23,111
Noncurrent assets				
Notes receivable	294,150	0	294,150	0
Capital assets				
Non-depreciable	493,811	1,093,547	1,587,358	40,000
Depreciable (net)	3,681,971	9,223,630	12,905,601	104,494
Total noncurrent assets	4,469,932	10,317,177	14,787,109	144,494
Total assets	8,008,237	11,762,165	19,770,402	167,605
LIABILITIES				
Current liabilities				
Payables				
Accounts	47,472	104,013	151,485	445
Retainages	0	61,307	61,307	0
Interest	5,069	0	5,069	0
Compensated absences	91,713	57,874	149,587	0
Accrued payroll liabilities	3,269	2,048	5,317	0
Unearned revenue	3,360	15,994	19,354	0
Capital lease payable	21,247	0	21,247	0
Other liabilities	3,080	3,902	6,982	88
Liabilities payable from restricted assets				
Customer deposits payable	0	39,528	39,528	0
Revenue bonds payable	0	43,691	43,691	0
Interest payable	0	2,896	2,896	0
Total current liabilities	175,210	331,253	506,463	533

See accompanying notes to the financial statements.

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

	Primary Government			Component Unit
	Governmental	Business-type		Downtown
	Activities	Activities	Total	Development
				Authority
Noncurrent liabilities				
Capital leases payable	\$ 120,037	\$ 0	\$ 120,037	\$ 0
Revenue bonds payable	0	2,181,390	2,181,390	0
Total noncurrent liabilities	120,037	2,181,390	2,301,427	0
Total liabilities	295,247	2,512,643	2,807,890	533
NET ASSETS				
Invested in capital assets, net of related debt	4,034,498	8,092,096	12,126,594	144,494
Restricted for:				
Public Safety	149	0	149	0
Housing and Development	561,205	0	561,205	0
Debt service	0	101,655	101,655	0
Unrestricted	3,117,138	1,055,771	4,172,909	22,578
Total net assets	\$ 7,712,990	\$ 9,249,522	\$ 16,962,512	\$ 167,072

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General Government	\$ 421,885	\$ 26,180	\$ 0	\$ 0	\$ (395,705)
Judicial	8,272	0	0	0	(8,272)
Public Safety	1,266,538	139,513	32,017	12,101	(1,082,907)
Public Works	420,537	0	0	70,701	(349,836)
Culture and Recreation	186,908	0	5,455	38,489	(142,964)
Housing and Development	218,973	4,731	0	0	(214,242)
Interest on long-term debt	5,897	0	0	0	(5,897)
Total governmental activities	2,529,010	170,424	37,472	121,291	(2,199,823)
Business-type activities					
Water and Sewer	1,982,460	2,187,363	0	361,730	566,633
Solid Waste	340,267	303,398	0	0	(36,869)
Total business-type activities	2,322,727	2,490,761	0	361,730	529,764
Total primary government	4,851,737	2,661,185	37,472	483,021	(1,670,059)
Component Unit					
Downtown Development Authority					
Housing and Development	33,587	410	3,690	0	(29,487)
Change in net assets					
Net (expense) revenue	\$ (2,199,823)	\$ 529,764	\$ (1,670,059)	\$ (29,487)	
General revenues					
Taxes					
Property	804,587	0	804,587	0	
Sales	441,246	0	441,246	0	
Franchise	275,447	0	275,447	0	
Insurance premium	101,125	0	101,125	0	
Intangibles	7,150	0	7,150	0	
Alcoholic beverage	126,424	0	126,424	0	
Hotel/Motel	113,455	0	113,455	0	
Occupational	52,690	0	52,690	0	
Payments from City of Lavonia	0	0	0	10,000	
Interest and investment earnings	25,081	4,572	29,653	0	
Miscellaneous	23,793	34,714	58,507	8,449	
Transfers	(41,418)	41,418	0	0	
Total general revenues and transfers	1,929,580	80,704	2,010,284	18,449	
Change in net assets	(270,243)	610,468	340,225	(11,038)	
Net assets - beginning	7,983,233	8,639,054	16,622,287	178,110	
Net assets - ending	\$ 7,712,990	\$ 9,249,522	\$ 16,962,512	\$ 167,072	

See accompanying notes to the financial statements.

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 414,679	\$ 323,577	\$ 738,256
Certificates of deposit	1,300,000	0	1,300,000
Receivables (net)			
Accounts	4,631	250	4,881
Taxes	366,100	15,882	381,982
Intergovernmental	10,521	0	10,521
Interest	11,362	0	11,362
Notes	0	326,230	326,230
Prepaid items	20,896	1,000	21,896
Property held for resale	1,054,027	0	1,054,027
Due from other funds	36,486	0	36,486
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 3,218,702</u></u>	<u><u>\$ 666,939</u></u>	<u><u>\$ 3,885,641</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 40,863	\$ 6,609	\$ 47,472
Accrued payroll liabilities	3,269	0	3,269
Deferred revenue	41,311	0	41,311
Due to other funds	16,700	36,486	53,186
Other liabilities	2,815	265	3,080
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>104,958</u>	<u>43,360</u>	<u>148,318</u>
Fund balances			
Nonspendable prepaid items	20,896	1,000	21,896
Restricted for:			
Public Safety	0	149	149
Housing and Development	0	561,205	561,205
Assigned for budget	145,000	80,558	225,558
Unassigned	2,947,848	(19,333)	2,928,515
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,113,744</u>	<u>623,579</u>	<u>3,737,323</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 3,218,702</u></u>	<u><u>\$ 666,939</u></u>	<u><u>\$ 3,885,641</u></u>

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
December 31, 2011

Total fund balance - total governmental funds	\$	3,737,323
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Amounts reported for governmental activities in the statement of net assets are different because:

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets, net of accumulated depreciation		4,175,782
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Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds.

These are:

Property taxes		37,951
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Capital leases	(141,284)		
Interest payable	(5,069)		
Compensated absences	(91,713)		
		(238,066)	

Net assets of governmental activities	\$	<u>7,712,990</u>
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See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES			
Taxes	\$ 1,826,164	\$ 113,455	\$ 1,939,619
Licenses and permits	17,656	0	17,656
Fines, fees and forfeitures	127,227	11,032	138,259
Charges for services	14,510	0	14,510
Intergovernmental	45,876	109,190	155,066
Interest	14,819	10,262	25,081
Contributions	3,697	0	3,697
Other	11,034	4,830	15,864
Total revenues	<u>2,060,983</u>	<u>248,769</u>	<u>2,309,752</u>
EXPENDITURES			
Current			
General Government	405,776	0	405,776
Judicial	8,272	0	8,272
Public Safety	1,034,223	10,094	1,044,317
Public Works	373,377	0	373,377
Culture and Recreation	79,698	0	79,698
Housing and Development	120,154	113,013	233,167
Debt service	27,039	0	27,039
Capital outlay	0	128,523	128,523
Total expenditures	<u>2,048,539</u>	<u>251,630</u>	<u>2,300,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,444</u>	<u>(2,861)</u>	<u>9,583</u>
Other financing sources (uses)			
Transfers out	(41,418)	0	(41,418)
Proceeds from sales of assets	7,928	0	7,928
Total other financing sources (uses)	<u>(33,490)</u>	<u>0</u>	<u>(33,490)</u>
Net change in fund balance	(21,046)	(2,861)	(23,907)
Fund balances, January 1	<u>3,134,790</u>	<u>626,440</u>	<u>3,761,230</u>
Fund balances, December 31	<u><u>\$ 3,113,744</u></u>	<u><u>\$ 623,579</u></u>	<u><u>\$ 3,737,323</u></u>

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2011

Net change in fund balances - total governmental funds **\$ (23,907)**

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 those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	122,119	
Depreciation	(357,515)	(235,396)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable deferred revenue. (17,495)

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt principal repayments	20,410	
Debt proceeds	0	20,410

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Interest payable	732	
Compensated absences	(14,587)	(13,855)

Change in net assets of governmental activities		\$ (270,243)
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CITY OF LAVONIA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2011

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,810,200	\$ 1,810,200	\$ 1,826,164	\$ 15,964
Licenses and permits	32,500	33,100	17,656	(15,444)
Fines, fees and forfeitures	135,000	135,000	127,227	(7,773)
Charges for services	16,400	9,800	14,510	4,710
Intergovernmental	50,500	50,500	45,876	(4,624)
Interest	26,000	26,000	14,819	(11,181)
Contributions	2,000	2,000	3,697	1,697
Other	11,500	17,500	11,034	(6,466)
Total revenues	<u>2,084,100</u>	<u>2,084,100</u>	<u>2,060,983</u>	<u>(23,117)</u>
EXPENDITURES				
Current				
General Government				
Governing Body	93,363	75,913	75,277	636
Financial Administration	335,325	331,710	330,499	1,211
Judicial				
Municipal Court	9,000	8,300	8,272	28
Public Safety				
Police Department	934,875	960,597	960,510	87
Fire Department	66,035	70,565	70,621	(56)
Communications	4,300	3,100	3,092	8
Public Works				
Highways and Streets	245,573	266,223	266,173	50
Maintenance Shop	51,632	48,282	48,241	41
Cemetery	2,000	300	297	3
Detention Services	48,100	58,690	58,666	24
Culture and Recreation				
Parks and Recreation	59,106	57,728	55,823	1,905
Community Center	10,700	5,630	5,629	1
Library	18,100	18,250	18,246	4
Housing and Development				
Inspections	100,922	85,372	85,353	19
Welcome Center	0	100	100	0
Better Home Towns	42,040	34,740	34,701	39
Debt service				
Public Safety				
Fire Department	27,100	27,100	27,039	61
Total expenditures	<u>2,048,171</u>	<u>2,052,600</u>	<u>2,048,539</u>	<u>4,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,929</u>	<u>31,500</u>	<u>12,444</u>	<u>(19,056)</u>

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2011

	Budget			Variance with
	Original	Final	Actual	Final Budget
Other financing sources (uses)				
Transfers in (out)				
Transfers out	\$ (30,000)	\$ (41,500)	\$ (41,418)	\$ 82
Proceeds from sales of assets	10,000	10,000	7,928	(2,072)
Contingency	(15,929)	0	0	0
Total other financing sources (uses)	(35,929)	(31,500)	(33,490)	(1,990)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(21,046)	(21,046)
Fund balances, January 1	0	0	3,134,790	3,134,790
Fund balances, December 31	\$ 0	\$ 0	\$ 3,113,744	\$ 3,113,744

See accompanying notes to the financial statements.

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

	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 144,750	\$ 0	\$ 144,750
Certificates of deposit	400,000	0	400,000
Restricted assets			
Cash and cash equivalents	144,079	0	144,079
Receivables (net)			
Accounts	255,784	36,718	292,502
Intergovernmental	357,324	0	357,324
Interest	3,689	0	3,689
Inventory	71,105	0	71,105
Prepaid items	14,497	342	14,839
Due from other funds	21,046	0	21,046
	<hr/>	<hr/>	<hr/>
Total current assets	1,412,274	37,060	1,449,334
Noncurrent assets			
Capital assets			
Non-depreciable	1,093,547	0	1,093,547
Depreciable (net)	9,223,630	0	9,223,630
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	10,317,177	0	10,317,177
	<hr/>	<hr/>	<hr/>
Total assets	11,729,451	37,060	11,766,511
LIABILITIES			
Current liabilities			
Accounts payable	77,328	26,685	104,013
Accrued salaries	1,944	104	2,048
Compensated absences	57,773	101	57,874
Unearned revenue	14,716	1,278	15,994
Due to other funds	0	4,346	4,346
Retainages payable	61,307	0	61,307
Other liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits payable	39,528	0	39,528
Revenue bonds payable	43,691	0	43,691
Interest payable	2,896	0	2,896
	<hr/>	<hr/>	<hr/>
Total current liabilities	303,085	32,514	335,599
Noncurrent liabilities			
Revenue bonds payable	2,181,390	0	2,181,390
	<hr/>	<hr/>	<hr/>
Total liabilities	2,484,475	32,514	2,516,989
NET ASSETS			
Invested in capital assets, net of related debt	8,092,096	0	8,092,096
Restricted for debt service	101,655	0	101,655
Unrestricted	1,051,225	4,546	1,055,771
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 9,244,976	\$ 4,546	\$ 9,249,522
	<hr/>	<hr/>	<hr/>

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended December 31, 2011

	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 2,187,363	\$ 303,395	\$ 2,490,758
Other	22,016	0	22,016
Total operating revenues	2,209,379	303,395	2,512,774
OPERATING EXPENSES			
Costs of sales and services	767,051	307,216	1,074,267
Personal services	688,096	33,051	721,147
Depreciation	420,673	0	420,673
Total operating expenses	1,875,820	340,267	2,216,087
Operating income (loss)	333,559	(36,872)	296,687
Non-operating revenues (expenses)			
Interest revenue	4,573	0	4,573
Interest expense	(106,640)	0	(106,640)
Gain (loss) on sale of capital assets	12,700	0	12,700
Total non-operating revenues (expenses)	(89,367)	0	(89,367)
Income (loss) before capital contributions and transfers	244,192	(36,872)	207,320
Capital contributions			
Capital contributions	361,730	0	361,730
Income (loss) before transfers	605,922	(36,872)	569,050
Transfers in (out)			
Transfers in	0	41,418	41,418
Change in net assets	605,922	4,546	610,468
Net assets, January 1	8,639,054	0	8,639,054
Net assets, December 31	\$ 9,244,976	\$ 4,546	\$ 9,249,522

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2011

	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 2,172,441	\$ 304,434	\$ 2,476,875
Payments to suppliers	(764,333)	(312,728)	(1,077,061)
Payments to employees	(682,615)	(33,124)	(715,739)
Other receipts	22,016	0	22,016
Net cash provided (used) by operating activities	747,509	(41,418)	706,091
Cash flows from non-capital financing activities:			
Receipts from other funds	0	41,418	41,418
Payments to other funds	(12,055)	0	(12,055)
Net cash provided (used) by non-capital financing activities	(12,055)	41,418	29,363
Cash flows from capital and related financing activities:			
Receipt of capital contributions	4,406	0	4,406
Proceeds from sale of capital assets	12,700	0	12,700
Payments for acquisitions of capital assets	(575,281)	0	(575,281)
Payment of capital related accounts payable	(7,744)	0	(7,744)
Principal payments - revenue bonds	(41,708)	0	(41,708)
Interest paid	(106,768)	0	(106,768)
Net cash provided (used) by capital and related financing activities	(714,395)	0	(714,395)
Cash flows from investing activities:			
Proceeds from sale of certificates of deposit	300,000	0	300,000
Purchase of certificates of deposit	(400,000)	0	(400,000)
Interest received	6,060	0	6,060
Net cash provided (used) by investing activities	(93,940)	0	(93,940)
Net increase (decrease) in cash and cash equivalents	(72,881)	0	(72,881)
Cash and cash equivalents, January 1	361,710	0	361,710
Cash and cash equivalents, December 31	\$ 288,829	\$ 0	\$ 288,829

See accompanying notes to the financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2011

	Water and Sewer	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:			
Operating income (loss)	\$ 333,559	\$ (36,872)	\$ 296,687
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	420,673	0	420,673
(Increase) decrease in accounts receivable	(17,973)	486	(17,487)
(Increase) decrease in inventory	7,100	0	7,100
(Increase) decrease in prepaid items	(7,153)	(254)	(7,407)
Increase (decrease) in accounts payable	2,771	(5,261)	(2,490)
Increase (decrease) in unearned revenue	2,113	556	2,669
Increase (decrease) in payroll liabilities	5,481	(73)	5,408
Increase (decrease) in deposits payable	938	0	938
Total adjustments	413,950	(4,546)	409,404
Net cash provided (used) by operating activities	\$ 747,509	\$ (41,418)	\$ 706,091
Cash and cash equivalents reconciliation:			
Cash and cash equivalents	\$ 144,750	\$ 0	\$ 144,750
Restricted assets			
Cash and cash equivalents	144,079	0	144,079
Total cash and cash equivalents	\$ 288,829	\$ 0	\$ 288,829

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$110,034 for the year ended December 31, 2011.

CITY OF LAVONIA, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	<u>Municipal Court Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,127
Accounts receivable (net)	<u>90,181</u>
Total assets	<u>92,308</u>
LIABILITIES	
Due to other agencies	<u>\$ 92,308</u>

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

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

1. Description of Government Unit

The City of Lavonia incorporated under the laws of the State of Georgia in 1964. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, culture and recreation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member council.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the City of Lavonia, Georgia, 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 more significant accounting policies established in GAAP and used by the City are discussed below.

B. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Lavonia (the primary government) and material component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, the financial statements of the following component unit have been included as discretely presented component unit.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Lavonia Downtown Development Authority

The City of Lavonia Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The Authority consists of seven members appointed by the City Council and an executive director. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Lavonia. In many respects, the Authority functions similar to a City department through regular participation in department director meetings, budget approval, accounting, payroll, etc.

The City of Lavonia Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the sections labeled "Component Unit" (See Exhibit H). The City of Lavonia Downtown Development Authority has a December 31st year-end. Individual financial statements may be obtained by contacting the City of Lavonia Downtown Development Authority, PO Box 564, Lavonia, GA 30553-0564.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements, continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets, as well as infrastructure assets reported since 2003, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The types of transaction reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements and Permanent funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental Fund Financial Statements (continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. The City considers property taxes as available in the period for which they were levied if they are collected within 60 days subsequent to year-end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenue.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Lavonia.

Solid Waste Fund – This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Lavonia.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Capital Projects Fund – This fund type is used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by the proprietary or fiduciary funds).

Fiduciary Fund Types

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has an agency fund to account for the activity of the Municipal Court.

Component Unit

The Lavonia Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, are generally followed in the governmental and business-type activities and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option for following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. 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 for enterprise funds and internal services funds 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.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. The Capital Projects Fund is budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of November, the City Manager submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31, 2011.

F. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

G. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

H. Inventories

Inventories of the Water and Sewer Fund are valued at cost on the first-in, first-out method.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Lavonia, retroactive reporting of infrastructure assets was not required.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

J. Capital Assets, continued

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life	Capitalization
	in Years	Threshold
Buildings	40	\$ 2,000
Distribution systems	40	\$ 10,000
Roads – per lane mile	40	\$ 50,000
Bridges and culverts	40	\$ 20,000
Machinery and equipment	10	\$ 2,000
Vehicles	5	\$ 2,000
Furniture and fixtures	5	\$ 2,000
Land improvements	15	\$ 2,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

K. Restricted Assets and Restricted Net Assets

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net assets are equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

L. Fund Balances – Governmental Funds

The City of Lavonia implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2011, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Lavonia's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

L. Fund Balances – Governmental Funds, continued

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

M. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

N. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

2. Summary of Significant Accounting Policies (continued)

N. Long-Term Obligations, continued

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

O. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

P. Reservations and Designations of Fund Balances

Reservations represent the portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent the portions of fund balance for which the government has made tentative plans.

Q. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2011, the City had no uninsured, uncollateralized deposits.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

4. Accounts Receivable

Net accounts receivable at December 31, 2011 consist of the following:

Major Funds			
General Fund		\$	4,631
Enterprise Funds			
Water and Sewer	\$	514,403	
Less: Allowances for Uncollectibles		(258,619)	
Solid Waste		82,682	
Less: Allowances for Uncollectibles		<u>(45,964)</u>	292,502
Nonmajor Funds			
Hotel/Motel Tax Special Revenue Fund			<u>250</u>
Total Primary Government		\$	<u><u>297,383</u></u>
Fiduciary Funds			
Agency Fund			
Municipal Court Agency Fund	\$	200,361	
Less: Allowance for Uncollectibles		<u>(110,180)</u>	<u><u>\$ 90,181</u></u>

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2011 consist of the following:

Major Funds		
General Fund		
Franklin County Board of Commissioners	\$	10,521
Water and Sewer Enterprise Fund		
US Department of Commerce		
Economic Development Administration		<u>357,324</u>
Total Primary Government	\$	<u><u>367,845</u></u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2011 consist of property taxes for seven years as follows:

Year of Levy	Amount
2011	\$ 65,202
2010	11,583
2009	312
2008	35
2007	0
2006	0
2005	12,021
	<hr/> 89,153
Less allowance for uncollectible	(15,214)
	<hr/> 73,939
Add amount due from Franklin County Tax Commissioner	4,462
Total	<hr/> <u>\$ 78,401</u>

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2010, based upon the assessments of January 1, 2011, were billed on August 16, 2011, and due on November 15, 2011. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mils for 2011 was levied on August 1, 2011.

Other Taxes

\$248,874 of franchise taxes, \$38,824 of sales taxes, and \$15,883 of hotel/motel taxes are also included in taxes receivable.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2011 is as follows:

	Due from:		
	Major Funds		
	General	Solid Waste	Nonmajor Governmental
Due to:			
Major Funds			
General	\$ 0	\$ 0	\$ 36,486
Water and Sewer	16,700	4,346	0
Total	\$ 16,700	\$ 4,346	\$ 36,486
			\$ 57,532

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made. The balance reported in the Water and Sewer Fund and the Solid Waste Fund resulted from transactions to alleviate an equity in pooled cash deficit at year-end.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

A summary of interfund transfers is as follows:

	Transfers out:
	Major Funds
	General
Transfers in:	
Major Funds	
Solid Waste	\$ 41,418

Interfund transfers were used to transfer unrestricted revenues from the General Fund to the Solid Waste Fund to subsidize operations in accordance with budgetary authorizations.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2011 was as follows:

	Balance 12/31/2010	Increases	Decreases	Balance 12/31/2011
Governmental activities				
Non-depreciable assets				
Land	\$ 493,811	\$ 0	\$ 0	\$ 493,811
Depreciable assets				
Buildings	4,391,589	0	0	4,391,589
Infrastructure	1,123,686	71,080	0	1,194,766
Vehicles	1,759,381	47,589	(137,368)	1,669,602
Machinery and equipment	667,379	0	0	667,379
Furniture and fixtures	138,927	3,450	0	142,377
Total depreciable assets	8,080,962	122,119	(137,368)	8,065,713
Accumulated depreciation				
Buildings	(1,534,069)	(85,798)	0	(1,619,867)
Infrastructure	(599,098)	(69,847)	0	(668,945)
Vehicles	(1,429,309)	(151,073)	137,368	(1,443,014)
Machinery and equipment	(496,851)	(36,608)	0	(533,459)
Furniture and fixtures	(104,268)	(14,189)	0	(118,457)
Total accumulated depreciation	(4,163,595)	(357,515)	137,368	(4,383,742)
Total depreciable assets, net	3,917,367	(235,396)	0	3,681,971
Governmental activities capital assets, net	<u>\$ 4,411,178</u>	<u>\$ (235,396)</u>	<u>\$ 0</u>	<u>\$ 4,175,782</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 413,072	\$ 0	\$ 0	\$ 413,072
Construction in progress	70,011	610,464	0	680,475
Total non-depreciable assets	483,083	610,464	0	1,093,547
Depreciable assets				
Buildings	177,559	0	0	177,559
Land improvements	3,800	0	0	3,800
Distribution system	14,321,008	0	(5,335)	14,315,673
Vehicles	267,699	69,281	(59,150)	277,830
Machinery and equipment	294,369	5,570	0	299,939
Furniture and fixtures	71,012	0	0	71,012
Total depreciable assets	15,135,447	74,851	(64,485)	15,145,813
Accumulated depreciation				
Buildings	(48,801)	(5,329)	0	(54,130)
Land improvements	(190)	(760)	0	(950)
Distribution system	(5,025,306)	(359,350)	5,335	(5,379,321)
Vehicles	(238,770)	(21,422)	59,150	(201,042)
Machinery and equipment	(204,342)	(20,010)	0	(224,352)
Furniture and fixtures	(48,586)	(13,802)	0	(62,388)
Total accumulated depreciation	(5,565,995)	(420,673)	64,485	(5,922,183)
Total depreciable assets, net	9,569,452	(345,822)	0	9,223,630
Business-type activities capital assets, net	<u>\$ 10,052,535</u>	<u>\$ 264,642</u>	<u>\$ 0</u>	<u>\$ 10,317,177</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2011 was as follows:

	Balance 12/31/2010	Increases	Decreases	Balance 12/31/2011
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Depreciable assets				
Buildings	100,751	0	0	100,751
Land improvements	22,533	0	0	22,533
Intangibles	2,496	0	0	2,496
Furniture and fixtures	2,174	0	0	2,174
Total depreciable assets	127,954	0	0	127,954
Less accumulated depreciation				
Buildings	(8,396)	(2,519)	0	(10,915)
Land improvements	(8,411)	(1,502)	0	(9,913)
Intangibles	(208)	(250)	0	(458)
Furniture and fixtures	(2,174)	0	0	(2,174)
Total accumulated depreciation	(19,189)	(4,271)	0	(23,460)
Total depreciable assets, net	108,765	(4,271)	0	104,494
Downtown Development Authority Component Unit capital assets, net	<u>\$ 148,765</u>	<u>\$ (4,271)</u>	<u>\$ 0</u>	<u>\$ 144,494</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 12,857
Public Safety	201,981
Public Works	34,034
Culture and Recreation	105,691
Housing and Development	2,952
Total depreciation expense for governmental activities	<u>\$ 357,515</u>

Business-type activities

Water and Sewer	<u>\$ 420,673</u>
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Component Unit

Downtown Development Authority	<u>\$ 4,271</u>
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CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

9. Capital and Operating Lease Agreements

The City has entered into an agreement for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balance of this lease at December 31, 2011 is \$141,284 for governmental activities.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2011:

Year Ending December 31,	Governmental activities
2012	\$ 27,039
2013	27,039
2014	27,039
2015	27,039
2016	27,039
2017	27,039
Total minimum lease payments	162,234
Less amounts representing interest	(20,950)
Present value of minimum lease payments	\$ 141,284

Total assets leased under capital leases are \$224,818 for the governmental activities, respectively, and are classified as vehicles.

The City's lease agreements, other than such agreements described above, are relatively minor commitments (generally for office machines) and are in compliance with state law.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

10. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2011:

\$2,655,000 1997 Water and Sewerage Revenue Series Bonds due in monthly installments of \$12,373 through March 21, 2038; interest at 4.75% (\$2,225,081 outstanding), for the expansion of the water and sewer system in the City of Lavonia.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2012	\$ 43,691	\$ 104,785	\$ 148,476
2013	45,812	102,664	148,476
2014	48,036	100,440	148,476
2015	50,368	98,108	148,476
2016	52,813	95,663	148,476
2017-2021	305,107	437,273	742,380
2022-2026	386,718	355,662	742,380
2027-2031	490,157	252,223	742,380
2032-2036	621,265	121,115	742,380
2037-2038	181,114	5,947	187,061
Totals	<u>\$ 2,225,081</u>	<u>\$ 1,673,880</u>	<u>\$ 3,898,961</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

10. Long-Term Debt (continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2011:

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2010	Due Within One Year
Governmental activities					
Capital lease obligations	\$ 161,694	\$ 0	\$ 20,410	\$ 141,284	\$ 21,247
Compensated absences	77,126	91,713	77,126	91,713	91,713
Total governmental activities	<u>\$ 238,820</u>	<u>\$ 91,713</u>	<u>\$ 97,536</u>	<u>\$ 232,997</u>	<u>\$ 112,960</u>
Business-type activities					
Revenue bonds	\$ 2,266,789	\$ 0	\$ 41,708	\$ 2,225,081	\$ 43,691
Compensated absences	52,540	57,874	52,540	57,874	57,874
Total business-type activities	<u>\$ 2,319,329</u>	<u>\$ 57,874</u>	<u>\$ 94,248</u>	<u>\$ 2,282,955</u>	<u>\$ 101,565</u>

Revenue bond issue costs and discounts/premiums are amortized over the life of the related debt using the straight-line method. In prior years, capital lease obligations and compensated absences of the governmental activities were liquidated in the General Fund.

11. Conduit Debt

The City, through the Hospital Authority of the City of Lavonia, has issued revenue bonds to provide financial assistance to a private-sector entity for the acquisition and construction of the Ty Cobb Regional Medical Center. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loan. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City nor the State, or any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, the principal amount payable for the bonds issued totaled \$8,500,000; the original issue amount totaled \$8,500,000.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

12. Deficit Equity Balances

At December 31, 2011, the 2010 SPLOST Capital Projects Fund had a deficit fund balance of \$19,333. This is due to expenditures in anticipation of future revenues. The City plans to liquidate the deficit fund balance through future revenue recognition.

13. Pension Plan

Plan Description

The City of Lavonia is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), a defined benefit plan ("Plan"), which is a service of Georgia Municipal Association (GMA). GMEBS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipalities in Georgia. The City elected to participate in GMEBS as of March 1, 1979, as a result of City Ordinance and a contract between the City and GMA. The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 – Summary of Significant Accounting Policies for reporting of investments.

All City employees who work a minimum of twenty hours per week are eligible to participate in the Plan after completing one year of service. Mayor and Council are eligible immediately. Benefits vest after five years of service. Participants become eligible to retire with unreduced benefits at age 65 with five years of service. Mayor and Council are not subject to the five-year minimum service.

GMA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Georgia Municipal Association at 21 Pryor Street, SW, Atlanta, Georgia 30303.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

13. Pension Plan (continued)

Plan Description, continued

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 1.0% of the employee's average salary up to a floating break point and 1.75% of the employee's average salary above the floating break point for the five highest years of employment multiplied by the years of credited service. The floating break point is based upon average Social Security earnings determined by the employee's year of employment termination. The plan also provides benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the City Council.

Vested employees who have reached age 55 with at least ten years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	20
Terminated vested participants entitled to but not yet receiving benefits	16
Active participants	<u>43</u>
Total number of participants	<u><u>79</u></u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

13. Pension Plan (continued)

Funding Policy

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The rate for 2011 is 9.56% of annual covered payroll. The Plan is a noncontributory participant plan. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of GASB Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period at July 1, 2011 varies for the bases. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual Pension Cost

For 2011, the City's annual pension cost of \$134,681 was equal to the City's recommended and actual contributions. The minimum contribution under the Public Retirement Systems Standards Law (OCGA 47-20-10) was \$125,787. The recommended contribution was computed as part of an actuarial valuation as of July 1, 2010. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases ranging from 6.0 to 4.0 percent per year compounded annually (a range of 2.5 to 0.5 percent and 3.5 percent attributable to inflation and merit, respectively), (c) no post-retirement benefit increases. Changes in recommended contributions are effective beginning January 1 following the July 1 valuation.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

13. Pension Plan (continued)

Historical Trend Information

Historical trend information for annual pension cost and funding progress is as follows:

Schedule of Employer Contributions

Plan Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2006	\$ 91,318	100%	0
12/31/2007	105,755	100%	0
12/31/2008	111,393	100%	0
12/31/2009	143,270	100%	0
12/31/2010	163,340	100%	0
12/31/2011	134,681	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Funded) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/1/2006	\$ 1,249,482	\$ 1,195,046	(54,436)	104.56%	\$ 919,493	(5.92)%
3/1/2007	1,368,242	1,380,195	11,953	99.13%	1,100,769	1.09%
3/1/2008	1,506,009	1,551,014	45,005	97.10%	1,140,547	3.95%
3/1/2009	1,299,626	1,681,845	382,219	77.27%	1,378,063	27.74%
7/1/2010	1,815,879	1,918,433	102,554	94.65%	1,385,259	7.40%
7/1/2011	2,023,906	2,091,249	67,343	96.78%	1,278,920	5.27%

Additional ten year historical trend information can be found in separate reports issued by GMA, which provides information about progress made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets is calculated as the roll forward of prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during 10 prior years

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

14. Post Employment Life Insurance Benefits

In addition to providing pension benefits, the City provides, through passage of local ordinance, certain life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City and do not seek employment after retirement from the City. The City's share of retiree life insurance benefits is recognized as an expenditure as premiums are paid. As of December 31, 2011, there were 10 retirees eligible for and receiving the benefits. For 2011, the cost of providing these benefits totaled \$382.

The City has elected not to adopt the provisions of GASB Statement No. 45. Any unrecorded liability for other post employment benefits would be immaterial to the financial statements.

15. Hotel/Motel Lodging Tax

The City has levied a 5% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(3). The City is required to spend an amount equal to the amount by which the total taxes collected under the Code section exceed the taxes which would be collected at a rate of 3 percent for the purpose of promoting tourism, conventions, and trade shows. A summary of the transactions for the year ending December 31, 2011, follows:

Lodging tax receipts	\$113,455
Disbursements to promote tourism, conventions, and trade shows	\$111,334 98% of tax receipts

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

16. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. During its year ended December 31, 2011, the City paid \$2,274 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

The City of Lavonia has entered into an intergovernmental agreement with the Joint Development Authority of Hart, Franklin, and Stephens Counties, Georgia, to provide sewer services to the occupants of the Gateway Business Park, an industrial park development located jointly in Hart and Franklin Counties. During 2011, the City recognized no expenditures for this joint venture. Separate financial statements may be obtained from Joint Development Authority of Hart, Franklin, and Stephens Counties, Georgia, PO Box 793, Hartwell, GA 30643.

17. Related Organizations

The Housing Authority of the City of Lavonia is considered a related organization to the City of Lavonia. The City appoints members to the Authority, but does not have the ability to impose its will or create a financial benefit or burden for the Authority. The Authority provides low-income housing for the individuals in the City of Lavonia. The City received \$13,047 as payment-in-lieu-of-taxes for 2011. Separate financial statements may be obtained from Housing Authority of the City of Lavonia, PO Box 453, Lavonia, GA 30553.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

18. Risk Management

Material estimates have been made by management about the life of depreciated fixed assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation 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 City 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 descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member 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.

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2011, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

19. Commitments and Contingencies

Commitments

The City has active construction projects as of December 31, 2011. At year-end, the City's commitments with contractors are as follows:

Projects	Amount Expended To Date	Remaining Commitment
Water and sewer distribution system improvements	<u>\$ 680,475</u>	<u>\$ 1,029,132</u>

Contingencies

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of these lawsuits is not presently determinable.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF LAVONIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue		
	Confiscated Assets	Hotel/Motel Tax	Revolving Loan
ASSETS			
Cash and cash equivalents	\$ 4,089	\$ 84,513	\$ 234,975
Receivables			
Accounts	0	250	0
Taxes	0	15,882	0
Prepaid items	0	1,000	0
Notes receivable	0	0	326,230
Total assets	\$ 4,089	\$ 101,645	\$ 561,205
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 0	\$ 6,609	\$ 0
Other liabilities	140	125	0
Due to other funds	0	17,153	0
Total liabilities	140	23,887	0
Fund balances			
Nonspendable prepaid items	0	1,000	0
Restricted for:			
Public Safety	149	0	
Housing and Development	0	0	561,205
Assigned for:			
Budget	3,800	76,758	0
Unassigned	0	0	0
Total fund balances	3,949	77,758	561,205
Total liabilities and fund balances	\$ 4,089	\$ 101,645	\$ 561,205

Capital Projects		Total Nonmajor Governmental Funds
2004 SPLOST	2010 SPLOST	
\$ 0	\$ 0	\$ 323,577
0	0	250
0	0	15,882
0	0	1,000
0	0	326,230
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 666,939</u>
\$ 0	\$ 0	\$ 6,609
0	0	265
0	19,333	36,486
<u>0</u>	<u>19,333</u>	<u>43,360</u>
0	0	1,000
0	0	149
0	0	561,205
0	0	80,558
0	(19,333)	(19,333)
<u>0</u>	<u>(19,333)</u>	<u>623,579</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 666,939</u>

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2011

	Special Revenue		
	Confiscated Assets	Hotel/Motel Tax	Revolving Loan
REVENUES			
Taxes	\$ 0	\$ 113,455	\$ 0
Fees, fines, and forfeitures	11,032	0	0
Intergovernmental	0	0	0
Interest	0	44	10,218
Other	0	4,830	0
Total revenues	11,032	118,329	10,218
EXPENDITURES			
Current			
Public Safety	10,094	0	0
Housing and Development	0	111,334	1,679
Capital outlay	0	0	0
Total expenditures	10,094	111,334	1,679
Excess (deficiency) of revenues over (under) expenditures	938	6,995	8,539
Fund balances, January 1	3,011	70,763	552,666
Fund balances, December 31	\$ 3,949	\$ 77,758	\$ 561,205

Capital Projects		Total Nonmajor Governmental Funds
2004 SPLOST	2010 SPLOST	
\$ 0	\$ 0	\$ 113,455
0	0	11,032
109,190	0	109,190
0	0	10,262
0	0	4,830
109,190	0	248,769
0	0	10,094
0	0	113,013
109,190	19,333	128,523
109,190	19,333	251,630
0	(19,333)	(2,861)
0	0	626,440
\$ 0	\$ (19,333)	\$ 623,579

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GENERAL FUND

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

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 414,679	\$ 883,130
Certificates of deposit	1,300,000	900,000
Receivables (net)		
Accounts	4,631	0
Taxes	366,100	374,993
Intergovernmental	10,521	4,046
Interest	11,362	13,979
Prepaid items	20,896	13,153
Property held for resale	1,054,027	1,052,980
Due from other funds	36,486	0
	<u>3,218,702</u>	<u>3,242,281</u>
Total assets	<u><u>\$ 3,218,702</u></u>	<u><u>\$ 3,242,281</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 40,863	\$ 33,329
Accrued payroll liabilities	3,269	3,483
Deferred revenue	41,311	58,922
Due to other funds	16,700	8,942
Other liabilities	2,815	2,815
	<u>104,958</u>	<u>107,491</u>
Total liabilities	<u>104,958</u>	<u>107,491</u>
Fund balances		
Nonspendable prepaid items	20,896	13,153
Assigned for budget	145,000	50,000
Unassigned	2,947,848	3,071,637
	<u>3,113,744</u>	<u>3,134,790</u>
Total fund balances	<u>3,113,744</u>	<u>3,134,790</u>
Total liabilities and fund balances	<u><u>\$ 3,218,702</u></u>	<u><u>\$ 3,242,281</u></u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2011 and 2010

	2011	2010
REVENUES		
Taxes	\$ 1,826,164	\$ 1,822,309
Licenses and permits	17,656	35,557
Fines, fees and forfeitures	127,227	140,128
Charges for services	14,510	10,165
Intergovernmental	45,876	75,431
Interest	14,819	23,965
Contributions	3,697	3,798
Other	11,034	18,038
Total revenues	2,060,983	2,129,391
EXPENDITURES		
Current		
General Government	405,776	418,029
Judicial	8,272	7,878
Public Safety	1,034,223	1,061,229
Public Works	373,377	363,908
Culture and Recreation	79,698	84,722
Housing and Development	120,154	141,438
Debt service	27,039	37,964
Total expenditures	2,048,539	2,115,168
Excess (deficiency) of revenues over (under) expenditures	12,444	14,223
Other financing sources (uses)		
Transfers in (out)		
2004 SPLOST Capital Projects Fund	0	(27,639)
Solid Waste Enterprise Fund	(41,418)	(31,616)
Proceeds from the sale of capital assets	7,928	14,730
Total other financing sources (uses)	(33,490)	(44,525)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(21,046)	(30,302)
Fund balances, January 1	3,134,790	3,165,092
Fund balances, December 31	\$ 3,113,744	\$ 3,134,790

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 801,200	\$ 787,984	\$ (13,216)	\$ 833,915
Motor vehicle tax	32,000	34,098	2,098	33,832
Cost, penalties, and interest	3,000	0	(3,000)	0
Total general property taxes	836,200	822,082	(14,118)	867,747
Local option sales tax	420,000	441,246	21,246	395,274
Intangible tax	14,000	7,150	(6,850)	13,484
Franchise tax	255,000	275,447	20,447	250,655
Insurance premium tax	100,000	101,125	1,125	98,351
Alcoholic beverage excise tax	135,000	126,424	(8,576)	132,681
Occupational tax	50,000	52,690	2,690	64,117
Total taxes	1,810,200	1,826,164	15,964	1,822,309
Licenses and Permits				
Alcohol licenses	28,000	12,925	(15,075)	29,600
Building permits	3,600	2,920	(680)	4,505
Sign permits	1,500	1,811	311	1,452
Total licenses and permits	33,100	17,656	(15,444)	35,557
Fines, fees and forfeitures	135,000	127,227	(7,773)	140,128
Charges for Services				
Fire protection	1,000	1,170	170	980
Recreation	5,000	3,310	(1,690)	4,401
Cemetery	3,500	9,945	6,445	4,545
Other	300	85	(215)	239
Total charges for services	9,800	14,510	4,710	10,165
Intergovernmental				
Grants	11,000	18,217	7,217	37,165
Other	39,500	27,659	(11,841)	38,266
Total intergovernmental	50,500	45,876	(4,624)	75,431
Interest	26,000	14,819	(11,181)	23,965
Contributions	2,000	3,697	1,697	3,798
Other	17,500	11,034	(6,466)	18,038
Total revenues	<u>\$ 2,084,100</u>	<u>\$ 2,060,983</u>	<u>\$ (23,117)</u>	<u>\$ 2,129,391</u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 47,063	\$ 47,454	\$ (391)	\$ 61,791
Contract services	28,850	26,920	1,930	33,580
Supplies and materials	0	903	(903)	0
Total Governing Body	75,913	75,277	636	95,371
Financial Administration				
Personal services	170,575	170,177	398	167,976
Contract services	121,300	121,621	(321)	123,290
Supplies and materials	39,015	38,701	314	31,392
Capital outlay	820	0	820	0
Total Financial Administration	331,710	330,499	1,211	322,658
Total General Government	407,623	405,776	1,847	418,029
Judicial				
Municipal Court				
Personal services	100	100	0	0
Contract Services	8,200	8,172	28	7,878
Total Judicial	8,300	8,272	28	7,878
Public Safety				
Police Department				
Personal services	725,610	724,653	957	744,297
Contract services	127,500	128,267	(767)	107,341
Supplies and materials	29,300	47,730	(18,430)	38,038
Capital outlay	70,687	51,039	19,648	82,856
Payments to other agencies	7,500	8,821	(1,321)	14,457
Total Police Department	960,597	960,510	87	986,989
Fire Department				
Personal services	25,285	23,116	2,169	24,009
Contract services	24,080	22,344	1,736	21,161
Supplies and materials	6,200	25,161	(18,961)	26,241
Capital outlay	15,000	0	15,000	0
Total Fire Department	70,565	70,621	(56)	71,411
Communications				
Supplies and materials	3,100	3,092	8	2,829
Total Public Safety	1,034,262	1,034,223	39	1,061,229

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
Public Works				
Highways and Streets				
Personal services	\$ 137,273	\$ 136,435	\$ 838	\$ 139,532
Contract services	45,200	42,715	2,485	48,722
Supplies and materials	83,750	87,023	(3,273)	74,131
Total Highways and Streets	266,223	266,173	50	262,385
Maintenance Shop				
Personal services	37,107	36,390	717	37,145
Contract services	4,700	4,650	50	5,586
Supplies and materials	6,475	7,201	(726)	9,857
Total Maintenance Shop	48,282	48,241	41	52,588
Cemetery				
Supplies and materials	300	297	3	0
Detention Services				
Personal services	10,190	10,252	(62)	0
Contract services	45,000	45,136	(136)	45,270
Supplies and materials	3,500	3,278	222	3,665
Total Detention Services	58,690	58,666	24	48,935
Total Public Works	373,495	373,377	118	363,908
Culture and Recreation				
Parks and Recreation				
Personal services	35,906	34,713	1,193	35,795
Contract services	6,050	6,239	(189)	5,555
Supplies and materials	15,772	14,871	901	16,720
Total Parks and Recreation	57,728	55,823	1,905	58,070
Community Center				
Contract services	1,350	1,519	(169)	1,879
Supplies and materials	4,280	4,110	170	7,651
Total Community Center	5,630	5,629	1	9,530
Library				
Contract services	2,600	2,590	10	1,023
Supplies and materials	5,650	5,656	(6)	6,099
Payments to other agencies	10,000	10,000	0	10,000
Total Library	18,250	18,246	4	17,122
Total Culture and Recreation	81,608	79,698	1,910	84,722

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
Housing and Development				
Inspections				
Personal services	\$ 78,722	\$ 78,376	\$ 346	\$ 93,963
Contract services	5,400	4,928	472	5,278
Supplies and materials	1,250	2,049	(799)	1,399
Total Inspections	85,372	85,353	19	100,640
Welcome Center				
Contract services	100	100	0	0
Better Home Towns				
Personal services	30,340	28,706	1,634	37,901
Contract services	2,900	3,767	(867)	1,248
Supplies and materials	1,500	2,228	(728)	1,649
Total Better Home Towns	34,740	34,701	39	40,798
Total Housing and Development	120,212	120,154	58	141,438
Total current	2,025,500	2,021,500	4,000	2,077,204
Debt service				
General Government				
Financial Administration	0	0	0	10,925
Public Safety				
Fire Department	27,100	27,039	61	27,039
Total debt service	27,100	27,039	61	37,964
Total expenditures	\$ 2,052,600	\$ 2,048,539	\$ 4,061	\$ 2,115,168

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Confiscated Assets Fund - This fund is used to account for the cash received either from a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Lavonia.

Revolving Loan Fund – This fund is used to record activities connected with US Department of Housing and Urban Development Community Development Block Grant/Employment Incentive Program. The objective of the grant is to develop employment opportunities, principally to persons of low and moderate income.

CITY OF LAVONIA, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	<u>\$ 4,089</u>	<u>\$ 3,902</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 0	\$ 751
Other liabilities	<u>140</u>	<u>140</u>
Total liabilities	<u>140</u>	<u>891</u>
Fund balances		
Restricted for Public Safety	149	11
Assigned for budget	<u>3,800</u>	<u>3,000</u>
Total fund balances	<u>3,949</u>	<u>3,011</u>
Total liabilities and fund balances	<u>\$ 4,089</u>	<u>\$ 3,902</u>

CITY OF LAVONIA, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
REVENUES				
Fines, fees, and forfeitures	\$ 8,500	\$ 11,032	\$ 2,532	\$ 4,647
Total revenues	<u>8,500</u>	<u>11,032</u>	<u>2,532</u>	<u>4,647</u>
EXPENDITURES				
Current				
Public Safety				
Contract services	7,100	9,636	(2,536)	0
Supplies and materials	<u>3,000</u>	<u>458</u>	<u>2,542</u>	<u>3,324</u>
Total expenditures	<u>10,100</u>	<u>10,094</u>	<u>6</u>	<u>3,324</u>
Excess (deficiency) of revenues over (under) expenditures	(1,600)	938	2,538	1,323
Other financing sources (uses)				
Contingency	<u>(1,400)</u>	<u>0</u>	<u>1,400</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,000)	938	3,938	1,323
Fund balances, January 1	<u>3,000</u>	<u>3,011</u>	<u>11</u>	<u>1,688</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 3,949</u></u>	<u><u>\$ 3,949</u></u>	<u><u>\$ 3,011</u></u>

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 84,513	\$ 62,242
Receivables		
Accounts	250	0
Taxes	15,882	9,132
Intergovernmental	0	1,026
Prepaid items	1,000	403
Due from other funds	<u>0</u>	<u>4,297</u>
Total assets	<u><u>\$ 101,645</u></u>	<u><u>\$ 77,100</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 6,609	\$ 6,212
Other liabilities	125	125
Due to other funds	<u>17,153</u>	<u>0</u>
Total liabilities	<u>23,887</u>	<u>6,337</u>
Fund balances		
Nonspendable prepaid items	1,000	403
Assigned for:		
Budget	76,758	50,000
Housing and Development	<u>0</u>	<u>20,360</u>
Total fund balances	<u>77,758</u>	<u>70,763</u>
Total liabilities and fund balances	<u><u>\$ 101,645</u></u>	<u><u>\$ 77,100</u></u>

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	\$ 105,000	\$ 113,455	\$ 8,455	\$ 109,198
Intergovernmental	50,000	0	(50,000)	0
Interest	200	44	(156)	54
Other	500	4,830	4,330	3,450
Total revenues	155,700	118,329	(37,371)	112,702
EXPENDITURES				
Current				
Housing and Development				
Personal services	34,400	42,363	(7,963)	22,123
Contract services	13,300	14,564	(1,264)	13,396
Supplies and materials	20,900	26,357	(5,457)	22,155
Capital outlay	102,000	13,050	88,950	2,960
Payments to other agencies	15,000	15,000	0	10,000
Total expenditures	185,600	111,334	74,266	70,634
Excess (deficiency) of revenues over (under) expenditures	(29,900)	6,995	36,895	42,068
Other financing sources (uses)				
Transfers in (out)				
2004 SPLOST Fund	0	0	0	(19,880)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(29,900)	6,995	36,895	22,188
Fund balances, January 1	29,900	70,763	40,863	48,575
Fund balances, December 31	\$ 0	\$ 77,758	\$ 77,758	\$ 70,763

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 234,975	\$ 195,077
Notes receivable	<u>326,230</u>	<u>357,589</u>
Total assets	<u><u>\$ 561,205</u></u>	<u><u>\$ 552,666</u></u>
 LIABILITIES AND FUND BALANCES		
Fund balances		
Restricted for Housing and Development	<u><u>\$ 561,205</u></u>	<u><u>\$ 552,666</u></u>

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
REVENUES				
Interest	\$ 41,415	\$ 10,218	\$ (31,197)	\$ 11,478
Total revenues	<u>41,415</u>	<u>10,218</u>	<u>(31,197)</u>	<u>11,478</u>
EXPENDITURES				
Current				
Housing and Development				
Contract services	<u>2,000</u>	<u>1,679</u>	<u>321</u>	<u>1,956</u>
Total expenditures	<u>2,000</u>	<u>1,679</u>	<u>321</u>	<u>1,956</u>
Excess (deficiency) of revenues over (under) expenditures	39,415	8,539	(30,876)	9,522
Other financing sources (uses)				
Contingency	<u>(39,415)</u>	<u>0</u>	<u>39,415</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	8,539	8,539	9,522
Fund balances, January 1	<u>0</u>	<u>552,666</u>	<u>552,666</u>	<u>543,144</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 561,205</u></u>	<u><u>\$ 561,205</u></u>	<u><u>\$ 552,666</u></u>

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CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

2004 Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the 2004 special purpose local option sales tax.

2010 Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the 2010 special purpose local option sales tax.

CITY OF LAVONIA, GEORGIA
2004 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Total assets	<u>\$ 0</u>	<u>\$ 0</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	\$ 0	\$ 0
 Fund balances		
Restricted for capital projects	<u> 0</u>	<u> 0</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LAVONIA, GEORGIA
2004 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Intergovernmental	\$ 109,190	\$ 149,928
Total revenues	<u>109,190</u>	<u>149,928</u>
EXPENDITURES		
Capital outlay		
Public Works		
Highways and Streets	69,029	51,574
Culture and Recreation		
Parks and Recreation	20,664	35,829
Libraries	19,497	0
Housing and Development		
Welcome Center	<u>0</u>	<u>108,740</u>
Total expenditures	<u>109,190</u>	<u>196,143</u>
Excess of revenues over (under) expenditures	<u>0</u>	<u>(46,215)</u>
Other financing sources (uses)		
Transfers in (out)		
General Fund	0	27,639
Hotel/Motel Tax Fund	<u>0</u>	<u>19,880</u>
Total other financing sources (uses)	<u>0</u>	<u>47,519</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	1,304
Fund balances, January 1	<u>0</u>	<u>(1,304)</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF LAVONIA, GEORGIA
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
BALANCE SHEET
December 31, 2011

ASSETS

Total assets	\$ <u>0</u>
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LIABILITIES AND FUND BALANCES

Liabilities

Due to other funds	\$ 19,333
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Fund balances

Unassigned	<u>(19,333)</u>
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Total liabilities and fund balances	\$ <u>0</u>
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CITY OF LAVONIA, GEORGIA
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2011

REVENUES	
Total revenues	\$ 0
EXPENDITURES	
Capital outlay	
Public Works	
Highways and Streets	<u>19,333</u>
Total expenditures	<u>19,333</u>
Excess of revenues over (under) expenditures	(19,333)
Fund balances, January 1	<u>0</u>
Fund balances, December 31	<u>\$ (19,333)</u>

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Lavonia.

Solid Waste Fund - Used to account for activities connected with the collection and disposal of residential, commercial, industrial, and institutional solid waste in the City of Lavonia.

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 144,750	\$ 233,666
Certificates of deposit	400,000	300,000
Receivables		
Accounts (net)	255,784	237,811
Intergovernmental	357,324	0
Interest	3,689	5,176
Inventory	71,105	78,205
Prepaid items	14,497	7,344
Due from other funds	21,046	8,991
	<u>1,268,195</u>	<u>871,193</u>
Total current assets		
Restricted assets		
Bond Redemption		
Cash and cash equivalents	104,551	89,454
Customer Deposits		
Cash and cash equivalents	39,528	38,590
	<u>144,079</u>	<u>128,044</u>
Total restricted assets		
Capital assets		
Land	413,072	413,072
Land improvements	3,800	3,800
Buildings	177,559	177,559
Vehicles	277,831	267,699
Furniture and fixtures	71,012	71,012
Plant and facilities	7,778,118	7,783,452
Water and sewer lines and towers	6,537,555	6,537,555
Machinery and equipment	299,938	294,368
Construction in progress	680,475	70,011
Accumulated depreciation	(5,922,183)	(5,565,993)
	<u>10,317,177</u>	<u>10,052,535</u>
Total capital assets (net of accumulated depreciation)		
Total assets	<u>11,729,451</u>	<u>11,051,772</u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 77,328	\$ 25,830
Accrued payroll liabilities	1,944	1,878
Compensated absences	57,773	52,358
Unearned revenue	14,716	12,603
Retainages payable	61,307	7,744
Other	<u>3,902</u>	<u>3,902</u>
Total current liabilities	<u>216,970</u>	<u>104,315</u>
Current liabilities payable from restricted assets		
Customer deposits payable	39,528	38,590
Revenue bonds payable	43,691	41,668
Interest payable	<u>2,896</u>	<u>3,024</u>
Total liabilities payable from restricted assets	<u>86,115</u>	<u>83,282</u>
Long-term liabilities		
Revenue bonds payable	<u>2,181,390</u>	<u>2,225,121</u>
Total liabilities	<u>2,484,475</u>	<u>2,412,718</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,092,096	7,785,746
Restricted for debt service	101,655	86,430
Unrestricted	<u>1,051,225</u>	<u>766,878</u>
Total net assets	<u><u>\$ 9,244,976</u></u>	<u><u>\$ 8,639,054</u></u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 1,692,705	\$ 1,611,689
Sewer charges	466,058	431,521
Tap fees	28,600	16,380
Other	<u>22,016</u>	<u>3,066</u>
Total operating revenues	<u>2,209,379</u>	<u>2,062,656</u>
OPERATING EXPENSES		
Cost of sales and services	767,051	702,993
Personal services	688,096	694,014
Depreciation	<u>420,673</u>	<u>408,107</u>
Total operating expenses	<u>1,875,820</u>	<u>1,805,114</u>
Operating income (loss)	<u>333,559</u>	<u>257,542</u>
Non-operating revenues (expenses)		
Interest revenue	4,573	12,933
Interest expense	(106,640)	(130,563)
Gain (loss) on sale of capital assets	<u>12,700</u>	<u>0</u>
Total non-operating revenues (expenses)	<u>(89,367)</u>	<u>(117,630)</u>
Net income (loss) before capital contributions	244,192	139,912
Capital contributions		
Capital contributions	<u>361,730</u>	<u>3,027</u>
Change in net assets	605,922	142,939
Net assets, January 1	<u>8,639,054</u>	<u>8,496,115</u>
Net assets, December 31	<u><u>\$ 9,244,976</u></u>	<u><u>\$ 8,639,054</u></u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,172,441	\$ 2,097,095
Payments to suppliers	(764,333)	(742,234)
Payments to employees	(682,615)	(685,901)
Other receipts	<u>22,016</u>	<u>3,066</u>
Net cash provided (used) by operating activities	<u>747,509</u>	<u>672,026</u>
Cash flows from non-capital financing activities:		
Receipts from other funds	0	5,883
Payments to other funds	<u>(12,055)</u>	<u>0</u>
Net cash provided (uses) by non-capital financing activities	<u>(12,055)</u>	<u>5,883</u>
Cash flows from capital and related financing activities:		
Receipts of capital contributions	4,406	3,027
Proceeds from sale of capital assets	12,700	0
Payments for acquisitions of capital assets	(575,281)	(125,134)
Payment of capital related accounts payable	(7,744)	0
Principal payments - capital leases	0	(16,060)
Principal payments - promissory notes	0	(665,777)
Principal payments - revenue bonds	(41,708)	(39,777)
Interest paid	<u>(106,768)</u>	<u>(132,893)</u>
Net cash provided (used) by capital and related financing activities	<u>(714,395)</u>	<u>(976,614)</u>
Cash flows from investing activities:		
Proceeds from certificates of deposit	300,000	600,000
Purchases of certificates of deposit	(400,000)	(300,000)
Interest received	<u>6,060</u>	<u>21,733</u>
Net cash provided (used) by investing activities	<u>(93,940)</u>	<u>321,733</u>
Net increase (decrease) in cash and cash equivalents	(72,881)	23,028
Cash and cash equivalents, January 1	<u>361,710</u>	<u>338,682</u>
Cash and cash equivalents, December 31	<u><u>\$ 288,829</u></u>	<u><u>\$ 361,710</u></u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 333,559	\$ 257,542
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	420,673	408,107
(Increase) decrease in accounts receivable	(17,973)	36,162
(Increase) decrease in inventory	7,100	(33,504)
(Increase) decrease in prepaid items	(7,153)	3,399
Increase (decrease) in accounts payable	2,771	(11,136)
Increase (decrease) in unearned revenue	2,113	(103)
Increase (decrease) in payroll liabilities	5,481	8,113
Increase (decrease) in other liabilities	0	2,000
Increase (decrease) in deposits payable	938	1,446
Total adjustments	<u>413,950</u>	<u>414,484</u>
Net cash provided (used) by operating activities	<u>\$ 747,509</u>	<u>\$ 672,026</u>
Cash reconciliation:		
Cash and cash equivalents	\$ 144,750	\$ 233,666
Bond Redemption		
Cash and cash equivalents	104,551	89,454
Customer Deposits		
Cash and cash equivalents	<u>39,528</u>	<u>38,590</u>
Total cash and cash equivalents	<u>\$ 288,829</u>	<u>\$ 361,710</u>

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$110,034 and \$7,744 for the years ended December 31, 2011 and 2010, respectively.

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Accounts receivable (net)	\$ 36,718	\$ 37,204
Prepaid items	<u>342</u>	<u>88</u>
Total assets	<u>37,060</u>	<u>37,292</u>
LIABILITIES		
Accounts payable	26,685	31,946
Accrued salaries	104	96
Compensated absences	101	182
Unearned revenue	1,278	722
Due to other funds	<u>4,346</u>	<u>4,346</u>
Total liabilities	<u>32,514</u>	<u>37,292</u>
NET ASSETS		
Unrestricted	<u>4,546</u>	<u>0</u>
Total net assets	<u><u>\$ 4,546</u></u>	<u><u>\$ 0</u></u>

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for sales and services	\$ 303,395	\$ 312,654
OPERATING EXPENSES		
Cost of sales and services	307,216	311,476
Personal services	<u>33,051</u>	<u>40,376</u>
Total operating expenses	<u>340,267</u>	<u>351,852</u>
Operating income (loss)	(36,872)	(39,198)
Transfers in (out)		
General Fund	<u>41,418</u>	<u>31,616</u>
Change in net assets	4,546	(7,582)
Net assets, January 1	<u>0</u>	<u>7,582</u>
Net assets, December 31	<u><u>\$ 4,546</u></u>	<u><u>\$ 0</u></u>

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers	\$ 304,434	\$ 316,589
Payments to suppliers	(312,728)	(304,805)
Payments to employees	<u>(33,124)</u>	<u>(40,620)</u>
Net cash provided (used) by operating activities	<u>(41,418)</u>	<u>(28,836)</u>
Cash flows from non-capital financing activities:		
Receipts from other funds	<u>41,418</u>	<u>28,836</u>
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents, January 1	<u>0</u>	<u>0</u>
Cash and cash equivalents, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (36,872)</u>	<u>\$ (39,198)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	486	4,368
(Increase) decrease in prepaid items	(254)	(88)
Increase (decrease) in accounts payable	(5,261)	6,759
Increase (decrease) in unearned revenue	556	(244)
Increase (decrease) in payroll liabilities	<u>(73)</u>	<u>(433)</u>
Total adjustments	<u>(4,546)</u>	<u>10,362</u>
Net cash provided (used) by operating activities	<u><u>\$ (41,418)</u></u>	<u><u>\$ (28,836)</u></u>

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AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Fund – This fund is used to account, on a temporary basis, for fines collected by the municipal court that ultimately are transmitted to the general fund or another agency.

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 2,127	\$ 4,735
Accounts receivable (net)	<u>90,181</u>	<u>88,596</u>
Total assets	<u><u>\$ 92,308</u></u>	<u><u>\$ 93,331</u></u>
LIABILITIES		
Liabilities		
Due to other agencies	<u><u>\$ 92,308</u></u>	<u><u>\$ 93,331</u></u>

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2011

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
ASSETS				
Cash and cash equivalents	\$ 4,735	\$ 161,752	\$ (164,360)	\$ 2,127
Accounts receivable	<u>88,596</u>	<u>50,362</u>	<u>(48,777)</u>	<u>90,181</u>
Total assets	<u>\$ 93,331</u>	<u>\$ 212,114</u>	<u>\$ (213,137)</u>	<u>\$ 92,308</u>
LIABILITIES				
Due to others agencies	<u>\$ 93,331</u>	<u>\$ 212,114</u>	<u>\$ (213,137)</u>	<u>\$ 92,308</u>

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COMPONENT UNIT

Downtown Development Authority – This component unit is used to account for governmental revenues and contributions reserved for City business development.

CITY OF LAVONIA, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
COMPARATIVE BALANCE SHEETS
December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	<u>\$ 23,111</u>	<u>\$ 30,066</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 445	\$ 633
Other liabilities	<u>88</u>	<u>88</u>
Total liabilities	<u>533</u>	<u>721</u>
 Fund balances		
Assigned for:		
Budget	22,500	26,000
Housing and Development	<u>78</u>	<u>3,345</u>
Total fund balances	<u>22,578</u>	<u>29,345</u>
 Total liabilities and fund balances	 <u><u>\$ 23,111</u></u>	 <u><u>\$ 30,066</u></u>

CITY OF LAVONIA, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 11,000	\$ 11,690	\$ 690	\$ 10,000
Charges for services	200	410	210	683
Contributions	1,250	2,000	750	7,029
Rent	7,638	7,734	96	7,638
Other	3,400	715	(2,685)	2,180
Total revenues	23,488	22,549	(939)	27,530
EXPENDITURES				
Current				
Housing and Development				
Contract services	20,500	18,020	2,480	14,320
Supplies and materials	11,500	9,846	1,654	9,710
Capital outlay	2,000	0	2,000	0
Payments to other agencies	2,000	1,450	550	1,550
Total expenditures	36,000	29,316	6,684	25,580
Excess of revenues over (under) expenditures	(12,512)	(6,767)	5,745	1,950
Other financing sources (uses)				
Contingency	(13,488)	0	13,488	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(26,000)	(6,767)	19,233	1,950
Fund balances, January 1	26,000	29,345	3,345	27,395
Fund balances, December 31	\$ 0	\$ 22,578	\$ 22,578	\$ 29,345

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OTHER REPORTING SECTION

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**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***

Honorable Mayor and Members
of the City Council
City of Lavonia, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavonia, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the City of Lavonia, Georgia's basic financial statements, and have issued our report thereon dated April 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Lavonia, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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

Comment 11-1

Condition: City personnel lack the necessary training and experience to perform the duties of financial director of the City. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City of Lavonia. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards could state that providing technical assistance would impair the independence of the external auditor.

Criteria: Effective internal control requires that employees possess the necessary qualifications and training to fulfill their assigned duties.

Effect: Failure to ensure that employees possess the necessary qualifications to perform their assigned duties may lead to financial statements that are materially misstated.

Recommendation: City personnel should receive additional training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements. However, this may be cost prohibitive without hiring a qualified financial director.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel to fully perform the duties of financial director is prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lavonia, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City of Lavonia, Georgia, in a separate letter dated April 12, 2012.

The City of Lavonia, Georgia's, response to the findings identified in our audit is described above. We did not audit the City of Lavonia, Georgia's, responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of City Council, management, others within the organization, and federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
April 12, 2012

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2011

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2004 Referendum					
Water Expansion	\$ 385,715	\$ 388,567	\$ 388,567	\$ 0	\$ 388,567
Police Department Facilities	192,857	194,303	194,303	0	194,303
Fire Department Facilities	200,000	225,549	225,549	0	225,549
Library Facilities	45,000	41,997	22,500	19,497	41,997
Recreation Facilities	192,857	342,983	322,319	20,664	342,983
Construction and Improvement of Roads	385,713	543,968	474,939	69,029	543,968
Total	<u>\$ 1,402,142</u>	<u>\$ 1,737,367</u>	<u>\$ 1,628,177</u>	<u>\$ 109,190</u>	<u>\$ 1,737,367</u>
2010 Referendum					
Water Expansion	\$ 385,715	\$ 385,715	\$ 0	\$ 0	\$ 0
Police Department Facilities	192,857	192,857	0	0	0
Fire Department Facilities	200,000	200,000	0	0	0
Library Facilities	45,000	45,000	0	0	0
Recreation Facilities	192,857	192,857	0	0	0
Construction and Improvement of Roads	385,713	385,713	0	19,333	19,333
Total	<u>\$ 1,402,142</u>	<u>\$ 1,402,142</u>	<u>\$ 0</u>	<u>\$ 19,333</u>	<u>\$ 19,333</u>

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