

CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2016

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CITY OF LAVONIA, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavonia, Georgia, as of December 31, 2016, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund and Hotel/Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 14 and 65 through 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 schedule of projects financed with 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and the schedule of projects financed with special purpose local option sales tax report are 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, 2015, which are not presented with the accompanying financial statements. In our report dated May 31, 2016, we expressed unmodified 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 basic financial statements as a whole. The individual fund financial statements and schedules related to the 2015 financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements.

The individual fund financial statements and schedules related to the 2015 financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 2015 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017 on our consideration of the City of Lavonia, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City of Lavonia, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 1, 2017

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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, 2016. 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, 2015, by \$18,119,292. (reported as *net position*).
- As of December 31, 2016, Lavonia's governmental funds reported combined ending fund balances of \$3,731,601. Approximately 53% of this total amount, \$1,982,048, 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 Position** (pages 15-16) 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 position*. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The **Statement of Activities** (page 17), 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 position*. 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 Position 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 15-17.

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 69. 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 and Hotel/Motel Tax Special Revenue Fund, which are reported as major funds, 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 18-23 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 24-28.

- **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 29.

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 30-64 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 19 and 21) 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 15-17):

City of Lavonia Net Position As of December 31, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 3,807,787	\$ 4,053,714	\$ 1,783,194	\$ 1,017,991	\$ 5,590,981	\$ 5,071,705
Capital assets	4,506,332	4,659,641	11,296,128	11,538,988	15,802,460	16,198,629
Other noncurrent assets	0	0	0	0	0	0
Total assets	8,314,119	8,713,355	13,079,322	12,556,979	21,393,441	21,270,334
Deferred Outflows of Resources						
Pension contributions subsequent to measurement date	51,724	41,098	35,609	28,596	87,333	69,694
Pension investment return differences	96,398	0	63,618	0	160,016	0
Pension experience differences	3,822	0	2,522	0	6,344	0
Total deferred outflows of resources	151,944	41,098	101,749	28,596	253,693	69,694
Liabilities						
Current liabilities	203,634	119,274	346,060	415,063	549,694	534,337
Noncurrent liabilities	794,553	181,931	2,131,489	2,196,362	2,926,042	2,378,293
Total liabilities	998,187	301,205	2,477,549	2,611,425	3,475,736	2,912,630
Deferred Inflows of Resources						
Pension investment return differences	16,685	22,408	11,815	15,592	28,500	38,000
Pension assumption changes	1,150	1,545	814	1,075	1,964	2,620
Pension experience differences	12,670	17,016	8,972	11,840	21,642	28,856
Total deferred inflows of resources	30,505	40,969	21,601	28,507	52,106	69,476
Net Position						
Net investment in capital assets	3,920,358	4,608,716	9,278,482	9,306,063	13,198,840	13,914,779
Restricted	1,070,818	773,721	71,550	66,689	1,142,368	840,410
Unrestricted	2,446,195	3,029,842	1,331,889	572,891	3,778,084	3,602,733
Total net position	\$ 7,437,371	\$ 8,412,279	\$ 10,681,921	\$ 9,945,643	\$ 18,119,292	\$ 18,357,922

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Lavonia exceeded liabilities by \$18,119,292 at the close of the current year. However, much of the net position either is restricted as to the purposes for which it can be used, or are invested in capital assets.

The largest portion (73%) of the City of Lavonia's net position 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.

Although the net position of our business-type activities represents 59% (\$10,681,921) of total net position, these resources cannot be used to add to the net asset surplus in governmental activities. The City generally can only use the net position to finance the continuing operations of the business-type activities.

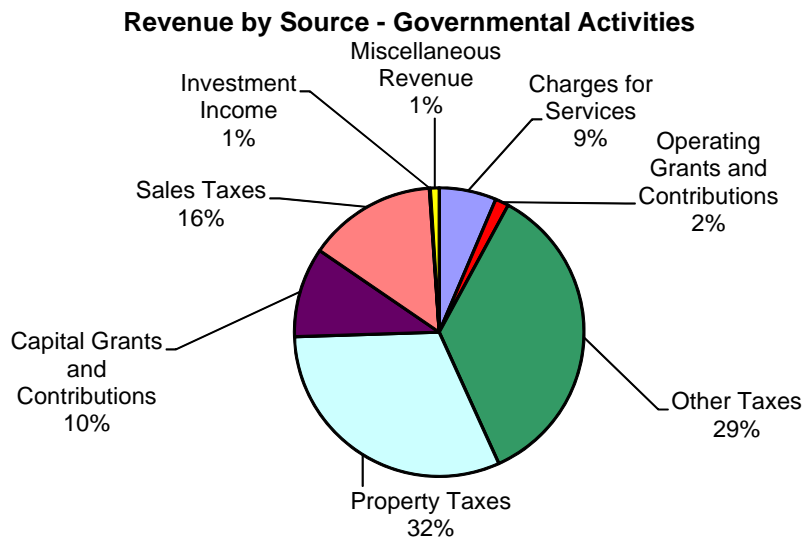
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Lavonia's net position changed during the year.

City of Lavonia
Changes in Net Position
For the years ending December 31, 2016 and 2015

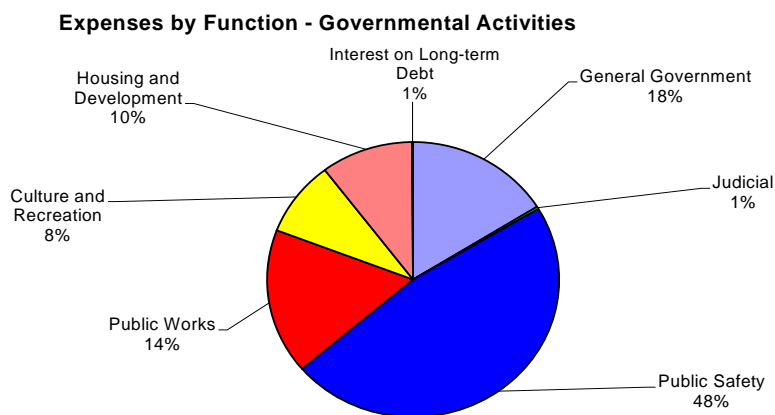
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 182,135	\$ 173,903	\$ 2,507,674	\$ 2,368,814	\$ 2,689,809	\$ 2,542,717
Operating grants and contributions	43,061	29,436	0	0	43,061	29,436
Capital grants and contributions	286,526	476,904	54,161	182,193	340,687	659,097
General revenues:						
Property taxes	890,999	906,572	0	0	890,999	906,572
Sales tax	408,758	423,291	0	0	408,758	423,291
Other taxes	1,007,007	889,293	0	0	1,007,007	889,293
Investment income	3,049	19,361	1,066	1,787	4,115	21,148
Gain on sale of assets	11,725	0	10,803		22,528	
Miscellaneous revenue	16,478	15,162	50,660	24,894	67,138	40,056
Total revenues	2,849,738	2,933,922	2,624,364	2,577,688	5,474,102	5,511,610
Expenses						
General Government	440,296	483,581	0	0	440,296	483,581
Judicial	7,963	8,770	0	0	7,963	8,770
Public Safety	1,294,050	1,262,998	0	0	1,294,050	1,262,998
Public Works	466,709	377,101	0	0	466,709	377,101
Culture and Recreation	241,480	218,484	0	0	241,480	218,484
Housing and Development	279,412	216,630	0	0	279,412	216,630
Interest on long-term debt	3,101	2,210	0	0	3,101	2,210
Water and sewer	0	0	2,224,792	2,027,068	2,224,792	2,027,068
Solid Waste	0	0	347,217	451,236	347,217	451,236
Loss on sale of investments	0	0	407,712		407,712	
Total expenses	2,733,011	2,569,774	2,979,721	2,478,304	5,712,732	5,048,078
Increase (decrease) in net position before transfers	116,727	364,148	(355,357)	99,384	(238,630)	463,532
Transfers	(1,091,635)	(83,892)	1,091,635	83,892	0	0
Increase (decrease) in net assets	(974,908)	280,256	736,278	183,276	(238,630)	463,532
Net position - beginning (original)	8,412,279	8,297,271	9,945,643	9,863,780	18,357,922	18,161,051
Prior period adjustment	0	(165,248)	0	(101,413)	0	(266,661)
Net position - beginning (restated)	8,412,279	8,132,023	9,945,643	9,762,367	18,357,922	17,894,390
Net position - ending	\$ 7,437,371	\$ 8,412,279	\$ 10,681,921	\$ 9,945,643	\$ 18,119,292	\$ 18,357,922

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 position by \$736,278; this is \$553,002 more than the increase in net position for 2015. The key elements of this increase are:

- 2015 operating income increased by \$164,636 from 2015 due to increased customer usage in 2016. Capital grants in 2016 decreased by \$128,032 due to grants received in conjunction with water system projects during 2015 that were not received in 2016.

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 \$3,731,601. Of this amount, \$1,982,048 (53%) constitutes unassigned fund balance of the General Fund, 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, committed by a resolution of the City Council, or assigned for a specific purpose, including the 2017 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 \$1,982,048, while total fund balance was \$2,560,892. 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 85% of total General Fund expenditures, while total fund balance represents 110% 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:

- Salaries were adjusted within the departments to reflect a year-end bonus of \$1,000 per employee.
- The General Fund contingency of \$63,605 was consumed by the Brookwood Drive Paving Project.
- Numerous inter departmental budget adjustments were made to get the departmental budgets in balance which amounted to a zero dollar impact on the General Fund Budget.

It is anticipated that the General Fund will see only a slight increase in revenues in 2017 due to increases in Property Tax from real growth, Building Permits, and Franchise Tax categories. 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 position of the City's two proprietary funds totaled as follows:

▪ Water and Sewer	\$ 10,762,798
▪ Solid Waste	\$ (80,877)

The total increase in net position for both funds was \$736,278. 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 \$15,802,460 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 71% of this investment is related to business-type activities and approximately 29% relates to governmental activities.

During 2016, the City invested \$392,953 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities 2016

Raw Water Intake Upgrade Project Phase Four	125,438
I-85 Trunk Line Project Phase One	90,950
Purchased Small Borer - Groundomat	3,500
Panic Door Unit	3,980
Purchased 2012 Chevy Colorado	10,018
Purchased 2016 F-150 XL	21,527
	<u>\$ 255,413</u>

Governmental Activities 2016

Downtown TE Streetscape Project Engineering	7,847
Fire Training Center Project	1,257
Purchased MSA Evolution 6000 Camera	7,563
Purchased SCAG 61" Turf Tiger	10,344
Purchased Land - 1.04 acres adjacent to City Park	16,455
Purchased 2017 F-150 XL	22,177
Purchased 2017 Ford Explorer – Police Interceptor	29,507
Purchased 2016 Ford Taurus	21,200
Purchased 2016 F-150 XL	21,190
	<u>\$ 137,540</u>

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, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 525,266	\$ 508,811	\$ 413,072	\$ 413,072	\$ 938,338	\$ 921,883
Nondepreciable Intangibles	0	0	116,574	116,574	116,574	116,574
Buildings	4,985,725	4,931,304	247,084	243,104	5,232,809	5,174,408
Infrastructure	1,672,312	1,672,312	20,146	20,146	1,692,458	1,692,458
Distribution system	0	0	17,747,051	16,924,182	17,747,051	16,924,182
Vehicles and equipment	2,576,640	2,489,025	652,270	652,681	3,228,910	3,141,706
Furniture and fixtures	134,448	134,448	77,657	77,657	212,105	212,105
Depreciable Intangibles	0	0	61,026	61,026	61,026	61,026
Construction in progress	65,922	111,239	160,927	767,408	226,849	878,647
Total	9,960,313	9,847,139	19,495,807	19,275,850	29,456,120	29,122,989
Accumulated depreciation	(5,453,981)	(5,187,498)	(8,199,679)	(7,736,862)	(13,653,660)	(12,924,360)
Net Capital Assets	\$ 4,506,332	\$ 4,659,641	\$ 11,296,128	\$ 11,538,988	\$ 15,802,460	\$ 16,198,629

Additional information on the City of Lavonia's capital assets can be found in the Note 8 to the Financial Statements on pages 47-49 of this report.

Long-term debt. At December 31, 2016, the City of Lavonia had \$2,603,620 in bonds, notes payable, and capital leases outstanding, a decrease in total of \$387,198 from 2015.

City of Lavonia
Outstanding Debt
As of December 31, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$0	\$0	\$1,746,157	\$1,863,433	\$1,746,157	\$1,863,433
Notes payable	0	0	271,489	302,064	271,489	302,064
Capital leases	585,974	50,925	0	0	585,974	50,925
Total	\$585,974	\$50,925	\$2,017,646	\$2,165,497	\$2,603,620	\$2,216,422

Additional information on the City's long-term debt can be found in the Notes 9 and 10 to the Financial Statements on pages 50-53 of this report.

Economic Condition and Outlook

We, as management, in considering the current and forecasted economic conditions for 2017, see a continued steady recovery period ahead. City property tax revenues have recovered and are moving in a positive direction. With a general positive economic outlook for 2017, the City has decided to move forward with several proposed smaller General Fund capital projects during the present year including the Downtown Streetscape Sidewalk renovation project. Management has given careful consideration to the uncertainty of the market and the new economic growth in the preparation of the city budgets for 2017. Noteworthy budget items and cost saving considerations were:

- General Fund budget expenditures will remain consistent with 2016 expenditures.
- With most revenue streams expected to remain at or slightly above 2016 levels, certain departmental operational expenditures are expected to rise. Insurance, contract services, infrastructure raw materials, and service provision costs are expected to rise slightly with the upturn in the economic forecast. This has and will continue to have an 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 than ever with reduced federal funding being allocated to the states for disbursement through EDA and ARC programs and more cities and counties applying for these funds.
- After a period of increases, energy costs are expected to remain static for 2017. A continual push is being made to replace outdated standard light fixtures to LED fixtures to conserve energy and help reduce energy costs for the city. Gasoline and fuel prices are expected to remain steady for the upcoming year.
- Interest rates on C.D.'s are expected to be less than ½ % again for 2017, which is about the same as 2016. This prediction is based on the Federal Reserve's reports regarding their continued efforts to stimulate the economy by keeping interest rates low. If the Fed continues to keep interest rates at these record lows, the rate return on our investments will be about the same as in 2016.
- The Mayor and Council decided not provide a COLA increase for employees at the beginning of 2017.

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 POSITION
December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,897,869	\$ 944,424	\$ 2,842,293	\$ 4,091
Certificates of deposit	800,000	349,957	1,149,957	0
Restricted assets				
Cash and cash equivalents	0	97,560	97,560	0
Certificates of deposit	0	50,043	50,043	0
Receivables (net)				
Accounts	0	289,053	289,053	0
Intergovernmental	45,417	0	45,417	0
Interest	2,552	885	3,437	0
Taxes	404,828	0	404,828	0
Internal balances	25,810	(25,810)	0	0
Inventories	0	58,106	58,106	0
Prepays	579,947	18,976	598,923	0
Property held for resale	51,364	0	51,364	0
Total current assets	3,807,787	1,783,194	5,590,981	4,091
Noncurrent assets				
Capital assets				
Non-depreciable	591,188	690,573	1,281,761	40,000
Depreciable (net)	3,915,144	10,605,555	14,520,699	83,140
Total noncurrent assets	4,506,332	11,296,128	15,802,460	123,140
Total assets	8,314,119	13,079,322	21,393,441	127,231
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	51,724	35,609	87,333	0
Pension investment return differences	96,398	63,618	160,016	0
Pension experience differences	3,822	2,522	6,344	0
Total deferred outflows of resources	151,944	101,749	253,693	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	33,488	44,381	77,869	1,154
Interest	2,840	0	2,840	0
Accrued salaries and payroll liabilities	25,213	14,310	39,523	0
Compensated absences	63,570	34,757	98,327	0
Unearned revenue	0	20,810	20,810	0
Capital lease payable	75,443	0	75,443	0
Note payable	0	30,729	30,729	0
Other current liabilities	3,080	3,902	6,982	87
Liabilities payable from restricted assets				
Customer deposits	0	50,043	50,043	0
Revenue bonds payable	0	121,118	121,118	0
Interest payable	0	26,010	26,010	0
Total current liabilities	203,634	346,060	549,694	1,241

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	\$ 284,022	\$ 193,033	\$ 477,055	\$ 0
Capital lease payable	510,531	0	510,531	0
Notes payable	0	240,760	240,760	0
Revenue bonds payable	0	1,625,039	1,625,039	0
Post-closure care	0	72,657	72,657	0
Total noncurrent liabilities	794,553	2,131,489	2,926,042	0
Total liabilities	998,187	2,477,549	3,475,736	1,241
DEFERRED INFLOWS OF RESOURCES				
Pension investment return differences	16,685	11,815	28,500	0
Pension assumption changes	1,150	814	1,964	0
Pension experience differences	12,670	8,972	21,642	0
Total deferred inflows of resources	30,505	21,601	52,106	0
NET POSITION				
Net investment in capital assets	3,920,358	9,278,482	13,198,840	123,140
Restricted for:				
Public Safety	2,674	0	2,674	0
Housing and Development	801,174	0	801,174	0
Capital outlay	266,970	0	266,970	0
Debt Service	0	71,550	71,550	0
Unrestricted	2,446,195	1,331,889	3,778,084	2,850
Total net position	<u>\$ 7,437,371</u>	<u>\$ 10,681,921</u>	<u>\$ 18,119,292</u>	<u>\$ 125,990</u>

FUNCTIONS/PROGRAMS	Program Revenues				
		Charges for	Operating	Capital	Net
	Expenses	Services	Grants and Contributions	Grants and Contributions	(Expense) Revenue
Primary government					
Governmental activities					
General Government	\$ 440,296	\$ 28,950	\$ 0	\$ 0	\$ (411,346)
Judicial	7,963	0	0	0	(7,963)
Public Safety	1,294,050	121,638	26,061	30,359	(1,115,992)
Public Works	466,709	4,225	0	243,758	(218,726)
Health and Welfare	0	0	12,000	0	12,000
Culture and Recreation	241,480	16,991	5,000	12,409	(207,080)
Housing and Development	279,412	10,331	0	0	(269,081)
Interest on long-term debt	3,101	0	0	0	(3,101)
Total governmental activities	2,733,011	182,135	43,061	286,526	(2,221,289)
Business-type activities					
Water and Sewer	2,224,792	2,186,486	0	54,161	15,855
Solid Waste	347,217	321,188	0	0	(26,029)
Total business-type activities	2,572,009	2,507,674	0	54,161	(10,174)
Total primary government	5,305,020	2,689,809	43,061	340,687	(2,231,463)
Component Unit					
Downtown Development Authority					
Housing and Development	42,477	0	25,000	0	(17,477)
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Change in net position					
Net (expense) revenue	\$ (2,221,289)	\$ (10,174)	\$ (2,231,463)	\$ (17,477)	
General revenues					
Taxes					
Property	890,999	0	890,999	0	
Sales	408,758	0	408,758	0	
Insurance premium	134,565	0	134,565	0	
Occupational	62,535	0	62,535	0	
Franchise	278,234	0	278,234	0	
Intangible	11,516	0	11,516	0	
Alcohol excise	123,401	0	123,401	0	
Hotel/Motel	396,756	0	396,756	0	
Interest and investment earnings	3,049	1,066	4,115	0	
Miscellaneous	16,478	50,660	67,138	12,216	
Loss on sale of investments	0	(407,712)	(407,712)	0	
Gain on sale of assets	11,725	10,803	22,528	0	
Transfers	(1,091,635)	1,091,635	0	0	
Total general revenues and transfers	1,246,381	746,452	1,992,833	12,216	
Change in net position	(974,908)	736,278	(238,630)	(5,261)	
Net position - beginning	8,412,279	9,945,643	18,357,922	131,251	
Net position - ending	\$ 7,437,371	\$ 10,681,921	\$ 18,119,292	\$ 125,990	

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

	General	Hotel/Motel Tax	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 745,554	\$ 292,357	\$ 859,958	\$ 1,897,869
Certificates of deposit	800,000	0	0	800,000
Receivables (net)				
Intergovernmental	6,000	0	39,417	45,417
Interest	2,552	0	0	2,552
Taxes	381,857	22,971	0	404,828
Prepaid items	578,844	1,103	0	579,947
Property held for resale	51,364	0	0	51,364
Due from other funds	62,610	0	0	62,610
Total assets	\$ 2,628,781	\$ 316,431	\$ 899,375	\$ 3,844,587
LIABILITIES				
Accounts payable	\$ 26,478	\$ 7,010	\$ 0	\$ 33,488
Accrued salaries and payroll liabilities	24,191	1,022	0	25,213
Due to other funds	0	9,337	27,463	36,800
Other liabilities	2,815	125	140	3,080
Total liabilities	53,484	17,494	27,603	98,581
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	14,405	0	0	14,405
FUND BALANCES				
Nonspendable prepaid items	578,844	1,103	0	579,947
Restricted for:				
Public Safety	0	0	2,674	2,674
Housing and Development	0	203,107	598,067	801,174
Capital outlay	0	0	266,970	266,970
Committed for Public Works	0	0	4,061	4,061
Assigned for:				
Housing and Development	0	94,727	0	94,727
Unassigned	1,982,048	0	0	1,982,048
Total fund balances	2,560,892	298,937	871,772	3,731,601
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,628,781	\$ 316,431	\$ 899,375	\$ 3,844,587

CITY OF LAVONIA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2016

Total fund balance - total governmental funds	\$	3,731,601
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Amounts reported for governmental activities in the statement of net position 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		4,506,332
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Revenues in the statement of activities that do not provide current financial resources
are reported as deferred inflows of resources or unavailable revenue in the funds.
These are:

Property taxes		14,405
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Deferred outflows and inflows of resources related to pensions are applicable to future periods
and, therefore, are not reported in the funds. These are:

Deferred outflows of resources:

Pension contributions subsequent to measurement date	\$	51,724
Pension investment return differences		96,398
Pension experience difference		3,822

Deferred inflows of resources:

Pension investment return differences	(16,685)	
Pension assumption changes	(1,150)	
Pension experience differences	<u>(12,670)</u>	121,439

Some liabilities are not due and payable in the current period and therefore are not
reported in the funds. These are:

Capital leases	\$	(585,974)
Interest payable		(2,840)
Compensated absences		(63,570)
Net pension liability		<u>(284,022)</u>
		<u>(936,406)</u>

Net position of governmental activities	\$	<u>7,437,371</u>
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CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2016

	<u>General</u>	<u>Hotel/Motel Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES				
Taxes	\$ 1,922,542	\$ 396,756	\$ 0	\$ 2,319,298
Licenses and permits	39,281	0	0	39,281
Fines, fees and forfeitures	117,342	0	4,014	121,356
Charges for services	17,273	0	4,225	21,498
Intergovernmental	94,021	0	230,482	324,503
Interest	2,963	26	75	3,064
Contributions	5,069	0	0	5,069
Other	13,544	2,935	0	16,479
Total revenues	<u>2,212,035</u>	<u>399,717</u>	<u>238,796</u>	<u>2,850,548</u>
EXPENDITURES				
Current				
General Government	430,934	0	0	430,934
Judicial	7,963	0	0	7,963
Public Safety	1,192,342	0	10,623	1,202,965
Public Works	473,292	0	90	473,382
Culture and Recreation	125,571	0	0	125,571
Housing and Development	75,643	236,940	0	312,583
Capital outlay	0	0	4,746	4,746
Debt service	27,039	0	0	27,039
Total expenditures	<u>2,332,784</u>	<u>236,940</u>	<u>15,459</u>	<u>2,585,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,749)</u>	<u>162,777</u>	<u>223,337</u>	<u>265,365</u>
Other financing sources (uses)				
Transfers in	105,000	0	0	105,000
Transfers out	(1,075,840)	(105,000)	(15,795)	(1,196,635)
Proceeds from capital leases	560,000	0	0	560,000
Sale of capital assets	11,725	0	0	11,725
Total other financing sources (uses)	<u>(399,115)</u>	<u>(105,000)</u>	<u>(15,795)</u>	<u>(519,910)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	<u>(519,864)</u>	<u>57,777</u>	<u>207,542</u>	<u>(254,545)</u>
Fund balances, January 1	<u>3,080,756</u>	<u>241,160</u>	<u>664,230</u>	<u>3,986,146</u>
Fund balances, December 31	<u><u>\$ 2,560,892</u></u>	<u><u>\$ 298,937</u></u>	<u><u>\$ 871,772</u></u>	<u><u>\$ 3,731,601</u></u>

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, 2016

Net change in fund balances - total governmental funds **\$ (254,545)**

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 outlays	\$	137,540	
Depreciation		<u>(290,849)</u>	(153,309)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable deferred revenue			(12,534)
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$	187,447	
Cost of benefits net of employee contributions		<u>(194,202)</u>	(6,755)

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

Debt principal payments	\$	24,951	
Debt proceeds		<u>(560,000)</u>	(535,049)

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	\$	(1,013)	
Compensated absences		<u>(11,703)</u>	<u>(12,716)</u>

Change in net position of governmental activities			<u><u>\$ (974,908)</u></u>
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CITY OF LAVONIA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2016

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,958,500	\$ 1,958,500	\$ 1,922,542	\$ (35,958)
Licenses and permits	3,600	3,600	39,281	35,681
Fines, fees and forfeitures	135,000	237,000	117,342	(119,658)
Charges for services	650	16,350	17,273	923
Intergovernmental	44,500	70,100	94,021	23,921
Interest	8,000	8,000	2,963	(5,037)
Contributions	6,000	6,000	5,069	(931)
Other	13,800	13,800	13,544	(256)
Total revenues	2,170,050	2,313,350	2,212,035	(101,315)
EXPENDITURES				
Current				
General Government				
Governing Body	106,932	112,432	112,036	396
Financial Administration	310,798	310,798	318,898	(8,100)
Judicial				
Municipal Court	9,000	9,000	7,963	1,037
Public Safety				
Police Department	1,037,763	1,037,763	1,076,448	(38,685)
Fire Department	85,800	111,000	113,013	(2,013)
Communications	4,800	4,800	2,881	1,919
Public Works				
Highways and Streets	341,477	404,727	409,302	(4,575)
Maintenance Shop	27,856	34,456	36,679	(2,223)
Detention Services	28,281	28,281	27,311	970
Culture and Recreation				
Parks and Recreation	33,750	98,987	100,662	(1,675)
Community Center	12,500	12,500	8,148	4,352
Library	18,800	18,800	16,761	2,039
Housing and Development				
Inspections	24,525	24,525	25,314	(789)
Better Home Towns	28,799	28,799	28,797	2
Cannery	8,800	27,800	21,532	6,268
Debt service				
Public Safety				
Fire Department	27,100	27,100	27,039	61
Total expenditures	2,106,981	2,291,768	2,332,784	(41,016)
Excess (deficiency) of revenues over (under) expenditure	63,069	21,582	(120,749)	(142,331)
Other financing sources (uses)				
Transfers in	0	0	105,000	105,000
Transfers out	(35,000)	0	(1,075,840)	(1,075,840)
Proceeds from capital leases	0	0	560,000	560,000
Sale of capital assets	10,000	10,000	11,725	1,725
Contingency	(38,069)	(31,582)	0	31,582
Total other financing sources (uses)	(63,069)	(21,582)	(399,115)	(377,533)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(519,864)	(519,864)
Fund balances, January 1	0	0	3,080,756	3,080,756
Fund balances, December 31	\$ 0	\$ 0	\$ 2,560,892	\$ 2,560,892

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2016

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Hotel/motel taxes	\$ 280,000	\$ 280,000	\$ 396,756	\$ 116,756
Charges for service	500	500	0	(500)
Interest	15	15	26	11
Other	4,000	4,000	2,935	(1,065)
Total revenues	284,515	284,515	399,717	115,202
EXPENDITURES				
Current				
Housing and Development				
Inspections	228,780	245,780	236,940	8,840
Excess (deficiency) of revenues over (under) expenditure	55,735	38,735	162,777	124,042
Other financing sources (uses)				
Transfers out	0	0	(105,000)	(105,000)
Contingency	(195,735)	(178,735)	0	178,735
Total other financing sources (uses)	(195,735)	(178,735)	(105,000)	73,735
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(140,000)	(140,000)	57,777	197,777
Fund balances, January 1	140,000	140,000	241,160	101,160
Fund balances, December 31	\$ 0	\$ 0	\$ 298,937	\$ 298,937

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

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 944,424	\$ 0	\$ 944,424
Certificates of deposit	349,957	0	349,957
Restricted assets			
Cash and cash equivalents	97,560	0	97,560
Certificates of deposit	50,043	0	50,043
Receivables			
Accounts (net)	247,975	41,078	289,053
Interest	885	0	885
Inventory	58,106	0	58,106
Prepaid items	18,625	351	18,976
Due from other funds	31,274	0	31,274
Total current assets	1,798,849	41,429	1,840,278
Noncurrent assets			
Capital assets			
Non-depreciable	690,573	0	690,573
Depreciable (net)	10,605,555	0	10,605,555
Total noncurrent assets	11,296,128	0	11,296,128
Total assets	13,094,977	41,429	13,136,406
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	33,645	1,964	35,609
Pension investment return differences	59,760	3,858	63,618
Pension experience differences	2,369	153	2,522
Total deferred outflows of resources	95,774	5,975	101,749
LIABILITIES			
Current liabilities			
Accounts payable	19,808	24,573	44,381
Accrued salaries and payroll liabilities	13,518	792	14,310
Compensated absences	33,095	1,662	34,757
Unearned revenue	17,165	3,645	20,810
Notes payable	30,729	0	30,729
Due to other funds	44,210	12,874	57,084
Other current liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits	50,043	0	50,043
Revenue bonds payable	121,118	0	121,118
Interest payable	26,010	0	26,010
Total current liabilities	359,598	43,546	403,144

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

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
LIABILITIES			
Noncurrent liabilities			
Net pension liability	\$ 182,070	\$ 10,963	\$ 193,033
Notes payable	240,760	0	240,760
Revenue bonds payable	1,625,039	0	1,625,039
Post-closure care	0	72,657	72,657
Total noncurrent liabilities	2,047,869	83,620	2,131,489
Total liabilities	2,407,467	127,166	2,534,633
DEFERRED INFLOWS OF RESOURCES			
Pension investment return differences	11,205	610	11,815
Pension assumption changes	772	42	814
Pension experience differences	8,509	463	8,972
Total deferred inflows of resources	20,486	1,115	21,601
NET POSITION			
Net investment in capital assets	9,278,482	0	9,278,482
Restricted for debt service	71,550	0	71,550
Unrestricted	1,412,766	(80,877)	1,331,889
Total net position	<u>\$ 10,762,798</u>	<u>\$ (80,877)</u>	<u>\$ 10,681,921</u>

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2016

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 2,186,486	\$ 321,188	\$ 2,507,674
Other	50,660	0	50,660
Total operating revenues	2,237,146	321,188	2,558,334
OPERATING EXPENSES			
Costs of sales and services	836,728	296,622	1,133,350
Personal services	830,481	50,595	881,076
Depreciation	498,273	0	498,273
Total operating expenses	2,165,482	347,217	2,512,699
Operating income (loss)	71,664	(26,029)	45,635
Non-operating revenues (expenses)			
Interest revenue	1,066	0	1,066
Interest expense	(59,310)	0	(59,310)
Gain (loss) on sale of investments	(407,712)	0	(407,712)
Gain (loss) on sale of capital assets	10,803	0	10,803
Total non-operating revenues (expenses)	(455,153)	0	(455,153)
Net income (loss) before capital contributions and transfers	(383,489)	(26,029)	(409,518)
Capital contributions			
Intergovernmental revenue	47,829	0	47,829
Capital contributions	6,332	0	6,332
Total capital contributions	54,161	0	54,161
Net income (loss) before transfers	(329,328)	(26,029)	(355,357)
Transfers in (out)			
Transfers in	1,021,132	70,503	1,091,635
Change in net position	691,804	44,474	736,278
Net position, January 1	10,070,994	(125,351)	9,945,643
Net position, December 31	\$ 10,762,798	\$ (80,877)	\$ 10,681,921

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2016

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 2,147,169	\$ 319,114	\$ 2,466,283
Payments to suppliers	(843,391)	(319,722)	(1,163,113)
Payments to employees	(815,887)	(50,064)	(865,951)
Other receipts	50,660	0	50,660
Net cash provided (used) by operating activities	538,551	(50,672)	487,879
Cash flows from non-capital financing activities:			
Receipts from other funds	(12,990)	50,672	37,682
Cash flows from capital and related financing activities:			
Receipt of capital contributions	6,332	0	6,332
Receipts from other governments	114,581	0	114,581
Receipts from other funds	15,795	0	15,795
Proceeds from sale of capital assets	10,803	0	10,803
Payments for acquisitions of capital assets	(255,413)	0	(255,413)
Payments for capital related retainage	(52,325)	0	(52,325)
Principal payments - revenue bonds	(117,276)	0	(117,276)
Principal payments - notes payable	(30,575)	0	(30,575)
Interest paid	(61,058)	0	(61,058)
Net cash provided (used) by capital and related financing activities	(369,136)	0	(369,136)
Cash flows from investing activities			
Proceeds from certificates of deposit	600,000	0	600,000
Purchases of certificates of deposit	(600,000)	0	(600,000)
Proceeds from sale of investment	597,625	0	597,625
Interest received	1,838	0	1,838
Net cash provided (used) by investing activities	599,463	0	599,463
Net increase (decrease) in cash and cash equivalents	755,888	0	755,888
Cash and cash equivalents, January 1	286,096	0	286,096
Cash and cash equivalents, December 31	\$ 1,041,984	\$ 0	\$ 1,041,984

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2016

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 71,664	\$ (26,029)	\$ 45,635
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	498,273	0	498,273
(Increase) decrease in accounts receivable	(39,283)	(1,839)	(41,122)
(Increase) decrease in inventories	(807)	0	(807)
(Increase) decrease in prepaid items	(2,088)	(1)	(2,089)
(Increase) decrease in prior year pension contributions during measurement period	(68,716)	(426)	(69,142)
Increase (decrease) in deferred outflow from pension investment return differences	0	(3,858)	(3,858)
Increase (decrease) in deferred outflow from pension experience differences	0	(153)	(153)
Increase (decrease) in accounts payable	(3,768)	(25,556)	(29,324)
Increase (decrease) in unearned revenue	(1,572)	(235)	(1,807)
Increase (decrease) in payroll liabilities	10,405	262	10,667
Increase (decrease) in net pension liability	79,392	5,125	84,517
Increase (decrease) in post-closure care liability	0	2,457	2,457
Increase (decrease) in deferred inflow from pension investment return differences	(3,548)	(229)	(3,777)
Increase (decrease) in pension assumption changes	(245)	(16)	(261)
Increase (decrease) in deferred inflow from pension experience differences	(2,694)	(174)	(2,868)
Increase (decrease) in deposits payable	1,538	0	1,538
Total adjustments	466,887	(24,643)	442,244
Net cash provided (used) by operating activities	\$ 538,551	\$ (50,672)	\$ 487,879
Cash and cash equivalents reconciliation			
Cash and cash equivalents reconciliation	\$ 944,424	\$ 0	\$ 944,424
Debt Redemption	97,560	0	97,560
Cash and cash equivalents reconciliation	\$ 1,041,984	\$ 0	\$ 1,041,984

CITY OF LAVONIA, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 11,580
Accounts receivable, net	<u>40</u>
Total assets	<u><u>\$ 11,620</u></u>
LIABILITIES	
Due to other agencies	<u><u>\$ 11,620</u></u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

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. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business- type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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*, as amended by Statement No. 61, 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, 2016

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. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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.

Hotel/Motel Tax Special Revenue Fund – This fund is used to account for proceeds from hotel/motel tax collected and related expenditures.

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.

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.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Governmental Fund Types, continued

Capital Projects Funds – This fund type is used to account for financial resources to be use for the acquisition or construction of specifically planned projects (other than those financed by proprietary 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).

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Component Unit, continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses, continued

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. The principal operating revenues of the Water and Sewer and Solid Waste Funds are charges to customers for sales and services. 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.

G. 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.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

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, 2016.

H. 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.

I. 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.

J. Inventories

Inventories of the Water and Sewer Fund are valued at cost on the first-in, first-out method and consist of expendable supplies. The cost of these inventories is recorded as an expense when consumed rather than when purchased.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

L. 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 acquisition value on the date donated.

Land and construction-in-progress are not depreciated. The other property, plant equipment, and infrastructure of the primary government are depreciated 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
Intangibles	10	\$ 2,000

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

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. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflow of resource for their defined benefit pension plans.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources related to their defined pension plans.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

N. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

O. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Restricted Assets and Restricted Net Position

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 position is 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, 2016

2. Summary of Significant Accounting Policies (continued)

Q. 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, 2016, 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, 2016

2. Summary of Significant Accounting Policies (continued)

Q. 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.

R. 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.

S. Long-Term Obligations

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

In the fund financial statements, governmental fund types, bond premiums and discounts 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.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

T. 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.

U. 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 2015 amounts have been reclassified to conform with the 2016 presentation.

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, 2016, 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.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

3. Deposit and Investment Risk (continued)

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.

4. Accounts Receivable

Net accounts receivable at December 31, 2016, consist of the following:

Major Funds

Enterprise Funds		
Water and Sewer	\$ 257,797	
Less: Allowances for Uncollectibles	(9,822)	
Solid Waste	42,737	
Less: Allowances for Uncollectibles	(1,659)	\$ 289,053

Fiduciary Funds

Agency Fund		
Municipal Court Agency Fund		\$ 40

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2016, consist of the following:

Governmental Funds

General		
Georgia Municipal Association	\$ 6,000	
Nonmajor Funds		
2010 SPLOST		
Franklin County Board of Commissioners	39,417	
Total		\$ 45,417

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2016, consist of property taxes for seven years as follows:

Year of Levy	Amount
2016	\$ 49,181
2015	2,045
2014	160
2013	108
2012	108
2011	25
2010	4
	<hr/> 51,631
Less allowance for uncollectible	(1,302)
	<hr/> 50,329
Add amount due from Franklin County Tax Commissioner	40,707
Total	<hr/> <hr/> \$ 91,036

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 2016, based upon the assessments of January 1, 2016, were billed on August 8, 2016, and due on November 15, 2016. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mils for 2016 was levied on August 2, 2016.

Other Taxes

\$254,673 of franchise taxes, \$36,148 of sales taxes, and \$22,971 of hotel/motel taxes are also included in taxes receivable.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2016, is as follows:

		Due from:			
		Major Funds			
		Hotel/Motel Tax	Water and Sewer	Solid Waste	Nonmajor Governmental
					Total
Due to:					
Major Funds					
General	\$ 9,337	\$ 44,210	\$ 0	\$ 9,063	\$ 62,610
Water and Sewer	0	0	12,874	18,400	31,274
Total	<u>\$ 9,337</u>	<u>\$ 44,210</u>	<u>\$ 12,874</u>	<u>\$ 27,463</u>	<u>\$ 93,884</u>

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	Hotel/Motel Tax	Nonmajor Governmental
				Total
Transfers in:				
Major Funds				
General	\$ 0	\$ 105,000	\$ 0	\$ 105,000
Water and Sewer	1,005,337	0	15,795	1,021,132
Solid Waste	70,503	0	0	70,503
Total	<u>\$ 1,075,840</u>	<u>\$ 105,000</u>	<u>\$ 15,795</u>	<u>\$ 1,196,635</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

7. Interfund Receivables, Payables, and Transfers (continued)

Interfund transfers were used to move revenues from the 2010 SPLOST Fund that statute requires to collect them to the Water and Sewer Fund that statute requires to expend them. Transfers are eliminated in the government-wide statements if the interfund transfer is within the governmental fund group or the business-type fund group.

8. Capital Assets

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

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016
Governmental activities				
Non-depreciable assets				
Land	\$ 508,811	\$ 16,455	\$ 0	\$ 525,266
Construction in progress	111,239	9,104	(54,421)	65,922
Total non-depreciable assets	<u>620,050</u>	<u>25,559</u>	<u>(54,421)</u>	<u>591,188</u>
Depreciable assets				
Buildings	4,931,304	54,421	0	4,985,725
Infrastructure	1,672,312	0	0	1,672,312
Vehicles	1,644,957	94,074	(24,366)	1,714,665
Machinery and equipment	844,068	17,907	0	861,975
Furniture and fixtures	134,448	0	0	134,448
Total depreciable assets	<u>9,227,089</u>	<u>166,402</u>	<u>(24,366)</u>	<u>9,369,125</u>
Accumulated depreciation				
Buildings	(2,002,532)	(99,859)	0	(2,102,391)
Infrastructure	(970,121)	(81,862)	0	(1,051,983)
Vehicles	(1,498,111)	(62,451)	24,366	(1,536,196)
Machinery and equipment	(587,109)	(44,016)	0	(631,125)
Furniture and fixtures	(129,625)	(2,661)	0	(132,286)
Total accumulated depreciation	<u>(5,187,498)</u>	<u>(290,849)</u>	<u>24,366</u>	<u>(5,453,981)</u>
Total depreciable assets, net	<u>4,039,591</u>	<u>(124,447)</u>	<u>0</u>	<u>3,915,144</u>
Governmental activities capital assets, net	<u><u>\$ 4,659,641</u></u>	<u><u>\$ (98,888)</u></u>	<u><u>\$ (54,421)</u></u>	<u><u>\$ 4,506,332</u></u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

8. Capital Assets (continued)

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016
Business-type activities				
Non-depreciable assets				
Land	\$ 413,072	\$ 0	\$ 0	\$ 413,072
Intangibles	116,574	0	0	116,574
Construction in progress	767,408	216,388	(822,869)	160,927
Total non-depreciable assets	1,297,054	216,388	(822,869)	690,573
Depreciable assets				
Buildings	243,104	3,981	0	247,085
Land improvements	20,146	0	0	20,146
Distribution system	16,924,182	822,868	0	17,747,050
Intangibles	61,026	0	0	61,026
Vehicles	286,251	31,545	(35,456)	282,340
Machinery and equipment	366,430	3,500	0	369,930
Furniture and fixtures	77,657	0	0	77,657
Total depreciable assets	17,978,796	861,894	(35,456)	18,805,234
Accumulated depreciation				
Buildings	(73,638)	(6,108)	0	(79,746)
Land improvements	(3,800)	(1,090)	0	(4,890)
Distribution system	(7,007,632)	(449,974)	0	(7,457,606)
Intangibles	(22,886)	(6,103)	0	(28,989)
Vehicles	(271,497)	(16,722)	35,456	(252,763)
Machinery and equipment	(282,630)	(16,947)	0	(299,577)
Furniture and fixtures	(74,779)	(1,329)	0	(76,108)
Total accumulated depreciation	(7,736,862)	(498,273)	35,456	(8,199,679)
Total depreciable assets, net	10,241,934	363,621	0	10,605,555
Business-type activities capital assets, net	<u>\$ 11,538,988</u>	<u>\$ 580,009</u>	<u>\$ (822,869)</u>	<u>\$ 11,296,128</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2016, was as follows:

	<u>Balance 12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2016</u>
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
Total depreciable assets	125,780	0	0	125,780
Less accumulated depreciation				
Buildings	(20,991)	(2,518)	0	(23,509)
Land improvements	(15,921)	(1,502)	0	(17,423)
Intangibles	(1,458)	(250)	0	(1,708)
Total accumulated depreciation	(38,370)	(4,270)	0	(42,640)
Total depreciable assets, net	87,410	(4,270)	0	83,140
Downtown Development Authority Component Unit capital assets, net	<u>\$ 127,410</u>	<u>\$ (4,270)</u>	<u>\$ 0</u>	<u>\$ 123,140</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 6,751
Public Safety	131,348
Public Works	40,790
Culture and Recreation	98,918
Housing and Development	13,042
Total depreciation expense for governmental activities	<u>\$ 290,849</u>

Business-type activities

Water and Sewer	<u>\$ 498,273</u>
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Component Unit

Downtown Development Authority	<u>\$ 4,270</u>
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CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

9. Capital and Operating Lease Agreements

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by GASB Statement No. 62, paragraph 212, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee.

In 2016, a capital lease was entered into by the City for a 2017 E-One Typhoon Fire Truck. The City deposited into escrow to be held for the benefit of the City, the amount of \$560,000, which, together with interest earned thereon until disbursed if necessary, will be used to pay the costs of the equipment in the amount of \$560,000. The equipment will be acquired with due diligence and will be fully acquired on or before October 1, 2017. As of December 31, 2016 the cost of the fire truck is reported as prepaid. The balance of capital leases at December 31, 2016, is \$585,974 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, 2016:

Year Ending December 31,	Governmental activities
2017	\$ 91,775
2018	64,735
2019	64,735
2020	64,735
2021	64,735
2022-2026	323,676
Total minimum lease payments	674,391
Less amounts representing interest	(88,417)
Present value of minimum lease payments	<u>\$ 585,974</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

9. Capital and Operating Lease Agreements (continued)

Total assets leased under capital leases are \$318,530 for governmental activities, consisting of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 318,530	\$ 318,530

Amortization of leased equipment under capital assets is included with depreciation expense.

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.

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, 2016:

\$2,100,000 2013 Water and Sewerage Refunding Revenue Series Bonds due in semi-annual installments of \$88,446 through July 15, 2028; interest at 3.25% (\$1,746,157 outstanding), for the refunding of the 1997 Water and Sewerage Revenue Series Bonds, which were issued for the expansion of the water and sewer system in the City of Lavonia.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

10. Long-Term Debt (continued)

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 121,118	\$ 55,774	\$ 176,892
2018	125,087	51,805	176,892
2019	129,185	47,707	176,892
2020	133,418	43,475	176,893
2021	137,789	39,103	176,892
2022-2026	759,694	124,767	884,461
2027-2028	339,866	13,918	353,784
Totals	<u>\$ 1,746,157</u>	<u>\$ 376,549</u>	<u>\$ 2,122,706</u>

Notes Payable

The City has entered into a lending agreement with the Georgia Environmental Facilities Authority in the original amount of \$312,222 for the improvement of the water and sewer system. Monthly installments of principal and interest are due through December 1, 2025; interest at 0.50%. At December 31, 2016, the balance of this note is \$271,489.

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 30,729	\$ 1,287	\$ 32,016
2018	30,883	1,133	32,016
2019	31,037	979	32,016
2020	31,193	883	32,076
2021	31,349	666	32,015
2022-2025	116,298	1,093	117,391
Totals	<u>\$ 271,489</u>	<u>\$ 6,041</u>	<u>\$ 277,530</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

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, 2016:

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016	Due Within One Year
Governmental activities					
Capital lease obligations	\$ 50,925	\$ 560,000	\$ (24,951)	\$ 585,974	\$ 75,443
Compensated absences	51,867	63,570	(51,867)	63,570	63,570
Total governmental activities	<u>\$ 102,792</u>	<u>\$ 623,570</u>	<u>\$ (76,818)</u>	<u>\$ 649,544</u>	<u>\$ 139,013</u>
Business-type activities					
Revenue bonds	\$ 1,863,433	\$ 0	\$ (117,276)	\$ 1,746,157	\$ 121,118
Notes payable	302,064	0	(30,575)	271,489	30,729
Landfill post-closure care costs	70,200	2,457	0	72,657	0
Compensated absences	24,979	34,757	(24,979)	34,757	34,757
Total business-type activities	<u>\$ 2,260,676</u>	<u>\$ 37,214</u>	<u>\$ (172,830)</u>	<u>\$ 2,125,060</u>	<u>\$ 186,604</u>

Revenue bond 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.

Interest incurred and charged to expense totaled \$3,101 and \$59,310 for the governmental activities and business-type activities, respectively.

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, 2016, the principal amount payable for the bonds issued totaled \$7,905,000; the original issue amount totaled \$8,500,000.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

12. Landfill Post-Closure Care Costs

The City operates an inert landfill. State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$72,657 as of December 31, 2016. The inert landfill is expected to be filled to capacity by the year 2066.

The estimated total current cost of the landfill closure and post-closure care (\$72,657) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2016. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

13. Deficit Equity Balances

At December 31, 2016, the Solid Waste Fund had deficit equity balance of \$80,877. The City plans to transfer funds to this fund in the next year to alleviate this deficit.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

14. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2016:

	<u>Hotel/Motel Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Public Safety			
Police department	\$ 0	\$ 2,674	\$ 2,674
Housing and Development			
Revolving loan fund debt service	0	598,067	598,067
Trade and tourism	203,107	0	203,107
Capital outlay	0	266,970	266,970
	<u>\$ 203,107</u>	<u>\$ 867,711</u>	<u>\$ 1,070,818</u>
Committed for:			
Public Works			
Cemetery operations	<u>\$ 0</u>	<u>\$ 4,061</u>	<u>\$ 4,061</u>
Assigned to:			
Housing and Development			
Trade and tourism	<u>\$ 94,727</u>	<u>\$ 0</u>	<u>\$ 94,727</u>

At December 31, 2016, the City of Lavonia Development Authority fund balance consists of \$2,350 assigned to development authority operations, and \$500 assigned to the subsequent year's budget.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

15. Pension Plans

Plan Description. The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a state-wide agent, multiple-employer retirement system, administered by the Georgia Municipal Association. This is a defined benefit pension plan, which provides retirement, disability and death benefits to plan members and beneficiaries. The City has established provisions, which assign the authority to the City Council members to establish and amend the benefit provisions of the plan.

Control over the operation and administration of the plan is vested with GMEBS along with custody of the plan assets. The plan provides that the City has no liability with respect to payments or benefits or otherwise under the plan except to pay over to GMEBS such actuarially determined contributions as required to meet minimum funding standards of the Public Retirement Systems Standards Law and provide benefits thereunder. If terminated, the plan provides that if there are funds remaining after the satisfaction of all liabilities, such funds shall not revert to the City but shall be allocated to employees. All employees are eligible for immediate participation. Officials are covered under the plan and are eligible for immediate participation.

There are no loans to any of the City officials or other “party-in-interest,” and there are no prohibited transactions. The plan assets do not include any securities or investments in the City of Lavonia. The funds are managed by independent money managers. The annual report and more detailed information regarding the plan can be obtained from the Plan Administrator, the Georgia Municipal Employees Benefit System.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

15. Pension Plan (continued)

At July 1, 2016, the date of the most recent actuarial valuation, there were 89 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	24
Terminated vested participants entitled to but not yet receiving benefits	17
Active participants	<u>48</u>
Total number of participants	<u><u>89</u></u>

Benefits Provided. The plan provides retirement and death benefits. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 65 with no reduction in benefit. Members with thirty years of total service are eligible to retire at age 62 with no reduction in benefit. Officials are eligible to retire at age 65 with no reduction of benefits. Members are eligible for early retirement with reduced benefits based on the early retirement reduction table at age 55 after 10 years of service. The benefit formula is 2.00% with a ten year vesting schedule for terminations on or after July 1, 2000. The benefit formula is 1.25% - 1.75% with a ten year vesting schedule for terminations prior to July 1, 2000.

Contributions. Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the year period ending December 31, 2016 was \$116,445, or 8.00% of covered employee payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2016, the City reported a net pension liability of \$477,055. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended December 31, 2016, the City recognized pension expense of \$138,638.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

15. Pension Plan (continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,344	\$ (21,642)
Changes of assumptions	0	(1,964)
Net difference between projected and actual earnings on pension plan investments	160,016	(28,500)
Pension contributions subsequent to measurement date	87,333	0
Totals	<u>\$ 253,693</u>	<u>\$ (52,106)</u>

The \$87,333 of deferred outflows of resources resulting from the City's prior year contributions during the measurement period will be recognized as a reduction of the net position liability in the fiscal year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2017	\$ 24,221
2018	24,221
2019	24,221
2020	41,591
Totals	<u>\$ 114,254</u>

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

Inflation	3.25%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Net investment rate of return	7.75%

Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and on year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

15. Pension Plan (continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.75%
International equity	20%	7.45%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Real estate	10%	4.55%
Cash	0%	
Total	100%	

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

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

15. Pension Plan (continued)

Changes in Net Pension Liability (Asset)

	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 3/31/2015	\$ 2,954,575	\$ 2,690,102	\$ 264,473
Changes for the year:			
Service cost	87,873	0	87,873
Interest	225,077	0	225,077
Differences between expected and actual experience	7,932	0	7,932
Contributions—employer	0	109,785	(109,785)
Net investment income	0	8,429	(8,429)
Benefit payments, including refunds of employee contributions	(100,731)	(100,731)	0
Administrative expense	0	(9,914)	9,914
Other changes	0	0	0
Net changes	220,151	7,569	212,582
Balances at 3/31/2016	\$ 3,174,726	\$ 2,697,671	\$ 477,055

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.75%	\$ 907,485
Current discount rate	7.75%	477,055
1% increase	8.75%	118,018

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

Other Plans. In addition to the plan above, various City employees are covered under the Peace Officers' Annuity and Benefit Fund of Georgia and the Firefighters Pension Fund of Georgia. Further information regarding this plan can be obtained from the plan's annual report.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

16. 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, 2016, there were 11 retirees eligible for and receiving the benefits. For 2016, the cost of providing these benefits totaled \$3,219.

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.

17. Hotel/Motel Lodging Tax

The City has levied an 8% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51(5.2). The City is required to spend, of the total taxes collected, an amount equal to at least 33 1/3% for the purpose of promoting tourism, conventions, and trade shows, 16 2/3% for the purpose of marketing or operating a community auditorium or theater, and 33 1/3% for general recreation purposes. A summary of the transactions for the year ending December 31, 2016 follows:

Lodging tax receipts	\$396,756
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	\$236,940 60% of tax receipts

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

18. 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, 2016, the City paid \$3,828 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 RC. 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 2016, 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.

19. 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 \$11,995 as payment-in-lieu-of-taxes for 2016. 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, 2016

20. 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, 2016, 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, 2016

21. Commitments and Contingencies

Commitments

The City has active construction projects as of December 31, 2016. At year-end, the City has no commitments with contractors.

Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

22. Material Noncompliance

Excess of Expenditures over Appropriations in Individual Governmental Funds for which Budgets are Adopted

During the fiscal year, the County incurred material expenditures which were in excess of the amounts appropriated:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Police Department	\$ 1,037,763	\$ 1,076,448	\$ (38,685)
Maintenance Shop	34,456	36,679	(2,223)
Inspections	24,525	25,314	(789)
Confiscated Assets Fund	5,000	10,623	(5,623)

City of Lavonia Management concurs with this finding. The City Manager continuously reviews the comparative financial statements to budget and recommends any necessary budget revisions to the City Council. This action was taken immediately upon receipt of the comment from our auditors.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2016
(Unaudited)

	Fiscal Year End	Fiscal Year End
	2016	2015
Total pension liability		
Service cost	\$ 87,873	\$ 87,588
Interest	225,077	212,123
Differences between expected and actual experience	7,932	(36,071)
Benefit payments, including refunds of employee contributions	(100,731)	(85,732)
Other changes	0	(3,275)
Net change in total pension liability	220,151	174,633
Total pension liability - beginning	2,954,575	2,779,942
Total pension liability - ending (a)	\$ 3,174,726	\$ 2,954,575
Plan fiduciary net position		
Contributions - employer	\$ 109,785	\$ 118,627
Net investment income	8,429	236,720
Benefit payments, including refunds of employee contributions	(100,731)	(85,732)
Administrative expense	(9,914)	(9,209)
Net change in total pension liability	7,569	260,406
Plan fiduciary net position - beginning	2,690,102	2,429,696
Plan fiduciary net position - ending (b)	\$ 2,697,671	\$ 2,690,102
Net pension liability (asset) - ending : (a) - (b)	\$ 477,055	\$ 264,473
Plan's fiduciary net position as a percentage of the total pension liability	84.97%	91.05%
Covered-employee payroll	\$ 1,455,761	\$ 1,487,956
Net pension liability as a percentage of covered-employee payroll	32.77%	17.77%

Note: 2015 was the first year of implementation. Therefore, only two years are reported.

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
December 31, 2016
(Unaudited)

	<u>Fiscal Year End</u>	<u>Fiscal Year End</u>
	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 116,445	\$ 107,565
Contributions in relation to the actuarially determined contribution	<u>(116,445)</u>	<u>(116,739)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ (9,174)</u>
Covered-employee payroll	\$ 1,455,761	\$ 1,487,956
Contributions as a percentage of covered-employee payroll	8.00%	7.23%

Note: 2015 was the first year of implementation. Therefore, only two years are reported.

The accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF LAVONIA, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2016.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = N/A

Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Net investment rate of return = 7.75%

Projected salary increases = 3.25% plus service based merit increases

Cost of living adjustments = 0.00%

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and on year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

CITY OF LAVONIA, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

3. Changes in Benefits

There have been no substantive changes since the last actuarial valuation.

4. Changes of Assumptions

There have been no substantive changes since the last actuarial valuation.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF LAVONIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue			Capital Projects	Total Nonmajor
	Confiscated Assets	Revolving Loan	Cemetery	2010 SPLOST	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,814	\$ 598,067	\$ 4,288	\$ 254,789	\$ 859,958
Receivables					
Intergovernmental	0	0	0	39,417	39,417
Total assets	\$ 2,814	\$ 598,067	\$ 4,288	\$ 294,206	\$ 899,375
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds	\$ 0	\$ 0	\$ 227	\$ 27,236	\$ 27,463
Other liabilities	140	0	0	0	140
Total liabilities	140	0	227	27,236	27,603
Fund balances					
Restricted for:					
Public Safety	2,674	0	0	0	2,674
Housing and Development	0	598,067	0	0	598,067
Capital outlay	0	0	0	266,970	266,970
Committed for:					
Public Works	0	0	4,061	0	4,061
Total fund balances	2,674	598,067	4,061	266,970	871,772
Total liabilities and fund balances	\$ 2,814	\$ 598,067	\$ 4,288	\$ 294,206	\$ 899,375

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2016

	Special Revenue			Capital Projects	Total Nonmajor
	Confiscated Assets	Revolving Loan	Cemetery	2010 SPLOST	Governmental Funds
REVENUES					
Fines, fees, and forfeitures	\$ 4,014	\$ 0	\$ 0	\$ 0	\$ 4,014
Charges for services	0	0	4,225	0	4,225
Intergovernmental	0	0	0	230,482	230,482
Interest	0	60	0	15	75
Total revenues	4,014	60	4,225	230,497	238,796
EXPENDITURES					
Current					
Public Safety	10,623	0	0	0	10,623
Public Works	0	0	90	0	90
Capital Outlay	0	0	0	4,746	4,746
Total expenditures	10,623	0	90	4,746	15,459
Excess (deficiency) of revenues over (under) expenditures	(6,609)	60	4,135	225,751	223,337
Other financing sources (uses)					
Transfers out	0	0	0	(15,795)	(15,795)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(6,609)	60	4,135	209,956	207,542
Fund balances, January 1	9,283	598,007	(74)	57,014	664,230
Fund balances, December 31	\$ 2,674	\$ 598,067	\$ 4,061	\$ 266,970	\$ 871,772

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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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 745,554	\$ 928,810
Certificates of deposit	800,000	700,000
Receivables (net)		
Intergovernmental	6,000	2,000
Interest	2,552	2,235
Taxes	381,857	350,835
Prepaid items	578,844	19,061
Property held for resale	51,364	1,056,700
Due from other funds	62,610	87,240
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,628,781</u></u>	<u><u>\$ 3,146,881</u></u>
 LIABILITIES		
Accounts Payable	\$ 26,478	\$ 14,238
Accrued salaries and payroll liabilities	24,191	22,133
Other liabilities	2,815	2,815
	<u> </u>	<u> </u>
Total liabilities	<u>53,484</u>	<u>39,186</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	14,405	26,939
	<u> </u>	<u> </u>
 FUND BALANCES		
Nonspendable		
Prepaid items	578,844	19,061
Unassigned	1,982,048	3,061,695
	<u> </u>	<u> </u>
Total fund balances	<u>2,560,892</u>	<u>3,080,756</u>
	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,628,781</u></u>	<u><u>\$ 3,146,881</u></u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2016 and 2015

	2016	2015
REVENUES		
Taxes	\$ 1,922,542	\$ 1,906,356
Licenses and permits	39,281	34,466
Fines, fees and forfeitures	117,342	121,791
Charges for services	17,273	190
Intergovernmental	94,021	224,508
Interest	2,963	4,512
Contributions	5,069	5,276
Other	13,544	17,420
Total revenues	2,212,035	2,314,519
EXPENDITURES		
Current		
General Government	430,934	481,102
Judicial	7,963	8,770
Public Safety	1,192,342	1,288,245
Public Works	473,292	468,945
Culture and Recreation	125,571	104,491
Housing and Development	75,643	112,982
Debt Service	27,039	27,039
Total expenditures	2,332,784	2,491,574
Excess of revenues over expenditures	(120,749)	(177,055)
Other financing sources (uses)		
Transfers in (out)		
Hotel/Motel Tax Fund	105,000	0
Solid Waste Fund	(70,503)	0
Water and Sewer Fund	(1,005,337)	0
Proceeds from capital leases	560,000	0
Proceeds from sale of capital assets	11,725	0
Total other financing sources (uses)	(399,115)	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(519,864)	(177,055)
Fund balances, January 1	3,080,756	3,257,811
Fund balances, December 31	\$ 2,560,892	\$ 3,080,756

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 812,500	\$ 804,772	\$ (7,728)	\$ 827,698
Motor vehicle tax	60,000	98,761	38,761	76,115
Total general property taxes	872,500	903,533	31,033	903,813
Local option sales tax	450,000	408,758	(41,242)	423,291
Intangibles tax	6,000	11,516	5,516	10,896
Franchise tax	285,000	278,234	(6,766)	266,346
Insurance premium tax	115,000	134,565	19,565	124,230
Alcoholic beverage excise tax	120,000	123,401	3,401	118,523
Occupational tax	110,000	62,535	(47,465)	59,257
Total taxes	1,958,500	1,922,542	(35,958)	1,906,356
Licenses and permits				
Alcohol licenses	0	28,950	28,950	32,450
Building permits	2,400	9,356	6,956	955
Sign permits	1,200	975	(225)	1,061
Total licenses and permits	3,600	39,281	35,681	34,466
Fines, fees and forfeitures	237,000	117,342	(119,658)	121,791
Charges for Services				
Recreation	15,700	16,991	1,291	0
Other charges for services	650	282	(368)	190
Total charges for services	16,350	17,273	923	190
Intergovernmental				
Grants	48,600	67,960	19,360	201,837
Other	21,500	26,061	4,561	22,671
Total intergovernmental	70,100	94,021	23,921	224,508
Interest	8,000	2,963	(5,037)	4,512
Contributions	6,000	5,069	(931)	5,276
Other	13,800	13,544	(256)	17,420
Total revenues	<u>\$ 2,313,350</u>	<u>\$ 2,212,035</u>	<u>\$ (101,315)</u>	<u>\$ 2,314,519</u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 75,982	\$ 74,281	\$ 1,701	\$ 70,945
Contract services	35,450	37,171	(1,721)	44,054
Materials and supplies	1,000	584	416	1,152
Total Governing Body	112,432	112,036	396	116,151
Financial Administration				
Personal services	178,698	179,314	(616)	209,203
Contract services	104,300	105,816	(1,516)	110,114
Materials and supplies	27,800	33,768	(5,968)	45,634
Total Financial Administration	310,798	318,898	(8,100)	364,951
Total General Government	423,230	430,934	(7,704)	481,102
Judicial				
Municipal Court				
Personal services	100	200	(100)	995
Contract services	8,900	7,763	1,137	7,775
Total Judicial	9,000	7,963	1,037	8,770
Public Safety				
Police Department				
Personal services	831,063	836,409	(5,346)	776,411
Contract services	122,100	120,548	1,552	127,659
Materials and supplies	36,100	43,442	(7,342)	40,950
Capital outlay	35,000	64,107	(29,107)	4,691
Payments to other agencies	13,500	11,942	1,558	13,050
Total Police Department	1,037,763	1,076,448	(38,685)	962,761
Fire Department				
Personal services	32,600	32,088	512	31,177
Contract services	35,400	32,063	3,337	31,294
Materials and supplies	18,000	41,299	(23,299)	90,771
Capital outlay	25,000	7,563	17,437	168,980
Total Fire Department	111,000	113,013	(2,013)	322,222
Communications				
Contract services	0	0	0	110
Materials and supplies	0	2,881	(2,881)	3,152
Total Communications	0	2,881	(2,881)	3,262
Total Public Safety	1,148,763	1,192,342	(43,579)	1,288,245

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
Public Works				
Highways and Streets				
Personal services	\$ 134,340	\$ 130,818	\$ 3,522	\$ 137,439
Contract services	33,700	160,017	(126,317)	67,662
Materials and supplies	98,700	97,277	1,423	95,057
Capital outlay	137,987	21,190	116,797	109,160
Total Highways and Streets	404,727	409,302	(4,575)	409,318
Maintenance Shop				
Personal services	19,756	20,661	(905)	19,434
Contract services	5,800	5,272	528	5,546
Materials and supplies	8,900	10,746	(1,846)	8,380
Total Maintenance Shop	34,456	36,679	(2,223)	33,360
Detention Services				
Personal services	24,781	24,915	(134)	23,764
Contract services	3,500	2,396	1,104	2,503
Total Detention Services	28,281	27,311	970	26,267
Total Public Works	467,464	473,292	(5,828)	468,945
Culture and Recreation				
Parks and Recreation				
Personal services	51,737	48,363	3,374	37,905
Contract services	12,350	20,816	(8,466)	14,585
Materials and supplies	22,900	31,483	(8,583)	12,634
Capital outlay	12,000	0	12,000	0
Total Parks and Recreation	98,987	100,662	(1,675)	65,124
Community Center				
Contract services	3,000	2,320	680	15,438
Materials and supplies	7,500	5,828	1,672	6,133
Capital outlay	2,000	0	2,000	0
Total Community Center	12,500	8,148	4,352	21,571
Library				
Contract services	2,300	2,911	(611)	2,477
Materials and supplies	6,500	3,850	2,650	5,319
Payments to others	10,000	10,000	0	10,000
Total Library	18,800	16,761	2,039	17,796
Total Culture and Recreation	130,287	125,571	4,716	104,491

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
Housing and Development				
Inspections				
Personal services	\$ 19,425	\$ 19,109	\$ 316	\$ 21,714
Contract services	3,700	4,693	(993)	3,695
Materials and supplies	1,400	1,512	(112)	1,244
Total Inspections	24,525	25,314	(789)	26,653
Better Home Towns				
Personal services	22,999	24,153	(1,154)	22,884
Contract services	4,000	2,202	1,798	2,497
Materials and supplies	1,800	2,442	(642)	1,637
Total Better Home Towns	28,799	28,797	2	27,018
Cannery				
Contract services	1,700	20,522	(18,822)	1,299
Materials and supplies	2,100	1,010	1,090	2,733
Capital Outlay	24,000	0	24,000	55,279
Total Cannery	27,800	21,532	6,268	59,311
Total Housing and Development	81,124	75,643	5,481	112,982
Total Current	2,259,868	2,305,745	(45,877)	2,464,535
Debt Service				
Public Safety				
Fire Department	27,100	27,039	61	27,039
Total Expenditures	\$ 2,286,968	\$ 2,332,784	\$ (45,816)	\$ 2,491,574

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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.

Cemetery Fund – This fund is used to account for activities connected with the receipt and disbursement of funds committed for support of the City cemetery.

CITY OF LAVONIA, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 2,814	\$ 9,423
	<u>2,814</u>	<u>9,423</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Other liabilities	\$ 140	\$ 140
 Fund balances		
Restricted for Public Safety	2,674	9,283
	<u>2,674</u>	<u>9,283</u>
 Total liabilities and fund balances	<u>\$ 2,814</u>	<u>\$ 9,423</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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	\$ 5,000	\$ 4,014	\$ (986)	\$ 3,774
Total revenue	<u>5,000</u>	<u>4,014</u>	<u>(986)</u>	<u>3,774</u>
EXPENDITURES				
Current				
Public Safety				
Contract services	3,500	1,459	2,041	1,273
Materials and supplies	<u>1,500</u>	<u>9,164</u>	<u>(7,664)</u>	<u>0</u>
Total expenditures	<u>5,000</u>	<u>10,623</u>	<u>(5,623)</u>	<u>1,273</u>
Excess (deficiency) of revenues over (under) expenditures	0	(6,609)	(6,609)	2,501
Other financing sources (uses)				
Contingency	<u>(6,500)</u>	<u>0</u>	<u>6,500</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,500)	(6,609)	(109)	2,501
Fund balances, January 1	<u>6,500</u>	<u>9,283</u>	<u>2,783</u>	<u>6,782</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 2,674</u></u>	<u><u>\$ 2,674</u></u>	<u><u>\$ 9,283</u></u>

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 292,357	\$ 220,176
Taxes receivable	22,971	22,333
Prepaid items	<u>1,103</u>	<u>1,100</u>
Total assets	<u><u>\$ 316,431</u></u>	<u><u>\$ 243,609</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 7,010	\$ 0
Accrued payroll liabilities	1,022	1,178
Due to other funds	9,337	1,146
Other liabilities	<u>125</u>	<u>125</u>
Total liabilities	<u>17,494</u>	<u>2,449</u>
 Fund balances		
Nonspendable prepaid items	1,103	1,100
Restricted for Housing and Development	203,107	109,417
Assigned for Housing and Development	<u>94,727</u>	<u>130,643</u>
Total fund balances	<u>298,937</u>	<u>241,160</u>
 Total liabilities and fund balances	<u><u>\$ 316,431</u></u>	<u><u>\$ 243,609</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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	\$ 280,000	\$ 396,756	\$ 116,756	\$ 310,040
Charges for services	500	0	(500)	1,852
Interest	15	26	11	12
Other	4,000	2,935	(1,065)	3,936
Total revenues	284,515	399,717	115,202	315,840
EXPENDITURES				
Current				
Housing and Development				
Personal services	71,580	72,299	(719)	71,505
Contract services	60,200	45,434	14,766	26,839
Material and supplies	37,000	59,561	(22,561)	34,233
Capital outlay	52,000	34,646	17,354	7,386
Payments to other agencies	25,000	25,000	0	25,000
Total expenditures	245,780	236,940	8,840	164,963
Excess (deficiency) of revenues over (under) expenditures	38,735	162,777	124,042	150,877
Other financing sources (uses)				
Transfer to General Fund	0	(105,000)	(105,000)	0
Contingency	(178,735)	0	178,735	0
Total other financing sources (uses)	(178,735)	(105,000)	73,735	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(140,000)	57,777	197,777	150,877
Fund balances, January 1	140,000	241,160	101,160	90,283
Fund balances, December 31	\$ 0	\$ 298,937	\$ 298,937	\$ 241,160

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	<u>\$ 598,067</u>	<u>\$ 598,007</u>
FUND BALANCES		
Fund balances		
Restricted for Housing and Development	<u>\$ 598,067</u>	<u>\$ 598,007</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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
REVENUES				
Interest	\$ 10,188	\$ 60	\$ (10,128)	\$ 14,834
Other	288,391	0	(288,391)	0
Total revenues	298,579	60	(298,519)	14,834
Excess (deficiency) of revenues over (under) expenditures	298,579	60	(298,519)	14,834
Other financing sources (uses)				
Contingency	(298,579)	0	298,579	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	60	60	14,834
Fund balances, January 1	0	598,007	598,007	583,173
Fund balances, December 31	\$ 0	\$ 598,067	\$ 598,067	\$ 598,007

**CITY OF LAVONIA, GEORGIA
CEMETERY SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 4,288	\$ 153
	<u> </u>	<u> </u>
 LIABILITIES AND FUND BALANCES		
 Liabilities		
Due to other funds	\$ 227	\$ 227
 Fund balances		
Committed for Public Works	4,061	0
Unassigned	<u>0</u>	<u>(74)</u>
 Total fund balances	<u>4,061</u>	<u>(74)</u>
 Total liabilities and fund balances	<u>\$ 4,288</u>	<u>\$ 153</u>

CITY OF LAVONIA, GEORGIA
CEMETERY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	\$ 9,500	\$ 4,225	\$ (5,275)	\$ 5,501
Total revenues	<u>9,500</u>	<u>4,225</u>	<u>(5,275)</u>	<u>5,501</u>
EXPENDITURES				
Current				
Public Works				
Contract services	500	85	415	0
Materials and supplies	500	5	495	1,234
Capital outlay	<u>8,972</u>	<u>0</u>	<u>8,972</u>	<u>6,400</u>
Total expenditures	<u>9,972</u>	<u>90</u>	<u>9,882</u>	<u>7,634</u>
Excess (deficiency) of revenues over (under) expenditures	(472)	4,135	4,607	(2,133)
Other financing sources (uses)				
Contingency	<u>(28)</u>	<u>0</u>	<u>28</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(500)	4,135	4,635	(2,133)
Fund balances, January 1	<u>500</u>	<u>(74)</u>	<u>(574)</u>	<u>2,059</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 4,061</u></u>	<u><u>\$ 4,061</u></u>	<u><u>\$ (74)</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 capital facilities and other capital assets (other than those financed by proprietary funds).

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
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE BALANCE SHEETS
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 254,789	\$ 33,004
Intergovernmental receivables	<u>39,417</u>	<u>51,246</u>
Total assets	<u><u>\$ 294,206</u></u>	<u><u>\$ 84,250</u></u>
LIABILITIES AND FUND BALANCES		
Due to other funds	\$ 27,236	\$ 27,236
FUND BALANCES		
Restricted for capital outlay	<u>266,970</u>	<u>57,014</u>
Total liabilities and fund balances	<u><u>\$ 294,206</u></u>	<u><u>\$ 84,250</u></u>

CITY OF LAVONIA, GEORGIA
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Intergovernmental	\$ 230,482	\$ 276,553
Interest	<u>15</u>	<u>2</u>
Total revenues	<u>230,497</u>	<u>276,555</u>
EXPENDITURES		
Capital outlay		
Public Safety		
Police	0	1,650
Fire	1,257	53,163
Public Works		
Highways and Streets	0	8,370
Culture and Recreation		
Library	<u>3,489</u>	<u>21,837</u>
Total expenditures	<u>4,746</u>	<u>85,020</u>
Excess (deficiency) of revenues over (under) expenditures	225,751	191,535
Other financing sources (uses)		
Transfer to Water and Sewer Fund	<u>(15,795)</u>	<u>(83,892)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	209,956	107,643
Fund balances, January 1	<u>57,014</u>	<u>(50,629)</u>
Fund balances, December 31	<u><u>\$ 266,970</u></u>	<u><u>\$ 57,014</u></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 POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 944,424	\$ 191,650
Certificates of deposit	349,957	351,495
Receivables		
Accounts (net)	247,975	208,692
Intergovernmental	0	66,752
Interest	885	1,657
Inventory	58,106	57,299
Prepaid items	18,625	16,537
Due from other funds	31,274	31,274
	<u>1,651,246</u>	<u>925,356</u>
Restricted assets		
Bond Redemption		
Cash and cash equivalents	97,560	94,446
Customer Deposits		
Certificates of deposit	50,043	48,505
	<u>147,603</u>	<u>142,951</u>
Capital assets		
Land	413,072	413,072
Land improvements	20,146	20,146
Buildings	247,085	243,105
Vehicles	282,340	286,251
Furniture and fixtures	77,657	77,657
Plant and facilities	9,767,396	9,070,775
Water and sewer lines and towers	7,979,654	7,853,406
Machinery and equipment	369,930	366,430
Nondepreciable intangibles	116,574	116,574
Depreciable intangibles	61,026	61,026
Construction in progress	160,927	767,408
Accumulated depreciation	(8,199,679)	(7,736,862)
	<u>11,296,128</u>	<u>11,538,988</u>
Total assets	<u>13,094,977</u>	<u>12,607,295</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	33,645	27,058
Pension investment return differences	59,760	0
Pension experience differences	2,369	0
	<u>95,774</u>	<u>27,058</u>
Total deferred outflows of resources	<u>95,774</u>	<u>27,058</u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 19,808	\$ 23,577
Retainages payable	0	52,325
Accrued salaries and payroll liabilities	13,518	12,653
Compensated absences	33,095	23,555
Unearned revenue	17,165	18,737
Notes payable	30,729	30,575
Due to other funds	44,210	57,200
Other current liabilities	3,902	3,902
	<hr/>	<hr/>
Total current liabilities	162,427	222,524
	<hr/>	<hr/>
Current liabilities payable from restricted assets		
Customer deposits	50,043	48,505
Revenue bonds payable	121,118	117,276
Interest payable	26,010	27,757
	<hr/>	<hr/>
Total current liabilities payable from restricted assets	197,171	193,538
	<hr/>	<hr/>
Long-term liabilities		
Net pension liability	182,070	102,678
Notes payable	240,760	271,489
Revenue bonds payable	1,625,039	1,746,157
	<hr/>	<hr/>
Total long-term liabilities	2,047,869	2,120,324
	<hr/>	<hr/>
Total liabilities	2,407,467	2,536,386
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	11,205	14,753
Pension assumption changes	772	1,017
Pension experience differences	8,509	11,203
	<hr/>	<hr/>
Total deferred inflows of resources	20,486	26,973
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	9,278,482	9,306,063
Restricted for debt service	71,550	66,689
Unrestricted	1,412,766	698,242
	<hr/>	<hr/>
Total net position	<u>\$ 10,762,798</u>	<u>\$ 10,070,994</u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 1,617,808	\$ 1,474,408
Sewer charges	549,693	547,105
Tap fees	18,985	15,530
Other	50,660	24,894
Total operating revenues	<u>2,237,146</u>	<u>2,061,937</u>
OPERATING EXPENSES		
Costs of sales and services	836,728	692,359
Personal services	830,481	763,463
Depreciation	498,273	504,399
Total operating expenses	<u>2,165,482</u>	<u>1,960,221</u>
Operating income (loss)	<u>71,664</u>	<u>101,716</u>
Non-operating revenues (expenses)		
Interest revenue	1,066	1,787
Interest expense	(59,310)	(66,847)
Gain (loss) on sale of property held for resale	(407,712)	0
Gain (loss) on sale of capital assets	10,803	0
Total non-operating revenues (expenses)	<u>(455,153)</u>	<u>(65,060)</u>
Net income (loss) before capital contributions and transfers	<u>(383,489)</u>	<u>36,656</u>
Capital contributions		
Intergovernmental revenue	47,829	179,090
Capital contributions	6,332	3,103
Total capital contributions	<u>54,161</u>	<u>182,193</u>
Net income (loss) before transfers	<u>(329,328)</u>	<u>218,849</u>
Transfers in (out)		
2010 SPLOST Fund	15,795	83,892
General Fund	1,005,337	0
Total transfers in (out)	<u>1,021,132</u>	<u>83,892</u>
Change in net position	<u>691,804</u>	<u>302,741</u>
Net position, January 1 (original)	10,070,994	9,871,780
Prior period adjustments	0	(103,527)
Net position, January 1 (restated)	<u>10,070,994</u>	<u>9,768,253</u>
Net position, December 31	<u><u>\$ 10,762,798</u></u>	<u><u>\$ 10,070,994</u></u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$ 2,147,169	\$ 2,069,390
Payments to suppliers	(843,391)	(710,521)
Payments to employees	(815,887)	(776,980)
Other receipts	50,660	24,894
	<hr/>	<hr/>
Net cash provided (used) by operating activities	538,551	606,783
	<hr/>	<hr/>
Cash flows from non-capital financing activities:		
Payments from other funds	(12,990)	0
Receipts from other funds	0	54,083
	<hr/>	<hr/>
Net cash provided (used) by non-capital financing activities	(12,990)	54,083
	<hr/>	<hr/>
Cash flows from capital and related financing activities:		
Receipts of capital contributions	6,332	3,103
Receipts from other governments	114,581	112,338
Receipts from other funds	15,795	83,892
Proceeds from sale of capital assets	10,803	0
Payments for acquisitions of capital assets	(255,413)	(737,122)
Payments for capital related retainage	(52,325)	0
Proceeds from issuance of notes payable	0	76,827
Principal payments - revenue bonds	(117,276)	(113,555)
Principal payments - notes payable	(30,575)	(10,158)
Interest paid	(61,058)	(68,539)
	<hr/>	<hr/>
Net cash provided (used) by capital and related financing activities	(369,136)	(653,214)
	<hr/>	<hr/>
Cash flows from investing activities:		
Proceeds from certificates of deposit	600,000	400,000
Purchases of certificates of deposit	(600,000)	(400,000)
Proceeds from sale of investments	597,625	0
Interest received	1,838	944
	<hr/>	<hr/>
Net cash provided (used) by investing activities	599,463	944
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	755,888	8,596
Cash and cash equivalents, January 1	286,096	277,500
	<hr/>	<hr/>
Cash and cash equivalents, December 31	\$ 1,041,984	\$ 286,096
	<hr/> <hr/>	<hr/> <hr/>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 71,664	\$ 101,716
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	498,273	504,399
(Increase) decrease in accounts receivable	(39,283)	29,820
(Increase) decrease in inventories	(807)	2,120
(Increase) decrease in prepaid items	(2,088)	(1,129)
(Increase) decrease in prior year pension contributions during measurement period	(68,716)	(27,058)
Increase (decrease) in accounts payable	(3,768)	(19,153)
Increase (decrease) in unearned revenue	(1,572)	(699)
Increase (decrease) in payroll liabilities	10,405	(12,583)
Increase (decrease) in net pension liability	79,392	(849)
Increase (decrease) in pension investment return differences	(3,548)	14,753
Increase (decrease) in pension assumption changes	(245)	1,017
Increase (decrease) in pension experience differences	(2,694)	11,203
Increase (decrease) in deposits payable	1,538	3,226
Total adjustments	<u>466,887</u>	<u>505,067</u>
Net cash provided (used) by operating activities	<u>\$ 538,551</u>	<u>\$ 606,783</u>
Cash and cash equivalents reconciliation		
Cash and cash equivalents	\$ 944,424	\$ 191,650
Debt Redemption		
Cash and cash equivalents	<u>97,560</u>	<u>94,446</u>
Total cash and cash equivalents	<u>\$ 1,041,984</u>	<u>\$ 286,096</u>

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled \$0 and \$15,103 for the years ended December 31, 2016 and 2015, respectively.

Acquisition of capital assets through retainage payable totaled \$0 and \$52,325 for the years ended December 31, 2016 and 2015, respectively.

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Accounts receivable (net)	\$ 41,078	\$ 39,239
Prepaid items	351	350
	<u>41,429</u>	<u>39,589</u>
Total assets	<u>41,429</u>	<u>39,589</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	1,964	1,538
Pension investment return differences	3,858	0
Pension experience differences	153	0
	<u>5,975</u>	<u>1,538</u>
Total deferred outflows of resources	<u>5,975</u>	<u>1,538</u>
LIABILITIES		
Current liabilities		
Accounts payable	24,573	50,129
Accrued salaries and payroll liabilities	792	768
Compensated absences	1,662	1,424
Unearned revenue	3,645	3,880
Due to other funds	12,874	32,705
	<u>43,546</u>	<u>88,906</u>
Total current liabilities	<u>43,546</u>	<u>88,906</u>
Long-term liabilities		
Net pension liability	10,963	5,838
Post-closure care	72,657	70,200
	<u>83,620</u>	<u>76,038</u>
Total long-term liabilities	<u>83,620</u>	<u>76,038</u>
Total liabilities	<u>127,166</u>	<u>164,944</u>
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	610	839
Pension assumption changes	42	58
Pension experience differences	463	637
	<u>1,115</u>	<u>1,534</u>
Total deferred inflows of resources	<u>1,115</u>	<u>1,534</u>
NET POSITION		
Unrestricted	<u>\$ (80,877)</u>	<u>\$ (125,351)</u>

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for sales and services	\$ 321,188	\$ 331,771
OPERATING EXPENSES		
Costs of sales and services	296,622	404,678
Personal services	50,595	46,558
Total operating expenses	<u>347,217</u>	<u>451,236</u>
Operating income (loss)	(26,029)	(119,465)
Transfers in (out)		
General Fund	70,503	0
Change in net position	<u>44,474</u>	<u>(119,465)</u>
Net position, January 1 (original)	(125,351)	0
Prior period adjustment	0	(5,886)
Net position, January 1 (restated)	<u>(125,351)</u>	<u>(5,886)</u>
Net position, December 31	<u><u>\$ (80,877)</u></u>	<u><u>\$ (125,351)</u></u>

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$ 319,114	\$ 325,394
Payments to suppliers	(319,722)	(310,843)
Payments to employees	(50,064)	(46,652)
	<u>(50,672)</u>	<u>(32,101)</u>
Net cash provided (used) by operating activities		
Cash flows from non-capital financing activities:		
Receipts from other funds	50,672	32,101
	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, January 1	0	0
	<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)	\$ (26,029)	\$ (119,465)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(1,839)	(6,232)
(Increase) decrease in prepaids	(1)	0
(Increase) decrease in prior year pension contributions during measurement period	(426)	(1,538)
Increase (decrease) in deferred outflow from pension investment return differences	(3,858)	0
Increase (decrease) in deferred outflow from pension experience differences	(153)	0
Increase (decrease) in accounts payable	(25,556)	23,635
Increase (decrease) in unearned revenue	(235)	(145)
Increase (decrease) in accrued payroll liabilities	262	(42)
Increase (decrease) in net pension liability	5,125	(48)
Increase (decrease) in post-closure care liability	2,457	70,200
Increase (decrease) in deferred inflow from pension investment return differences	(229)	839
Increase (decrease) in pension assumption changes	(16)	58
Increase (decrease) in deferred inflow from pension experience differences	(174)	637
	<u>(24,643)</u>	<u>87,364</u>
Total adjustments		
Net cash provided (used) by operating activities	<u><u>\$ (50,672)</u></u>	<u><u>\$ (32,101)</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 11,580	\$ 8,829
Accounts receivable (net)	<u>40</u>	<u>40</u>
Total assets	<u><u>\$ 11,620</u></u>	<u><u>\$ 8,869</u></u>
LIABILITIES		
Due to other agencies	<u><u>\$ 11,620</u></u>	<u><u>\$ 8,869</u></u>

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2016

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
ASSETS				
Cash and cash equivalents	\$ 8,829	\$ 164,180	\$ (161,429)	\$ 11,580
Accounts receivable	<u>40</u>	<u>0</u>	<u>0</u>	<u>40</u>
Total assets	<u><u>\$ 8,869</u></u>	<u><u>\$ 164,180</u></u>	<u><u>\$ (161,429)</u></u>	<u><u>\$ 11,620</u></u>
LIABILITIES				
Due to others agencies	<u><u>\$ 8,869</u></u>	<u><u>\$ 164,180</u></u>	<u><u>\$ (161,429)</u></u>	<u><u>\$ 11,620</u></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, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 4,091	\$ 3,928
	<u> </u>	<u> </u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 1,154	\$ 0
Other liabilities	<u>87</u>	<u>87</u>
Total liabilities	<u>1,241</u>	<u>87</u>
 Fund balances		
Assigned for:		
Housing and Development	2,350	3,341
Budget	<u>500</u>	<u>500</u>
Total fund balances	<u>2,850</u>	<u>3,841</u>
 Total liabilities and fund balances	<u><u>\$ 4,091</u></u>	<u><u>\$ 3,928</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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 27,000	\$ 25,000	\$ (2,000)	\$ 25,000
Rent	9,120	9,726	606	8,705
Other	2,380	2,490	110	3,201
Total revenues	38,500	37,216	(1,284)	36,906
EXPENDITURES				
Current				
Housing and Development				
Contract services	18,500	22,461	(3,961)	21,780
Supplies and materials	18,000	15,746	2,254	11,577
Capital outlay	500	0	500	0
Payments to other agencies	2,000	0	2,000	1,000
Total expenditures	39,000	38,207	793	34,357
Excess of revenues over (under) expenditures	(500)	(991)	(491)	2,549
Fund balances, January 1	500	3,841	3,341	1,292
Fund balances, December 31	\$ 0	\$ 2,850	\$ 2,850	\$ 3,841

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OTHER REPORTING SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 1, 2017.

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 opinions 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As discussed below, we did identify a deficiency in internal control that we consider to be a significant deficiency.

Comment 2016-001

Condition: City personnel lack the necessary training and expertise in identification and application of generally accepted accounting policies and financial statement preparation. Currently, the City relies on the external auditors for technical assistance in these areas. This is common for governments of similar size and structure to the City of Lavonia. This does not indicate that the City Clerk is not trained to perform the daily accounting functions, but that the City has elected, as a cost benefit, to outsource this expertise to their auditors.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

Comment 2016-002

Condition: The City experienced a material excess of expenditures over appropriations in the General Fund and Confiscated Assets Fund.

Criteria: OCGA Code Section 36-81-3 requires local governments to operate under an approved annual budget for the General Fund, special revenue funds, and debt service funds.

Effect: Failure to maintain expenditures within the balanced budget will place the City in violation of state law.

Recommendation: City management should ensure that budget to actual comparisons are performed periodically and budgets should be amended as needed to ensure that the City remains in compliance with state law. This will assist management with budgetary decisions throughout the fiscal year.

Management Response: Management concurs with this finding. The City Manager will ensure that the budget to actual comparisons are performed periodically and recommend any necessary budget revisions to the City Council. This action was implemented immediately upon receipt of the comment from our auditors.

The City of Lavonia, Georgia's Response to Findings

The City of Lavonia, Georgia's responses to the findings identified in our audit are described above. The City's responses were not subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 1, 2017

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2016

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Water Expansion	\$ 385,715	\$ 385,715	\$ 207,888	\$ 15,795	\$ 223,683
Police Department					
Facilities and Equipment	192,857	192,857	186,130	0	186,130
Fire Department					
Facilities and Equipment	200,000	200,000	202,256	1,257	203,513
Library Facilities	45,000	45,000	60,393	(8,919)	51,474
Recreation Facilities	192,857	192,857	139,773	0	139,773
Construction and Improvement of Roads	385,713	385,713	337,767	0	337,767
Total	<u>\$ 1,402,142</u>	<u>\$ 1,402,142</u>	<u>\$ 1,134,207</u>	<u>\$ 8,133</u>	<u>\$ 1,142,340</u>

	\$ 8,133
Revenue from other sources	12,408
Total expenditures reported in financial statements	<u>\$ 20,541</u>

2015 Referendum					
Roads, Street, and Bridges	\$ 423,571	\$ 423,571	\$ 0	\$ 0	\$ 0
Public Safety and Fire	392,857	392,857	0	0	0
Water and Sewer	385,715	385,715	0	0	0
Recreation	192,857	192,857	0	0	0
Library	45,000	45,000	0	0	0
Total	<u>\$ 1,440,000</u>	<u>\$ 1,440,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>