

CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2018

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CITY OF LAVONIA, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2018

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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, 2018, 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, 2018, 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 13 and 63 through 66, 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 schedule of projects financed with special purpose local option sales tax 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 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 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, 2017, which are not presented with the accompanying financial statements. In our report dated May 11, 2018, 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 2017 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 2017 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 2017 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 2017 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019 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 15, 2019

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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, 2018. 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, 2018, by \$18,165,834 (reported as *net position*).
- As of December 31, 2018, Lavonia's governmental funds reported combined ending fund balances of \$3,061,288. Approximately 73% of this total amount, \$2,244,463, 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 68. 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, Hotel/Motel Tax Special Revenue Fund, and Revolving Loan 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 16-22 of this report.

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

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

The City's proprietary fund financial statements are presented on pages 23-27.

- **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 28.

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 19-63 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's defined benefit pension plan. The required supplementary information can be found on pages 63-66 of this report.

Other Supplementary Information

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

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

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

Overview of the City's Financial Position and Operations

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

City of Lavonia Net Position As of December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 3,155,473	\$ 3,398,301	\$ 2,518,525	\$ 2,076,568	\$ 5,673,998	\$ 5,474,869
Capital assets	4,826,439	4,557,855	10,380,771	10,852,503	15,207,210	15,410,358
Total assets	7,981,912	7,956,156	12,899,296	12,929,071	20,881,208	20,885,227
Deferred Outflows of Resources						
Deferred outflows related to pension	101,780	77,227	67,910	52,786	169,690	130,013
Total deferred outflows of resources	101,780	77,227	67,910	52,786	169,690	130,013
Liabilities						
Current liabilities	180,126	211,044	356,039	352,418	415,063	563,462
Noncurrent liabilities	533,605	700,614	1,686,416	1,948,715	2,196,362	2,649,329
Total liabilities	713,731	911,658	2,042,455	2,301,133	2,611,425	3,212,791
Deferred Inflows of Resources						
Deferred inflows related to pension	77,831	8,366	51,047	6,063	11,840	14,429
Total deferred inflows of resources	77,831	40,969	51,047	28,507	11,840	14,429
Net Position						
Net investment in capital assets	4,436,092	4,037,751	8,670,942	8,986,703	13,107,034	13,024,454
Restricted	656,111	596,770	81,445	76,468	737,556	673,238
Unrestricted	2,199,927	2,477,431	2,121,317	1,608,425	4,321,244	4,085,856
Total net position	\$ 7,292,130	\$ 7,111,952	\$ 10,873,704	\$ 10,671,596	\$ 18,165,834	\$ 17,783,548

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 \$18,165,834 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 (72%) 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 60% (\$10,798,704) 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.

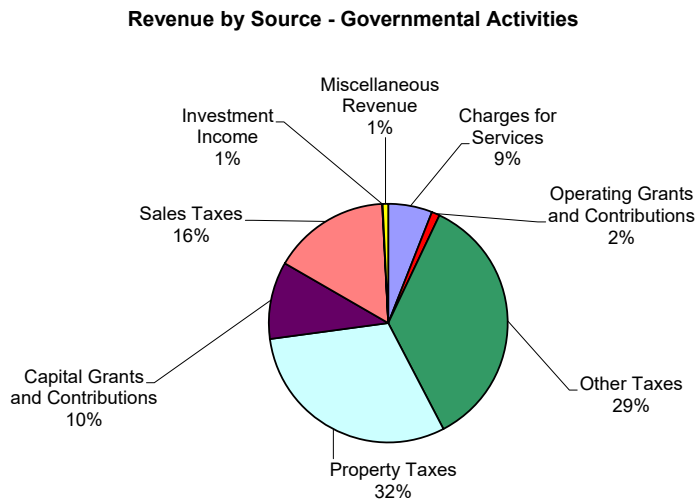
City of Lavonia

Changes in Net Position For the years ending December 31, 2018 and 2017

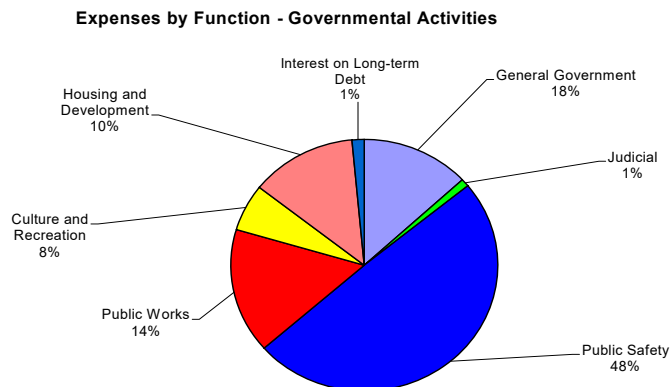
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 194,325	\$ 195,675	\$ 2,798,648	\$ 2,531,801	\$ 2,992,973	\$ 2,727,476
Operating grants and contributions	35,378	45,025	0	0	35,378	45,025
Capital grants and contributions	342,381	551,774	0	0	342,381	551,774
General revenues:						
Property taxes	995,152	954,436	0	0	995,152	954,436
Sales tax	516,363	430,865	0	0	516,363	430,865
Other taxes	1,152,929	1,055,399	0	0	1,152,929	1,055,399
Investment income	2,237	1,243	3,703	3,143	5,940	4,386
Gain on sale of assets	10,300	10,921	0	3,709	10,300	14,630
Miscellaneous revenue	24,829	15,252	24,743	42,277	49,572	57,529
Total revenues	3,273,894	3,260,590	2,827,094	2,580,930	6,100,988	5,841,520
Expenses						
General Government	404,490	853,412	0	0	404,490	853,412
Judicial	31,384	10,614	0	0	31,384	10,614
Public Safety	1,522,289	1,281,463	0	0	1,522,289	1,281,463
Public Works	495,335	456,289	0	0	495,335	456,289
Culture and Recreation	185,586	252,755	0	0	185,586	252,755
Housing and Development	398,542	549,534	0	0	398,542	549,534
Interest on long-term debt	(45,607)	15,232	0	0	(45,607)	15,232
Water and sewer	0	0	2,430,866	2,406,854	2,430,866	2,406,854
Solid Waste	0	0	295,817	351,111	295,817	351,111
Total expenses	2,992,019	3,419,299	2,726,683	2,757,965	5,718,702	6,177,264
Increase (decrease) in net position before transfers	281,875	(158,709)	100,411	(177,035)	382,286	(335,744)
Transfers	(101,697)	(166,710)	101,697	166,710	0	0
Increase (decrease) in net position	180,178	(325,419)	202,108	(10,325)	382,286	(335,744)
Net position - beginning	7,111,952	7,437,371	10,671,596	10,681,921	17,783,548	18,119,292
Net position - ending	\$ 7,292,130	\$ 7,111,952	\$ 10,873,704	\$ 10,671,596	\$ 18,165,834	\$ 17,783,548

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 \$202,108. The key elements of this increase are:

- 2018 operating revenues increased by \$220,622 from 2017 due to increased charges for sales and services in 2018.

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 \$3,061,288. Of this amount, \$2,244,463 (73%) 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 2019 budget.

The **General Fund** is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$2,224,463, while total fund balance was \$2,312,167. 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 77% of total General Fund expenditures, while total fund balance represents 79% of that same amount.

The **Hotel Motel Special Revenue Fund** has a \$138,118 fund balance at year end. Of this fund balance, \$73,144 is restricted and \$64,047 is assigned for housing and development purposes.

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:

- The General Fund contingency was decreased by \$47,656 for adjustments to the Fire Department and Highways and Streets Department.
- 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 2019 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 ensure 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	\$ 10,866,679
▪ Solid Waste	\$ 7,025

The total increase in net position for both funds was \$202,108. 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 \$15,207,210 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 70% of this investment is related to business-type activities and approximately 30% relates to governmental activities.

During 2018, the City invested \$634,963 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities 2018

Purchased (2) Heat Pumps	6,868
Chik-fil-a Water Extension Line	40,000
	<u>\$ 46,868</u>

Governmental Activities 2018

Purchased Landstar Gator	5,995
Purchased 2018 Dodge Charger	22,100
Purchased E1 Typhoon Pumper Fire Truck	560,000
	<u>\$ 588,095</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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 525,266	\$ 525,266	\$ 413,072	\$ 413,072	\$ 938,338	\$ 938,338
Nondepreciable Intangibles	0	0	116,574	116,574	116,574	116,574
Buildings	4,985,725	4,985,725	253,953	247,085	5,239,678	5,232,810
Infrastructure	1,973,830	1,973,830	20,146	20,146	1,993,976	1,993,976
Distribution system	0	0	17,809,681	17,773,399	17,809,681	17,773,399
Vehicles and equipment	3,058,996	2,560,801	643,537	647,537	3,702,533	3,208,338
Furniture and fixtures	86,687	134,448	36,977	112,630	123,664	247,078
Depreciable Intangibles	0	0	61,026	61,026	61,026	61,026
Software	27,331	27,331	0	0	27,331	
Construction in progress	0	0	160,927	160,927	160,927	160,927
Total	10,657,835	10,207,401	19,515,893	19,552,396	30,173,728	29,759,797
Accumulated depreciation	(5,831,396)	(5,649,546)	(9,135,122)	(8,699,893)	(14,966,518)	(14,349,439)
Net Capital Assets	\$ 4,826,439	\$ 4,557,855	\$ 10,380,771	\$ 10,852,503	\$ 15,207,210	\$ 15,410,358

Additional information on the City of Lavonia's capital assets can be found in the Note 8 to the Financial Statements on pages 46-48 of this report.

Long-term debt. At December 31, 2018, the City of Lavonia had \$2,100,176 in bonds, notes payable, and capital leases outstanding, a decrease in total of \$276,155 from 2017.

City of Lavonia
Outstanding Debt
As of December 31, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$0	\$0	\$1,499,952	\$1,625,039	\$1,499,952	\$1,625,039
Notes payable	0	0	209,877	240,761	209,877	240,761
Capital leases	390,347	510,531	0	0	390,347	510,531
Total	\$390,347	\$510,531	\$1,709,829	\$1,865,800	\$2,100,176	\$2,376,331

Additional information on the City's long-term debt can be found in the Notes 9 and 10 to the Financial Statements on pages 49-52 of this report.

Economic Condition and Outlook

We, as management, in considering and forecasted economic conditions for 2019, are continuing to be guardedly optimistic. The current growth period is extending and expansion in terms of jobs and commercial/industrial development. Building permits and annexations are continuing on pace with last year. Property tax revenues are stable. Management is continuing to budget conservatively as there is a margin of uncertainty ahead. The next recession could be just beyond the horizon and could arrive unexpectedly. Noteworthy budget items and cost saving considerations were:

- General Fund budget expenditures are slightly above 2018 expenditures.
- With most revenue streams expected to remain at or slightly above 2018 levels, certain department operational expenditures are expected to continue to rise. Insurance, contract services, raw materials, repair parts and service costs are expected to continue upward. This has and will continue to have a direct impact on the City's ability to maintain current operational standards and repair/replace existing infrastructure as needed. We are aggressively pursuing grant funding on the State and Federal levels to fill funding gaps. At the same time these grants are being chased by an increasing number of cities and counties, which makes longer odds for success.
- Energy costs are increasing slightly, year over year. As HVAC systems fail, the City is replacing units with higher efficiency units as a priority. Gasoline and fuel prices are expected to remain steady.
- Interest rates on C.D.'s have markedly increased. We have repositioned fund balances to higher rate Certificates which will increase interest revenue in 2020.
- COLA increases were not provided for employees at the beginning of 2019.

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

BASIC FINANCIAL STATEMENTS

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,074,084	\$ 1,268,419	\$ 3,342,503	\$ 9,680
Certificates of deposit	500,000	646,491	1,146,491	0
Restricted assets				
Cash and cash equivalents	0	103,788	103,788	0
Certificates of deposit	0	53,509	53,509	0
Receivables (net)				
Accounts	0	372,976	372,976	0
Intergovernmental	86,934	0	86,934	0
Interest	2,101	2,673	4,774	0
Taxes	423,723	0	423,723	0
Inventories	0	54,254	54,254	0
Prepaid items	17,267	16,415	33,682	0
Property held for resale	51,364	0	51,364	0
Total current assets	3,155,473	2,518,525	5,673,998	9,680
Noncurrent assets				
Capital assets				
Non-depreciable	525,266	690,573	1,215,839	40,000
Depreciable (net)	4,301,173	9,690,198	13,991,371	74,599
Total noncurrent assets	4,826,439	10,380,771	15,207,210	114,599
Total assets	7,981,912	12,899,296	20,881,208	124,279
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	101,780	67,910	169,690	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	51,256	40,545	91,801	59
Interest	1,382	0	1,382	0
Accrued salaries and payroll liabilities	28,376	20,895	49,271	0
Compensated absences	42,350	31,821	74,171	0
Unearned revenue	0	22,802	22,802	0
Capital lease payable	53,682	0	53,682	0
Notes payable	0	31,037	31,037	0
Other current liabilities	3,080	3,902	6,982	88
Liabilities payable from restricted assets				
Customer deposits	0	53,509	53,509	0
Revenue bonds payable	0	129,185	129,185	0
Interest payable	0	22,343	22,343	0
Total current liabilities	180,126	356,039	536,165	147

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	\$ 196,940	\$ 136,809	\$ 333,749	\$ 0
Capital lease payable	336,665	0	336,665	0
Notes payable	0	178,840	178,840	0
Revenue bonds payable	0	1,370,767	1,370,767	0
Total noncurrent liabilities	533,605	1,686,416	2,220,021	0
Total liabilities	713,731	2,042,455	2,756,186	147
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	77,831	51,047	128,878	0
NET POSITION				
Net investment in capital assets	4,436,092	8,670,942	13,107,034	114,599
Restricted for:				
Public Safety	12,582	0	12,582	0
Housing and Development	252,606	0	252,606	0
Capital outlay	390,923	0	390,923	0
Debt service	0	81,445	81,445	0
Unrestricted	2,199,927	2,121,317	4,321,244	9,533
Total net position	<u>\$ 7,292,130</u>	<u>\$ 10,873,704</u>	<u>\$ 18,165,834</u>	<u>\$ 124,132</u>

CITY OF LAVONIA, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
FUNCTIONS/PROGRAMS					
Primary government					
Governmental activities					
General Government	\$ 404,490	\$ 44,000	\$ 325	\$ 0	\$ (360,165)
Judicial	31,384	0	0	0	(31,384)
Public Safety	1,463,489	104,611	31,053	83,670	(1,244,155)
Public Works	495,335	11,640	0	208,064	(275,631)
Health and Welfare	0	0	4,000	0	4,000
Culture and Recreation	185,586	15,039	0	50,647	(119,900)
Housing and Development	398,542	19,035	0	0	(379,507)
Interest on long-term debt	13,193	0	0	0	(13,193)
Total governmental activities	2,992,019	194,325	35,378	342,381	(2,419,935)
Business-type activities					
Water and Sewer	2,430,866	2,444,654	0	0	13,788
Solid Waste	295,817	353,994	0	0	58,177
Total business-type activities	2,726,683	2,798,648	0	0	71,965
Total primary government	5,718,702	2,992,973	35,378	342,381	(2,347,970)
Component Unit					
Downtown Development Authority					
Housing and Development	35,823	0	30,000	0	(5,823)
Primary Government					
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Change in net position					
Net (expense) revenue	\$ (2,419,935)	\$ 71,965	\$ (2,347,970)	\$ (5,823)	
General revenues					
Taxes					
Property	995,151	0	995,151	0	
Sales	516,363	0	516,363	0	
Insurance premium	154,531	0	154,531	0	
Occupational	83,252	0	83,252	0	
Franchise	291,226	0	291,226	0	
Intangible	10,117	0	10,117	0	
Alcohol excise	129,177	0	129,177	0	
Hotel/Motel	484,626	0	484,626	0	
Interest and investment earnings	2,236	3,703	5,939	0	
Miscellaneous	24,831	24,743	49,574	11,178	
Gain on sale of assets	10,300	0	10,300	0	
Transfers	(101,697)	101,697	0	0	
Total general revenues and transfers	2,600,113	130,143	2,730,256	11,178	
Change in net position	180,178	202,108	382,286	5,355	
Net position - beginning	7,111,952	10,671,596	17,783,548	118,777	
Net position - ending	\$ 7,292,130	\$ 10,873,704	\$ 18,165,834	\$ 124,132	

CITY OF LAVONIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	General	Hotel/Motel Tax	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 1,408,890	\$ 135,808	\$ 529,386	\$ 2,074,084
Certificates of Deposit	500,000	0	0	500,000
Receivables (net)				
Intergovernmental	1,082	0	85,852	86,934
Interest	2,101	0	0	2,101
Taxes	381,726	41,997	0	423,723
Prepaid items	16,340	927	0	17,267
Property held for resale	51,364	0	0	51,364
Due from other funds	7,752	0	0	7,752
Total assets	\$ 2,369,255	\$ 178,732	\$ 615,238	\$ 3,163,225
LIABILITIES				
Accounts payable	\$ 14,424	\$ 33,460	\$ 3,372	\$ 51,256
Accrued salaries and payroll liabilities	28,376	0	0	28,376
Due to other funds	0	7,029	723	7,752
Other liabilities	2,815	125	140	3,080
Total liabilities	45,615	40,614	4,235	90,464
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	11,473	0	0	11,473
FUND BALANCES				
Nonspendable for:				
Prepaid items	16,340	927	0	17,267
Property held for resale	51,364	0	0	51,364
Restricted for:				
Public Safety	0	0	12,582	12,582
Housing and Development	0	73,144	179,462	252,606
Capital outlay	0	0	390,923	390,923
Committed for Public Works	0	0	28,036	28,036
Assigned for:				
Housing and Development	0	64,047	0	64,047
Unassigned	2,244,463	0	0	2,244,463
Total fund balances	2,312,167	138,118	611,003	3,061,288
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,369,255	\$ 178,732	\$ 615,238	\$ 3,163,225

CITY OF LAVONIA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2018

Total fund balance - total governmental funds	\$	3,061,288
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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		4,826,439
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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		11,473
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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:			
Deferred outflows related to pension	\$	101,780	
Deferred inflows of resources:			
Deferred inflows related to pension		<u>(77,831)</u>	23,949

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

Capital leases		(390,347)	
Interest payable		(1,382)	
Compensated absences		(42,350)	
Net pension liability		<u>(196,940)</u>	<u>(631,019)</u>

Net position of governmental activities	\$	<u>7,292,130</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, 2018

	General	Hotel/Motel Tax	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	\$ 2,187,028	\$ 484,626	\$ 0	\$ 2,671,654
Licenses and permits	63,035	0	0	63,035
Fines, fees and forfeitures	104,286	0	0	104,286
Charges for services	15,364	0	11,640	27,004
Intergovernmental	71,108	0	306,622	377,730
Interest	2,198	14	54	2,266
Other	24,831	0	0	24,831
Total revenues	2,467,850	484,640	318,316	3,270,806
EXPENDITURES				
Current				
General Government	393,850	0	0	393,850
Judicial	31,384	0	0	31,384
Public Safety	1,798,653	0	5,367	1,804,020
Public Works	429,290	0	1,983	431,273
Culture and Recreation	100,965	0	0	100,965
Housing and Development	101,745	299,958	0	401,703
Capital outlay	0	0	96,648	96,648
Debt service	74,935	0	58,800	133,735
Total expenditures	2,930,822	299,958	162,798	3,393,578
Excess (deficiency) of revenues over (under) expenditures	(462,972)	184,682	155,518	(122,772)
Other financing sources (uses)				
Transfers in	193,179	0	0	193,179
Transfers out	(33,013)	(193,179)	(68,684)	(294,876)
Sale of capital assets	10,300	0	0	10,300
Total other financing sources (uses)	170,466	(193,179)	(68,684)	(91,397)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(292,506)	(8,497)	86,834	(214,169)
Fund balances, January 1	2,604,673	146,615	524,169	3,275,457
Fund balances, December 31	\$ 2,312,167	\$ 138,118	\$ 611,003	\$ 3,061,288

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, 2018

Net change in fund balances - total governmental funds **\$ (214,169)**

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	\$ 588,095	
Depreciation	(319,511)	268,584

In the statement of activities, the gain/loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.

Cost of assets disposed	(137,661)	
Related accumulated depreciation	137,661	0

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

Unavailable revenue	(7,210)
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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	79,682	
Cost of benefits net of employee contributions	(79,227)	455

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	120,184
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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	358	
Compensated absences	11,976	12,334

Change in net position of governmental activities	<u>\$ 180,178</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, 2018

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,923,000	\$ 2,003,000	\$ 2,187,028	\$ 184,028
Licenses and permits	4,800	34,275	63,035	28,760
Fines, fees and forfeitures	100,000	100,000	104,286	4,286
Charges for services	21,200	21,200	15,364	(5,836)
Intergovernmental	64,500	64,500	71,108	6,608
Interest	5,000	5,000	2,198	(2,802)
Contributions	5,000	5,000	0	(5,000)
Other	5,000	5,000	24,831	19,831
Total revenues	2,128,500	2,237,975	2,467,850	229,875
EXPENDITURES				
Current				
General Government				
Governing Body	116,201	116,201	108,576	7,625
Financial Administration	294,207	294,207	285,274	8,933
Judicial				
Municipal Court	9,000	9,000	31,384	(22,384)
Public Safety				
Police Department	1,067,608	1,067,608	1,081,036	(13,428)
Fire Department	106,950	162,482	714,551	(552,069)
Communications	4,800	4,800	3,066	1,734
Public Works				
Highways and Streets	286,283	360,247	363,206	(2,959)
Maintenance Shop	38,314	38,314	37,265	1,049
Detention Services	29,829	29,829	28,819	1,010
Culture and Recreation				
Parks and Recreation	85,165	85,165	83,798	1,367
Community Center	13,450	13,450	9,527	3,923
Library	24,700	24,700	7,640	17,060
Housing and Development				
Inspections	23,997	23,997	24,318	(321)
Planning and Zoning	0	0	1,346	(1,346)
Better Home Towns	103,894	103,894	73,738	30,156
Cannery	6,400	6,400	2,343	4,057
Debt service				
Public Safety				
Fire Department	27,100	74,935	74,935	0
Total expenditures	2,237,898	2,415,229	2,930,822	(515,593)
Excess (deficiency) of revenues over (under) expenditure	(109,398)	(177,254)	(462,972)	(285,718)
Other financing sources (uses)				
Transfers in	142,500	162,500	193,179	30,679
Transfers out	0	(20,000)	(33,013)	(13,013)
Sale of capital assets	15,000	15,000	10,300	(4,700)
Contingency	(48,102)	(446)	0	446
Total other financing sources (uses)	109,398	157,054	170,466	13,412
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(20,200)	(292,506)	(272,306)
Fund balances, January 1	0	20,200	2,604,673	2,584,473
Fund balances, December 31	\$ 0	\$ 0	\$ 2,312,167	\$ 2,312,167

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, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Hotel/motel taxes	\$ 380,000	\$ 380,000	\$ 484,626	\$ 104,626
Interest	0	0	14	14
Total revenues	<u>380,000</u>	<u>380,000</u>	<u>484,640</u>	<u>104,640</u>
EXPENDITURES				
Current				
Housing and Development	<u>228,500</u>	<u>228,500</u>	<u>299,958</u>	<u>(71,458)</u>
Excess (deficiency) of revenues over (under) expenditure	<u>151,500</u>	<u>151,500</u>	<u>184,682</u>	<u>33,182</u>
Other financing sources (uses)				
Transfers out	(142,500)	(142,500)	(193,179)	(50,679)
Contingency	<u>(9,000)</u>	<u>(9,000)</u>	<u>0</u>	<u>9,000</u>
Total other financing sources (uses)	<u>(151,500)</u>	<u>(151,500)</u>	<u>(193,179)</u>	<u>(41,679)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(8,497)	(8,497)
Fund balances, January 1	<u>0</u>	<u>0</u>	<u>146,615</u>	<u>146,615</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 138,118</u></u>	<u><u>\$ 138,118</u></u>

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,268,419	\$ 0	\$ 1,268,419
Certificates of deposit	646,491	0	646,491
Restricted assets			
Cash and cash equivalents	103,788	0	103,788
Certificates of deposit	53,509	0	53,509
Receivables			
Accounts (net)	327,527	45,449	372,976
Interest	2,673	0	2,673
Inventory	54,254	0	54,254
Prepaid items	16,034	381	16,415
Total current assets	2,472,695	45,830	2,518,525
Noncurrent assets			
Capital assets			
Non-depreciable	690,573	0	690,573
Depreciable (net)	9,690,198	0	9,690,198
Total noncurrent assets	10,380,771	0	10,380,771
Total assets	12,853,466	45,830	12,899,296
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	64,090	3,820	67,910
LIABILITIES			
Current liabilities			
Accounts payable	11,885	28,660	40,545
Accrued salaries and payroll liabilities	19,823	1,072	20,895
Compensated absences	31,763	58	31,821
Unearned revenue	20,294	2,508	22,802
Notes payable	31,037	0	31,037
Other current liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits	53,509	0	53,509
Revenue bonds payable	129,185	0	129,185
Interest payable	22,343	0	22,343
Total current liabilities	323,741	32,298	356,039

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
LIABILITIES			
Noncurrent liabilities			
Net pension liability	\$ 129,063	\$ 7,746	\$ 136,809
Notes payable	178,840	0	178,840
Revenue bonds payable	1,370,767	0	1,370,767
Total noncurrent liabilities	1,678,670	7,746	1,686,416
Total liabilities	2,002,411	40,044	2,042,455
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	48,466	2,581	51,047
NET POSITION			
Net investment in capital assets	8,670,942	0	8,670,942
Restricted for debt service	81,445	0	81,445
Unrestricted	2,114,292	7,025	2,121,317
Total net position	<u>\$ 10,866,679</u>	<u>\$ 7,025</u>	<u>\$ 10,873,704</u>

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2018

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	\$ 2,444,654	\$ 353,994	\$ 2,798,648
Other	24,743	0	24,743
Total operating revenues	2,469,397	353,994	2,823,391
OPERATING EXPENSES			
Costs of sales and services	968,396	251,627	1,220,023
Personal services	892,795	44,190	936,985
Depreciation	518,600	0	518,600
Total operating expenses	2,379,791	295,817	2,675,608
Operating income (loss)	89,606	58,177	147,783
Non-operating revenues (expenses)			
Interest revenue	3,703	0	3,703
Interest expense	(51,075)	0	(51,075)
Total non-operating revenues (expenses)	(47,372)	0	(47,372)
Net income (loss) before transfers	42,234	58,177	100,411
Transfers in (out)			
Transfers in	85,313	33,013	118,326
Transfers out	0	(16,629)	(16,629)
Total transfers in (out)	85,313	16,384	101,697
Change in net position	127,547	74,561	202,108
Net position, January 1	10,739,132	(67,536)	10,671,596
Net position, December 31	\$ 10,866,679	\$ 7,025	\$ 10,873,704

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2018

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 2,392,330	\$ 352,025	\$ 2,744,355
Payments to suppliers	(971,926)	(324,252)	(1,296,178)
Payments to employees	(894,003)	(44,157)	(938,160)
Other receipts	24,743	0	24,743
Net cash provided (used) by operating activities	551,144	(16,384)	534,760
Cash flows from non-capital financing activities:			
Payments to other funds	0	(16,629)	(16,629)
Receipts from other funds	16,629	33,013	49,642
Net cash provided (used) by non-capital financing activities	16,629	16,384	33,013
Cash flows from capital and related financing activities:			
Receipts from other funds	68,684	0	68,684
Payments for acquisitions of capital assets	(46,868)	0	(46,868)
Principal payments - revenue bonds	(125,087)	0	(125,087)
Principal payments - notes payable	(30,884)	0	(30,884)
Interest paid	(52,938)	0	(52,938)
Net cash provided (used) by capital and related financing activities	(187,093)	0	(187,093)
Cash flows from investing activities			
Proceeds from certificates of deposit	700,000	0	700,000
Purchases of certificates of deposit	(700,000)	0	(700,000)
Interest received	3,163	0	3,163
Net cash provided (used) by investing activities	3,163	0	3,163
Net increase (decrease) in cash and cash equivalents	383,843	0	383,843
Cash and cash equivalents, January 1	988,364	0	988,364
Cash and cash equivalents, December 31	\$ 1,372,207	\$ 0	\$ 1,372,207

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2018

	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)	\$ 89,606	\$ 58,177	\$ 147,783
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	518,600	0	518,600
(Increase) decrease in accounts receivable	(58,286)	(1,985)	(60,271)
(Increase) decrease in inventories	(838)	0	(838)
(Increase) decrease in prepaid items	3,540	(5)	3,535
(Increase) decrease in deferred outflows related to pension	(14,259)	(865)	(15,124)
Increase (decrease) in accounts payable	(6,232)	2,380	(3,852)
Increase (decrease) in unearned revenue	5,719	16	5,735
Increase (decrease) in payroll liabilities	(943)	49	(894)
Increase (decrease) in net pension liability	(25,527)	(1,549)	(27,076)
Increase (decrease) in post-closure care liability	0	(75,000)	(75,000)
Increase (decrease) in deferred inflows related to pension	39,521	2,398	41,919
Increase (decrease) in deposits payable	243	0	243
Total adjustments	461,538	(74,561)	386,977
Net cash provided (used) by operating activities	\$ 551,144	\$ (16,384)	\$ 534,760
Cash and cash equivalents reconciliation			
Cash and cash equivalents	\$ 1,268,419	\$ 0	\$ 1,268,419
Debt Redemption			
Cash and cash equivalents	103,788	0	103,788
	\$ 1,372,207	\$ 0	\$ 1,372,207

CITY OF LAVONIA, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 35,058
Accounts receivable, net	<u>40</u>
Total assets	<u><u>\$ 35,098</u></u>
LIABILITIES	
Due to other agencies	<u><u>\$ 35,098</u></u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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, 2018

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 funds:

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018.

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, 2018 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, 2018

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, 2018

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 outflows of resources for their defined benefit pension plan.

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 benefit pension plan.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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, 2018 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, 2018

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, 2018

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 2017 amounts have been reclassified to conform with the 2018 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, 2018, 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, 2018

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, 2018 consist of the following:

Major Funds

Enterprise Funds		
Water and Sewer	\$ 336,249	
Less: Allowances for Uncollectibles	(8,722)	
Solid Waste	46,927	
Less: Allowances for Uncollectibles	<u>(1,478)</u>	<u>\$ 372,976</u>

Fiduciary Funds

Agency Fund		
Municipal Court Agency Fund		<u>\$ 40</u>

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2018 consist of the following:

Governmental Funds

General Fund	\$ 1,082	
Nonmajor Funds	<u>85,852</u>	
Total		<u>\$ 86,934</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2018 consist of property taxes for seven years as follows:

Year of Levy	Amount
2018	\$ 48,405
2017	409
2016	355
2015	91
2014	67
2013	89
2012	92
	<hr/> 49,508
Less allowance for uncollectible	(1,253)
	<hr/> 48,255
Add amount due from Franklin County Tax Commissioner	17,501
Total	<hr/> <hr/> \$ 65,756

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 2018, based upon the assessments of January 1, 2018, were billed on August 10, 2018, and due on November 15, 2018. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mills for 2018 was levied on August 6, 2018.

Other Taxes

\$269,833 of franchise taxes, \$46,137 of sales taxes, and \$41,997 of hotel/motel taxes are also included in taxes receivable.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2018 is as follows:

	Due from:		
	<u>Hotel/Motel Tax</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Due to:			
Major Funds			
General	<u>\$ 7,029</u>	<u>\$ 723</u>	<u>\$ 7,752</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				Total
	<u>General</u>	<u>Hotel/Motel Tax</u>	<u>Solid Waste</u>	<u>Nonmajor Governmental</u>	
Transfers in:					
Major Funds					
General	\$ 0	\$ 193,179	\$ 0	\$ 0	\$ 193,179
Water and Sewer	0	0	16,629	68,684	85,313
Solid Waste	33,013	0	0	0	33,013
Total	<u>\$ 33,013</u>	<u>\$ 193,179</u>	<u>\$ 16,629</u>	<u>\$ 68,684</u>	<u>\$ 311,505</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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, 2018 was as follows:

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Governmental activities				
Non-depreciable assets				
Land	\$ 525,266	\$ 0	\$ 0	\$ 525,266
Depreciable assets				
Buildings	4,985,725	0	0	4,985,725
Infrastructure	1,973,830	0	0	1,973,830
Vehicles	1,689,990	582,100	(47,337)	2,224,753
Machinery and equipment	870,811	5,995	(42,563)	834,243
Furniture and fixtures	134,448	0	(47,761)	86,687
Software	27,331	0	0	27,331
Total depreciable assets	9,682,135	588,095	(137,661)	10,132,569
Accumulated depreciation				
Buildings	(2,203,611)	(101,220)	0	(2,304,831)
Infrastructure	(1,094,063)	(42,962)	0	(1,137,025)
Vehicles	(1,573,256)	(136,637)	47,337	(1,662,556)
Machinery and equipment	(642,872)	(33,078)	42,563	(633,387)
Furniture and fixtures	(134,377)	(148)	47,761	(86,764)
Software	(1,367)	(5,466)	0	(6,833)
Total accumulated depreciation	(5,649,546)	(319,511)	137,661	(5,831,396)
Total depreciable assets, net	4,032,589	268,584	0	4,301,173
Governmental activities capital assets, net	<u>\$ 4,557,855</u>	<u>\$ 268,584</u>	<u>\$ 0</u>	<u>\$ 4,826,439</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

8. Capital Assets (continued)

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Business-type activities				
Non-depreciable assets				
Land	\$ 413,072	\$ 0	\$ 0	\$ 413,072
Intangibles	116,574	0	0	116,574
Construction in progress	160,927	0	0	160,927
Total non-depreciable assets	690,573	0	0	690,573
Depreciable assets				
Buildings	247,085	6,868	0	253,953
Land improvements	20,146	0	0	20,146
Distribution system	17,773,399	40,000	(3,718)	17,809,681
Intangibles	61,026	0	0	61,026
Vehicles	266,740	0	0	266,740
Machinery and equipment	380,797	0	(4,000)	376,797
Furniture and fixtures	112,630	0	(75,653)	36,977
Total depreciable assets	18,861,823	46,868	(83,371)	18,825,320
Accumulated depreciation				
Buildings	(86,075)	(6,443)	0	(92,518)
Land improvements	(5,980)	(1,090)	0	(7,070)
Distribution system	(7,934,592)	(479,190)	3,718	(8,410,064)
Intangibles	(35,092)	(6,103)	0	(41,195)
Vehicles	(245,880)	(7,109)	0	(252,989)
Machinery and equipment	(315,111)	(11,048)	4,000	(322,159)
Furniture and fixtures	(77,163)	(7,617)	75,653	(9,127)
Total accumulated depreciation	(8,699,893)	(518,600)	83,371	(9,135,122)
Total depreciable assets, net	10,161,930	(471,732)	0	9,690,198
Business-type activities capital assets, net	<u>\$ 10,852,503</u>	<u>\$ (471,732)</u>	<u>\$ 0</u>	<u>\$ 10,380,771</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
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	(26,027)	(2,519)	0	(28,546)
Land improvements	(18,925)	(1,502)	0	(20,427)
Intangibles	(1,958)	(250)	0	(2,208)
Total accumulated depreciation	(46,910)	(4,271)	0	(51,181)
Total depreciable assets, net	78,870	(4,271)	0	74,599
Downtown Development Authority Component Unit capital assets, net	\$ 118,870	\$ (4,271)	\$ 0	\$ 114,599

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 11,479
Public Safety	192,179
Public Works	49,238
Culture and Recreation	54,888
Housing and Development	11,727
Total depreciation expense for governmental activities	<u>\$ 319,511</u>

Business-type activities

Water and Sewer Fund	<u>\$ 518,600</u>
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Component Unit

Downtown Development Authority	<u>\$ 4,271</u>
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CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 2017, 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 balance of capital leases at December 31, 2018 is \$390,347 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, 2018:

Year Ending December 31,	Governmental activities
2019	\$ 64,735
2020	64,735
2021	64,735
2022	64,735
2023	64,735
2024-2025	111,833
Total minimum lease payments	435,508
Less amounts representing interest	(45,161)
Present value of minimum lease payments	<u>\$ 390,347</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

9. Capital and Operating Lease Agreements (continued)

Total assets leased under capital leases are \$560,000 for governmental activities, consisting of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Vehicles	\$ 560,000	\$ 84,000

Amortization of leased equipment under capital leases 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, 2018:

\$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% (\$1,499,952 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, 2018

10. Long-Term Debt (continued)

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

Year Ending December 31,	Principal	Interest	Total
2019	\$ 129,185	\$ 47,707	\$ 176,892
2020	133,418	43,475	176,893
2021	137,789	39,103	176,892
2022	142,303	34,589	176,892
2023	146,966	29,926	176,892
2024-2028	810,291	74,170	884,461
Totals	<u>\$ 1,499,952</u>	<u>\$ 268,970</u>	<u>\$ 1,768,922</u>

Notes Payable

The City has entered into a lending agreement with the Georgia Environmental Facilities Authority in the original amount of \$312,222 (\$209,877 outstanding) 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%.

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

Year Ending December 31,	Principal	Interest	Total
2019	\$ 31,037	\$ 979	\$ 32,016
2020	31,193	883	32,076
2021	31,349	666	32,015
2022	31,506	509	32,015
2023	31,664	351	32,015
2024-2025	53,128	233	53,361
Totals	<u>\$ 209,877</u>	<u>\$ 3,621</u>	<u>\$ 213,498</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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, 2018:

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018	Due Within One Year
Governmental activities					
Capital lease obligations	\$ 510,531	\$ 0	\$ (120,184)	\$ 390,347	\$ 53,682
Compensated absences	54,326	42,350	(54,326)	42,350	42,350
Total governmental activities	<u>\$ 564,857</u>	<u>\$ 42,350</u>	<u>\$ (174,510)</u>	<u>\$ 432,697</u>	<u>\$ 96,032</u>
Business-type activities					
Revenue bonds	\$ 1,625,039	\$ 0	\$ (125,087)	\$ 1,499,952	\$ 129,185
Notes payable	240,761	0	(30,884)	209,877	31,037
Landfill post-closure care costs	75,000	0	(75,000)	0	0
Compensated absences	37,406	31,821	(37,406)	31,821	31,821
Total business-type activities	<u>\$ 1,978,206</u>	<u>\$ 31,821</u>	<u>\$ (268,377)</u>	<u>\$ 1,741,650</u>	<u>\$ 192,043</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 \$13,193 and \$51,075 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, 2018, the principal amount payable for the bonds issued totaled \$7,565,000; the original issue amount totaled \$8,500,000.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

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 landfill closed during 2018, which required \$5,248 in closing costs. There are no expected future costs associated with this landfill.

13. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the year ended December 31, 2018:

	Hotel/Motel Tax	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:			
Public Safety			
Police department	\$ 0	\$ 12,582	\$ 12,582
Housing and Development			
Revolving loan fund debt service	0	179,462	179,462
Trade and tourism	73,144	0	73,144
Capital outlay	0	390,923	390,923
	<u>\$ 73,144</u>	<u>\$ 582,967</u>	<u>\$ 656,111</u>
Committed for:			
Public Works			
Cemetery operations	<u>\$ 0</u>	<u>\$ 28,036</u>	<u>\$ 28,036</u>
Assigned for:			
Housing and Development			
Trade and tourism	<u>\$ 64,047</u>	<u>\$ 0</u>	<u>\$ 64,047</u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

14. Pension Plan

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.

At July 1, 2018, the date of the most recent actuarial valuation, there were 89 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	26
Terminated vested participants entitled to but not yet receiving benefits	21
Active participants	<u>42</u>
Total number of participants	<u><u>89</u></u>

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

14. Pension Plan (continued)

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 ending December 31, 2018 was \$128,762, or 7.81% of covered payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2018, the City reported a net pension liability of \$333,749. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. For the year ended December 31, 2018, the City recognized pension expense of \$128,026. In prior years, net pension liabilities have been liquidated in the General Fund, Water and Sewer Fund, and Solid Waste Fund.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

14. Pension Plan (continued)

At December 31, 2018, 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	\$ 34,507	\$ (7,214)
Changes of assumptions	38,610	(655)
Net difference between projected and actual earnings on pension plan investments	0	(121,009)
Pension contributions subsequent to measurement date	96,573	0
Totals	<u>\$ 169,690</u>	<u>\$ (128,878)</u>

The \$96,573 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2019	\$ (6,854)
2020	10,515
2021	(31,075)
2022	<u>(28,347)</u>
Totals	<u>\$ (55,761)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	0.00%
Net investment rate of return	7.50%

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, 2018

14. Pension Plan (continued)

The mortality and economic actuarial assumptions used in the July 1, 2018 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Real estate	10%	5.21%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.50 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, 2018

14. 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 3/31/2017	\$ 3,415,760	\$ 3,010,975	\$ 404,785
Changes for the year:			
Service cost	94,111	0	94,111
Interest	259,495	0	259,495
Differences between expected and actual experience	7,793	0	7,793
Contributions—employer	0	123,457	(123,457)
Net investment income	0	374,107	(374,107)
Benefit payments, including refunds of employee contributions	(134,876)	(134,876)	0
Administrative expense	51,479	(13,650)	65,129
Net changes	278,002	349,038	(71,036)
Balances at 3/31/2018	\$ 3,693,762	\$ 3,360,013	\$ 333,749

Plan fiduciary net position as a percentage of the total pension liability	90.96%
Covered payroll	\$ 1,388,421
Net pension liability as a percentage of covered payroll	24.04%

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 (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	\$ 809,825
Current discount rate	7.50%	333,749
1% increase	8.50%	(64,868)

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. These plans are immaterial to the financial statements.

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

15. 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, 2018, there were 11 retirees eligible for and receiving the benefits. For 2018, the cost of providing these benefits totaled \$3,828.

The City has elected not to adopt the provisions of GASB Statement No. 75. Any unrecorded liability for other post employment benefits would be immaterial to the financial statements.

16. 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, 2018 follows:

Lodging tax receipts	\$484,626
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	\$299,958 62% of tax receipts

CITY OF LAVONIA, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

17. 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, 2018, the City paid \$2,383 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 2018, 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.

18. 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 \$18,371 as payment-in-lieu-of-taxes for 2018. 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, 2018

19. 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, 2018, 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, 2018

20. Commitments and Contingencies

Commitments

The City has active construction projects as of December 31, 2018. 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.

21. Material Noncompliance

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Current			
Municipal Court	\$ 9,000	\$ 31,384	\$ (22,384)
Fire Department	162,482	714,551	(552,069)
Planning and Zoning	0	1,346	(1,346)
Hotel/Motel Tax Fund	228,500	299,958	(71,458)

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2018
(Unaudited)

	Fiscal Year End			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 94,111	\$ 86,408	\$ 87,873	\$ 87,588
Interest	259,495	241,046	225,077	212,123
Differences between expected and actual experience	7,793	42,483	7,932	(36,071)
Benefit payments, including refunds of employee contributions	(134,876)	(128,903)	(100,731)	(85,732)
Other changes	51,479	0	0	(3,275)
Net change in total pension liability	278,002	241,034	220,151	174,633
Total pension liability - beginning	3,415,760	3,174,726	2,954,575	2,779,942
Total pension liability - ending (a)	\$ 3,693,762	\$ 3,415,760	\$ 3,174,726	\$ 2,954,575
Plan fiduciary net position				
Contributions - employer	\$ 123,457	\$ 117,756	\$ 109,785	\$ 118,627
Net investment income	374,107	338,321	8,429	236,720
Benefit payments, including refunds of employee contributions	(134,876)	(128,903)	(100,731)	(85,732)
Administrative expense	(13,650)	(13,870)	(9,914)	(9,209)
Net change in plan fiduciary net position	349,038	313,304	7,569	260,406
Plan fiduciary net position - beginning	3,010,975	2,697,671	2,690,102	2,429,696
Plan fiduciary net position - ending (b)	\$ 3,360,013	\$ 3,010,975	\$ 2,697,671	\$ 2,690,102
Net pension liability (asset) - ending : (a) - (b)	\$ 333,749	\$ 404,785	\$ 477,055	\$ 264,473
Plan's fiduciary net position as a percentage of the total pension liability	90.96%	88.15%	84.97%	91.05%
Covered payroll	\$ 1,388,421	\$ 1,556,969	\$ 1,455,761	\$ 1,487,956
Net pension liability as a percentage of covered payroll	24.04%	26.00%	32.77%	17.77%

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

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

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
December 31, 2018
(Unaudited)

	Fiscal Year End			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 128,762	\$ 121,689	\$ 116,445	\$ 107,565
Contributions in relation to the actuarially determined contribution	(128,762)	(121,689)	(116,445)	(116,739)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (9,174)</u>
Covered payroll	\$ 1,649,084	\$ 1,388,421	\$ 1,556,969	\$ 1,455,761
Contributions as a percentage of covered payroll	7.81%	8.76%	7.48%	7.39%

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

CITY OF LAVONIA, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2018, 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, 2019.

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 = 7.50%

Projected salary increases = 2.75% 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, 2018

3. Changes in Benefits

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

4. Changes of Assumptions

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on an actuarial study conducted in September 2017:

The investment return assumption was decreased from 7.75% to 7.50%.

The inflation assumption was decreased from 3.25% to 2.75%.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF LAVONIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Confiscated Assets	Revolving Loan	Cemetery	2010 SPLOST	2015 SPLOST	
ASSETS						
Cash and cash equivalents	\$ 16,094	\$ 179,462	\$ 28,759	\$ 75,785	\$ 229,286	\$ 529,386
Receivables						
Intergovernmental	0	0	0	0	85,852	85,852
Total assets	<u>\$ 16,094</u>	<u>\$ 179,462</u>	<u>\$ 28,759</u>	<u>\$ 75,785</u>	<u>\$ 315,138</u>	<u>\$ 615,238</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Payables						
Accounts	\$ 3,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,372
Due to other funds	0	0	723	0	0	723
Other liabilities	140	0	0	0	0	140
Total liabilities	<u>3,512</u>	<u>0</u>	<u>723</u>	<u>0</u>	<u>0</u>	<u>4,235</u>
Fund balances						
Restricted for:						
Public Safety	12,582	0	0	0	0	12,582
Housing and Development	0	179,462	0	0	0	179,462
Capital outlay	0	0	0	75,785	315,138	390,923
Committed for:						
Public Works	0	0	28,036	0	0	28,036
Total fund balances	<u>12,582</u>	<u>179,462</u>	<u>28,036</u>	<u>75,785</u>	<u>315,138</u>	<u>611,003</u>
Total liabilities and fund balances	<u>\$ 16,094</u>	<u>\$ 179,462</u>	<u>\$ 28,759</u>	<u>\$ 75,785</u>	<u>\$ 315,138</u>	<u>\$ 615,238</u>

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2018

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Confiscated Assets	Revolving Loan	Cemetery	2010 SPLOST	2015 SPLOST	
REVENUES						
Charges for services	\$ 0	\$ 0	\$ 11,640	\$ 0	\$ 0	\$ 11,640
Intergovernmental	0	0	0	0	306,622	306,622
Interest	0	24	0	11	19	54
Total revenues	0	24	11,640	11	306,641	318,316
EXPENDITURES						
Current						
Public Safety	5,367	0	0	0	0	5,367
Public Works	0	0	1,983	0	0	1,983
Capital Outlay	0	0	0	3,710	92,938	96,648
Debt Service	0	0	0	0	58,800	58,800
Total expenditures	5,367	0	1,983	3,710	151,738	162,798
Excess (deficiency) of revenues over (under) expenditures	(5,367)	24	9,657	(3,699)	154,903	155,518
Other financing sources (uses)						
Transfers out	0	0	0	(68,684)	0	(68,684)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(5,367)	24	9,657	(72,383)	154,903	86,834
Fund balances, January 1	17,949	179,438	18,379	148,168	160,235	524,169
Fund balances, December 31	\$ 12,582	\$ 179,462	\$ 28,036	\$ 75,785	\$ 315,138	\$ 611,003

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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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,408,890	\$ 1,676,354
Certificates of deposit	500,000	0
Receivables (net)		
Intergovernmental	1,082	4,000
Interest	2,101	6
Taxes	381,726	369,334
Prepaid items	16,340	580,538
Property held for resale	51,364	51,364
Due from other funds	7,752	3,997
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 2,369,255</u></u>	<u><u>\$ 2,685,593</u></u>
 LIABILITIES		
Accounts payable	\$ 14,424	\$ 26,212
Accrued salaries and payroll liabilities	28,376	33,210
Other liabilities	2,815	2,815
	<u> </u>	<u> </u>
Total liabilities	<u>45,615</u>	<u>62,237</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	11,473	18,683
	<u> </u>	<u> </u>
 FUND BALANCES		
Nonspendable		
Prepaid items	16,340	580,538
Property held for resale	51,364	51,364
Restricted for Public Safety	0	20,770
Unassigned	2,244,463	1,952,001
	<u> </u>	<u> </u>
Total fund balances	<u>2,312,167</u>	<u>2,604,673</u>
 Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,369,255</u></u>	<u><u>\$ 2,685,593</u></u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Taxes	\$ 2,187,028	\$ 2,000,770
Licenses and permits	63,035	39,304
Fines, fees and forfeitures	104,286	101,126
Charges for services	15,364	20,696
Intergovernmental	71,108	268,927
Interest	2,198	1,151
Contributions	0	110,000
Other	24,831	15,252
Total revenues	<u>2,467,850</u>	<u>2,557,226</u>
EXPENDITURES		
Current		
General Government	393,850	452,160
Judicial	31,384	8,782
Public Safety	1,798,653	1,140,013
Public Works	429,290	640,506
Culture and Recreation	100,965	142,551
Housing and Development	101,745	54,877
Debt Service	74,935	91,775
Total expenditures	<u>2,930,822</u>	<u>2,530,664</u>
Excess of revenues over expenditures	<u>(462,972)</u>	<u>26,562</u>
Other financing sources (uses)		
Transfers in (out)		
Hotel/Motel Tax Fund	193,179	92,769
Solid Waste Fund	(33,013)	(2,607)
Water and Sewer Fund	0	(83,864)
Proceeds from sale of capital assets	10,300	10,921
Total other financing sources (uses)	<u>170,466</u>	<u>17,219</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(292,506)	43,781
Fund balances, January 1	<u>2,604,673</u>	<u>2,560,892</u>
Fund balances, December 31	<u><u>\$ 2,312,167</u></u>	<u><u>\$ 2,604,673</u></u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 912,500	\$ 903,001	\$ (9,499)	\$ 878,924
Motor vehicle tax	80,000	99,360	19,360	71,234
Total general property taxes	992,500	1,002,361	9,861	950,158
Local option sales tax	390,000	516,363	126,363	430,865
Intangibles tax	10,500	10,118	(382)	8,595
Franchise tax	280,000	291,226	11,226	271,689
Insurance premium tax	120,000	154,531	34,531	143,290
Alcoholic beverage excise tax	120,000	129,177	9,177	119,904
Occupational tax	90,000	83,252	(6,748)	76,269
Total taxes	2,003,000	2,187,028	184,028	2,000,770
Licenses and permits				
Alcohol licenses	29,475	44,000	14,525	29,475
Building permits	3,300	17,932	14,632	4,046
Sign permits	1,500	1,103	(397)	5,783
Total licenses and permits	34,275	63,035	28,760	39,304
Fines, fees and forfeitures	100,000	104,286	4,286	101,126
Charges for Services				
Recreation	21,200	15,039	(6,161)	20,348
Other charges for services	0	325	325	348
Total charges for services	21,200	15,364	(5,836)	20,696
Intergovernmental				
Grants	43,000	40,055	(2,945)	241,902
Other	21,500	31,053	9,553	27,025
Total intergovernmental	64,500	71,108	6,608	268,927
Interest	5,000	2,198	(2,802)	1,151
Contributions	5,000	0	(5,000)	110,000
Other	5,000	24,831	19,831	15,252
Total revenues	<u>\$ 2,237,975</u>	<u>\$ 2,467,850</u>	<u>\$ 229,875</u>	<u>\$ 2,557,226</u>

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 82,251	\$ 76,873	\$ 5,378	\$ 73,138
Contract services	32,450	31,485	965	34,530
Materials and supplies	1,500	218	1,282	624
Total Governing Body	116,201	108,576	7,625	108,292
Financial Administration				
Personal services	160,507	155,893	4,614	182,859
Contract services	108,400	100,691	7,709	106,493
Materials and supplies	25,300	28,690	(3,390)	27,185
Capital outlay	0	0	0	27,331
Total Financial Administration	294,207	285,274	8,933	343,868
Total General Government	410,408	393,850	16,558	452,160
Judicial				
Municipal Court				
Personal services	100	22,855	(22,755)	200
Contract services	8,900	8,529	371	8,582
Total Judicial	9,000	31,384	(22,384)	8,782
Public Safety				
Police Department				
Personal services	879,308	885,747	(6,439)	834,785
Contract services	126,700	134,793	(8,093)	118,328
Materials and supplies	38,100	49,194	(11,094)	41,988
Capital outlay	10,000	0	10,000	8,072
Payments to other agencies	13,500	11,302	2,198	11,349
Total Police Department	1,067,608	1,081,036	(13,428)	1,014,522
Fire Department				
Personal services	48,351	47,219	1,132	33,723
Contract services	44,100	50,808	(6,708)	30,108
Materials and supplies	52,031	56,524	(4,493)	30,797
Capital outlay	18,000	560,000	(542,000)	27,502
Total Fire Department	162,482	714,551	(552,069)	122,130
Communications				
Contract services	1,000	0	1,000	0
Materials and supplies	3,800	3,066	734	3,361
Total Communications	4,800	3,066	1,734	3,361
Total Public Safety	1,234,890	1,798,653	(563,763)	1,140,013

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
Public Works				
Highways and Streets				
Personal services	\$ 145,983	\$ 148,111	\$ (2,128)	\$ 155,744
Contract services	87,749	89,426	(1,677)	85,342
Materials and supplies	126,515	125,669	846	96,607
Capital outlay	0	0	0	235,596
Total Highways and Streets	360,247	363,206	(2,959)	573,289
Maintenance Shop				
Personal services	21,764	22,147	(383)	21,307
Contract services	5,900	5,136	764	5,752
Materials and supplies	10,650	9,982	668	10,035
Total Maintenance Shop	38,314	37,265	1,049	37,094
Detention Services				
Personal services	26,829	27,042	(213)	27,890
Contract services	3,000	1,585	1,415	2,233
Materials and supplies	0	192	(192)	0
Total Detention Services	29,829	28,819	1,010	30,123
Total Public Works	428,390	429,290	(900)	640,506
Culture and Recreation				
Parks and Recreation				
Personal services	53,715	54,842	(1,127)	52,116
Contract services	5,950	6,174	(224)	7,685
Materials and supplies	25,500	22,782	2,718	28,062
Capital outlay	0	0	0	23,948
Total Parks and Recreation	85,165	83,798	1,367	111,811
Community Center				
Contract services	4,450	1,696	2,754	3,785
Materials and supplies	6,500	7,831	(1,331)	5,418
Capital outlay	2,500	0	2,500	0
Total Community Center	13,450	9,527	3,923	9,203
Library				
Contract services	2,700	2,711	(11)	2,345
Materials and supplies	6,000	4,929	1,071	3,192
Payments to others	16,000	0	16,000	16,000
Total Library	24,700	7,640	17,060	21,537
Total Culture and Recreation	123,315	100,965	22,350	142,551

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
Housing and Development				
Inspections				
Personal services	\$ 18,347	\$ 19,562	\$ (1,215)	\$ 19,696
Contract services	4,400	3,851	549	3,281
Materials and supplies	1,250	905	345	420
Total Inspections	23,997	24,318	(321)	23,397
Planning and Zoning				
Personal services	0	1,346	(1,346)	0
Better Home Towns				
Personal services	97,794	71,757	26,037	24,869
Contract services	4,300	650	3,650	2,460
Materials and supplies	1,800	1,331	469	1,942
Total Better Home Towns	103,894	73,738	30,156	29,271
Cannery				
Contract services	2,300	1,797	503	1,903
Materials and supplies	1,600	546	1,054	306
Capital Outlay	2,500	0	2,500	0
Total Cannery	6,400	2,343	4,057	2,209
Total Housing and Development	134,291	101,745	32,546	54,877
Total Current	2,340,294	2,855,887	(515,593)	2,438,889
Debt Service				
Public Safety				
Fire Department	74,935	74,935	0	91,775
Total Expenditures	<u>\$ 2,415,229</u>	<u>\$ 2,930,822</u>	<u>\$ (515,593)</u>	<u>\$ 2,530,664</u>

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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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	<u>\$ 16,094</u>	<u>\$ 18,089</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 3,372	\$ 0
Other liabilities	<u>140</u>	<u>140</u>
Total liabilities	3,512	140
 Fund balances		
Restricted for Public Safety	<u>12,582</u>	<u>17,949</u>
 Total liabilities and fund balances	<u><u>\$ 16,094</u></u>	<u><u>\$ 18,089</u></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, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	\$ 5,000	\$ 0	\$ (5,000)	\$ 17,103
Interest	0	0	0	4
Total revenue	5,000	0	(5,000)	17,107
EXPENDITURES				
Current				
Public Safety				
Materials and supplies	11,500	5,367	6,133	1,832
Total expenditures	11,500	5,367	6,133	1,832
Excess (deficiency) of revenues over (under) expenditures	(6,500)	(5,367)	1,133	15,275
Fund balances, January 1	6,500	17,949	11,449	2,674
Fund balances, December 31	\$ 0	\$ 12,582	\$ 12,582	\$ 17,949

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 135,808	\$ 159,783
Taxes receivable	41,997	27,138
Prepaid items	<u>927</u>	<u>1,179</u>
Total assets	<u><u>\$ 178,732</u></u>	<u><u>\$ 188,100</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 33,460	\$ 36,894
Accrued payroll liabilities	0	1,193
Due to other funds	7,029	3,274
Other liabilities	<u>125</u>	<u>124</u>
Total liabilities	<u>40,614</u>	<u>41,485</u>
 Fund balances		
Nonspendable prepaid items	927	1,179
Restricted for Housing and Development	73,144	70,210
Assigned for Housing and Development	<u>64,047</u>	<u>75,226</u>
Total fund balances	<u>138,118</u>	<u>146,615</u>
 Total liabilities and fund balances	<u><u>\$ 178,732</u></u>	<u><u>\$ 188,100</u></u>

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	\$ 380,000	\$ 484,626	\$ 104,626	\$ 435,652
Charges for services	0	0	0	6
Interest	0	14	14	29
Other	0	0	0	700
Total revenues	<u>380,000</u>	<u>484,640</u>	<u>104,640</u>	<u>436,387</u>
EXPENDITURES				
Current				
Housing and Development				
Personal services	0	2,837	(2,837)	72,303
Contract services	14,300	22,382	(8,082)	94,017
Material and supplies	12,950	22,964	(10,014)	23,872
Capital outlay	5,000	0	5,000	0
Payments to other agencies	196,250	251,775	(55,525)	305,748
Total expenditures	<u>228,500</u>	<u>299,958</u>	<u>(71,458)</u>	<u>495,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>151,500</u>	<u>184,682</u>	<u>33,182</u>	<u>(59,553)</u>
Other financing sources (uses)				
Transfer to General Fund	(142,500)	(193,179)	(50,679)	(92,769)
Contingency	(9,000)	0	9,000	0
Total other financing sources (uses)	<u>(151,500)</u>	<u>(193,179)</u>	<u>(41,679)</u>	<u>(92,769)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	<u>(8,497)</u>	<u>(8,497)</u>	<u>(152,322)</u>
Fund balances, January 1	<u>0</u>	<u>146,615</u>	<u>146,615</u>	<u>298,937</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 138,118</u></u>	<u><u>\$ 138,118</u></u>	<u><u>\$ 146,615</u></u>

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	<u>\$ 179,462</u>	<u>\$ 179,438</u>
FUND BALANCES		
Fund balances		
Restricted for Housing and Development	<u>\$ 179,462</u>	<u>\$ 179,438</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, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Interest	\$ 0	\$ 24	\$ 24	\$ 60
Total revenues	<u>0</u>	<u>24</u>	<u>24</u>	<u>60</u>
EXPENDITURES				
Current				
Housing and Development				
Payments to others	<u>0</u>	<u>0</u>	<u>0</u>	<u>418,689</u>
Excess (deficiency) of revenues over (under) expenditures	0	24	24	(418,629)
Fund balances, January 1	<u>0</u>	<u>179,438</u>	<u>179,438</u>	<u>598,067</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 179,462</u></u>	<u><u>\$ 179,462</u></u>	<u><u>\$ 179,438</u></u>

**CITY OF LAVONIA, GEORGIA
CEMETERY SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	<u>\$ 28,759</u>	<u>\$ 19,102</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	\$ 723	\$ 723
 Fund balances		
Committed for Public Works	<u> 28,036</u>	<u> 18,379</u>
 Total liabilities and fund balances	<u><u>\$ 28,759</u></u>	<u><u>\$ 19,102</u></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, 2018**

(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	\$ 9,500	\$ 11,640	\$ 2,140	\$ 16,740
Total revenues	<u>9,500</u>	<u>11,640</u>	<u>2,140</u>	<u>16,740</u>
EXPENDITURES				
Current				
Public Works				
Contract services	500	0	500	91
Materials and supplies	<u>3,000</u>	<u>1,983</u>	<u>1,017</u>	<u>2,331</u>
Total expenditures	<u>3,500</u>	<u>1,983</u>	<u>1,517</u>	<u>2,422</u>
Excess (deficiency) of revenues over (under) expenditures	6,000	9,657	3,657	14,318
Other financing sources (uses)				
Contingency	<u>(16,000)</u>	<u>0</u>	<u>16,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,000)	9,657	19,657	14,318
Fund balances, January 1	<u>10,000</u>	<u>18,379</u>	<u>8,379</u>	<u>4,061</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 28,036</u></u>	<u><u>\$ 28,036</u></u>	<u><u>\$ 18,379</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.

2015 Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the 2015 special purpose local option sales tax.

CITY OF LAVONIA, GEORGIA
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE BALANCE SHEETS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 75,785	\$ 151,741
	<u>75,785</u>	<u>151,741</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 0	\$ 3,573
Fund Balances		
Restricted for capital outlay	75,785	148,168
	<u>75,785</u>	<u>148,168</u>
Total liabilities and fund balances	<u>\$ 75,785</u>	<u>\$ 151,741</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Intergovernmental	\$ 0	\$ 57,449
Interest	11	22
	<hr/>	<hr/>
Total revenues	<u>11</u>	<u>57,471</u>
EXPENDITURES		
Capital outlay		
Public Safety		
Fire	0	3,225
Public Works		
Highways and Streets	0	41,813
Culture and Recreation		
Recreation	3,710	50,996
	<hr/>	<hr/>
Total expenditures	<u>3,710</u>	<u>96,034</u>
Excess (deficiency) of revenues over (under) expenditures	(3,699)	(38,563)
Other financing sources (uses)		
Transfer to Water and Sewer Fund	(68,684)	(80,239)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(72,383)	(118,802)
Fund balances, January 1	148,168	266,970
	<hr/>	<hr/>
Fund balances, December 31	<u><u>\$ 75,785</u></u>	<u><u>\$ 148,168</u></u>

CITY OF LAVONIA, GEORGIA
2015 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE BALANCE SHEETS
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 229,286	\$ 80,907
Intergovernmental receivables	<u>85,852</u>	<u>79,328</u>
Total assets	<u>\$ 315,138</u>	<u>\$ 160,235</u>
FUND BALANCES		
Restricted for capital outlay	<u>\$ 315,138</u>	<u>160,235</u>

CITY OF LAVONIA, GEORGIA
2015 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Intergovernmental	\$ 306,622	\$ 160,400
Interest	19	1
	<u>306,641</u>	<u>160,401</u>
Total revenues		
	<u>306,641</u>	<u>160,401</u>
EXPENDITURES		
Capital outlay		
Public Safety		
Police	27,617	0
Public Works		
Highways and Streets	45,010	166
Culture and Recreation		
Recreation	20,311	0
Debt service		
Public Safety		
Fire	58,800	0
	<u>151,738</u>	<u>166</u>
Total expenditures		
	<u>151,738</u>	<u>166</u>
Excess (deficiency) of revenues over (under) expenditures	154,903	160,235
Fund balances, January 1	<u>160,235</u>	<u>0</u>
Fund balances, December 31	<u><u>\$ 315,138</u></u>	<u><u>\$ 160,235</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,268,419	\$ 887,690
Certificates of deposit	646,491	646,734
Receivables		
Accounts (net)	327,527	269,241
Interest	2,673	2,133
Inventory	54,254	53,416
Prepaid items	16,034	19,574
	<u>2,315,398</u>	<u>1,878,788</u>
Restricted assets		
Bond Redemption		
Cash and cash equivalents	103,788	100,674
Customer Deposits		
Certificates of deposit	53,509	53,266
	<u>157,297</u>	<u>153,940</u>
Capital assets		
Land	413,072	413,072
Land improvements	20,146	20,146
Buildings	253,953	247,085
Vehicles	266,740	266,740
Furniture and fixtures	36,977	112,630
Plant and facilities	9,790,027	9,793,744
Water and sewer lines and towers	8,019,654	7,979,654
Machinery and equipment	376,797	380,797
Nondepreciable intangibles	116,574	116,574
Depreciable intangibles	61,026	61,026
Construction in progress	160,927	160,927
Accumulated depreciation	(9,135,122)	(8,699,892)
	<u>10,380,771</u>	<u>10,852,503</u>
Total assets	<u>12,853,466</u>	<u>12,885,231</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	64,090	49,831

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 11,885	\$ 18,117
Accrued salaries and payroll liabilities	19,823	15,655
Compensated absences	31,763	36,874
Unearned revenue	20,294	14,575
Notes payable	31,037	30,883
Other current liabilities	<u>3,902</u>	<u>3,902</u>
Total current liabilities	<u>118,704</u>	<u>120,006</u>
Current liabilities payable from restricted assets		
Customer deposits	53,509	53,266
Revenue bonds payable	129,185	125,087
Interest payable	<u>22,343</u>	<u>24,206</u>
Total current liabilities payable from restricted assets	<u>205,037</u>	<u>202,559</u>
Noncurrent liabilities		
Net pension liability	129,063	154,590
Notes payable	178,840	209,878
Revenue bonds payable	<u>1,370,767</u>	<u>1,499,952</u>
Total long-term liabilities	<u>1,678,670</u>	<u>1,864,420</u>
Total liabilities	<u>2,002,411</u>	<u>2,186,985</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>48,466</u>	<u>8,945</u>
NET POSITION		
Net investment in capital assets	8,670,942	8,986,703
Restricted for debt service	81,445	76,468
Unrestricted	<u>2,114,292</u>	<u>1,675,961</u>
Total net position	<u><u>\$ 10,866,679</u></u>	<u><u>\$ 10,739,132</u></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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for sales and services		
Water sales	\$ 1,781,379	\$ 1,619,621
Sewer charges	633,900	557,377
Tap fees	29,375	29,500
Other	24,743	42,277
	<u>2,469,397</u>	<u>2,248,775</u>
Total operating revenues		
	<u>2,469,397</u>	<u>2,248,775</u>
OPERATING EXPENSES		
Costs of sales and services	968,396	1,011,022
Personal services	892,795	822,757
Depreciation	518,600	517,818
	<u>2,379,791</u>	<u>2,351,597</u>
Total operating expenses		
	<u>2,379,791</u>	<u>2,351,597</u>
Operating income (loss)	<u>89,606</u>	<u>(102,822)</u>
Non-operating revenues (expenses)		
Interest revenue	3,703	3,143
Interest expense	(51,075)	(55,257)
Gain (loss) on sale of capital assets	0	3,709
	<u>(47,372)</u>	<u>(48,405)</u>
Total non-operating revenues (expenses)		
	<u>(47,372)</u>	<u>(48,405)</u>
Net income (loss) before transfers	<u>42,234</u>	<u>(151,227)</u>
Transfers in (out)		
2010 SPLOST Fund	68,684	80,239
General Fund	0	83,864
Solid Waste Fund	16,629	(36,542)
	<u>85,313</u>	<u>127,561</u>
Total transfers in (out)		
	<u>85,313</u>	<u>127,561</u>
Change in net position	127,547	(23,666)
Net position, January 1	<u>10,739,132</u>	<u>10,762,798</u>
Net position, December 31	<u><u>\$ 10,866,679</u></u>	<u><u>\$ 10,739,132</u></u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from customers	\$ 2,392,330	\$ 2,185,865
Payments to suppliers	(971,926)	(1,008,972)
Payments to employees	(894,003)	(809,919)
Other receipts	24,743	42,277
	<u>551,144</u>	<u>409,251</u>
Net cash provided (used) by operating activities	<u>551,144</u>	<u>409,251</u>
Cash flows from non-capital financing activities:		
Payments to other funds	0	(80,752)
Receipts from other funds	16,629	115,138
	<u>16,629</u>	<u>34,386</u>
Net cash provided (used) by non-capital financing activities	<u>16,629</u>	<u>34,386</u>
Cash flows from capital and related financing activities:		
Receipts from other funds	68,684	80,239
Proceeds from sale of capital assets	0	3,709
Payments for acquisitions of capital assets	(46,868)	(74,193)
Principal payments - revenue bonds	(125,087)	(121,118)
Principal payments - notes payable	(30,884)	(30,728)
Interest paid	(52,938)	(57,061)
	<u>(187,093)</u>	<u>(199,152)</u>
Net cash provided (used) by capital and related financing activities	<u>(187,093)</u>	<u>(199,152)</u>
Cash flows from investing activities:		
Proceeds from certificates of deposit	700,000	400,000
Purchases of certificates of deposit	(700,000)	(700,000)
Interest received	3,163	1,895
	<u>3,163</u>	<u>(298,105)</u>
Net cash provided (used) by investing activities	<u>3,163</u>	<u>(298,105)</u>
Net increase (decrease) in cash and cash equivalents	383,843	(53,620)
Cash and cash equivalents, January 1	988,364	1,041,984
Cash and cash equivalents, December 31	<u><u>\$ 1,372,207</u></u>	<u><u>\$ 988,364</u></u>

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 89,606	\$ (102,822)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	518,600	517,818
(Increase) decrease in accounts receivable	(58,286)	(21,266)
(Increase) decrease in inventories	(838)	4,690
(Increase) decrease in prepaid items	3,540	(949)
(Increase) decrease in deferred outflows related to pension	(14,259)	45,943
Increase (decrease) in accounts payable	(6,232)	(1,691)
Increase (decrease) in unearned revenue	5,719	(2,590)
Increase (decrease) in payroll liabilities	(943)	5,916
Increase (decrease) in net pension liability	(25,527)	(27,480)
Increase (decrease) in deferred inflows related to pension	39,521	(11,541)
Increase (decrease) in deposits payable	243	3,223
Total adjustments	<u>461,538</u>	<u>512,073</u>
Net cash provided (used) by operating activities	<u>\$ 551,144</u>	<u>\$ 409,251</u>
Cash and cash equivalents reconciliation		
Cash and cash equivalents	\$ 1,268,419	\$ 887,690
Debt Redemption		
Cash and cash equivalents	<u>103,788</u>	<u>100,674</u>
Total cash and cash equivalents	<u>\$ 1,372,207</u>	<u>\$ 988,364</u>

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Accounts receivable (net)	\$ 45,449	\$ 43,464
Prepaid items	<u>381</u>	<u>376</u>
Total assets	<u>45,830</u>	<u>43,840</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>3,820</u>	<u>2,955</u>
LIABILITIES		
Current liabilities		
Accounts payable	28,660	26,280
Accrued salaries and payroll liabilities	1,072	549
Compensated absences	58	532
Unearned revenue	2,508	2,492
Post-closure care	<u>0</u>	<u>75,000</u>
Total current liabilities	32,298	104,853
Noncurrent liabilities		
Net pension liability	<u>7,746</u>	<u>9,295</u>
Total liabilities	<u>40,044</u>	<u>114,148</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	<u>2,581</u>	<u>183</u>
NET POSITION		
Unrestricted	<u>\$ 7,025</u>	<u>\$ (67,536)</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for sales and services	\$ 353,994	\$ 325,303
OPERATING EXPENSES		
Costs of sales and services	251,627	305,101
Personal services	44,190	46,010
Total operating expenses	<u>295,817</u>	<u>351,111</u>
Operating income (loss)	<u>58,177</u>	<u>(25,808)</u>
Transfers in (out)		
General Fund	33,013	39,149
Water and Sewer Fund	<u>(16,629)</u>	<u>0</u>
Total transfers in (out)	<u>16,384</u>	<u>39,149</u>
Change in net position	74,561	13,341
Net position, January 1	<u>(67,536)</u>	<u>(80,877)</u>
Net position, December 31	<u><u>\$ 7,025</u></u>	<u><u>\$ (67,536)</u></u>

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from customers	\$ 352,025	\$ 321,764
Payments to suppliers	(324,252)	(301,076)
Payments to employees	(44,157)	(46,963)
Net cash provided (used) by operating activities	(16,384)	(26,275)
Cash flows from non-capital financing activities:		
Payments to other funds	(16,629)	(12,874)
Receipts from other funds	33,013	39,149
Net cash provided (used) by non-capital financing activities	16,384	26,275
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31	\$ 0	\$ 0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 58,177	\$ (25,808)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(1,985)	(2,386)
(Increase) decrease in prepaid items	(5)	(25)
(Increase) decrease in deferred outflows related to pension	(865)	3,020
Increase (decrease) in accounts payable	2,380	1,707
Increase (decrease) in unearned revenue	16	(1,153)
Increase (decrease) in accrued payroll liabilities	49	(1,373)
Increase (decrease) in net pension liability	(1,549)	(1,668)
Increase (decrease) in post-closure care liability	(75,000)	2,343
Increase (decrease) in deferred inflows related to pension	2,398	(932)
Total adjustments	(74,561)	(467)
Net cash provided (used) by operating activities	\$ (16,384)	\$ (26,275)

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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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 35,058	\$ 12,740
Accounts receivable (net)	<u>40</u>	<u>40</u>
Total assets	<u><u>\$ 35,098</u></u>	<u><u>\$ 12,780</u></u>
LIABILITIES		
Due to other agencies	<u><u>\$ 35,098</u></u>	<u><u>\$ 12,780</u></u>

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2018

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
ASSETS				
Cash and cash equivalents	\$ 12,740	\$ 169,504	\$ (147,186)	\$ 35,058
Accounts receivable	<u>40</u>	<u>0</u>	<u>0</u>	<u>40</u>
Total assets	<u>\$ 12,780</u>	<u>\$ 169,504</u>	<u>\$ (147,186)</u>	<u>\$ 35,098</u>
LIABILITIES				
Due to others agencies	<u>\$ 12,780</u>	<u>\$ 169,504</u>	<u>\$ (147,186)</u>	<u>\$ 35,098</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, 2018 and 2017

ASSETS	2018	2017
Cash and cash equivalents	\$ 9,680	\$ 463
	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 59	\$ 468
Other liabilities	<u>88</u>	<u>88</u>
Total liabilities	147	556
Fund balances		
Assigned for:		
Housing and Development	<u>9,533</u>	<u>(93)</u>
Total liabilities and fund balances	<u>\$ 9,680</u>	<u>\$ 463</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, 2018
(With comparative actual amounts for the year ended December 31, 2017)

	2018			2017
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 0	\$ 30,000
Rent	9,120	9,512	392	8,475
Other	2,880	1,665	(1,215)	1,454
Total revenues	42,000	41,177	(823)	39,929
EXPENDITURES				
Current				
Housing and Development				
Contract services	21,500	19,941	1,559	24,013
Supplies and materials	18,000	9,835	8,165	18,359
Capital outlay	500	0	500	0
Payments to other agencies	2,000	1,775	225	500
Total expenditures	42,000	31,551	10,449	42,872
Excess of revenues over (under) expenditures	0	9,626	9,626	(2,943)
Fund balances, January 1	0	(93)	(93)	2,850
Fund balances, December 31	\$ 0	\$ 9,533	\$ 9,533	\$ (93)

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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, 2018, 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 15, 2019.

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 deficiencies in internal control that we consider to be significant deficiencies.

Comment 2018-001

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.

Comment 2018-001, continued

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

Cause: The City's staff does not have proper training in generally accepted accounting principles to implement them or prepare financial statements.

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.

Comment 2018-002

Condition: While performing audit procedures at Municipal Court, we noted that monthly payouts for probation were not made in a timely manner. In addition, the cash held does not reconcile to their subsidiary listing of who the money is due to.

Criteria: Municipal courts monies should be paid out and reconciled to subsidiary listings in a timely manner.

Effect: Failure to make required payouts and reconcile balances of monies being held by the Court exposes the City to greater risk of loss and may lead to management decisions based on incorrect information.

Cause: The City's payouts and reconciliations are not being made timely.

Recommendation: At a minimum, payouts and reconciliations should be performed monthly.

Management Response: Management concurs with this finding. Action was taken immediately upon receipt of this comment and management has offered to provide assistance in implementing this recommendation.

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 2018-003

Condition: The City experienced a material excess of expenditures over appropriations in the General Fund and Hotel/Motel Tax 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.

Comment 2018-003, continued

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

Cause: The City did not appropriate expenditures in compliance with the adopted budget in the General Fund and Hotel/Motel Tax Fund.

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 15, 2019

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STATE REPORTING SECTION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2018

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Water Expansion	\$ 385,715	\$ 385,715	\$ 303,922	\$ 68,684	\$ 372,606
Police Department					
Facilities and Equipment	192,857	192,857	186,130	0	186,130
Fire Department					
Facilities and Equipment	200,000	200,000	206,738	0	206,738
Library Facilities	45,000	45,000	51,474	0	51,474
Recreation Facilities	192,857	192,857	190,769	3,710	194,479
Construction and					
Improvement of Roads	385,713	385,713	379,580	0	379,580
Total	<u>\$ 1,402,142</u>	<u>\$ 1,402,142</u>	<u>\$ 1,318,613</u>	<u>\$ 72,394</u>	<u>\$ 1,391,007</u>
2015 Referendum					
Roads, Street, and Bridges	\$ 423,571	\$ 423,571	\$ 166	\$ 45,010	\$ 45,176
Public Safety and Fire	392,857	392,857	0	86,417	86,417
Water and Sewer	385,715	385,715	0	0	0
Recreation	192,857	192,857	0	20,311	20,311
Library	45,000	45,000	0	0	0
Total	<u>\$ 1,440,000</u>	<u>\$ 1,440,000</u>	<u>\$ 166</u>	<u>\$ 151,738</u>	<u>\$ 151,904</u>