CITY OF FLOVILLA, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

CITY OF FLOVILLA, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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FINANCIAL SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
Flovilla, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Flovilla, Georgia** (the "City"), 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 from material misstatement.

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

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

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, and each major fund of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance 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 (on pages 4 through 9) 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's basic financial statements. The accompanying schedule of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia (O.C.G.A.) Section 48-8-121, and is not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of special purpose local option sales tax proceeds is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
May 20, 2019

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CITY OF FLOVILLA, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

This discussion and analysis of the City of Flovilla's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the assets of the City exceeded its liabilities at the close of the most recent fiscal year by $1,710,918. Unrestricted net position was approximately $335,503.
- The City's total net position increased by $34,943 for governmental activities and increased by $137,222 for business-type activities.
- Total net position is comprised of the following:
    - Net investment in capital assets of $1,023,276 includes property and equipment, net of accumulated depreciation, reduced by outstanding debt related to the purchase or construction of capital assets.
    - Net position restricted for capital projects, program purposes, and debt service in the amount of $352,139.
    - Unrestricted net position of $335,503.
- The City's governmental funds reported total ending fund balance of $525,771. This represents an increase of $6,244 from prior year's balance of $519,527.
- Unassigned fund balance of the General Fund was $196,108 as of December 31, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government- wide statements and fund financial statements.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include the governing body, financial administration, municipal court, fire department, roads and streets, and sanitation. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities is the City's water operation for which it charges its customers to provide. The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Sanitation Fund, and SPLOST Fund. The governmental fund financial statements can be found as listed in the table of contents.

Proprietary Fund – The City maintains one type of proprietary fund. Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise fund, a component of proprietary funds, is the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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 as listed in the table of contents.

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position as of December 31, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	**2018**	2017	**2018**	2017
Assets:						
Current and other assets	**$ 648,100**	$ 530,007	**$ 232,124**	$ 91,853	**$ 880,224**	$ 621,860
Capital assets, net	**655,180**	635,703	**654,332**	524,748	**1,309,512**	1,160,451
Total assets	**1,303,280**	1,165,710	**886,456**	616,601	**2,189,736**	1,782,311
Liabilities:						
Current liabilities	**132,061**	19,693	**77,623**	60,441	**209,684**	80,134
Long-term liabilities	**14,794**	24,535	**254,340**	138,889	**269,134**	163,424
Total liabilities	**146,855**	44,228	**331,963**	199,330	**478,818**	243,558
Net Position:						
Net investment in capital assets	**630,654**	601,955	**392,622**	378,499	**1,023,276**	980,454
Restricted	**329,663**	271,923	**22,476**	17,999	**352,139**	289,922
Unrestricted	**196,108**	247,604	**139,395**	20,773	**335,503**	268,377
Total net position	**$ 1,156,425**	$ 1,121,482	**$ 554,493**	$ 417,271	**$ 1,710,918**	$ 1,538,753

The City's total assets of $2,189,736 increased approximately $407,000 from the prior year, while the City's total liabilities increased approximately $235,000.

At the end of the current and prior fiscal year, the City was able to report positive balances in all three categories of net position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for the years ended December 31, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	**2018**	2017	**2018**	2017
Revenues:						
Program revenues:						
Charges for services	**$ 79,034**	$ 79,405	**$ 238,945**	$ 227,219	**$ 317,979**	$ 306,624
Operating grants	**-**	-	**-**	-	**-**	-
Capital grants	**166,257**	107,862	**30,606**	-	**196,863**	107,862
General revenues:						
Taxes	**283,517**	249,966	**-**	-	**283,517**	249,966
Interest and investment income	**121**	116	**30**	22	**151**	138
Other general revenues	**33,921**	32,090	**-**	-	**33,921**	32,090
Total revenues	**562,850**	469,439	**269,581**	227,241	**832,431**	696,680
Expenses:						
Governing body	**40,873**	41,483	**-**	-	**40,873**	41,483
Financial administration	**170,918**	185,227	**-**	-	**170,918**	185,227
Municipal court	**5,885**	5,562	**-**	-	**5,885**	5,562
Fire department	**54,896**	88,808	**-**	-	**54,896**	88,808
Roads and streets	**89,060**	83,569	**-**	-	**89,060**	83,569
Sanitation	**40,050**	42,854	**-**	-	**40,050**	42,854
Interest on long-term debt	**1,649**	2,148	**-**	-	**1,649**	2,148
Water supply	**-**	-	**256,935**	259,237	**256,935**	259,237
Total expenses	**403,331**	449,651	**256,935**	259,237	**660,266**	708,888
Increase (decrease) in net position before transfers	**159,519**	19,788	**12,646**	(31,996)	**172,165**	(12,208)
Transfers	**(124,576)**	(60,854)	**124,576**	60,854	**-**	-
Change in net position	**34,943**	(41,066)	**137,222**	28,858	**172,165**	(12,208)
Net position, beginning of year	**1,121,482**	1,162,548	**417,271**	388,413	**1,538,753**	1,550,961
Net position, end of year	**$ 1,156,425**	$ 1,121,482	**$ 554,493**	$ 417,271	**$ 1,710,918**	$ 1,538,753

Governmental Activities: Revenues exceeded expenses by approximately $35,000 in 2018 for its governmental activities. Revenues increased over the prior year by approximately $93,000 (20%) to approximately $563,000, due primarily to an increase in grants and taxes. Expenses decreased by approximately $46,000 (10%) to approximately $403,000 from the prior year. Overall, governmental activities operations increased the City's net position by approximately $35,000 in 2018.

Business-type Activities: Revenues exceeded expenses by approximately $137,000 in 2018 for the business-type activities. Revenues increased by approximately $42,000 (19%) to approximately $270,000 from the prior year primarily due to more charges for services. Expenses decreased by approximately $2,000 (.1%) to approximately $257,000. In addition, the governmental activities transferred approximately $125,000 to business-type activities. Overall, business-type activities increased the City's net position by approximately $137,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $525,771, an increase of approximately $6,244 (1%) from the prior year fund balance. The increase in fund balance was the result of revenues of approximately $563,000 exceeding expenditures of approximately $557,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately $196,000 (37%) of the total governmental fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted for capital projects ($266,000) and restricted for program purposes ($64,000).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately $196,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund of approximately $196,000 represents approximately 46% of total General Fund expenditures. Highlights for the General Fund were as follows:

- Total fund balance decreased by approximately $51,000 (21%) due to expenditures of approximately $429,000 exceeding revenues of approximately $377,000.
- General Fund revenues increased approximately $52,000, while expenditures increased approximately $93,000.

In addition, the fund balances of the Sanitation Fund and SPLOST Fund increased approximately $10,000 and $48,000, respectively.

Proprietary Funds: The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net position of the Water Supply Fund at the end of the year was approximately $554,000. This was an increase of approximately $137,000 (33%) from the prior year. Details of the activity in the Water Supply Fund are provided under Business-type Activities on the previous page.

Budgetary Highlights

The City's budget is prepared according to Georgia law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund and the Sanitation Fund. There were no significant budget amendments made during 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets as of December 31, 2018 and 2017, amounted to approximately $1,310,000 and $1,160,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, park improvements, vehicles, machinery and equipment, and water systems.

The City's capital assets (net of depreciation) as of December 31, 2018 and 2017, were as follows:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	**2018**	2017	**2018**	2017
Land	**$ 70,657**	$ 70,657	**$ -**	$ -	**$ 70,657**	$ 70,657
Construction in progress	**-**	6,572	**463,695**	310,669	**463,695**	317,241
Equipment and buildings	**485,797**	469,659	**114**	566	**485,911**	470,225
Infrastructure	**98,726**	88,815	**190,523**	213,513	**289,249**	302,328
Total	**$ 655,180**	$ 635,703	**$ 654,332**	$ 524,748	**$ 1,309,512**	$ 1,160,451

The total increase in the City's investment in capital assets for the current fiscal year was approximately $150,000 or 13%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately $147,000, which consisted primarily of water system lines and equipment.
- Depreciation expense of approximately $77,000 for governmental activities and approximately $23,000 for business-type activities.

Additional information on the City's capital assets can be found in Note 4 of the notes to the financial statements.

Long-Term Debt

As of December 31, 2018 and 2017, the City had total outstanding debt of approximately $286,000 and $180,000, respectively. The City's total debt as of December 31, 2018 and 2017 ,were as follows:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	**2018**	2017	**2018**	2017
Notes payable	**$ 24,526**	$ 33,748	**$ -**	$ -	**$ 24,526**	$ 33,748
Revenue bonds payable	**-**	-	**261,710**	146,249	**261,710**	146,249
Total	**$ 24,526**	$ 33,748	**$ 261,710**	$ 146,249	**$ 286,236**	$ 179,997

Additional information regarding the City's long-term obligations can be found in Note 5 in the notes to the financial statements.

ECONOMIC FACTORS AFFECTING THE CITY

The U.S. Census Bureau estimates a current population growth rate of 0.7% for Butts County. While the City of Flovilla has not experienced any significant growth with the City limits, officials expect the growth in the County to spill over into the City limits within the next five years.

REQUESTS FOR TOWN INFORMATION

This report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitments to public accountability. If you have any questions regarding this report, or you need additional financial information, please contact the City's mayor by writing to 308 Heard Street, Flovilla, Georgia 30216.

CITY OF FLOVILLA, GEORGIA

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 614,060	$ 34,086	$ 648,146
Taxes receivable	22,741	-	22,741
Accounts receivable, net	8,329	8,214	16,543
Due from other governments	-	129,205	129,205
Internal balances	2,970	(2,970)	-
Restricted assets, cash	-	63,589	63,589
Capital assets:			
Nondepreciable	70,657	463,695	534,352
Depreciable, net of accumulated depreciation	584,523	190,637	775,160
Total assets	1,303,280	886,456	2,189,736
LIABILITIES			
Accounts payable	122,329	20,769	143,098
Customer deposits	-	41,113	41,113
Accrued interest	-	8,371	8,371
Revenue bonds payable due within one year	-	7,370	7,370
Revenue bonds payable due in more than one year	-	131,919	131,919
Note payable due within one year	9,732	-	9,732
Note payable due in more than one year	14,794	122,421	137,215
Total liabilities	146,855	331,963	478,818
NET POSITION			
Net investment in capital assets	630,654	392,622	1,023,276
Restricted for:			
Capital projects	265,543	-	265,543
Program purposes	64,120	-	64,120
Debt service	-	22,476	22,476
Unrestricted	196,108	139,395	335,503
Total net position	$ 1,156,425	$ 554,493	$ 1,710,918

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

CITY OF FLOVILLA, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position: Total
Primary government:							
Governmental activities:							
Governing body	$ 40,873	$ 24,916	$ -	$ -	$ (15,957)	$ -	$ (15,957)
Financial administration	170,918	-	-	-	(170,918)	-	(170,918)
Municipal court	5,885	4,410	-	30,141	28,666	-	28,666
Fire department	54,896	-	-	-	(54,896)	-	(54,896)
Roads and streets	89,060	-	-	136,116	47,056	-	47,056
Sanitation	40,050	49,708	-	-	9,658	-	9,658
Interest on long-term debt	1,649	-	-	-	(1,649)	-	(1,649)
Total governmental activities	403,331	79,034	-	166,257	(158,040)	-	(158,040)
Business-type activities:							
Water supply	256,935	238,945	-	30,606	-	12,616	12,616
Total business-type activities	256,935	238,945	-	30,606	-	12,616	12,616
Total primary government	$ 660,266	$ 317,979	$ -	$ 196,863	(158,040)	12,616	(145,424)
General revenues:							
Local option sales tax					228,121	-	228,121
Alcoholic beverage taxes					8,126	-	8,126
Insurance premium taxes					46,804	-	46,804
Other taxes					466	-	466
Franchise fees					33,921	-	33,921
Unrestricted investment earnings					121	30	151
Transfers					(124,576)	124,576	-
Total general revenues and transfers					192,983	124,606	317,589
Change in net position					34,943	137,222	172,165
Net position, beginning of year					1,121,482	417,271	1,538,753
Net position, end of year					$ 1,156,425	$ 554,493	$ 1,710,918

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

CITY OF FLOVILLA, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Sanitation Fund	SPLOST Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 288,908	$ 59,609	$ 265,543	$ 614,060
Receivables				
Taxes	22,741	-	-	22,741
Accounts	-	8,329	-	8,329
Due from other funds	2,970	-	-	2,970
Total assets	$ 314,619	$ 67,938	$ 265,543	$ 648,100
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 118,511	$ 3,818	$ -	$ 122,329
Total liabilities	118,511	3,818	-	122,329
FUND BALANCES				
Restricted for:				
Capital projects	-	-	265,543	265,543
Program purposes	-	64,120	-	64,120
Unassigned	196,108	-	-	196,108
Total fund balances	196,108	64,120	265,543	525,771
Total liabilities and fund balances	$ 314,619	$ 67,938	$ 265,543	$ 648,100

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - total governmental funds	$ 525,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	655,180
Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(24,526)
Net position of governmental activities	$ 1,156,425

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

CITY OF FLOVILLA, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Sanitation Fund	SPLOST Fund	Total Governmental Funds
Revenues				
Sales taxes	$ 228,121	$ -	$ -	$ 228,121
Alcoholic beverage taxes	8,126	-	-	8,126
Insurance premium taxes	46,804	-	-	46,804
Other taxes	466	-	-	466
Franchise fees	33,921	-	-	33,921
Licenses and permits	2,498	-	-	2,498
Intergovernmental	30,141	-	135,670	165,811
Sanitation fees	-	49,708	-	49,708
Fines and forfeitures	4,410	-	-	4,410
Cemetery	2,150	-	-	2,150
Interest revenue	121	-	446	567
Other revenues	20,268	-	-	20,268
Total revenues	377,026	49,708	136,116	562,850
Expenditures				
Current:				
Governing body	40,873	-	-	40,873
Financial administration	267,964	-	-	267,964
Municipal court	5,885	-	-	5,885
Fire department	49,998	-	-	49,998
Roads and streets	52,931	-	-	52,931
Sanitation	-	40,050	-	40,050
Capital outlay	-	-	88,034	88,034
Debt service:				
Principal	9,222	-	-	9,222
Interest	1,649	-	-	1,649
Total expenditures	428,522	40,050	88,034	556,606
Net change in fund balances	(51,496)	9,658	48,082	6,244
Fund balances - beginning of year	247,604	54,462	217,461	519,527
Fund balances - end of year	$ 196,108	$ 64,120	$ 265,543	$ 525,771

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

CITY OF FLOVILLA, 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

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds.	$	6,244
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. This is the amount by which capital outlay (not including transfers to other funds) exceeded depreciation in the current period.		34,896
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(15,419)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items and represents principal payments on the City's note payable.		9,222
Change in net position - governmental activities	$	34,943

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

CITY OF FLOVILLA, GEORGIA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES:				
Sales taxes	$ 203,899	$ 203,899	$ 228,121	$ 24,222
Alcoholic beverage taxes	9,500	9,500	8,126	(1,374)
Insurance premium taxes	43,400	43,400	46,804	3,404
Other taxes	3,350	3,350	466	(2,884)
Intergovernmental	13,000	13,000	30,141	17,141
Franchise fees	30,000	30,000	33,921	3,921
Licenses and permits	2,500	2,500	2,498	(2)
Fines and forfeitures	9,496	9,496	4,410	(5,086)
Cemetery	1,000	1,000	2,150	1,150
Interest revenue	50	50	121	71
Other revenues	10,423	10,423	20,268	9,845
Total revenues	326,618	326,618	377,026	50,408
EXPENDITURES:				
Governing body:				
Personal services/employee benefits	38,350	38,350	38,476	(126)
Purchased/contracted services	2,500	2,500	2,397	103
Total governing body	40,850	40,850	40,873	(23)
Financial administration:				
Personal services/employee benefits	50,400	50,400	48,686	1,714
Purchased/contracted services	80,378	80,378	189,236	(108,858)
Supplies	30,401	30,401	30,042	359
Total financial administration	161,179	161,179	267,964	(106,785)
Court:				
Purchased/contracted services	4,720	4,720	5,204	(484)
Supplies	-	-	-	-
Payments to others	500	500	681	(181)
Total court	5,220	5,220	5,885	(665)
Fire department:				
Personal services/employee benefits	9,350	9,350	9,447	(97)
Purchased/contracted services	33,722	33,722	39,385	(5,663)
Supplies	1,200	1,200	1,166	34
Total fire department	44,272	44,272	49,998	(5,726)
Roads and streets:				
Personal services/employee benefits	33,250	33,250	32,370	880
Purchased/contracted services	29,247	29,247	20,561	8,686
Total roads and streets	62,497	62,497	52,931	9,566
Debt service:				
Principal	8,400	8,400	9,222	(822)
Interest	4,200	4,200	1,649	2,551
Total debt service	12,600	12,600	10,871	1,729
Total expenditures	326,618	326,618	428,522	(101,904)
Net change in fund balances	-	-	(51,496)	(51,496)
Fund balances, beginning of year	247,604	247,604	247,604	-
Fund balances, end of year	$ 247,604	$ 247,604	$ 196,108	$ (51,496)

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

CITY OF FLOVILLA, GEORGIA
SANITATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES:				
Sanitation fees	$ 46,500	$ 46,500	$ 49,708	$ 3,208
Total revenues	46,500	46,500	49,708	3,208
EXPENDITURES:				
Purchased/contracted services	43,500	43,500	40,050	3,450
Total expenditures	43,500	43,500	40,050	3,450
Net change in fund balances	3,000	3,000	9,658	6,658
Fund balances, beginning of year	54,462	54,462	54,462	-
Fund balances, end of year	$ 57,462	$ 57,462	$ 64,120	$ 6,658

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

CITY OF FLOVILLA, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2018

	Water Supply Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 34,086
Accounts receivable, net of allowance	8,214
Intergovernmental receivable	129,205
Restricted cash	63,589
Total current assets	235,094
NONCURRENT ASSETS	
Capital assets:	
Nondepreciable	463,695
Depreciable, net of accumulated depreciation of $1,292,663	190,637
Total noncurrent assets	654,332
Total assets	$ 889,426
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 20,769
Accrued interest	8,371
Due to other funds	2,970
Customer deposits	41,113
Revenue bonds payable	7,370
Total current liabilities	80,593
NONCURRENT LIABILITIES	
Revenue bonds payable	131,919
Notes payable	122,421
Total noncurrent liabilities	254,340
Total liabilities	$ 334,933
NET POSITION	
Net investment in capital assets	$ 392,622
Restricted for debt service	22,476
Unassigned	139,395
Total net position	$ 554,493

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

CITY OF FLOVILLA, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Supply Fund
OPERATING REVENUES	
Charges for services	$ 223,121
Connection fees	1,770
Penalties and late fees	13,506
Miscellaneous	548
Total operating revenues	238,945
OPERATING EXPENDITURES	
Personnel services and benefits	82,351
Water purchase	584
Purchase/contracted services	115,677
Supplies	19,216
Depreciation	23,442
Other expenses	12,695
Total operating expenditures	253,965
Operating loss	(15,020)
NONOPERATING INCOME (EXPENSE)	
Intergovernmental	30,606
Interest income	30
Interest expense	(2,970)
Total nonoperating income, net	27,666
Income before capital contributions	12,646
CAPITAL CONTRIBUTIONS	124,576
Change in net position	137,222
Net position - beginning of year	417,271
Net position - ending of year	$ 554,493

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

CITY OF FLOVILLA, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Supply Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 244,802
Cash paid to suppliers	(215,981)
Net cash provided by operating activities	28,821
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(28,450)
Principal paid on bonds	(6,960)
Interest paid	(2,974)
Proceeds from notes payable	23,822
Net cash used in capital and related financing activities	(14,562)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	30
Net cash provided by investing activities	30
Net increase in cash and cash equivalents	14,289
Cash and cash equivalents:	
Beginning of year	83,386
End of year	$ 97,675
Classified as:	
Cash and cash equivalents	$ 34,086
Restricted cash	63,589
	$ 97,675

(Continued)

CITY OF FLOVILLA, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Supply Fund
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (15,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	23,442
Changes in assets and liabilities:	
Decrease in accounts receivable	253
Increase in accounts payable	14,542
Increase in customer deposits	2,634
Increase in due to other funds	2,970
Net cash provided by operating activities	$ 28,821
Noncash investing, capital, and financing activities:	
Transfer of capital assets from other funds	$ 124,576
Net noncash investing, capital, and financing activities	$ 124,576

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Flovilla, Georgia (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Flovilla was chartered by an act of the General Assembly of the State of Georgia. The City operates under a mayor-council form of government and provides general and administrative services, highways and streets, parks and recreation, sanitation, water services, and fire protection and police services through shared responsibility with Butts County, Georgia. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity,* as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus*, the City was determined to have no component units as of December 31, 2018.

B. Government-wide and Fund 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes, sales taxes, franchise taxes, licenses, and investment income 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Sanitation Fund*** accounts for monies collected from the City's citizens for garbage pickup within the city and remitted to the private entity providing this service.

The ***SPLOST Fund*** is used to account for monies received from Special Purpose Local Option Sales Taxes and spent on projects approved by the SPLOST referendum.

The City reports the following major proprietary fund:

The ***Water Supply Fund*** accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 proprietary funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary 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 nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Sanitation Fund and SPLOST Fund. An enterprise fund budget is prepared and utilized as a management tool to access the operations of the Water Supply Fund. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and amended as required for the General Fund, Sanitation Fund, and Water Supply Fund. A project length budget is adopted for the SPLOST Fund. All annual appropriations lapse at the end of each year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

The City code provides for the following procedures in establishing the budgetary data reflected in these financial statements:

The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. The responsibility of budgeting is with the City Council and Mayor. Budgetary discussions are held in October or November. The budget is presented in December of each fiscal year. The City Council is responsible for the adoption and approval of each fiscal year's budget. The City Council must approve all budget revisions or changes. Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is adopted at the department level.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with original maturities of three months or less meet this definition.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds".

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

All trade and tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water charges are accrued as receivables and revenue at December 31, 2018.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Restricted Assets

The Water Supply Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Customer deposits that must be refunded upon the termination of service are also restricted.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. In accordance with GASB 34, the City has elected not to include infrastructure acquired prior to January 1, 2004.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended December 31, 2018, no amounts were capitalized.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30 – 40
Water system and lines	30 – 40
Machinery and equipment	7 – 10
Vehicles	5 – 10
Infrastructure	40 – 50
Recreational Facilities	10 – 20

J. Long-Term Liabilities

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, as well as deferred charges, are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. At December 31, 2018, the amount outstanding for accumulated unpaid vacation was immaterial to the financial statements and was not recorded.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 does not have any deferred outflows of resources at December 31, 2018.

In addition to liabilities, the statement of net 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 City does not have any deferred inflows of resources at December 31, 2018.

M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

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

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

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has not authorized anyone to assign fund balances.

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

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

N. Use of Estimates

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Tax Abatement Agreements

During the year ended December 31, 2016, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of December 31, 2018, the City did not have any such agreements, either entered into by the City or by other governments that exceeded the quantitative threshold for disclosure.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2018, are as follows:

As reported in the Statement of Net Position:		
Cash and cash equivalents	$	648,146
Restricted assets:		
Cash and cash equivalents		63,589
Cash deposited with financial institutions	$	711,735

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At December 31, 2018, the City had no investments.

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.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2018, all of the City's bank balances were covered by either federal depository insurance or by collateral held by the City's agent in the City's name.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 3. RECEIVABLES

Property taxes are levied in October of each year and are due 60 days after the receipt of the tax notice. Property taxes attached as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds for this tax are remitted to the City monthly and are utilized to give property owners tax relief. As a result of the local option sales tax, no property taxes were levied for the year ended December 31, 2018.

The net receivables collected during the year ended December 31, 2018, and expected to be collected by February 28, 2019, are recognized as revenues in the year ended December 31, 2018. Net receivables estimated to be collectible subsequent to February 28, 2019 are recorded as revenue when received.

Receivables consisted of the following at December 31, 2018:

	General Fund	Sanitation Fund	Water Supply Fund	Total
Receivables:				
Taxes	$ 22,741	$ -	$ -	$ 22,741
Accounts	-	8,329	27,332	35,661
Gross receivables	22,741	8,329	27,332	58,402
Less: allowance for uncollectibles	-	-	(19,118)	(19,118)
Net total receivables	$ 22,741	$ 8,329	$ 8,214	$ 39,284

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 70,657	$ -	$ -	$ -	$ 70,657
Construction in progress	6,572	118,004	-	(124,576)	-
Total	77,229	118,004	-	(124,576)	70,657
Capital assets, being depreciated:					
Buildings	769,314	62,000	-	-	831,314
Improvements other than buildings	18,821	-	-	-	18,821
Infrastructure	95,643	15,200	-	-	110,843
Machinery and equipment	297,882	40,961	(61,673)	-	277,170
Recreation facilities	26,719	-	-	-	26,719
Vehicles	535,793	-	-	-	535,793
Total	1,744,172	118,161	(61,673)	-	1,800,660
Less accumulated depreciation for:					
Buildings	(428,354)	(20,350)	-	-	(448,704)
Improvements other than buildings	(4,677)	(1,499)	-	-	(6,176)
Infrastructure	(6,828)	(5,289)	-	-	(12,117)
Machinery and equipment	(227,197)	(21,085)	46,254	-	(202,028)
Recreation facilities	(11,061)	(260)	-	-	(11,321)
Vehicles	(507,581)	(28,210)	-	-	(535,791)
Total	(1,185,698)	(76,693)	46,254	-	(1,216,137)
Total capital assets, being depreciated, net	558,474	41,468	(15,419)	-	584,523
Total capital assets, net	$ 635,703	$ 159,472	$ (15,419)	$ (124,576)	$ 655,180

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Financial administration	$ 20,958
Fire department	35,025
Roads and streets	20,710
Total depreciation expense - governmental activities	$ 76,693

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 310,669	$ 28,450	$ -	$ 124,576	$ 463,695
Total	310,669	28,450	-	124,576	463,695
Capital assets, being depreciated:					
Water system and lines	1,339,145	-	-	-	1,339,145
Machinery and equipment	118,237	-	-	-	118,237
Vehicles and related equipment	25,918	-	-	-	25,918
Total	1,483,300	-	-	-	1,483,300
Less accumulated depreciation for:					
Water system and lines	(1,125,632)	(22,990)	-	-	(1,148,622)
Machinery and equipment	(117,671)	(452)	-	-	(118,123)
Vehicles and related equipment	(25,918)	-	-	-	(25,918)
Total	(1,269,221)	(23,442)	-	-	(1,292,663)
Total capital assets, being depreciated, net	214,079	(23,442)	-	-	190,637
Total capital assets, net	$ 524,748	$ 5,008	$ -	$ 124,576	$ 654,332

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Note payable	$ 33,748	$ -	$ (9,222)	$ 24,526	$ 9,732
Total governmental activities	33,748	-	(9,222)	24,526	9,732
Business-type activities:					
Revenue bonds payable	146,249	-	(6,960)	139,289	7,370
Note payable	-	122,421	-	122,421	-
Total Business-type activities	146,249	122,421	(6,960)	261,710	7,370
Total	$ 179,997	$ 122,421	$ (16,182)	$ 286,236	$ 17,102

NOTE 5.LONG-TERM DEBT (CONTINUED)

Governmental Activities Long-Term Debt

Governmental activities long-term obligations as of December 31, 2018, consisted of a loan from Hamilton State Bank for land for the new Community Center.

The Hamilton State Bank note was refinanced in May 2014. The note is now payable in 84 monthly installments of $906, commencing June 15, 2014, with an interest rate of 5.5%. The final payment is due May 15, 2021. Annual repayment requirements for the bank loan are as follows:

	Principal	Interest	Total
2019	9,732	1,128	10,860
2020	10,303	567	10,870
2021	4,491	63	4,554
	$ 24,526	$ 1,758	$ 26,284

Water Supply Long-Term Debt

In 1991, the City issued a series of water revenue bonds in the amount of $236,700, which have an interest rate of 6%. Bond interest for the year ended December 31, 2018, amounted to $8,375. The bonds are payable in annual installments of approximately $15,730 through January 2031. The bonds were issued to finance water system improvements.

According to the regulations of the bond ordinance, the City is to maintain a sinking fund and reserve fund for the purpose of paying the principal and interest on the bonds as they mature. The balance in these funds as of December 31, 2018, amount to $23,664. In addition, the City is to establish fees and rates sufficient to produce net revenues of at least equal to 1.2 times the amount required in any sinking fund year to pay principal and interest on outstanding revenue bonds. During the year ended December 31, 2018, the Water Supply Fund produced a sufficient amount of net revenue to meet the 1.2 times requirement. Annual repayment requirements under the revenue bond agreements in the Water Supply Fund are as follows:

	Principal	Interest	Total
2019	7,370	7,915	15,285
2020	7,820	7,446	15,266
2021	8,280	6,949	15,229
2022	8,780	6,422	15,202
2023	9,310	5,864	15,174
2024 - 2028	55,630	19,694	75,324
2029 - 2031	42,099	2,628	44,727
	$ 139,289	$ 56,918	$ 196,207

NOTE 5. LONG-TERM DEBT (CONTINUED)

Water Supply Long-Term Debt (Continued)

On April 16, 2018, the City entered into a contract with the Georgia Environmental Finance Authority for a Drinking Water State Revolving Loan Fund grant/loan to provide financing for an automatic meter reading system which will replace the manual read water meters. The City may draw down funds up to $297,000, of which 20% is forgivable. As of December 31, 2018, $122,421 is the loan amount payable to Georgia Environmental Finance Authority. Interest is at 0.89%. Principal payments will begin after the final draw has been made. No maturity schedule was prepared since the loan is still in the draw down phase.

NOTE 6. BUDGET COMPLIANCE

The following General Fund departments and special revenue fund had actual expenditures in excess of appropriations for the year ended December 31, 2018.

	Budget	Actual	Variance
General Fund:			
Governing body	$ 40,850	$ 40,873	$ (23)
Financial administration	161,179	267,964	(106,785)
Court	5,220	5,885	(665)
Fire department	44,272	49,998	(5,726)
Total	$ 251,521	$ 364,720	$ (113,199)

These over expenditures were funded by greater than anticipated revenues and available fund balance.

NOTE 7. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insured Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

NOTE 7. RISK MANAGEMENT (CONTINUED)

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 pools' 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 to allow the pools' agent and attorney 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 City pays an annual premium to GIRMA for its general insurance and has coverage of $1,000,000 for the risks discussed above, except for buildings, which are covered at 100% of the value of the City's holdings. The City's coverage for worker's compensation claims is statutory.

The funds are to defend and protect members of the funds against liability or loss as prescribed in the member governments' contract and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs 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.

NOTE 8. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the bordering area, is a member of the Three Rivers Regional Commission (RC). Membership in this organization is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. A copy of the RC audit can be obtained by contacting them directly.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in various claims and matters of litigation resulting from normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Grant Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 10. INTERFUND BALANCES

As of December 31, 2018, the City had one interfund balance due to the General Fund from the Water Supply Fund in the amount of $2,970. The City also transferred $124,576 of fixed assets purchased with governmental funds to the Water Supply Fund.

CITY OF FLOVILLA, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Estimated Cost		Expenditures		
	Original	Revised	Prior Years	Current Year	Cumulative Total
Community center	$ 175,000	$ 175,000	$ 18,883	$ -	$ 18,883
Water system	100,000	100,000	67,426	4,498	71,924
Fire department	35,000	35,000	44,015	62,375	106,390
Fire station expansion	122,895	122,895	51,946	21,161	73,107
Streets	80,000	80,000	112,263	-	112,263
Cemetery	25,000	25,000	18,102	-	18,102
Total	$ 537,895	$ 537,895	$ 312,635	$ 88,034	$ 400,669

COMPLIANCE SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members
of the City Council
Flovilla, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Flovilla, Georgia (the "City"), 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 20, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Flovilla, Georgia's Responses to Findings

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
May 20, 2019

CITY OF FLOVILLA, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ Yes ____ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __X__ No
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

There was not an audit of major federal award programs for the year ended December 31, 2018 due to the total amount expended being less than $750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001. Segregation of Duties

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: There is not appropriate segregation of duties among recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the City.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties among recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Cause: The lack of segregation of duties is due to the lack of a properly developed integrated work plan with appropriate controls and an improper allocation of available resources. In addition, in certain circumstances there are a limited number of trained individuals in each office available to perform all of the duties.

Recommendation: We recommend the duties of recording, distributing, and reconciling of accounts be segregated among employees.

Views of Responsible Officials and Planned Corrective Action: We concur. The City is in the process of reviewing their respective systems and processes to evaluate and determine the most efficient and effective solution to properly segregate duties among all City functions to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

CITY OF FLOVILLA, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-002. Year-end Closeout

Criteria: Generally accepted accounting principles require expenditures to be recorded in the accounting period in which they are incurred and timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows. Additionally, GAAP requires revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Management should have good internal controls in place to record and reconcile these types of accounts and on a periodic basis, or at least annually.

Condition: A year-end closeout was not performed, and the City did not properly adjust accounts payable, accounts receivable and capital assets requiring material adjustments to be posted to the unadjusted trial balance.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended December 31, 2018.

Effect: Adjustments to accounts payable in the General Fund and Water Supply Fund were made in the amount of $113,055, and $15,100, respectively. Additionally, principle forgiveness on the GEFA loan was not recorded for the Water Supply Fund in the amount of $30,605. An adjustment to the Allowance for Doubtful Accounts was made in the Water Supply Fund totaling $2,404. Adjustments to capital assets and depreciation expense were made in the Water Supply Fund totaling $153,026, and $23,442, respectively.

Cause: The City did not perform a closeout at year-end to record payables, receivables and ensure capital asset accounts were reconciled and proper at year-end.

Recommendation: We recommend the City establish procedures to review all transactions as noted above timely after year-end to determine proper recording under GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate errors and identify deficiencies from both operational and financial perspectives.

CITY OF FLOVILLA, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable.

STATUS OF PRIOR YEAR AUDIT FINDINGS

2017-001. Segregation of Duties

There is not appropriate segregation of duties among recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the City.

Status: Unresolved. See current year finding 2018-001.

2017-002. Year-end Closeout

A year-end closeout was not performed, and the City did not properly adjust accounts payable, accounts receivable and capital assets requiring material adjustments to be posted to the unadjusted trial balance.

Status: Unresolved. See current year finding 2018-002.