# *CITY OF LAVONIA, GEORGIA*

## *Annual Financial Report*

## *For the year ended December 31, 2013*

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# *CITY OF LAVONIA, GEORGIA*
## *FINANCIAL REPORT*
## *For the year ended December 31, 2013*

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RUSHTON & COMPANY

**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, 2013, 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, 2013, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lavonia, Georgia's, basic financial statements as a whole. The combining and individual fund financial statements and schedules, and the special purpose local option sales tax report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Lavonia, Georgia's basic financial statements for the year ended December 31, 2012, which are not presented with the accompanying financial statements. In our report dated April 16, 2013, 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 2012 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 2012 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 2012 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 2012 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014 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
April 14, 2014

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# CITY OF LAVONIA

"A GEORGIA CITY OF EXCELLENCE"

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Certified City of Ethics

RALPH M. OWENS
*Mayor*

*City Manager*
GARY M. FESPERMAN

*Mayor Pro tem*
DAVID HOWELL

*Council Members*
DONALD CANADY
EDDIE FLOYD
HAROLD HARBIN
DAVID HOWELL

*City Clerk*
ANGELA V. GREER

*Assistant City Clerk*
SUSAN GORMAN

*Utility Billing Clerk*
AMY RATCLIFFE

*HR Director*
CHERYL HUMBERT

*Water Superintendent*
JAMES MOSELEY

*Street Superintendent*
RODNEY ANDREWS

*Attorney*
JOHN DICKERSON

*Police Chief*
BRUCE CARLISLE

*Municipal Court Judge*
FRANK GEORGE

*Fire Chief*
ROBERT C. WHITE

*Better Hometown Director*
MARIE MORSE


## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lavonia, it is our pleasure to present this narrative discussion and analysis of the City of Lavonia's financial performance, providing an overview of the activities for the year ended December 31, 2013. 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, 2013, by $17,824,511. (reported as *net position*).

- As of December 31, 2013, Lavonia's governmental funds reported combined ending fund balances of $3,873,134. Approximately 84% of this total amount, $3,234,927, 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 8.

### 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 60. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

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

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

In addition to the General Fund and 2010 SPLOST Capital Projects Fund, which are reported as major funds, the City of Lavonia maintains two governmental fund types:

1. Special Revenue Funds
2. Capital Projects Funds

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

The City's basic governmental fund financial statements are presented on pages 18-23 of this report.

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

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

The City's proprietary fund financial statements are presented on pages 24-27.

- ***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 29-59 of this report.

**Other Supplementary Information**

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

This report includes two schedules (pages 19 and 21) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.

- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statement but are reported as deferred revenue on the fund statements.

- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund financial statements.

- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

**Overview of the City's Financial Position and Operations**

The City's overall financial position and operations for this year is summarized as follows based on the information included in the government-wide financial statements (see pages 15-17):

**City of Lavonia**
**Net Position**
**As of December 31, 2013 and 2012**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Current assets | $ 3,697,833 | $ 4,015,945 | $ 929,505 | $ 1,187,197 | $ 4,627,338 | $ 5,203,142 |
| Capital assets | 4,317,493 | 4,259,817 | 11,124,465 | 11,093,069 | 15,441,958 | 15,352,886 |
| Other noncurrent assets | 297,733 | 0 | 0 | 0 | 297,733 | 0 |
| **Total assets** | 8,313,059 | 8,275,762 | 12,053,970 | 12,280,266 | 20,367,029 | 20,556,028 |
| Current liabilities | 170,835 | 252,103 | 319,800 | 244,513 | 490,635 | 496,616 |
| Noncurrent liabilities | 74,894 | 97,919 | 1,976,989 | 2,135,578 | 2,051,883 | 2,233,497 |
| **Total liabilities** | 245,729 | 350,022 | 2,296,789 | 2,380,091 | 2,542,518 | 2,730,113 |
| **Net Position** | | | | | | |
| Net investment in capital assets | 4,217,309 | 4,118,334 | 9,016,915 | 8,895,275 | 13,234,224 | 13,013,609 |
| Restricted | 577,661 | 626,355 | 63,100 | 103,246 | 640,761 | 729,601 |
| Unrestricted | 3,272,360 | 3,181,051 | 677,166 | 901,653 | 3,949,526 | 4,082,704 |
| **Total net position** | $ 8,067,330 | $ 7,925,740 | $ 9,757,181 | $ 9,900,174 | $ 17,824,511 | $ 17,825,914 |

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 $17,824,511at 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 (74%) 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.

In addition, the surplus in business-type net position was negatively affected by a noticeable decrease in capital grants for expansion of the City's water and sewer system. Expenses for governmental activities were up 2% and business-type activities were down 2% from 2012.

Although the net position of our business-type activities represents 55% ($9,757,181) 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.

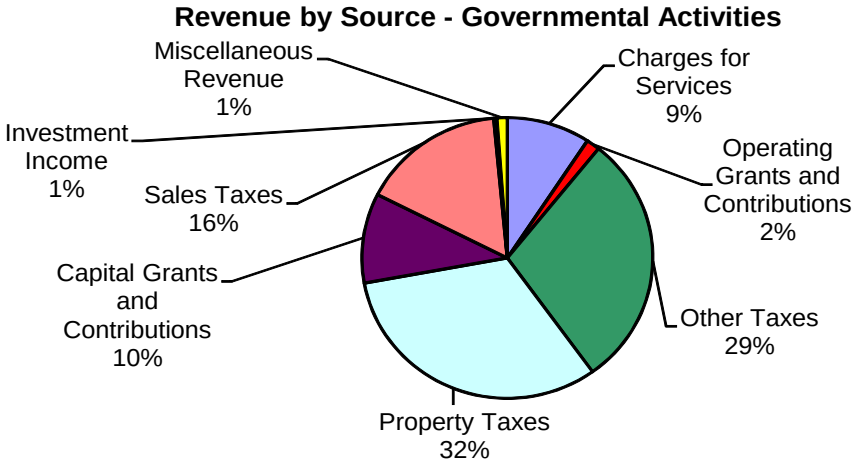
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Lavonia's net position changed during the year.

**City of Lavonia**
**Changes in Net Position**
**For the years ending December 31, 2013 and 2012**

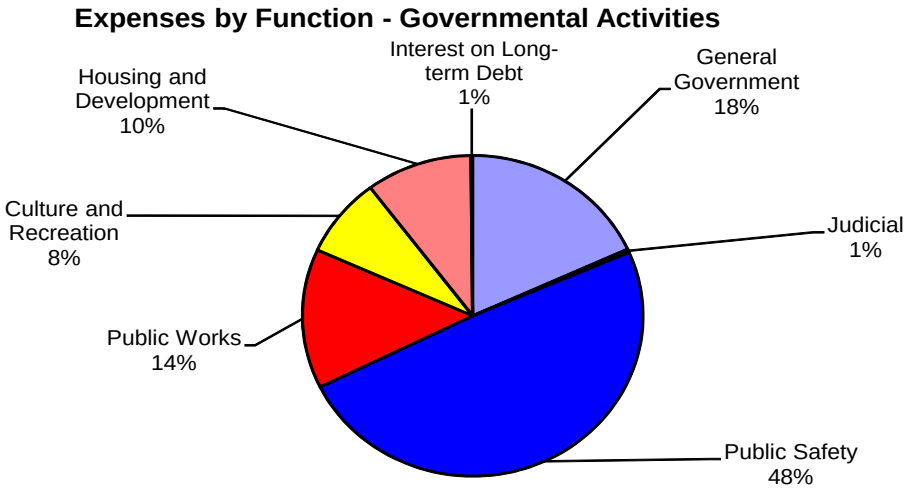
| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Program revenues: | | | | | | |
| Charges for services | $ 246,774 | $ 252,871 | $ 2,179,745 | $ 2,259,067 | $ 2,426,519 | $ 2,511,938 |
| Operating grants and contributions | 40,388 | 33,863 | 0 | 0 | 40,388 | 33,863 |
| Capital grants and contributions | 274,878 | 396,566 | 1,984 | 791,044 | 276,862 | 1,187,610 |
| General revenues: | | | | | | |
| Property taxes | 854,420 | 799,744 | 0 | 0 | 854,420 | 799,744 |
| Sales tax | 427,060 | 455,857 | 0 | 0 | 427,060 | 455,857 |
| Other taxes | 779,589 | 695,297 | 0 | 0 | 779,589 | 695,297 |
| Investment income | 10,023 | 11,328 | 1,957 | 1,281 | 11,980 | 12,609 |
| Miscellaneous revenue | 30,292 | 30,399 | 30,685 | 22,688 | 60,977 | 53,087 |
| **Total revenues** | 2,663,424 | 2,675,925 | 2,214,371 | 3,074,080 | 4,877,795 | 5,750,005 |
| **Expenses** | | | | | | |
| General Government | 444,168 | 428,187 | 0 | 0 | 444,168 | 428,187 |
| Judicial | 8,049 | 8,352 | 0 | 0 | 8,049 | 8,352 |
| Public Safety | 1,200,762 | 1,356,392 | 0 | 0 | 1,200,762 | 1,356,392 |
| Public Works | 342,702 | 203,452 | 0 | 0 | 342,702 | 203,452 |
| Culture and Recreation | 195,736 | 190,268 | 0 | 0 | 195,736 | 190,268 |
| Housing and Development | 246,462 | 198,461 | 0 | 0 | 246,462 | 198,461 |
| Interest on long-term debt | 4,130 | 5,029 | 0 | 0 | 4,130 | 5,029 |
| Water and sewer | 0 | 0 | 2,110,830 | 2,139,486 | 2,110,830 | 2,139,486 |
| Solid Waste | 0 | 0 | 326,359 | 356,976 | 326,359 | 356,976 |
| **Total expenses** | 2,442,009 | 2,390,141 | 2,437,189 | 2,496,462 | 4,879,198 | 4,886,603 |
| **Increase (decrease) in net position before transfers** | 221,415 | 285,784 | (222,818) | 577,618 | (1,403) | 863,402 |
| Transfers | (79,825) | (73,034) | 79,825 | 73,034 | 0 | 0 |
| **Increase (decrease) in net assets** | 141,590 | 212,750 | (142,993) | 650,652 | (1,403) | 863,402 |
| **Net position - beginning** | 7,925,740 | 7,712,990 | 9,900,174 | 9,249,522 | 17,825,914 | 16,962,512 |
| **Net position - ending** | $ 8,067,330 | $ 7,925,740 | $ 9,757,181 | $ 9,900,174 | $ 17,824,511 | $ 17,825,914 |

**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 decreased the City of Lavonia's net position by $142,993; this is $793,645 less than the increase in net position for 2012. The key elements of this decrease are:

- 2013 operating income decreased by $9,409 from 2012 due to decreased customer usage in 2013. Capital grants in 2012 decreased by $789,060 due to grants received in conjunction with system expansions for the Ty Cobb Medical Center during 2012.

**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 $3,873,134. Of this amount, $3,234,927 (83%) 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 2014 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 $3,234,927, while total fund balance was $3,254,892. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 158% of total General Fund expenditures, while total fund balance represents 159% of that same amount.

**General Fund Budget Highlights**

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

Adjustments to the General Fund Expenditures: Adjustments were made from one department to another department to prevent budget overruns:

- Financial Administration salary overtime associated with a software changeover and election paperwork, wellness grant, and the software was purchased necessitating an increase of $24,800.
- Salary, retirement and additional contract services accounted for an increase of $12,000 in the Police Administration, Investigators, and Patrol budgets.
- The Maintenance Shop budget had additional expenses in supplies, and equipment repairs resulted in an $8,700 adjustment.
- Inspections and the Library adjustments amounted to an additional $3,400.
- The budgeted General Fund Contingency was reduced by $16,400 and the Detention contract services were reduced by $47,500 thereby resulting in a zero dollar impact to the GF Budget.

It is anticipated that the General Fund will see only a slight increase in revenues in 2014 due to an increase in Local Option Sales Tax, Building Permits, and Franchise Tax categories which should offset any additional loss of property tax revenue. Therefore, the City will continue to hold the line with operating budgets, employee positions and salary increases to help insure that the General Fund reserve balance remains positive.

**Proprietary Funds**

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

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

- Water and Sewer $ 9,757,181
- Solid Waste $ 0

The total decrease in net position for both funds was $142,993. 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 $15,441,958 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 72% of this investment is related to business-type activities and approximately 28% relates to governmental activities.

During 2013, the City invested $839,883 in new capital assets. Major capital asset events during the current year included the following:

**Business-type Activities**
**2013**

| | |
|---|---|
| 2013 Kubota excavator and trailer, new Skag mower, Spectrometer | $ 64,298 |
| SmartFusion Interface software | 6,645 |
| Chappelear easement for Crawford Creek Dam | 116,574 |
| Lake Hartwell Raw Water Intake Phase III | 14,500 |
| Meter Replacement Project | 198,566 |
| Clear Creek Sewer Line Extension Project | 4,675 |
| Smith Road, Hampton Inn, Clear Creek Waterline Project | 90,208 |
| | $ 495,466 |

**Governmental Activities**
**2013**

| | |
|---|---|
| Lavonia Depot, Cultural Center Renovation Project | $ 34,524 |
| Christmas Decorations for downtown | 23,439 |
| Two Police Department cars and equipment | 51,475 |
| Purchased .28 acres for downtown Parking Lot | 15,000 |
| Downtown and Alex Street Paving Project | 215,550 |
| SmartFusion Interface software | 4,429 |
| | $ 344,417 |

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, 2013 and 2012**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Land | $ 508,811 | $ 493,811 | $ 413,072 | $ 413,072 | $ 921,883 | $ 906,883 |
| Nondepreciable Intangibles | 0 | 0 | 116,574 | 0 | 116,574 | 0 |
| Buildings | 4,684,430 | 4,649,906 | 177,559 | 177,559 | 4,861,989 | 4,827,465 |
| Infrastructure | 1,466,404 | 1,250,854 | 3,800 | 3,800 | 1,470,204 | 1,254,654 |
| Distribution system | 0 | 0 | 16,095,878 | 16,005,670 | 16,095,878 | 16,005,670 |
| Vehicles and equipment | 2,329,929 | 2,341,048 | 619,679 | 589,480 | 2,949,608 | 2,930,528 |
| Furniture and fixtures | 138,486 | 136,451 | 77,657 | 71,012 | 216,143 | 207,463 |
| Depreciable Intangibles | 0 | 0 | 61,026 | 61,026 | 61,026 | 61,026 |
| Construction in progress | 0 | 0 | 331,868 | 114,127 | 331,868 | 114,127 |
| Total | 9,128,060 | 8,872,070 | 17,897,113 | 17,435,746 | 27,025,173 | 26,307,816 |
| Accumulated depreciation | (4,810,567) | (4,612,253) | (6,772,648) | (6,342,677) | (11,583,215) | (10,954,930) |
| **Net Capital Assets** | $ 4,317,493 | $ 4,259,817 | $ 11,124,465 | $ 11,093,069 | $ 15,441,958 | $ 15,352,886 |

Additional information on the City of Lavonia's capital assets can be found in the Note 9 to the Financial Statements on pages 47-48 of this report.

**Long-term debt.** At December 31, 2013, the City of Lavonia had $2,197,919 in bonds and capital leases outstanding, a decrease in total of $103,508 from 2012.

**City of Lavonia**
**Outstanding Debt**
**As of December 31, 2013 and 2012**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| Revenue bonds | $0 | $0 | $ 2,181,390 | $ 2,181,390 | $ 2,181,390 | $ 2,181,390 |
| Capital leases | 120,037 | 120,037 | 0 | 0 | 120,037 | 120,037 |
| **Total** | $ 120,037 | $ 120,037 | $ 2,181,390 | $ 2,181,390 | $ 2,301,427 | $ 2,301,427 |

Additional information on the City's long-term debt can be found in the Notes 10 and 11 to the Financial Statements on pages 49-51 of this report.

**Economic Condition and Outlook**

We, as management, in considering the current and forecasted economic conditions for 2014, still see a continued slow recovery period ahead. During 2009-10, sales tax and franchise tax revenues were considerably lower than 2006-08 levels. We saw increases in 2011 of about 12%, 3% in 2012, 5% in 2013 and we see this slow upward trend continuing through 2014. Parkdale Mills closed during 2012 and impacted the jobs market as well as our water sales. Although there are other industries looking at the facility, nothing has been announced regarding a new industry locating during 2014 as of yet. On a more positive note, the city was blessed with a new J Peters restaurant on the I-85 Interchange, a $6.5 Million dollar Hampton Inn and Suites project, a new $650,000 office suite strip beside of the new Hampton, a new Dairy Queen and a new Hardee's rehab during 2013. With a more positive economic outlook for 2014, the City has decided to move forward with several proposed General Fund capital projects during 2014 including a Carnegie Library and a Lavonia Cannery exterior rehab. Management has given careful consideration to the uncertainty of the market and the new economic growth in the preparation of the city budgets for 2014. Noteworthy budget item and cost saving considerations were:

- 2014 General Fund budget revenue projections were raised about $60,000 over the 2013 budget due to increased property tax revenue and a LMIG Grant from the G-DOT for a road project. General Fund budget expenditures were lowered about $50,000 due to operating only one Detention Parole Crew.
- With most revenue streams expected to remain at or slightly above 2013 levels, certain departmental operational expenditures are expected to rise. Insurance, contract services, infrastructure raw materials, and service provision costs are expected to rise with the upturn in the economic forecast. This has and will continue to have an impact on the city's ability to maintain current operational levels or repair existing infrastructure as needed with the funding available through our present revenue sources. In addition, grant funding at the state and federal levels is expected to be more competitive than ever with reduced federal funding being allocated to the states for disbursement through EDA and ARC programs and more cities and counties applying for these funds.
- Electricity budgets for all departments have been increased again to try and keep pace with those rising energy costs. Polices have already been put in place to reduce electricity, heating, and cooling usage, and change out inefficient lighting fixtures to conserve energy and help reduce energy costs for the city. Gasoline and diesel fuel costs are also expected to continue to spiral up and down in 2014 and city vehicle usage in all departments will be determined by these increases.
- Interest rates on C.D.'s are expected to be less than ½ % again for 2014, which is about the same as 2013. This prediction is based on the Federal Reserve's reports regarding the lack of a strong economic turnaround and their efforts to stimulate the economy by keeping interest rates low. If the Fed continues to keep interest rates at these record lows, the rate of 2014 return on our investments will be about the same as in 2013.
- The Mayor and Council decided to suspend 2014 employee raises or COLA adjustments until we have a better understanding of the revenue streams into the city. If revenues increase to the point that a COLA adjustment can be given, the Mayor and Council will determine when that adjustment will be implemented.

**Contacting the City's Financial Services Department**

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

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

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***BASIC FINANCIAL STATEMENTS***

## *CITY OF LAVONIA, GEORGIA*
## *STATEMENT OF NET POSITION*
## *December 31, 2013*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 913,166 | $ 30,249 | $ 943,415 | $ 2,421 |
| Certificates of deposit | 1,300,000 | 355,357 | 1,655,357 | 0 |
| Restricted assets | | | | |
| Cash and cash equivalents | 0 | 80,975 | 80,975 | 0 |
| Certificates of deposit | 0 | 44,643 | 44,643 | 0 |
| Receivables (net) | | | | |
| Accounts | 0 | 298,870 | 298,870 | 0 |
| Taxes | 401,627 | 0 | 401,627 | 0 |
| Intergovernmental | 47,002 | 0 | 47,002 | 0 |
| Interest | 3,366 | 1,642 | 5,008 | 0 |
| Notes | 2,267 | 0 | 2,267 | 0 |
| Internal balances | (46,260) | 46,260 | 0 | 0 |
| Inventories | 0 | 54,960 | 54,960 | 0 |
| Prepaid items | 19,965 | 16,549 | 36,514 | 0 |
| Property held for resale | 1,056,700 | 0 | 1,056,700 | 0 |
| Total current assets | 3,697,833 | 929,505 | 4,627,338 | 2,421 |
| **Noncurrent assets** | | | | |
| Notes receivable | 297,733 | 0 | 297,733 | 0 |
| Capital assets | | | | |
| Non-depreciable | 508,811 | 861,514 | 1,370,325 | 40,000 |
| Depreciable (net) | 3,808,682 | 10,262,951 | 14,071,633 | 95,952 |
| Total noncurrent assets | 4,615,226 | 11,124,465 | 15,739,691 | 135,952 |
| **Total assets** | 8,313,059 | 12,053,970 | 20,367,029 | 138,373 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Payables | | | | |
| Accounts | 43,150 | 63,530 | 106,680 | 1,037 |
| Interest | 3,515 | 0 | 3,515 | 0 |
| Compensated absences | 54,651 | 40,394 | 95,045 | 0 |
| Accrued payroll liabilities | 13,047 | 6,854 | 19,901 | 0 |
| Unearned revenue | 30,366 | 19,591 | 49,957 | 0 |
| Capital lease payable | 23,025 | 0 | 23,025 | 0 |
| Other liabilities | 3,081 | 3,902 | 6,983 | 88 |
| Liabilities payable from restricted assets | | | | |
| Customer deposits payable | 0 | 44,643 | 44,643 | 0 |
| Revenue bonds payable | 0 | 123,011 | 123,011 | 0 |
| Interest payable | 0 | 17,875 | 17,875 | 0 |
| Total current liabilities | 170,835 | 319,800 | 490,635 | 1,125 |

See accompanying notes to the financial statements.

## *CITY OF LAVONIA, GEORGIA*
## *STATEMENT OF NET POSITION*
## *December 31, 2013*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| **Noncurrent liabilities** | | | | |
| Capital leases payable | $ 74,894 | $ 0 | $ 74,894 | $ 0 |
| Revenue bonds payable | 0 | 1,976,989 | 1,976,989 | 0 |
| Total noncurrent liabilities | 74,894 | 1,976,989 | 2,051,883 | 0 |
| **Total liabilities** | 245,729 | 2,296,789 | 2,542,518 | 1,125 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 4,217,309 | 9,016,915 | 13,234,224 | 135,952 |
| Restricted for: | | | | |
| Public Safety | 6,346 | 0 | 6,346 | 0 |
| Housing and Development | 571,315 | 0 | 571,315 | 0 |
| Debt service | 0 | 63,100 | 63,100 | 0 |
| Unrestricted | 3,272,360 | 677,166 | 3,949,526 | 1,296 |
| **Total net position** | $ 8,067,330 | $ 9,757,181 | $ 17,824,511 | $ 137,248 |

See accompanying notes to the financial statements.

## *CITY OF LAVONIA, GEORGIA*
## *STATEMENT OF ACTIVITIES*
## *For the year ended December 31, 2013*

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|---|
| **Primary government** | | | | | |
| Governmental activities | | | | | |
| General Government | $ 444,168 | $ 40,525 | $ 0 | $ 0 | $ (403,643) |
| Judicial | 8,049 | 0 | 0 | 0 | (8,049) |
| Public Safety | 1,200,762 | 160,622 | 30,931 | 65,753 | (943,456) |
| Public Works | 342,702 | 5,140 | 0 | 201,937 | (135,625) |
| Culture and Recreation | 195,736 | 22,630 | 9,457 | 7,220 | (156,429) |
| Housing and Development | 246,462 | 17,857 | 0 | 0 | (228,605) |
| Interest on long-term debt | 4,130 | 0 | 0 | 0 | (4,130) |
| Total governmental activities | 2,442,009 | 246,774 | 40,388 | 274,910 | (1,879,937) |
| Business-type activities | | | | | |
| Water and Sewer | 2,110,830 | 1,869,337 | 0 | 1,984 | (239,509) |
| Solid Waste | 326,359 | 310,408 | 0 | 0 | (15,951) |
| Total business-type activities | 2,437,189 | 2,179,745 | 0 | 1,984 | (255,460) |
| Total primary government | 4,879,198 | 2,426,519 | 40,388 | 276,894 | (2,135,397) |
| **Component Unit** | | | | | |
| Downtown Development Authority | | | | | |
| Housing and Development | 45,656 | 0 | 29,100 | 0 | (16,556) |

| | Primary Government: Governmental Activities | Primary Government: Business-Type Activities | Primary Government: Total | Component Unit |
|---|---|---|---|---|
| **Change in net assets** | | | | |
| Net (expense) revenue | $ (1,879,937) | $ (255,460) | $ (2,135,397) | $ (16,556) |
| General revenues | | | | |
| Taxes | | | | |
| Property | 854,420 | 0 | 854,420 | 0 |
| Sales | 427,060 | 0 | 427,060 | 0 |
| Franchise | 281,245 | 0 | 281,245 | 0 |
| Insurance premium | 111,215 | 0 | 111,215 | 0 |
| Intangibles | 6,038 | 0 | 6,038 | 0 |
| Alcoholic beverage | 117,228 | 0 | 117,228 | 0 |
| Hotel/Motel | 203,596 | 0 | 203,596 | 0 |
| Occupational | 60,267 | 0 | 60,267 | 0 |
| Interest and investment earnings | 9,991 | 1,957 | 11,948 | 0 |
| Gain on sale of assets | 14,672 | 7,955 | 22,627 | 0 |
| Miscellaneous | 15,620 | 22,730 | 38,350 | 9,420 |
| Transfers | (79,825) | 79,825 | 0 | 0 |
| Total general revenues and transfers | 2,021,527 | 112,467 | 2,133,994 | 9,420 |
| Change in net position | 141,590 | (142,993) | (1,403) | (7,136) |
| Net position - beginning | 7,925,740 | 9,900,174 | 17,825,914 | 144,384 |
| Net position - ending | $ 8,067,330 | $ 9,757,181 | $ 17,824,511 | $ 137,248 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***BALANCE SHEET***
***GOVERNMENTAL FUNDS***
***December 31, 2013***

| | General | 2010 SPLOST | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 580,778 | $ 389 | $ 331,999 | $ 913,166 |
| Certificates of deposit | 1,300,000 | 0 | 0 | 1,300,000 |
| Receivables (net) | | | | |
| Taxes | 390,130 | 0 | 11,497 | 401,627 |
| Intergovernmental | 8,102 | 38,900 | 0 | 47,002 |
| Interest | 3,366 | 0 | 0 | 3,366 |
| Notes | | | 300,000 | 300,000 |
| Prepaid items | 19,965 | 0 | 0 | 19,965 |
| Property held for resale | 1,056,700 | 0 | 0 | 1,056,700 |
| Due from other funds | 9,063 | 0 | 0 | 9,063 |
| **Total assets** | $ 3,368,104 | $ 39,289 | $ 643,496 | $ 4,050,889 |
| **Liabilities** | | | | |
| Accounts payable | $ 26,790 | $ 0 | $ 16,360 | $ 43,150 |
| Accrued payroll liabilities | 12,593 | 0 | 454 | 13,047 |
| Unearned revenue | 30,366 | 0 | 0 | 30,366 |
| Due to other funds | 7,860 | 47,236 | 227 | 55,323 |
| Other liabilities | 2,815 | 0 | 266 | 3,081 |
| Total liabilities | 80,424 | 47,236 | 17,307 | 144,967 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue-property taxes | 32,788 | 0 | 0 | 32,788 |
| **Fund balances** | | | | |
| Nonspendable prepaid items | 19,965 | 0 | 0 | 19,965 |
| Restricted for: | | | | |
| Public Safety | 0 | 0 | 6,346 | 6,346 |
| Housing and Development | 0 | 0 | 571,315 | 571,315 |
| Committed for Public Works | 0 | 0 | 15,149 | 15,149 |
| Assigned for: | | | | |
| Housing and Development | 0 | 0 | 13,379 | 13,379 |
| Budget | 0 | 0 | 20,000 | 20,000 |
| Unassigned | 3,234,927 | (7,947) | 0 | 3,226,980 |
| Total fund balances | 3,254,892 | (7,947) | 626,189 | 3,873,134 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 3,368,104 | $ 39,289 | $ 643,496 | $ 4,050,889 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***RECONCILIATION OF THE BALANCE SHEET OF***
***GOVERNMENTAL FUNDS TO THE***
***STATEMENT OF NET POSITION***
***December 31, 2013***

| | | |
|---|---|---|
| **Total fund balance - total governmental funds** | | $ 3,873,134 |
| 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 | | 4,317,493 |
| Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are reported as unavailable in the funds. These are: | | |
| Property taxes | | 32,788 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are: | | |
| Capital leases | (97,919) | |
| Interest payable | (3,515) | |
| Compensated absences | (54,651) | (156,085) |
| Net position of governmental activities | | $ 8,067,330 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***STATEMENT OF REVENUES,***
***EXPENDITURES, AND CHANGES IN FUND BALANCES***
***GOVERNMENTAL FUNDS***
***For the year ended December 31, 2013***

| | General | 2010 SPLOST | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 1,847,857 | $ 0 | $ 203,596 | $ 2,051,453 |
| Licenses and permits | 58,382 | 0 | 0 | 58,382 |
| Fines, fees and forfeitures | 153,593 | 0 | 5,869 | 159,462 |
| Charges for services | 1,160 | 0 | 21,174 | 22,334 |
| Intergovernmental | 39,588 | 269,878 | 0 | 309,466 |
| Interest | 5,912 | 34 | 4,079 | 10,025 |
| Contributions | 5,000 | 0 | 800 | 5,800 |
| Other | 20,066 | 0 | 2,148 | 22,214 |
| **Total revenues** | 2,131,558 | 269,912 | 237,666 | 2,639,136 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General Government | 439,685 | 0 | 0 | 439,685 |
| Judicial | 8,049 | 0 | 0 | 8,049 |
| Public Safety | 1,062,806 | 0 | 2,895 | 1,065,701 |
| Public Works | 369,607 | 0 | 2,553 | 372,160 |
| Culture and Recreation | 79,135 | 0 | 0 | 79,135 |
| Housing and Development | 59,103 | 0 | 243,611 | 302,714 |
| Debt service | 27,039 | 0 | 0 | 27,039 |
| Capital outlay | 0 | 272,048 | 0 | 272,048 |
| **Total expenditures** | 2,045,424 | 272,048 | 249,059 | 2,566,531 |
| Excess (deficiency) of revenues over (under) expenditures | 86,134 | (2,136) | (11,393) | 72,605 |
| Other financing sources (uses) | | | | |
| Transfers in | 0 | 0 | 12,563 | 12,563 |
| Transfers out | (28,515) | (63,873) | 0 | (92,388) |
| Gain (loss) on sale of property held for resale | 9,524 | 0 | 0 | 9,524 |
| Proceeds from sales of assets | 5,148 | 0 | 0 | 5,148 |
| Total other financing sourrces (uses) | (13,843) | (63,873) | 12,563 | (65,153) |
| Net change in fund balance | 72,291 | (66,009) | 1,170 | 7,452 |
| Fund balances, January 1 | 3,182,601 | 58,062 | 625,019 | 3,865,682 |
| **Fund balances, December 31** | $ 3,254,892 | $ (7,947) | $ 626,189 | $ 3,873,134 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***
***For the year ended December 31, 2013***

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | $ 7,452 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | $ 344,417 | |
| Depreciation | (286,741) | 57,676 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue. | | 9,616 |
| The proceeds of debt issuance 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 prinicpal repayments | 22,118 | |
| Debt proceeds | 0 | 22,118 |
| 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 | 791 | |
| Compensated absences | 43,937 | 44,728 |
| Change in net position of governmental activities | | $ 141,590 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***STATEMENT OF REVENUES, EXPENDITURES***
***AND CHANGES IN FUND BALANCE***
***BUDGET (GAAP) AND ACTUAL***
***For the year ended December 31, 2013***

| | Budget | | | Variance with Final |
|---|---|---|---|---|
| | Original | Final | Actual | Budget |
| **REVENUES** | | | | |
| Taxes | $ 1,778,500 | $ 1,815,850 | $ 1,847,857 | $ 32,007 |
| Licenses and permits | 41,850 | 5,100 | 58,382 | 53,282 |
| Fines, fees and forfeitures | 135,000 | 135,000 | 153,593 | 18,593 |
| Charges for services | 12,700 | 100 | 1,160 | 1,060 |
| Intergovernmental | 73,815 | 85,815 | 39,588 | (46,227) |
| Interest | 15,000 | 15,000 | 5,912 | (9,088) |
| Contributions | 5,000 | 61,088 | 5,000 | (56,088) |
| Other | 8,200 | 8,200 | 20,066 | 11,866 |
| **Total revenues** | 2,070,065 | 2,126,153 | 2,131,558 | 5,405 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| General Government | | | | |
| Governing Body | 87,591 | 87,591 | 79,103 | 8,488 |
| Financial Administration | 335,611 | 360,661 | 360,582 | 79 |
| Judical | | | | |
| Municipal Court | 9,300 | 9,300 | 8,049 | 1,251 |
| Public Safety | | | | |
| Police Department | 980,579 | 992,579 | 992,209 | 370 |
| Fire Department | 70,250 | 70,250 | 67,756 | 2,494 |
| Communications | 4,300 | 4,300 | 2,841 | 1,459 |
| Public Works | | | | |
| Highways and Streets | 245,417 | 316,505 | 308,434 | 8,071 |
| Maintenance Shop | 24,950 | 33,650 | 33,554 | 96 |
| Detention Services | 75,193 | 27,693 | 27,619 | 74 |
| Culture and Recreation | | | | |
| Parks and Recreation | 53,295 | 53,045 | 50,690 | 2,355 |
| Community Center | 10,450 | 10,450 | 8,967 | 1,483 |
| Library | 18,400 | 19,500 | 19,478 | 22 |
| Housing and Development | | | | |
| Inspections | 29,123 | 31,423 | 31,144 | 279 |
| Better Home Towns | 27,973 | 27,973 | 27,959 | 14 |
| Debt service | | | | |
| Public Safety | | | | |
| Fire Department | 27,100 | 27,100 | 27,039 | 61 |
| **Total expenditures** | 1,999,532 | 2,072,020 | 2,045,424 | 26,596 |
| Excess (deficiency) of revenues over (under) expenditures | 70,533 | 54,133 | 86,134 | 32,001 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***STATEMENT OF REVENUES, EXPENDITURES***
***AND CHANGES IN FUND BALANCE***
***BUDGET (GAAP) AND ACTUAL***
***For the year ended December 31, 2013***

| | Budget | | | Variance with Final |
|---|---|---|---|---|
| | Original | Final | Actual | Budget |
| Other financing sources (uses) | | | | |
| Transfers in (out) | | | | |
| Transfers out | $ (35,000) | $ (35,000) | $ (28,515) | $ 6,485 |
| Gain (loss) on sale of property held for resale | 0 | 0 | 9,524 | 9,524 |
| Proceeds from sales of assets | 5,000 | 5,000 | 5,148 | 148 |
| Contingency | (40,533) | (24,133) | 0 | 24,133 |
| Total other financing sources (uses) | (70,533) | (54,133) | (13,843) | 40,290 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 0 | 0 | 72,291 | 72,291 |
| Fund balances, January 1 | 0 | 0 | 3,182,601 | 3,182,601 |
| **Fund balances, December 31** | $ 0 | $ 0 | $ 3,254,892 | $ 3,254,892 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***STATEMENT OF NET POSITION***
***PROPRIETARY FUNDS***
***December 31, 2013***

| | Water and Sewer | Solid Waste | Totals |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | $ 30,249 | $ 0 | $ 30,249 |
| Certificates of deposit | 355,357 | 0 | 355,357 |
| Restricted assets | | | |
| Cash and cash equivalents | 80,975 | 0 | 80,975 |
| Certificates of deposit | 44,643 | 0 | 44,643 |
| Receivables | | | |
| Accounts (net) | 261,001 | 37,869 | 298,870 |
| Interest | 1,642 | 0 | 1,642 |
| Inventory | 54,960 | 0 | 54,960 |
| Prepaid items | 16,199 | 350 | 16,549 |
| Due from other funds | 59,134 | 0 | 59,134 |
| Total current assets | 904,160 | 38,219 | 942,379 |
| **Noncurrent assets** | | | |
| Capital assets | | | |
| Non-depreciable | 861,514 | 0 | 861,514 |
| Depreciable (net) | 10,262,951 | 0 | 10,262,951 |
| Total noncurrent assets | 11,124,465 | 0 | 11,124,465 |
| **Total assets** | 12,028,625 | 38,219 | 12,066,844 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable | 40,307 | 23,223 | 63,530 |
| Accrued payroll liabilities | 6,530 | 324 | 6,854 |
| Compensated absences | 39,743 | 651 | 40,394 |
| Unearned revenue | 18,444 | 1,147 | 19,591 |
| Due to other funds | 0 | 12,874 | 12,874 |
| Other liabilities | 3,902 | 0 | 3,902 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits payable | 44,643 | 0 | 44,643 |
| Revenue bonds payable | 123,011 | 0 | 123,011 |
| Interest payable | 17,875 | 0 | 17,875 |
| Total current liabilities | 294,455 | 38,219 | 332,674 |
| **Noncurrent liabilities** | | | |
| Revenue bonds payable | 1,976,989 | 0 | 1,976,989 |
| **Total liabilities** | 2,271,444 | 38,219 | 2,309,663 |
| **NET POSITION** | | | |
| Net investment in capital assets | 9,016,915 | 0 | 9,016,915 |
| Restricted for debt service | 63,100 | 0 | 63,100 |
| Unrestricted | 677,166 | 0 | 677,166 |
| **Total net position** | $ 9,757,181 | $ 0 | $ 9,757,181 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***STATEMENT OF REVENUES, EXPENSES,***
***AND CHANGES IN FUND NET POSITION***
***PROPRIETARY FUNDS***
***For the year ended December 31, 2013***

| | Water and Sewer | Solid Waste | Totals |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Charges for sales and services | $ 1,869,337 | $ 310,407 | $ 2,179,744 |
| Other | 22,731 | 0 | 22,731 |
| **Total operating revenues** | 1,892,068 | 310,407 | 2,202,475 |
| **OPERATING EXPENSES** | | | |
| Costs of sales and services | 771,929 | 284,124 | 1,056,053 |
| Personal services | 757,816 | 42,235 | 800,051 |
| Depreciation | 464,070 | 0 | 464,070 |
| **Total operating expenses** | 1,993,815 | 326,359 | 2,320,174 |
| Operating income (loss) | (101,747) | (15,952) | (117,699) |
| Non-operating revenues (expenses) | | | |
| Interest revenue | 1,957 | 0 | 1,957 |
| Interest expense | (93,309) | 0 | (93,309) |
| Debt issue costs | (23,706) | 0 | (23,706) |
| Gain (loss) on sale of capital assets | 7,955 | 0 | 7,955 |
| Total non-operating revenues (expenses) | (107,103) | 0 | (107,103) |
| Income (loss) before capital contributions and transfers | (208,850) | (15,952) | (224,802) |
| Capital contributions | | | |
| Capital contributions | 1,984 | 0 | 1,984 |
| Income (loss) before transfers | (206,866) | (15,952) | (222,818) |
| Transfers in (out) | | | |
| Transfers in | 63,873 | 15,952 | 79,825 |
| Change in net position | (142,993) | 0 | (142,993) |
| Net position, January 1 | 9,900,174 | 0 | 9,900,174 |
| **Net position, December 31** | $ 9,757,181 | $ 0 | $ 9,757,181 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***STATEMENT OF CASH FLOWS***
***PROPRIETARY FUNDS***
***For the year ended December 31, 2013***

| | Water and Sewer | Solid Waste | Totals |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Receipts from customers | $ 1,845,453 | $ 308,055 | $ 2,153,508 |
| Payments to suppliers | (768,090) | (286,507) | (1,054,597) |
| Payments to employees | (782,047) | (42,100) | (824,147) |
| Other receipts | 22,731 | 0 | 22,731 |
| Net cash provided (used) by operating activities | 318,047 | (20,552) | 297,495 |
| **Cash flows from non-capital financing activities:** | | | |
| Receipts from other funds | 0 | 20,552 | 20,552 |
| Payments to other funds | (8,500) | 0 | (8,500) |
| Net cash provided (used) by non-capital financing activities | (8,500) | 20,552 | 12,052 |
| **Cash flows from capital and related financing activities:** | | | |
| Receipts of capital contributions | 1,984 | 0 | 1,984 |
| Receipts from other governments | 151,365 | 0 | 151,365 |
| Receipts from other funds | 63,873 | 0 | 63,873 |
| Proceeds from sale of capital assets | 7,955 | 0 | 7,955 |
| Payments for acquisitions of capital assets | (487,906) | 0 | (487,906) |
| Payment of capital related accounts payable | (16,404) | 0 | (16,404) |
| Issuance of revenue bonds | 2,100,000 | 0 | 2,100,000 |
| Principal payments - revenue bonds | (2,181,390) | 0 | (2,181,390) |
| Debt issue costs | (23,706) | 0 | (23,706) |
| Interest paid | (78,313) | 0 | (78,313) |
| Net cash provided (used) by capital and related financing activities | (462,542) | 0 | (462,542) |
| **Cash flows from investing activities:** | | | |
| Purchases of certificates of deposit | (400,000) | 0 | (400,000) |
| Interest received | 315 | 0 | 315 |
| Net cash provided (used) by investing activities | (399,685) | 0 | (399,685) |
| Net increase (decrease) in cash and cash equivalents | (552,680) | 0 | (552,680) |
| Cash and cash equivalents, January 1 | 663,904 | 0 | 663,904 |
| **Cash and cash equivalents, December 31** | $ 111,224 | $ 0 | $ 111,224 |

See accompanying notes to the financial statements.

***CITY OF LAVONIA, GEORGIA***
***STATEMENT OF CASH FLOWS***
***PROPRIETARY FUNDS***
***For the year ended December 31, 2013***

| | Water and Sewer | Solid Waste | Totals |
|---|---|---|---|
| **Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:** | | | |
| Operating income (loss) | $ (101,747) | $ (15,952) | $ (117,699) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 464,070 | 0 | 464,070 |
| (Increase) decrease in accounts receivable | (32,199) | (1,850) | (34,049) |
| (Increase) decrease in inventory | (4,950) | 0 | (4,950) |
| (Increase) decrease in prepaid items | (1,801) | (11) | (1,812) |
| Increase (decrease) in accounts payable | 10,590 | (2,372) | 8,218 |
| Increase (decrease) in unearned revenue | 197 | (502) | (305) |
| Increase (decrease) in payroll liabilities | (24,231) | 135 | (24,096) |
| Increase (decrease) in deposits payable | 8,118 | 0 | 8,118 |
| Total adjustments | 419,794 | (4,600) | 415,194 |
| Net cash provided (used) by operating activities | $ 318,047 | $ (20,552) | $ 297,495 |
| **Cash and cash equivalents reconciliation:** | | | |
| Cash and cash equivalents | $ 30,249 | $ 0 | $ 30,249 |
| Restricted assets | | | |
| Cash and cash equivalents | 80,975 | 0 | 80,975 |
| Total cash and cash equivalents | $ 111,224 | $ 0 | $ 111,224 |

**Noncash investing, capital, and financing activities:**

Acquisition of capital assets through accounts payable totaled $7,560 for the year ended December 31, 2013.

See accompanying notes to the financial statements.

*CITY OF LAVONIA, GEORGIA*
*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES*
*FIDUCIARY FUNDS*
*December 31, 2013*

| | Municipal Court Agency Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 8,619 |
| Accounts receivable (net) | 40 |
| **Total assets** | 8,659 |
| **LIABILITIES** | |
| Due to other agencies | $ 8,659 |

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

# 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.

# 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.

# 2. Summary of Significant Accounting Policies (continued)

## *D. Basis of Presentation – Fund Financial Statements*

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

The City reports the following major governmental fund:

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

***2010 SPLOST Capital Projects Fund*** – This fund is used to account for long-term capital projects financed by the passage of the 2010 special purpose local option sale tax.

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.

# 2. Summary of Significant Accounting Policies (continued)

## *D. Basis of Presentation – Fund Financial Statements, continued*

### *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.

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.

# 2. Summary of Significant Accounting Policies (continued)

## *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.

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.

# 2. Summary of Significant Accounting Policies (continued)

## *E. Measurement Focus and Basis of Accounting, continued*

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.

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.

## 2. Summary of Significant Accounting Policies (continued)

### *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.

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, 2013.

# 2. Summary of Significant Accounting Policies (continued)

## *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, 2013, are recorded as prepaid items. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

# 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 estimated fair 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 in Years | Capitalization 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 |

# 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.

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.

# 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.

# 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, 2013, 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.

# 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.

# 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 2012 amounts have been reclassified to conform with the 2013 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, 2013, 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.

## 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, 2013, consist of the following:

| | | |
|---|---|---|
| **Major Funds** | | |
| Enterprise Funds | | |
| Water and Sewer | $ 475,509 | |
| Less: Allowances for Uncollectibles | (214,508) | |
| Solid Waste | 85,138 | |
| Less: Allowances for Uncollectibles | (47,269) | $ 298,870 |
| **Fiduciary Funds** | | |
| Agency Fund | | |
| Municipal Court Agency Fund | | $ 40 |

## 5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2013, consist of the following:

| | | |
|---|---|---|
| **Major Funds** | | |
| General Fund | | |
| Franklin County Board of Commissioners | $ 8,088 | |
| Hart County Board of Commissioners | 14 | $ 8,102 |
| 2010 SPLOST Capital Projects Fund | | |
| Franklin County Board of Commissioners | | 38,900 |
| Total Primary Government | | $ 47,002 |

# 6. Taxes Receivable

## *Property Taxes*

Property taxes receivable as of December 31, 2013, consist of property taxes for seven years as follows:

| Year of Levy | Amount |
|---|---|
| 2013 | $ 65,201 |
| 2012 | 1,232 |
| 2011 | 306 |
| 2010 | 81 |
| 2009 | 159 |
| 2008 | 0 |
| 2007 | 0 |
| | 66,979 |
| Less allowance for uncollectible | (1,438) |
| | 65,541 |
| Add amount due from Franklin County Tax Commissioner | 46,476 |
| Total | $ 112,017 |

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 2013, based upon the assessments of January 1, 2013, were billed on August 13, 2013, and due on November 15, 2013. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mils for 2013 was levied on August 5, 2013.

## *Other Taxes*

$243,080 of franchise taxes, $35,033 of sales taxes, and $11,497 of hotel/motel taxes are also included in taxes receivable.

## 7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2013, is as follows:

| | Due from: | | | | |
|---|---|---|---|---|---|
| | Major Funds | | | | |
| | General | 2010 SPLOST | Solid Waste | Nonmajor Governmental | Total |
| **Due to:** | | | | | |
| **Major Funds** | | | | | |
| General | $ 0 | $ 8,836 | $ 0 | $ 227 | $ 9,063 |
| Water and Sewer | 7,860 | 38,400 | 12,874 | 0 | 59,134 |
| Solid Waste | 0 | 0 | 0 | 0 | 0 |
| Total | $ 7,860 | $ 47,236 | $ 12,874 | $ 227 | $ 68,197 |

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”.

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

A summary of interfund transfers is as follows:

| | Transfers out: | | |
|---|---|---|---|
| | Major Funds | | |
| | General | 2010 SPLOST | Total |
| **Transfers in:** | | | |
| **Major Funds** | | | |
| Water and Sewer | $ 0 | $ 63,873 | $ 63,873 |
| Solid Waste | 15,952 | 0 | 15,952 |
| Nonmajor Governmental | 12,563 | 0 | 12,563 |
| | $ 28,515 | $ 63,873 | $ 92,388 |

Interfund transfers were used to transfer unrestricted revenues from the General Fund to the Cemetery Special Revenue Fund to establish the fund, to transfer unrestricted revenues from the General Fund to the Solid Waste Fund to subsidize operations in accordance with budgetary authorizations, and to move revenues from the 2010 SPLOST Fund that statue requires to collect them to the Water and Sewer Fund that statue 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. Notes Receivable

On September 9, 2013, the City entered into a lending agreement with a private company in the amount of $300,000 with an interest rate of 4.75% ($300,000 outstanding); the loan was made from the City's Revolving Loan Special Revenue Fund and the proceeds of the note were used to develop a hotel in the City of Lavonia. Repayment is due in quarterly installments interest only beginning March 1, 2014, and principal and interest of $5,830 beginning December 1, 2014, with unpaid principal and interest due September 1, 2016.

Annual debt service requirements to maturity are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $ 2,267 | $ 3,563 | $ 5,830 |
| 2015 | 9,342 | 13,978 | 23,320 |
| 2016 | 288,391 | 10,188 | 298,579 |
| Totals | $ 300,000 | $ 27,729 | $ 327,729 |

## 9. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2013, was as follows:

| | Balance 12/31/2012 | Increases | Decreases | Balance 12/31/2013 |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Non-depreciable assets | | | | |
| Land | $ 493,811 | $ 15,000 | $ 0 | $ 508,811 |
| Depreciable assets | | | | |
| Buildings | 4,649,906 | 34,524 | 0 | 4,684,430 |
| Infrastructure | 1,250,854 | 215,550 | 0 | 1,466,404 |
| Vehicles | 1,677,172 | 45,505 | (53,732) | 1,668,945 |
| Machinery and equipment | 663,876 | 29,408 | (32,300) | 660,984 |
| Furniture and fixtures | 136,451 | 4,430 | (2,395) | 138,486 |
| Total depreciable assets | 8,378,259 | 329,417 | (88,427) | 8,619,249 |
| Accumulated depreciation | | | | |
| Buildings | (1,706,553) | (103,659) | 0 | (1,810,212) |
| Infrastructure | (739,972) | (74,261) | 0 | (814,233) |
| Vehicles | (1,514,267) | (67,167) | 53,732 | (1,527,702) |
| Machinery and equipment | (534,072) | (34,292) | 32,300 | (536,064) |
| Furniture and fixtures | (117,389) | (7,362) | 2,395 | (122,356) |
| Total accumulated depreciation | (4,612,253) | (286,741) | 88,427 | (4,810,567) |
| Total depreciable assets, net | 3,766,006 | 42,676 | 0 | 3,808,682 |
| Governmental activities capital assets, net | $ 4,259,817 | $ 57,676 | $ 0 | $ 4,317,493 |
| **Business-type activities** | | | | |
| Non-depreciable assets | | | | |
| Land | $ 413,072 | $ 0 | $ 0 | $ 413,072 |
| Intangibles | 0 | 116,574 | 0 | 116,574 |
| Construction in progress | 114,127 | 217,741 | 0 | 331,868 |
| Total non-depreciable assets | 527,199 | 334,315 | 0 | 861,514 |
| Depreciable assets | | | | |
| Buildings | 177,559 | 0 | 0 | 177,559 |
| Land improvements | 3,800 | 0 | 0 | 3,800 |
| Distribution system | 16,005,670 | 90,208 | 0 | 16,095,878 |
| Intangibles | 61,026 | 0 | 0 | 61,026 |
| Vehicles | 285,450 | 0 | (3,199) | 282,251 |
| Machinery and equipment | 304,030 | 64,298 | (30,900) | 337,428 |
| Furniture and fixtures | 71,012 | 6,645 | 0 | 77,657 |
| Total depreciable assets | 16,908,547 | 161,151 | (34,099) | 17,035,599 |
| Accumulated depreciation | | | | |
| Buildings | (59,459) | (5,329) | 0 | (64,788) |
| Land improvements | (1,710) | (760) | 0 | (2,470) |
| Distribution system | (5,751,737) | (403,942) | 0 | (6,155,679) |
| Intangibles | (4,577) | (6,103) | 0 | (10,680) |
| Vehicles | (210,049) | (22,317) | 3,199 | (229,167) |
| Machinery and equipment | (244,131) | (24,512) | 30,900 | (237,743) |
| Furniture and fixtures | (71,014) | (1,107) | 0 | (72,121) |
| Total accumulated depreciation | (6,342,677) | (464,070) | 34,099 | (6,772,648) |
| Total depreciable assets, net | 10,565,870 | (302,919) | 0 | 10,262,951 |
| Business-type activities capital assets, net | $ 11,093,069 | $ 31,396 | $ 0 | $ 11,124,465 |

## 9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2013, was as follows:

| | Balance 12/31/2012 | Increases | Decreases | Balance 12/31/2013 |
|---|---|---|---|---|
| **Downtown Development Authority Component Unit** | | | | |
| Non-depreciable assets | | | | |
| Land | $ 40,000 | $ 0 | $ 0 | $ 40,000 |
| Depreciable assets | | | | |
| Buildings | 100,751 | 0 | 0 | 100,751 |
| Land improvements | 22,533 | 0 | 0 | 22,533 |
| Intangibles | 2,496 | 0 | 0 | 2,496 |
| Furniture and fixtures | 2,174 | 0 | (2,174) | 0 |
| Total depreciable assets | 127,954 | 0 | (2,174) | 125,780 |
| Less accumulated depreciation | | | | |
| Buildings | (13,434) | (2,519) | 0 | (15,953) |
| Land improvements | (11,415) | (1,502) | 0 | (12,917) |
| Intangibles | (708) | (250) | 0 | (958) |
| Furniture and fixtures | (2,174) | 0 | 2,174 | 0 |
| Total accumulated depreciation | (27,731) | (4,271) | 2,174 | (29,828) |
| Total depreciable assets, net | 100,223 | (4,271) | 0 | 95,952 |
| Downtown Development Authority Component Unit capital assets, net | $ 140,223 | $ (4,271) | $ 0 | $ 135,952 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| **Primary Government** | |
| **Governmental activities** | |
| General Government | $ 13,089 |
| Public Safety | 133,601 |
| Public Works | 26,794 |
| Culture and Recreation | 96,147 |
| Housing and Development | 17,110 |
| Total depreciation expense for governmental activities | $ 286,741 |
| **Business-type activities** | |
| Water and Sewer | $ 464,070 |
| **Component Unit** | |
| Downtown Development Authority | $ 4,271 |

## 10. Capital and Operating Lease Agreements

The City has entered into an agreement for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by GASB Statement No. 62, paragraph 212, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balance of this lease at December 31, 2013, is $97,919 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, 2013:

| Year Ending December 31, | Governmental activities |
|---|---|
| 2014 | $ 27,039 |
| 2015 | 27,039 |
| 2016 | 27,039 |
| 2017 | 27,039 |
| Total minimum lease payments | 108,156 |
| Less amounts representing interest | (10,237) |
| Present value of minimum lease payments | $ 97,919 |

Total assets leased under capital leases are $224,818, less accumulated depreciation of $224,818, for the governmental activities and are classified as vehicles. Amortization of leased equipment under capital assets is included with depreciation expense.

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

## 11. 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, 2013:

$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% ($2,100,000 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.

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

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2014 | $ 123,011 | $ 53,881 | $ 176,892 |
| 2015 | 113,555 | 63,337 | 176,892 |
| 2016 | 117,275 | 59,617 | 176,892 |
| 2017 | 121,118 | 55,774 | 176,892 |
| 2018 | 125,087 | 51,805 | 176,892 |
| 2019-2023 | 689,661 | 194,801 | 884,462 |
| 2024-2028 | 810,293 | 74,169 | 884,462 |
| Totals | $ 2,100,000 | $ 553,384 | $ 2,653,384 |

# 11. 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, 2013:

| | Balance 12/31/2012 | Additions | Deductions | Balance 12/31/2013 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities** | | | | | |
| Capital lease obligations | $ 120,037 | $ 0 | $ (22,118) | $ 97,919 | $ 23,025 |
| Compensated absences | 98,588 | 54,651 | (98,588) | 54,651 | 54,651 |
| Total governmental activities | $ 218,625 | $ 54,651 | $ (120,706) | $ 152,570 | $ 77,676 |
| **Business-type activities** | | | | | |
| Revenue bonds | $ 2,181,390 | $ 2,100,000 | $ (2,181,390) | $ 2,100,000 | $ 123,011 |
| Compensated absences | 67,043 | 40,394 | (67,043) | 40,394 | 40,394 |
| Total business-type activities | $ 2,248,433 | $ 2,140,394 | $ (2,248,433) | $ 2,140,394 | $ 163,405 |

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 $4,130 and $93,309 for the governmental activities and business-type activities, respectively.

# 12. Bond Refunding

On September 25, 2013, the City issued $2,100,000 in Revenue Refunding Bonds, Series 2013, with interest rates of 3.25%. The Series 2013 bonds were issued to currently refund $2,148,347 of outstanding Series 1997 Bonds with interest rates of 4.75%.

The City completed the current refunding to reduce its total debt service payments over the next 25 years by $961,318 and to obtain an economic gain (the difference between the present value of the old debt and new debt service payments) of $405,805.

## 13. 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, 2013, the principal amount payable for the bonds issued totaled $8,360,000; the original issue amount totaled $8,500,000.

## 14. Pension Plan

### *Plan Description*

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

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

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

# 14. Pension Plan (continued)

## *Plan Description, continued*

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

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

Current Membership is as follows:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 22 |
| Terminated vested participants entitled to but not yet receiving benefits | 15 |
| Active participants | 46 |
| Total number of participants | 83 |

# 14. Pension Plan (continued)

## *Funding Policy*

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The rate for 2013 is 8.35% of annual covered payroll. The Plan is a noncontributory participant plan. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of GASB Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The remaining amortization period at July 1, 2013, varies for the bases. The City Council provides for the benefits and funding policy through City ordinance and maintains the authority to change the policy. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

## *Annual Pension Cost*

For 2013, the City's annual pension cost of $111,353 was equal to the City's recommended and actual contributions. The minimum contribution under the Public Retirement Systems Standards Law (OCGA 47-20-10) was $107,274. The recommended contribution was computed as part of an actuarial valuation as of July 1, 2012. Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases ranging from 6.0 to 4.0 percent per year compounded annually (a range of 2.5 to 0.5 percent and 3.5 percent attributable to inflation and merit, respectively), (c) no post-retirement benefit increases. Changes in recommended contributions are effective beginning January 1 following the July 1 valuation.

## 14. Pension Plan (continued)

### *Historical Trend Information*

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

**Schedule of Employer Contributions**

| Plan Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 12/31/2008 | $ 111,393 | 100% | 0 |
| 12/31/2009 | 143,270 | 100% | 0 |
| 12/31/2010 | 163,340 | 100% | 0 |
| 12/31/2011 | 134,681 | 100% | 0 |
| 12/31/2012 | 120,259 | 100% | 0 |
| 12/31/2013 | 111,353 | 100% | 0 |

**Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | (Funded) Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 3/1/2008 | $ 1,506,009 | $ 1,551,014 | $ 45,005 | 97.10% | $1,140,547 | 3.95% |
| 3/1/2009 | 1,299,626 | 1,681,845 | 382,219 | 77.27% | 1,378,063 | 27.74% |
| 7/1/2010 | 1,815,879 | 1,918,433 | 102,554 | 94.65% | 1,385,259 | 7.40% |
| 7/1/2011 | 2,023,906 | 2,091,249 | 67,343 | 96.78% | 1,278,920 | 5.27% |
| 7/1/2012 | 2,170,833 | 2,272,290 | 101,457 | 95.54% | 1,310,356 | 7.74% |
| 7/1/2013 | 2,330,167 | 2,362,555 | 32,388 | 98.63% | 1,477,228 | 2.19% |

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

## 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, 2013, there were 9 retirees eligible for and receiving the benefits. For 2013, the cost of providing these benefits totaled $396.

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

## 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, 2013, follows:

| | | |
|---|---|---|
| Lodging tax receipts | $203,596 | |
| Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes | $216,570 | 106% of tax receipts |

## 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, 2013, the City paid $2,359 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

The City of Lavonia has entered into an intergovernmental agreement with the Joint Development Authority of Hart, Franklin, and Stephens Counties, Georgia, to provide sewer services to the occupants of the Gateway Business Park, an industrial park development located jointly in Hart and Franklin Counties. During 2013, 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 $10,530 as payment-in-lieu-of-taxes for 2013. Separate financial statements may be obtained from Housing Authority of the City of Lavonia, PO Box 453, Lavonia, GA 30553.

## 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, 2013, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

# 20. Commitments and Contingencies

## *Commitments*

The City has active construction projects as of December 31, 2013. At year-end, the City's commitments with contractors are as follows:

| Projects | Amount Expended To Date | Remaining Commitment |
|---|---|---|
| Water and sewer distribution system improvements | $ 46,375 | $ 23,625 |

## *Contingencies*

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

***COMBINING STATEMENTS***

Nonmajor Governmental Funds

# *CITY OF LAVONIA, GEORGIA*
# *COMBINING BALANCE SHEET*
# *NONMAJOR GOVERNMENTAL FUNDS*
# *December 31, 2013*

| | Special Revenue | | | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| | Confiscated Assets | Hotel/Motel Tax | Revolving Loan | Cemetery | |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 6,487 | $ 41,211 | $ 268,925 | $ 15,376 | $ 331,999 |
| Receivables | | | | | |
| Taxes | 0 | 11,497 | 0 | 0 | 11,497 |
| Notes | 0 | 0 | 300,000 | 0 | 300,000 |
| **Total assets** | $ 6,487 | $ 52,708 | $ 568,925 | $ 15,376 | $ 643,496 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | $ 0 | $ 16,360 | $ 0 | $ 0 | $ 16,360 |
| Accrued payroll liabilities | 0 | 454 | 0 | 0 | 454 |
| Due to other funds | 0 | 0 | 0 | 227 | 227 |
| Other liabilities | 141 | 125 | 0 | 0 | 266 |
| Total liabilities | 141 | 16,939 | 0 | 227 | 17,307 |
| **Fund balances** | | | | | |
| Restricted for: | | | | | |
| Public Safety | 6,346 | 0 | 0 | 0 | 6,346 |
| Housing and Development | 0 | 2,390 | 568,925 | 0 | 571,315 |
| Committed for | | | | | |
| Public Works | 0 | 0 | 0 | 15,149 | 15,149 |
| Assigned for: | | | | | |
| Housing and Development | 0 | 13,379 | 0 | 0 | 13,379 |
| Budget | 0 | 20,000 | 0 | 0 | 20,000 |
| Total fund balances | 6,346 | 35,769 | 568,925 | 15,149 | 626,189 |
| **Total liabilities and fund balances** | $ 6,487 | $ 52,708 | $ 568,925 | $ 15,376 | $ 643,496 |

## *CITY OF LAVONIA, GEORGIA*
## *COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES*
## *NONMAJOR GOVERNMENTAL FUNDS*
## *For the year ended December 31, 2013*

| | Special Revenue | | | | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|
| | Confiscated Assets | Hotel/Motel Tax | Revolving Loan | Cemetery | |
| **REVENUES** | | | | | |
| Taxes | $ 0 | $ 203,596 | $ 0 | $ 0 | $ 203,596 |
| Fees, fines, and forfeitures | 5,869 | 0 | 0 | 0 | 5,869 |
| Charges for services | 0 | 16,035 | 0 | 5,139 | 21,174 |
| Interest | 0 | 34 | 4,045 | 0 | 4,079 |
| Contributions | 0 | 800 | 0 | 0 | 800 |
| Other | 0 | 2,148 | 0 | 0 | 2,148 |
| **Total revenues** | 5,869 | 222,613 | 4,045 | 5,139 | 237,666 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Public Safety | 2,895 | 0 | 0 | 0 | 2,895 |
| Public Works | 0 | 0 | 0 | 2,553 | 2,553 |
| Housing and Development | 0 | 243,570 | 41 | 0 | 243,611 |
| **Total expenditures** | 2,895 | 243,570 | 41 | 2,553 | 249,059 |
| Excess (deficiency) of revenues over (under) expenditures | 2,974 | (20,957) | 4,004 | 2,586 | (11,393) |
| Other financing sources (uses) | | | | | |
| Transfers in | 0 | 0 | 0 | 12,563 | 12,563 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 2,974 | (20,957) | 4,004 | 15,149 | 1,170 |
| Fund balances, January 1 | 3,372 | 56,726 | 564,921 | 0 | 625,019 |
| **Fund balances, December 31** | $ 6,346 | $ 35,769 | $ 568,925 | $ 15,149 | $ 626,189 |

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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, 2013 and 2012*

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 580,778 | $ 653,781 |
| Certificates of deposit | 1,300,000 | 900,000 |
| Receivables (net) | | |
| Accounts | 0 | 56,364 |
| Taxes | 390,130 | 326,739 |
| Intergovernmental | 8,102 | 1,629 |
| Interest | 3,366 | 3,981 |
| Prepaid items | 19,965 | 20,921 |
| Property held for resale | 1,056,700 | 1,328,575 |
| Due from other funds | 9,063 | 38,516 |
| **Total assets** | $ 3,368,104 | $ 3,330,506 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | |
| **Liabilities** | | |
| Accounts payable | $ 26,790 | $ 86,515 |
| Accrued payroll liabilities | 12,593 | 6,644 |
| Unearned revenue | 30,366 | 4,799 |
| Due to other funds | 7,860 | 23,960 |
| Other liabilities | 2,815 | 2,815 |
| Total liabilities | 80,424 | 124,733 |
| **Deferred inflows of resources** | | |
| Unavailable revenue-property taxes | 32,788 | 23,172 |
| **Fund balances** | | |
| Nonspendable prepaid items | 19,965 | 20,921 |
| Unassigned | 3,234,927 | 3,161,680 |
| Total fund balances | 3,254,892 | 3,182,601 |
| **Total liabilities, deferred inflows of resources, and fund balances** | $ 3,368,104 | $ 3,330,506 |

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES***
***AND CHANGES IN FUND BALANCES***
***For the years ended December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **REVENUES** | | |
| Taxes | $ 1,847,857 | $ 1,820,758 |
| Licenses and permits | 58,382 | 46,630 |
| Fines, fees and forfeitures | 153,593 | 152,814 |
| Charges for services | 1,160 | 23,328 |
| Intergovernmental | 39,588 | 40,913 |
| Interest | 5,912 | 6,882 |
| Contributions | 5,000 | 56,088 |
| Other | 20,066 | 14,727 |
| **Total revenues** | 2,131,558 | 2,162,140 |
| **EXPENDITURES** | | |
| Current | | |
| General Government | 439,685 | 419,646 |
| Judical | 8,049 | 8,352 |
| Public Safety | 1,062,806 | 1,048,481 |
| Public Works | 369,607 | 411,174 |
| Culture and Recreation | 79,135 | 78,319 |
| Housing and Development | 59,103 | 56,933 |
| Debt service | 27,039 | 27,039 |
| **Total expenditures** | 2,045,424 | 2,049,944 |
| Excess (deficiency) of revenues over (under) expenditures | 86,134 | 112,196 |
| Other financing sources (uses) | | |
| Transfers in (out) | | |
| Cemetery Fund | (12,563) | 0 |
| Solid Waste Fund | (15,952) | (49,303) |
| Gain (loss) on sale of property held for resale | 9,524 | 0 |
| Proceeds from the sale of capital assets | 5,148 | 5,964 |
| Total other financing sources (uses) | (13,843) | (43,339) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 72,291 | 68,857 |
| Fund balances, January 1 | 3,182,601 | 3,113,744 |
| **Fund balances, December 31** | $ 3,254,892 | $ 3,182,601 |

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***SCHEDULE OF REVENUES***
***BUDGET (GAAP BASIS) AND ACTUAL***
***For the year ended December 31, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **REVENUES** | | | | |
| **Taxes** | | | | |
| General property taxes | | | | |
| Property tax | $ 704,500 | $ 770,086 | $ 65,586 | $ 780,344 |
| Motor vehicle tax | 32,000 | 74,718 | 42,718 | 34,179 |
| Total general property taxes | 736,500 | 844,804 | 108,304 | 814,523 |
| Local option sales tax | 465,000 | 427,060 | (37,940) | 455,857 |
| Intangible tax | 7,000 | 6,038 | (962) | 4,770 |
| Franchise tax | 270,000 | 281,245 | 11,245 | 247,523 |
| Insurance premium tax | 105,000 | 111,215 | 6,215 | 107,412 |
| Alcoholic beverage excise tax | 135,000 | 117,228 | (17,772) | 123,222 |
| Occupational tax | 97,350 | 60,267 | (37,083) | 67,451 |
| Total taxes | 1,815,850 | 1,847,857 | 32,007 | 1,820,758 |
| **Licenses and Permits** | | | | |
| Alcohol licenses | 0 | 40,525 | 40,525 | 41,900 |
| Building permits | 3,600 | 15,341 | 11,741 | 3,415 |
| Sign permits | 1,500 | 2,516 | 1,016 | 1,315 |
| Total licenses and permits | 5,100 | 58,382 | 53,282 | 46,630 |
| **Fines, fees and forfeitures** | 135,000 | 153,593 | 18,593 | 152,814 |
| **Charges for Services** | | | | |
| Fire protection | 0 | 750 | 750 | 930 |
| Recreation | 0 | 0 | 0 | 292 |
| Cemetary | 0 | 0 | 0 | 22,046 |
| Other | 100 | 410 | 310 | 60 |
| Total charges for services | 100 | 1,160 | 1,060 | 23,328 |
| **Intergovernmental** | | | | |
| Grants | 46,315 | 8,499 | (37,816) | 13,611 |
| Other | 39,500 | 31,089 | (8,411) | 27,302 |
| Total intergovernmental | 85,815 | 39,588 | (46,227) | 40,913 |
| **Interest** | 15,000 | 5,912 | (9,088) | 6,882 |
| **Contributions** | 61,088 | 5,000 | (56,088) | 56,088 |
| **Other** | 8,200 | 20,066 | 11,866 | 14,727 |
| **Total revenues** | $ 2,126,153 | $ 2,131,558 | $ 5,405 | $ 2,162,140 |

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***SCHEDULE OF EXPENDITURES***
***BUDGET (GAAP BASIS) AND ACTUAL***
***For the year ended December 31, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **EXPENDITURES** | | | | |
| **Current** | | | | |
| **General Government** | | | | |
| Governing Body | | | | |
| Personal services | $ 51,341 | $ 50,547 | $ 794 | $ 49,185 |
| Contract services | 35,250 | 28,263 | 6,987 | 29,112 |
| Supplies and materials | 1,000 | 293 | 707 | 303 |
| Total Governing Body | 87,591 | 79,103 | 8,488 | 78,600 |
| Financial Administration | | | | |
| Personal services | 186,661 | 186,413 | 248 | 187,594 |
| Contract services | 119,850 | 122,988 | (3,138) | 110,952 |
| Supplies and materials | 49,650 | 46,751 | 2,899 | 42,500 |
| Capital outlay | 4,500 | 4,430 | 70 | 0 |
| Total Financial Administration | 360,661 | 360,582 | 79 | 341,046 |
| Total General Government | 448,252 | 439,685 | 8,567 | 419,646 |
| **Judical** | | | | |
| Municipal Court | | | | |
| Personal services | 100 | 100 | 0 | 100 |
| Contract Services | 9,200 | 7,949 | 1,251 | 8,252 |
| Total Judical | 9,300 | 8,049 | 1,251 | 8,352 |
| **Public Safety** | | | | |
| Police Department | | | | |
| Personal services | 823,129 | 818,523 | 4,606 | 793,177 |
| Contract services | 121,250 | 131,774 | (10,524) | 130,505 |
| Supplies and materials | 32,000 | 33,767 | (1,767) | 45,580 |
| Capital outlay | 7,500 | 0 | 7,500 | 0 |
| Payments to other agencies | 8,700 | 8,145 | 555 | 8,693 |
| Total Police Department | 992,579 | 992,209 | 370 | 977,955 |
| Fire Department | | | | |
| Personal services | 25,550 | 24,975 | 575 | 23,679 |
| Contract services | 24,200 | 27,248 | (3,048) | 25,722 |
| Supplies and materials | 7,700 | 15,533 | (7,833) | 17,454 |
| Capital outlay | 12,800 | 0 | 12,800 | 0 |
| Total Fire Department | 70,250 | 67,756 | 2,494 | 66,855 |
| Communications | | | | |
| Contract services | 1,000 | 113 | 887 | 0 |
| Supplies and materials | 3,300 | 2,728 | 572 | 3,671 |
| Total Communications | 4,300 | 2,841 | 1,459 | 3,671 |
| Total Public Safety | 1,067,129 | 1,062,806 | 4,323 | 1,048,481 |

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***SCHEDULE OF EXPENDITURES***
***BUDGET (GAAP BASIS) AND ACTUAL***
***For the year ended December 31, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **Public Works** | | | | |
| Highways and Streets | | | | |
| Personal services | $ 100,452 | $ 100,741 | $ (289) | $ 114,251 |
| Contract services | 35,850 | 71,774 | (35,924) | 42,182 |
| Supplies and materials | 83,800 | 95,604 | (11,804) | 89,693 |
| Capital outlay | 96,403 | 40,315 | 56,088 | 56,088 |
| Total Highways and Streets | 316,505 | 308,434 | 8,071 | 302,214 |
| Maintenance Shop | | | | |
| Personal services | 20,100 | 18,948 | 1,152 | 18,828 |
| Contract services | 5,100 | 4,373 | 727 | 4,161 |
| Supplies and materials | 8,450 | 10,233 | (1,783) | 7,212 |
| Total Maintenance Shop | 33,650 | 33,554 | 96 | 30,201 |
| Cemetery | | | | |
| Contract services | 0 | 0 | 0 | 9,244 |
| Supplies and materials | 0 | 0 | 0 | 239 |
| Total Cemetery | 0 | 0 | 0 | 9,483 |
| Detention Services | | | | |
| Personal services | 25,093 | 23,499 | 1,594 | 23,825 |
| Contract services | 2,600 | 4,084 | (1,484) | 43,199 |
| Supplies and materials | 0 | 36 | (36) | 2,252 |
| Total Detention Services | 27,693 | 27,619 | 74 | 69,276 |
| Total Public Works | 377,848 | 369,607 | 8,241 | 411,174 |
| **Culture and Recreation** | | | | |
| Parks and Recreation | | | | |
| Personal services | 36,795 | 38,118 | (1,323) | 37,253 |
| Contract services | 5,650 | 2,897 | 2,753 | 4,919 |
| Supplies and materials | 10,600 | 9,675 | 925 | 11,243 |
| Total Parks and Recreation | 53,045 | 50,690 | 2,355 | 53,415 |
| Community Center | | | | |
| Contract services | 3,550 | 4,350 | (800) | 2,618 |
| Supplies and materials | 4,900 | 4,617 | 283 | 4,621 |
| Capital outlay | 2,000 | 0 | 2,000 | 0 |
| Total Community Center | 10,450 | 8,967 | 1,483 | 7,239 |
| Library | | | | |
| Contract services | 3,200 | 3,358 | (158) | 2,214 |
| Supplies and materials | 6,300 | 6,120 | 180 | 5,451 |
| Payments to other agencies | 10,000 | 10,000 | 0 | 10,000 |
| Total Library | 19,500 | 19,478 | 22 | 17,665 |
| Total Culture and Recreation | 82,995 | 79,135 | 3,860 | 78,319 |

***CITY OF LAVONIA, GEORGIA***
***GENERAL FUND***
***SCHEDULE OF EXPENDITURES***
***BUDGET (GAAP BASIS) AND ACTUAL***
***For the year ended December 31, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **Housing and Development** | | | | |
| Inspections | | | | |
| Personal services | $ 24,473 | $ 24,585 | $ (112) | $ 25,147 |
| Contract services | 6,250 | 5,482 | 768 | 4,069 |
| Supplies and materials | 700 | 1,077 | (377) | 811 |
| Total Inspections | 31,423 | 31,144 | 279 | 30,027 |
| Better Home Towns | | | | |
| Personal services | 22,123 | 21,836 | 287 | 22,098 |
| Contract services | 4,850 | 3,228 | 1,622 | 3,766 |
| Supplies and materials | 1,000 | 2,895 | (1,895) | 1,042 |
| Total Better Home Towns | 27,973 | 27,959 | 14 | 26,906 |
| Total Housing and Development | 59,396 | 59,103 | 293 | 56,933 |
| **Total current** | 2,044,920 | 2,018,385 | 26,535 | 2,022,905 |
| **Debt service** | | | | |
| **Pubilc Safety** | | | | |
| Fire Department | 27,100 | 27,039 | 61 | 27,039 |
| **Total debt service** | 27,100 | 27,039 | 61 | 27,039 |
| **Total expenditures** | $ 2,072,020 | $ 2,045,424 | $ 26,596 | $ 2,049,944 |

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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, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 6,487 | $ 3,513 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Liabilities** | | |
| Other liabilities | $ 141 | $ 141 |
| **Fund balances** | | |
| Restricted for Public Safety | 6,346 | 3,372 |
| **Total liabilities and fund balances** | $ 6,487 | $ 3,513 |

***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, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **REVENUES** | | | | |
| Fines, fees, and forfeitures | $ 10,000 | $ 5,869 | $ (4,131) | $ 2,451 |
| Other | 0 | 0 | 0 | 30 |
| **Total revenues** | 10,000 | 5,869 | (4,131) | 2,481 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Public Safety | | | | |
| Contract services | 8,000 | 2,820 | 5,180 | 3,008 |
| Supplies and materials | 1,500 | 75 | 1,425 | 50 |
| **Total expenditures** | 9,500 | 2,895 | 6,605 | 3,058 |
| Excess (deficiency) of revenues over (under) expenditures | 500 | 2,974 | 2,474 | (577) |
| Other financing sources (uses) | | | | |
| Contingency | (4,300) | 0 | 4,300 | 0 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (3,800) | 2,974 | 6,774 | (577) |
| Fund balances, January 1 | 3,800 | 3,372 | (428) | 3,949 |
| **Fund balances, December 31** | $ 0 | $ 6,346 | $ 6,346 | $ 3,372 |

# *CITY OF LAVONIA, GEORGIA*
# *HOTEL/MOTEL TAX SPECIAL REVENUE FUND*
# *COMPARATIVE BALANCE SHEETS*
# *December 31, 2013 and 2012*

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 41,211 | $ 49,419 |
| Receivables | | |
| Accounts | 0 | 829 |
| Taxes | 11,497 | 11,209 |
| **Total assets** | $ 52,708 | $ 61,457 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Liabilities** | | |
| Accounts payable | $ 16,360 | $ 4,290 |
| Accrued payroll liabilities | 454 | 316 |
| Other liabilities | 125 | 125 |
| Total liabilities | 16,939 | 4,731 |
| **Fund balances** | | |
| Restricted for Housing and Development | 2,390 | 0 |
| Assigned for: | | |
| Housing and Development | 13,379 | 0 |
| Budget | 20,000 | 56,726 |
| Total fund balances | 35,769 | 56,726 |
| **Total liabilities and fund balances** | $ 52,708 | $ 61,457 |

***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, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **REVENUES** | | | | |
| Hotel/Motel taxes | $ 205,000 | $ 203,596 | $ (1,404) | $ 144,919 |
| Charges for services | 30,000 | 16,035 | (13,965) | 23,643 |
| Interest | 100 | 34 | (66) | 62 |
| Contributions | 0 | 800 | 800 | 0 |
| Other | 21,500 | 2,148 | (19,352) | 5,855 |
| **Total revenues** | 256,600 | 222,613 | (33,987) | 174,479 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Housing and Development | | | | |
| Personal services | 60,842 | 60,056 | 786 | 52,922 |
| Contract services | 66,600 | 70,132 | (3,532) | 60,271 |
| Supplies and materials | 34,750 | 32,052 | 2,698 | 22,143 |
| Capital outlay | 55,000 | 54,330 | 670 | 60,075 |
| Payments to other agencies | 27,000 | 27,000 | 0 | 100 |
| **Total expenditures** | 244,192 | 243,570 | 622 | 195,511 |
| Excess (deficiency) of revenues over (under) expenditures | 12,408 | (20,957) | (33,365) | (21,032) |
| Other financing sources (uses) | | | | |
| Contingency | (12,408) | 0 | 12,408 | 0 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 0 | (20,957) | (20,957) | (21,032) |
| Fund balances, January 1 | 0 | 56,726 | 56,726 | 77,758 |
| **Fund balances, December 31** | $ 0 | $ 35,769 | $ 35,769 | $ 56,726 |

***CITY OF LAVONIA, GEORGIA***
***REVOLVING LOAN SPECIAL REVENUE FUND***
***COMPARATIVE BALANCE SHEETS***
***December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 268,925 | $ 564,921 |
| Notes receivable | 300,000 | 0 |
| **Total assets** | $ 568,925 | $ 564,921 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Fund balances** | | |
| Restricted for Housing and Development | $ 568,925 | $ 564,921 |

***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, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **REVENUES** | | | | |
| Interest | $ 4,000 | $ 4,045 | $ 45 | $ 4,316 |
| **Total revenues** | 4,000 | 4,045 | 45 | 4,316 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Housing and Development | | | | |
| Supplies and materials | 50 | 41 | 9 | 600 |
| **Total expenditures** | 50 | 41 | 9 | 600 |
| Excess (deficiency) of revenues over (under) expenditures | 3,950 | 4,004 | 54 | 3,716 |
| Other financing sources (uses) | | | | |
| Contingency | (3,950) | 0 | 3,950 | 0 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 0 | 4,004 | 4,004 | 3,716 |
| Fund balances, January 1 | 0 | 564,921 | 564,921 | 561,205 |
| **Fund balances, December 31** | $ 0 | $ 568,925 | $ 568,925 | $ 564,921 |

***CITY OF LAVONIA, GEORGIA***
***CEMETERY SPECIAL REVENUE FUND***
***BALANCE SHEET***
***December 31, 2013***

| | |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 15,376 |
| **LIABILITIES AND FUND BALANCES** | |
| **Liabilities** | |
| Due to other funds | $ 227 |
| **Fund balances** | |
| Committed for Public Works | 15,149 |
| **Total liabilities and fund balances** | $ 15,376 |

***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, 2013***

| | Final Budget | Actual | Variance |
|---|---|---|---|
| **REVENUES** | | | |
| Charges for services | $ 13,000 | $ 5,139 | $ (7,861) |
| **Total revenues** | 13,000 | 5,139 | (7,861) |
| **EXPENDITURES** | | | |
| Current | | | |
| Public Works | | | |
| Contract services | 7,000 | 175 | 6,825 |
| Supplies and materials | 1,000 | 2,378 | (1,378) |
| Capital outlay | 5,000 | 0 | 5,000 |
| **Total expenditures** | 13,000 | 2,553 | 10,447 |
| Excess (deficiency) of revenues over (under) expenditures | 0 | 2,586 | 2,586 |
| Other financing sources (uses) | | | |
| Transfers in (out) | | | |
| General Fund | 0 | 12,563 | 12,563 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 0 | 15,149 | 15,149 |
| Fund balances, January 1 | 0 | 0 | 0 |
| **Fund balances, December 31** | $ 0 | $ 15,149 | $ 15,149 |

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## *CAPITAL PROJECTS FUNDS*

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

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

***CITY OF LAVONIA, GEORGIA***
***2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX***
***CAPITAL PROJECTS FUND***
***COMPARATIVE BALANCE SHEETS***
***December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 389 | $ 46,391 |
| Intergovernmental receivables | 38,900 | 90,033 |
| **Total assets** | $ 39,289 | $ 136,424 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Liabilities** | | |
| Accounts payable | $ 0 | $ 21,446 |
| Due to other funds | 47,236 | 56,916 |
| Total liabilities | 47,236 | 78,362 |
| **Fund balances** | | |
| Restricted for capital outlay | 0 | 58,062 |
| Unassigned | (7,947) | 0 |
| Total fund balances | (7,947) | 58,062 |
| **Total liabilities and fund balances** | $ 39,289 | $ 136,424 |

***CITY OF LAVONIA, GEORGIA***
***2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX***
***CAPITAL PROJECTS FUND***
***COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,***
***AND CHANGES IN FUND BALANCES***
***For the years ended December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **REVENUES** | | |
| Intergovernmental | $ 269,878 | $ 495,683 |
| Interest | 34 | 68 |
| **Total revenues** | 269,912 | 495,751 |
| **EXPENDITURES** | | |
| Capital outlay | | |
| Public Safety | | |
| Police | 59,646 | 108,971 |
| Fire | 1,742 | 48,104 |
| Public Works | | |
| Highways and Streets | 203,440 | 41,309 |
| Culture and Recreation | | |
| Parks and Recreation | 3,632 | 186,141 |
| Library | 3,588 | 0 |
| Total expenditures | 272,048 | 384,525 |
| Excess of revenues over (under) expenditures | (2,136) | 111,226 |
| Other financing sources (uses) | | |
| Transfers in (out) | | |
| Water and Sewer Fund | (63,873) | (33,831) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (66,009) | 77,395 |
| Fund balances, January 1 | 58,062 | (19,333) |
| **Fund balances, December 31** | $ (7,947) | $ 58,062 |

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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, 2013 and 2012*

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 30,249 | $ 521,254 |
| Certificates of deposit | 355,357 | 0 |
| Receivables | | |
| Accounts (net) | 261,001 | 228,802 |
| Intergovernmental | 0 | 151,365 |
| Interest | 1,642 | 0 |
| Inventory | 54,960 | 50,010 |
| Prepaid items | 16,199 | 14,398 |
| Due from other funds | 59,134 | 50,634 |
| Total current assets | 778,542 | 1,016,463 |
| **Restricted assets** | | |
| Bond Redemption | | |
| Cash and cash equivalents | 80,975 | 106,125 |
| Customer Deposits | | |
| Cash and cash equivalents | 0 | 36,525 |
| Certificates of deposit | 44,643 | 0 |
| Total restricted assets | 125,618 | 142,650 |
| **Capital assets** | | |
| Land | 413,072 | 413,072 |
| Land improvements | 3,800 | 3,800 |
| Buildings | 177,559 | 177,559 |
| Vehicles | 282,251 | 285,450 |
| Furniture and fixtures | 77,657 | 71,012 |
| Plant and facilities | 8,957,807 | 8,957,807 |
| Water and sewer lines and towers | 7,138,071 | 7,047,863 |
| Machinery and equipment | 337,428 | 304,030 |
| Nondepreciable intangibles | 116,574 | 0 |
| Depreciable intangibles | 61,026 | 61,026 |
| Construction in progress | 331,868 | 114,127 |
| Accumulated depreciation | (6,772,648) | (6,342,677) |
| Total capital assets (net of accumulated depreciation) | 11,124,465 | 11,093,069 |
| **Total assets** | 12,028,625 | 12,252,182 |

# *CITY OF LAVONIA, GEORGIA*
# *WATER AND SEWER ENTERPRISE FUND*
# *COMPARATIVE STATEMENTS OF NET POSITION*
# *December 31, 2013 and 2012*

| | 2013 | 2012 |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable | $ 40,307 | $ 23,312 |
| Accrued payroll liabilities | 6,530 | 4,085 |
| Compensated absences | 39,743 | 66,419 |
| Unearned revenue | 18,444 | 18,247 |
| Retainages payable | 0 | 15,249 |
| Other | 3,902 | 3,902 |
| Total current liabilities | 108,926 | 131,214 |
| **Current liabilities payable from restricted assets** | | |
| Customer deposits payable | 44,643 | 36,525 |
| Revenue bonds payable | 123,011 | 45,812 |
| Interest payable | 17,875 | 2,879 |
| Total liabilities payable from restricted assets | 185,529 | 85,216 |
| **Long-term liabilities** | | |
| Revenue bonds payable | 1,976,989 | 2,135,578 |
| **Total liabilities** | 2,271,444 | 2,352,008 |
| **NET POSITION** | | |
| Net investment in capital assets | 9,016,915 | 8,895,275 |
| Restricted for debt service | 63,100 | 103,246 |
| Unrestricted | 677,166 | 901,653 |
| **Total net position** | $ 9,757,181 | $ 9,900,174 |

***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, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for sales and services | | |
| Water sales | $ 1,380,754 | $ 1,461,937 |
| Sewer charges | 468,783 | 479,804 |
| Tap fees | 19,800 | 14,200 |
| Other | 22,731 | 18,687 |
| Total operating revenues | 1,892,068 | 1,974,628 |
| **OPERATING EXPENSES** | | |
| Cost of sales and services | 771,929 | 823,878 |
| Personal services | 757,816 | 768,199 |
| Depreciation | 464,070 | 436,992 |
| Total operating expenses | 1,993,815 | 2,029,069 |
| Operating income (loss) | (101,747) | (54,441) |
| Non-operating revenues (expenses) | | |
| Interest revenue | 1,957 | 1,281 |
| Interest expense | (93,309) | (104,769) |
| Debt issue costs | (23,706) | 0 |
| Other | 0 | (5,648) |
| Distribution of capital assets | 0 | (10,100) |
| Gain (loss) on sale of capital assets | 7,955 | 4,000 |
| Total non-operating revenues (expenses) | (107,103) | (115,236) |
| Net income (loss) before capital contributions and transfers | (208,850) | (169,677) |
| Capital contributions | | |
| Integovernmental revenue | 0 | 91,758 |
| Capital contributions | 1,984 | 699,286 |
| Total capital contributions | 1,984 | 791,044 |
| Net income (loss) before capital contributions and transfers | (206,866) | 621,367 |
| Transfers in (out) | | |
| 2010 SPLOST Fund | 63,873 | 33,831 |
| Change in net position | (142,993) | 655,198 |
| Net position, January 1 | 9,900,174 | 9,244,976 |
| **Net position, December 31** | $ 9,757,181 | $ 9,900,174 |

***CITY OF LAVONIA, GEORGIA***
***WATER AND SEWER ENTERPRISE FUND***
***COMPARATIVE STATEMENTS OF CASH FLOWS***
***For the years ended December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from customers | $ 1,845,453 | $ 1,983,452 |
| Payments to suppliers | (768,090) | (809,129) |
| Payments to employees | (782,047) | (757,412) |
| Other receipts | 22,731 | 18,687 |
| Net cash provided (used) by operating activities | 318,047 | 435,598 |
| **Cash flows from non-capital financing activities:** | | |
| Payments to other governments | 0 | (5,648) |
| Payments to other funds | (8,500) | (29,588) |
| Net cash provided (uses) by non-capital financing activities | (8,500) | (35,236) |
| **Cash flows from capital and related financing activities:** | | |
| Receipts of capital contributions | 1,984 | 91,758 |
| Receipts from other governments | 151,365 | 905,245 |
| Receipts from other funds | 63,873 | 33,831 |
| Proceeds from sale of capital assets | 7,955 | 4,000 |
| Payments for acquisitions of capital assets | (487,906) | (1,206,580) |
| Payment of capital related accounts payable | (16,404) | (110,034) |
| Issuance of revenue bonds | 2,100,000 | 0 |
| Principal payments - revenue bonds | (2,181,390) | (43,691) |
| Debt issue costs | (23,706) | 0 |
| Interest paid | (78,313) | (104,786) |
| Net cash provided (used) by capital and related financing activities | (462,542) | (430,257) |
| **Cash flows from investing activities:** | | |
| Proceeds from certificates of deposit | 0 | 400,000 |
| Purchases of certificates of deposit | (400,000) | 0 |
| Interest received | 315 | 4,970 |
| Net cash provided (used) by investing activities | (399,685) | 404,970 |
| Net increase (decrease) in cash and cash equivalents | (552,680) | 375,075 |
| Cash and cash equivalents, January 1 | 663,904 | 288,829 |
| **Cash and cash equivalents, December 31** | $ 111,224 | $ 663,904 |

## *CITY OF LAVONIA, GEORGIA*
## *WATER AND SEWER ENTERPRISE FUND*
## *COMPARATIVE STATEMENTS OF CASH FLOWS*
## *For the years ended December 31, 2013 and 2012*

| | 2013 | 2012 |
|---|---|---|
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities:** | | |
| Operating income (loss) | $ (101,747) | $ (54,441) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 464,070 | 436,992 |
| (Increase) decrease in accounts receivable | (32,199) | 26,983 |
| (Increase) decrease in inventory | (4,950) | 21,095 |
| (Increase) decrease in prepaid items | (1,801) | 99 |
| Increase (decrease) in accounts payable | 10,590 | (6,445) |
| Increase (decrease) in unearned revenue | 197 | 3,531 |
| Increase (decrease) in payroll liabilities | (24,231) | 10,787 |
| Increase (decrease) in deposits payable | 8,118 | (3,003) |
| Total adjustments | 419,794 | 490,039 |
| Net cash provided (used) by operating activities | $ 318,047 | $ 435,598 |
| **Cash reconciliation:** | | |
| Cash and cash equivalents | $ 30,249 | $ 521,254 |
| Bond Redemption | | |
| Cash and cash equivalents | 80,975 | 106,125 |
| Customer Deposits | | |
| Cash and cash equivalents | 0 | 36,525 |
| Total cash and cash equivalents | $ 111,224 | $ 663,904 |

**Noncash investing, capital, and financing activities:**

Acquisition of capital assets through accounts payable totaled $7,560 and $16,404 for the years ended December 31, 2013 and 2012, respectively.

Distributions of capital assets to government totaled $10,100 for the year ended December 31, 2012.

***CITY OF LAVONIA, GEORGIA***
***SOLID WASTE ENTERPRISE FUND***
***COMPARATIVE STATEMENTS OF NET POSITION***
***December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Accounts receivable (net) | $ 37,869 | $ 36,019 |
| Prepaid items | 350 | 339 |
| Due from other funds | 0 | 2,692 |
| **Total assets** | 38,219 | 39,050 |
| **LIABILITIES** | | |
| Accounts payable | 23,223 | 25,595 |
| Accrued payroll liabilities | 324 | 216 |
| Compensated absences | 651 | 624 |
| Unearned revenue | 1,147 | 1,649 |
| Due to other funds | 12,874 | 10,966 |
| **Total liabilities** | 38,219 | 39,050 |
| **NET POSITION** | | |
| Unrestricted | $ 0 | $ 0 |

***CITY OF LAVONIA, GEORGIA***
***SOLID WASTE ENTERPRISE FUND***
***COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***
***For the years ended December 31, 2013 and 2012***

| | 2013 | 2011 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Charges for sales and services | $ 310,407 | $ 303,127 |
| **OPERATING EXPENSES** | | |
| Cost of sales and services | 284,124 | 317,122 |
| Personal services | 42,235 | 39,854 |
| Total operating expenses | 326,359 | 356,976 |
| Operating income (loss) | (15,952) | (53,849) |
| Transfers in (out) | | |
| General Fund | 15,952 | 49,303 |
| Change in net position | 0 | (4,546) |
| Net position January 1 | 0 | 4,546 |
| **Net position, December 31** | $ 0 | $ 0 |

***CITY OF LAVONIA, GEORGIA***
***SOLID WASTE ENTERPRISE FUND***
***COMPARATIVE STATEMENTS OF CASH FLOWS***
***For the years ended December 31, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Receipts from customers | $ 308,055 | $ 304,197 |
| Payments to suppliers | (286,507) | (318,209) |
| Payments to employees | (42,100) | (39,219) |
| Net cash provided (used) by operating activities | (20,552) | (53,231) |
| **Cash flows from non-capital financing activities:** | | |
| Receipts from other funds | 20,552 | 53,231 |
| 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) | $ (15,952) | $ (53,849) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| (Increase) decrease in accounts receivable | (1,850) | 699 |
| (Increase) decrease in prepaid items | (11) | 3 |
| Increase (decrease) in accounts payable | (2,372) | (1,090) |
| Increase (decrease) in unearned revenue | (502) | 371 |
| Increase (decrease) in payroll liabilities | 135 | 635 |
| Total adjustments | (4,600) | 618 |
| Net cash provided (used) by operating activities | $ (20,552) | $ (53,231) |

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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, 2013 and 2012***

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 8,619 | $ 4,068 |
| Accounts receivable (net) | 40 | 40 |
| **Total assets** | $ 8,659 | $ 4,108 |
| **LIABILITIES** | | |
| Due to other agencies | $ 8,659 | $ 4,108 |

***CITY OF LAVONIA, GEORGIA***
***MUNICIPAL COURT AGENCY FUND***
***STATEMENT OF CHANGES IN ASSETS AND LIABILITIES***
***For the year ended December 31, 2013***

| | Balance January 1 | Additions | Deletions | Balance December 31 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 4,068 | $ 188,205 | $ (183,654) | $ 8,619 |
| Accounts receivable | 40 | 40 | (40) | 40 |
| Total assets | $ 4,108 | $ 188,245 | $ (183,694) | $ 8,659 |
| **LIABILITIES** | | | | |
| Due to others agencies | $ 4,108 | $ 188,245 | $ (183,694) | $ 8,659 |

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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, 2013 and 2012*

| **ASSETS** | **2013** | **2012** |
|---|---|---|
| Cash and cash equivalents | $ 2,421 | $ 5,209 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Liabilities** | | |
| Accounts payable | $ 1,037 | $ 960 |
| Other liabilities | 88 | 88 |
| Total liabilities | 1,125 | 1,048 |
| **Fund balances** | | |
| Assigned for: | | |
| Housing and Development | 296 | 0 |
| Budget | 1,000 | 4,161 |
| Total fund balances | 1,296 | 4,161 |
| **Total liabilities and fund balances** | $ 2,421 | $ 5,209 |

***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, 2013***
***(With comparative actual amounts for the year ended December 31, 2012)***

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Final Budget | Actual | Variance | Actual |
| **REVENUES** | | | | |
| Intergovernmental | $ 17,000 | $ 27,000 | $ 10,000 | $ 0 |
| Charges for services | 500 | 0 | (500) | 0 |
| Contributions | 2,000 | 2,100 | 100 | 1,999 |
| Rent | 8,400 | 8,205 | (195) | 7,966 |
| Other | 1,000 | 1,215 | 215 | 910 |
| **Total revenues** | 28,900 | 38,520 | 9,620 | 10,875 |
| **EXPENDITURES** | | | | |
| Current | | | | |
| Housing and Development | | | | |
| Contract services | 20,000 | 23,970 | (3,970) | 19,027 |
| Supplies and materials | 15,000 | 16,415 | (1,415) | 9,765 |
| Payments to other agencies | 1,500 | 1,000 | 500 | 500 |
| **Total expenditures** | 36,500 | 41,385 | (4,885) | 29,292 |
| Excess of revenues over (under) expenditures | (7,600) | (2,865) | 4,735 | (18,417) |
| Other financing sources (uses) | | | | |
| Contingency | (12,400) | 0 | 12,400 | 0 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (20,000) | (2,865) | 17,135 | (18,417) |
| Fund balances, January 1 | 20,000 | 4,161 | (15,839) | 22,578 |
| **Fund balances, December 31** | $ 0 | $ 1,296 | $ 1,296 | $ 4,161 |

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***OTHER  REPORTING SECTION***

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RUSHTON & COMPANY

**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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 14, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As discussed below, we did identify a deficiency in internal control that we consider to be a significant deficiency.

**Comment 13-1**

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

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

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

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

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

**Compliance and Other Matters**

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

**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
April 14, 2014

## *CITY OF LAVONIA, GEORGIA*
## *SCHEDULE OF PROJECTS FINANCED WITH*
## *SPECIAL PURPOSE LOCAL OPTION SALES TAX*
## *For the year ended December 31, 2013*

| Project | Estimated Cost | | Expenditures | | |
|---|---|---|---|---|---|
| | Original | Current | Prior Years | Current Year | Total |
| **2010 Referendum** | | | | | |
| Water Expansion | $ 385,715 | $ 385,715 | $ 33,831 | $ 63,873 | $ 97,704 |
| Police Department Facilities and Equipment | 192,857 | 192,857 | 108,971 | 55,281 | 164,252 |
| Fire Department Facilities and Equipment | 200,000 | 200,000 | 48,104 | 1,742 | 49,846 |
| Library Facilities | 45,000 | 45,000 | 0 | 3,588 | 3,588 |
| Recreation Facilities | 192,857 | 192,857 | 136,141 | 3,632 | 139,773 |
| Construction and Improvement of Roads | 385,713 | 385,713 | 60,642 | 178,125 | 238,767 |
| Total | $ 1,402,142 | $ 1,402,142 | $ 387,689 | $ 306,241 | $ 693,930 |

| | |
|---|---|
| Current year SPLOST expenditures | $ 306,241 |
| Expenditures financed through other revenues | 29,680 |
| Total expenditures and transfers out of the 2010 SPLOST Capital Projects Fund | $ 335,921 |

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