CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2014

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CITY OF LAVONIA, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2014

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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, 2014, 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, 2014, 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 15 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, 2013, which are not presented with the accompanying financial statements. In our report dated April 14, 2014, 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 2013 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 2013 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 2013 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 2013 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 23, 2015 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 23, 2015

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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
HAROLD HARBIN

Council Members
DONALD CANADY
EDDIE FLOYD
HAROLD HARBIN
DAVID HOWELL

City Clerk
ANGELA V. GREER

Assistant City Clerk
SANDRA DEAL

Utility Billing Clerk
AMY RATCLIFFE

HR Director
CHERYL HUMBERT

Water Superintendent
WESLEY BRYANT

Street Superintendent
RODNEY ANDREWS

Attorney
JOHN DICKERSON

Police Chief
BRUCE CARLISLE

Municipal Court Judge
FRANK GEORGE

Fire Chief
SCOTT O'BARR

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, 2014. 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, 2014, by $18,161,051. (reported as *net position*).
- As of December 31, 2014, Lavonia's governmental funds reported combined ending fund balances of $3,897,479. Approximately 83% of this total amount, $3,216,815, 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 16-17) 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 18), 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 16-18.

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 61. 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 19-24 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 25-27.

- ***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 29-60 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 20 and 22) 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 16-18):

City of Lavonia
Net Position
As of December 31, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Current assets	$ 3,724,815	$ 3,697,833	$ 1,044,563	$ 929,505	$ 4,769,378	$ 4,627,338
Capital assets	4,503,541	4,317,493	11,238,837	11,124,465	15,742,378	15,441,958
Other noncurrent assets	288,391	297,733	0	0	288,391	297,733
Total assets	8,516,747	8,313,059	12,283,400	12,053,970	20,800,147	20,367,029
Current liabilities	168,551	170,835	320,792	319,800	489,343	490,635
Noncurrent liabilities	50,925	74,894	2,098,828	1,976,989	2,149,753	2,051,883
Total liabilities	219,476	245,729	2,419,620	2,296,789	2,639,096	2,542,518
Net Position						
Net investment in capital assets	4,428,647	4,217,309	9,026,454	9,016,915	13,455,101	13,234,224
Restricted	605,967	577,661	61,884	63,100	667,851	640,761
Unrestricted	3,262,657	3,272,360	775,442	677,166	4,038,099	3,949,526
Total net position	$ 8,297,271	$ 8,067,330	$ 9,863,780	$ 9,757,181	$ 18,161,051	$ 17,824,511

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Lavonia exceeded liabilities by $18,161,051 at the close of the current year. However, much of the net position either is restricted as to the purposes for which it can be used, or are invested in capital assets.

The largest portion (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.

Although the net position of our business-type activities represents 54% ($9,863,780) 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.

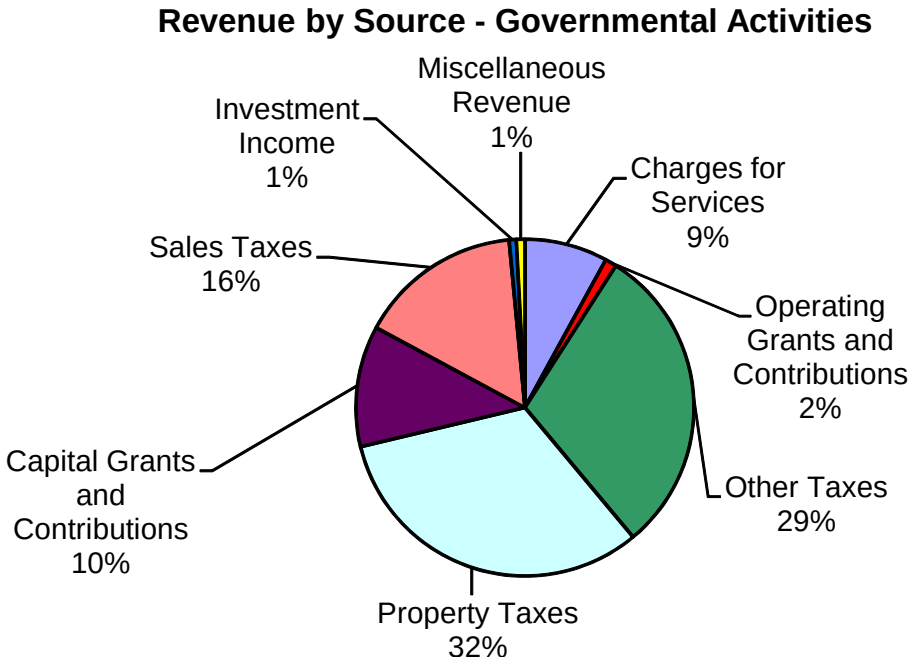
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Lavonia's net position changed during the year.

City of Lavonia
Changes in Net Position
For the years ending December 31, 2014 and 2013

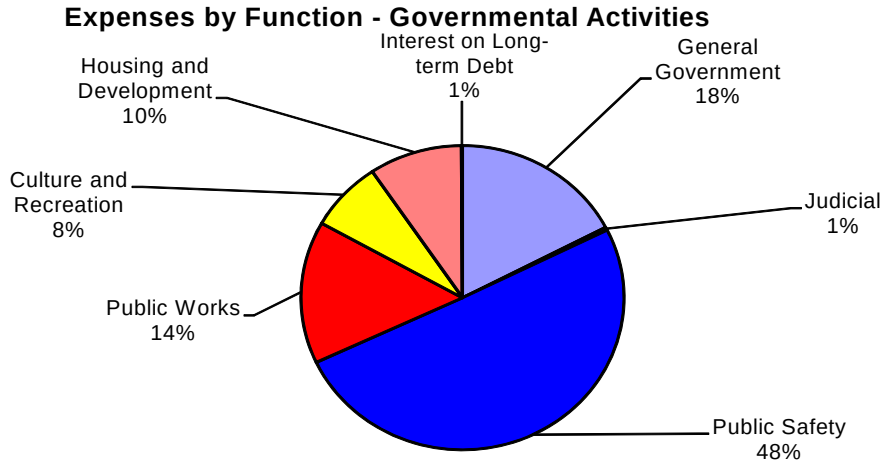
	Governmental Activities		Business-Type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Program revenues:						
Charges for services	$ 224,446	$ 246,774	$ 2,318,305	$ 2,179,745	$ 2,542,751	$ 2,426,519
Operating grants and contributions	31,805	40,388	0	0	31,805	40,388
Capital grants and contributions	328,089	274,910	108,201	1,984	436,290	276,894
General revenues:						
Property taxes	913,756	854,420	0	0	913,756	854,420
Sales tax	441,960	427,060	0	0	441,960	427,060
Other taxes	845,115	779,589	0	0	845,115	779,589
Investment income	19,602	9,991	1,004	1,957	20,606	11,948
Miscellaneous revenue	22,650	30,292	25,644	30,685	48,294	60,977
Total revenues	2,827,423	2,663,424	2,453,154	2,214,371	5,280,577	4,877,795
Expenses						
General Government	443,454	444,168	0	0	443,454	444,168
Judicial	8,204	8,049	0	0	8,204	8,049
Public Safety	1,286,993	1,200,762	0	0	1,286,993	1,200,762
Public Works	386,431	342,702	0	0	386,431	342,702
Culture and Recreation	190,261	195,736	0	0	190,261	195,736
Housing and Development	237,786	246,462	0	0	237,786	246,462
Interest on long-term debt	3,186	4,130	0	0	3,186	4,130
Water and sewer	0	0	2,055,337	2,110,830	2,055,337	2,110,830
Solid Waste	0	0	332,385	326,359	332,385	326,359
Total expenses	2,556,315	2,442,009	2,387,722	2,437,189	4,944,037	4,879,198
Increase (decrease) in net position before transfers	271,108	221,415	65,432	(222,818)	336,540	(1,403)
Transfers	(41,167)	(79,825)	41,167	79,825	0	0
Increase (decrease) in net assets	229,941	141,590	106,599	(142,993)	336,540	(1,403)
Net position - beginning	8,067,330	7,925,740	9,757,181	9,900,174	17,824,511	17,825,914
Net position - ending	$ 8,297,271	$ 8,067,330	$ 9,863,780	$ 9,757,181	$ 18,161,051	$ 17,824,511

Governmental Activities –

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



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



Business-type Activities –

Business-type activities increased the City of Lavonia's net position by $106,599; this is $249,592 more than the decrease in net position for 2013. The key elements of this increase are:

- 2014 operating income increased by $141,281 from 2013 due to increased customer usage in 2014. Capital grants in 2014 increased by $106,217 due to grants received in conjunction with water system projects during 2014.

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 $3,897,479. Of this amount, $3,194,186 (82%) 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 2015 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 $3,216,815, while total fund balance was $3,237,811. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 144% of total General Fund expenditures, while total fund balance represents 145% of that same amount.

General Fund Budget Highlights

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

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

- Salaries were adjusted within the departments to reflect a year-end bonus of $1,000 per employee.
- The General Fund contingency of $106,329 was consumed by the addition of the Cannery Exterior Restoration Project amounting to $103,945.
- Numerous inter departmental budget adjustments were made to get the departmental budgets in balance which amounted to a zero dollar impact on the General Fund Budget.

It is anticipated that the General Fund will see only a slight increase in revenues in 2015 due to increases in Property Tax from real growth, Building Permits, and Franchise Tax categories. Therefore, the City will continue to hold the line with operating budgets, employee positions and salary increases to help insure that the General Fund reserve balance remains positive.

Proprietary Funds

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

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

- Water and Sewer $ 9,863,780
- Solid Waste $ 0

The total decrease in net position for both funds was $106,599. 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 $15,742,378 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 2014, the City invested $1,045,985 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities
2014

9000 Tool Box Generator	$ 5,382
Water Plant Spectrophotometer with RFID	4,342
FA 1220 Floating Aerator 20 HP for Sewer Plant	12,978
Automated Water Meter Replacement Project	445,446
Bojangles Water Line	3,323
Bowman Street Project	68,000
Used 1996 Chevrolet 3500 One Ton Dump Truck	4,000
New Roof on Raw Water Intake Building	5,663
New Gutters for Raw Water Intake Building	2,960
Raw Water Intake Upgrade Project	14,376
2 each Turbidity Filtration Meters	12,742
	$ 579,212

Governmental Activities
2014

Cannery Phase One Exterior Renovation Project	$ 102,986
Library Phase One Exterior Project	68,308
Downtown TE Streescape Project Engineering	50,000
Intoxilizer SA 14 for Police Department / Durabook	10,219
Bowman Street Paving Project	70,130
Cemetery Paving Project	28,294
Purchased used 2005 Ford F-750 Bucket for Downtown Parks	27,500
Purchase used 2008 Ford Crown Victoria for Police Department	12,446
Purchased new Ford F-450 Crew Cab Rescue Truck for Fire Department	96,890
	$ 466,773

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, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Land	$ 508,811	$ 508,811	$ 413,072	$ 413,072	$ 921,883	$ 921,883
Nondepreciable Intangibles	0	0	116,574	116,574	116,574	116,574
Buildings	4,855,724	4,684,430	177,559	177,559	5,033,283	4,861,989
Infrastructure	1,564,828	1,466,404	3,800	3,800	1,568,628	1,470,204
Distribution system	0	0	16,924,182	16,095,878	16,924,182	16,095,878
Vehicles and equipment	2,316,160	2,329,929	646,381	619,679	2,962,541	2,949,608
Furniture and fixtures	134,448	138,486	77,657	77,657	212,105	216,143
Depreciable Intangibles	0	0	61,026	61,026	61,026	61,026
Construction in progress	50,000	0	51,049	331,868	101,049	331,868
Total	9,429,971	9,128,060	18,471,300	17,897,113	27,901,271	27,025,173
Accumulated depreciation	(4,926,430)	(4,612,253)	(7,232,463)	(6,772,648)	(12,158,893)	(11,384,901)
Net Capital Assets	$ 4,503,541	$ 4,515,807	$ 11,238,837	$ 11,124,465	$ 15,742,378	$ 15,640,272

Additional information on the City of Lavonia's capital assets can be found in the Note 9 to the Financial Statements on pages 47-49 of this report.

Long-term debt. At December 31, 2014, the City of Lavonia had $2,287,277 in bonds, notes payable, and capital leases outstanding, an increase in total of $89,358 from 2013.

City of Lavonia
Outstanding Debt
As of December 31, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue bonds	$0	$0	$1,976,988	$2,100,000	$1,976,988	$2,100,000
Notes payable	0	0	235,395	0	235,395	0
Capital leases	74,894	97,919	0	0	74,894	97,919
Total	$74,894	$97,919	$2,212,383	$2,100,000	$2,287,277	$2,197,919

Additional information on the City's long-term debt can be found in the Notes 10 and 11 to the Financial Statements on pages 50-52 of this report.

Economic Condition and Outlook

We, as management, in considering the current and forecasted economic conditions for 2015, still see a slow recovery period ahead. Rural Georgia is not experiencing the robust economic recovery rate as larger urban centers. We saw increases in 2011 of about 12%, 3% in 2012, 5% in 2013 and this upward trend continued through 2014. However, city property tax revenues have just now recovered back to 2008 levels. Parkdale Mills closed during 2012 and impacted the jobs market as well a $250,000 decrease in water sales and that facility still remains vacant. Although there are other industries looking at the facility, nothing has been announced regarding a new industry locating during 2015 as of yet. On a more positive note, the city was blessed with a new $6.5 Million dollar Hampton Inn and Suites project and a new Bojangles at the I-85 Interchange. With a more positive economic outlook for 2015, the City has decided to move forward with several proposed General Fund capital projects during 2015 including an Interior renovation of the Carnegie Library, completing the classroom sections of the Lavonia Cannery, constructing a new Fire Training complex behind the Cultural Center and several streets scheduled to be repaved. A Water Fund Capital Project scheduled for summer of 2015 is the Lake Hartwell Raw Water Intake Project including new pumps, electronics and the addition of an inline booster pump station on Franklin County Boat Ramp Road. Management has given careful consideration to the uncertainty of the market and the new economic growth in the preparation of the city budgets for 2015. Noteworthy budget item and cost saving considerations were:

- 2015 General Fund budget revenue projections were raised about $30,000 over the 2014 budget due to an anticipated increase in property tax revenue resulting from new growth around the I-85 Interchange. General Fund budget expenditures will remain consistent with 2014 expenditures.
- With most revenue streams expected to remain at or slightly above 2014 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. Although gasoline is about a dollar a gallon cheaper this year over last year, gasoline and diesel fuel costs are also expected to continue to spiral up and down in 2015 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 2015, which is about the same as 2014. This prediction is based on the Federal Reserve's reports regarding their continued efforts to stimulate the economy by keeping interest rates low. If the Fed continues to keep interest rates at these record lows, the rate return on our investments will be about the same as in 2014.
- The Mayor and Council decided to suspend 2015 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

BASIC FINANCIAL STATEMENTS

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 916,759	$ 186,167	$ 1,102,926	$ 1,900
Certificates of deposit	1,300,000	354,721	1,654,721	0
Restricted assets				
Cash and cash equivalents	0	91,333	91,333	0
Certificates of deposit	0	45,279	45,279	0
Receivables (net)				
Accounts	0	271,519	271,519	0
Intergovernmental	41,892	0	41,892	0
Interest	2,963	814	3,777	0
Taxes	394,684	0	394,684	0
Notes	9,341	0	9,341	0
Internal balances	(19,553)	19,553	0	0
Inventories	0	59,419	59,419	0
Prepaids	22,029	15,758	37,787	0
Property held for resale	1,056,700	0	1,056,700	0
Total current assets	3,724,815	1,044,563	4,769,378	1,900
Noncurrent assets				
Notes receivable	288,391	0	288,391	0
Capital assets				
Non-depreciable	558,811	580,695	1,139,506	40,000
Depreciable (net)	3,944,730	10,658,142	14,602,872	91,681
Total noncurrent assets	4,791,932	11,238,837	16,030,769	131,681
Total assets	8,516,747	12,283,400	20,800,147	133,581
LIABILITIES				
Current liabilities				
Payables				
Accounts	40,220	54,121	94,341	520
Interest	2,687	0	2,687	0
Accrued salaries and payroll liabilities	20,544	15,116	35,660	0
Compensated absences	50,348	35,909	86,257	0
Unearned revenue	27,703	23,461	51,164	0
Capital lease payable	23,969	0	23,969	0
Other current liabilities	3,080	3,902	6,982	88
Liabilities payable from restricted assets				
Customer deposits	0	45,279	45,279	0
Revenue bonds payable	0	113,555	113,555	0
Interest payable	0	29,449	29,449	0
Total current liabilities	168,551	320,792	489,343	608

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Capital lease payable	$ 50,925	$ 0	$ 50,925	$ 0
Notes payable	0	235,395	235,395	0
Revenue bonds payable	0	1,863,433	1,863,433	0
Total noncurrent liabilities	50,925	2,098,828	2,149,753	0
Total liabilities	219,476	2,419,620	2,639,096	608
NET POSITION				
Net investment in capital assets	$ 4,428,647	$ 9,026,454	$ 13,455,101	$ 131,681
Restricted for:				
Public Safety	6,782	0	6,782	0
Housing and Development	599,185	0	599,185	0
Debt Service	0	61,884	61,884	0
Unrestricted	3,262,657	775,442	4,038,099	1,292
Total net position	$ 8,297,271	$ 9,863,780	$ 18,161,051	$ 132,973

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

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	$ 443,454	$ 36,500	$ 2,612	$ 0	$ (404,342)
Judicial	8,204	0	0	0	(8,204)
Public Safety	1,286,993	145,769	21,193	11,356	(1,108,675)
Public Works	386,431	15,465	0	283,393	(87,573)
Health and Welfare	0	0	8,000	0	8,000
Culture and Recreation	190,261	21,437	0	33,340	(135,484)
Housing and Development	237,786	5,275	0	0	(232,511)
Interest on long-term debt	3,186	0	0	0	(3,186)
Total governmental activities	2,556,315	224,446	31,805	328,089	(1,971,975)
Business-type activities					
Water and Sewer	2,055,337	2,008,795	0	108,201	61,659
Solid Waste	332,385	309,510	0	0	(22,875)
Total business-type activities	2,387,722	2,318,305	0	108,201	38,784
Total primary government	4,944,037	2,542,751	31,805	436,290	(1,933,191)
Component Unit					
Downtown Develoment Authority					
Housing and Development	40,101	0	26,000	0	(14,101)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net position				
Net (expense) revenue	$ (1,971,975)	$ 38,784	$ (1,933,191)	$ (14,101)
General revenues				
Taxes				
Property	913,756	0	913,756	0
Sales	441,960	0	441,960	0
Insurance premium	116,283	0	116,283	0
Occupational	72,662	0	72,662	0
Franchise	286,811	0	286,811	0
Intangible	4,866	0	4,866	0
Alcohol excise	120,696	0	120,696	0
Hotel/Motel	243,797	0	243,797	0
Interest and investment earnings	19,602	1,004	20,606	0
Gain on sale of assets	13,989	193	14,182	0
Miscellaneous	8,661	25,451	34,112	9,826
Transfers	(41,167)	41,167	0	0
Total general revenues and transfers	2,201,916	67,815	2,269,731	9,826
Change in net position	229,941	106,599	336,540	(4,275)
Net position - beginning	8,067,330	9,757,181	17,824,511	137,248
Net position - ending	$ 8,297,271	$ 9,863,780	$ 18,161,051	$ 132,973

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

CITY OF LAVONIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General	2010 SPLOST	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 541,827	$ 730	$ 374,202	$ 916,759
Certificates of deposit	1,300,000	0	0	1,300,000
Receivables (net)				
Intergovernmental	0	41,892	0	41,892
Interest	2,963	0	0	2,963
Taxes	380,105	0	14,579	394,684
Notes	0	0	297,732	297,732
Prepaid items	20,996	0	1,033	22,029
Property held for resale	1,056,700	0	0	1,056,700
Due from other funds	32,180	0	0	32,180
Total assets	$ 3,334,771	$ 42,622	$ 687,546	$ 4,064,939
LIABILITIES				
Accounts payable	$ 36,445	$ 0	$ 3,775	$ 40,220
Accrued salaries and payroll liabilities	19,562	0	982	20,544
Due to other funds	12,270	39,236	227	51,733
Unearned revenue	1,688	26,015	0	27,703
Other liabilities	2,815	0	265	3,080
Total liabilities	72,780	65,251	5,249	143,280
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	24,180	0	0	24,180
FUND BALANCES				
Nonspendable prepaid items	20,996	0	0	20,996
Restricted for:				
Public Safety	0	0	6,782	6,782
Housing and Development	0	0	599,185	599,185
Committed for Public Works	0	0	2,059	2,059
Assigned for:				
Housing and Development	0	0	34,271	34,271
Budget	0	0	40,000	40,000
Unassigned	3,216,815	(22,629)	0	3,194,186
Total fund balances	3,237,811	(22,629)	682,297	3,897,479
Total liabilities, deferred inflows of resouces, and fund balances	$ 3,334,771	$ 42,622	$ 687,546	$ 4,064,939

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

CITY OF LAVONIA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2014

Total fund balance - total governmental funds			$ 3,897,479
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			4,503,541
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds. These are:			
Property taxes			24,180
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These are:			
Capital leases	$ (74,894)		
Interest payable	(2,687)		
Compensated absences	(50,348)		(127,929)
Net position of governmental activities			$ 8,297,271

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2014

	General	2010 SPLOST	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	$ 1,965,642	$ 0	$ 243,797	$ 2,209,439
Licenses and permits	41,775	0	0	41,775
Fines, fees and forfeitures	138,997	0	4,923	143,920
Charges for services	3,766	0	27,579	31,345
Intergovernmental	43,161	308,085	0	351,246
Interest	5,343	4	14,255	19,602
Contributions	8,644	0	0	8,644
Other	13,665	0	2,407	16,072
Total revenues	2,220,993	308,089	292,961	2,822,043
EXPENDITURES				
Current				
General Government	441,282	0	0	441,282
Judicial	8,204	0	0	8,204
Public Safety	1,120,833	0	4,487	1,125,320
Public Works	392,097	0	28,555	420,652
Culture and Recreation	76,098	0	0	76,098
Housing and Development	163,635	0	203,811	367,446
Capital outlay	0	304,479	0	304,479
Debt service	27,039	0	0	27,039
Total expenditures	2,229,188	304,479	236,853	2,770,520
Excess (deficiency) of revenues over (under) expenditures	(8,195)	3,610	56,108	51,523
Other financing sources (uses)				
Transfers out	(22,875)	(18,292)	0	(41,167)
Sale of capital assets	13,989	0	0	13,989
Total other financing sources (uses)	(8,886)	(18,292)	0	(27,178)
Net change in fund balance	(17,081)	(14,682)	56,108	24,345
Fund balances, January 1	3,254,892	(7,947)	626,189	3,873,134
Fund balances, December 31	$ 3,237,811	$ (22,629)	$ 682,297	$ 3,897,479

The accompanying notes are an integral part of these 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, 2014

Net change in fund balances - total governmental funds			$ 24,345
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays	$ 466,773		
Depreciation	(280,725)		186,048
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Unavailable deferred revenue			(8,608)
The proceeds of debt issuance, net of premiums, discounts and issuance costs provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Debt principal payments			23,025
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	$ 828		
Compensated absences	4,303		5,131
Change in net position of governmental activities			$ 229,941

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

CITY OF LAVONIA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2014

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,999,471	$ 1,999,471	$ 1,965,642	$ (33,829)
Licenses and permits	7,100	7,100	41,775	34,675
Fines, fees and forfeitures	135,000	135,000	138,997	3,997
Charges for services	900	900	3,766	2,866
Intergovernmental	89,500	89,500	43,161	(46,339)
Interest	12,000	12,000	5,343	(6,657)
Contributions	5,000	5,000	8,644	3,644
Other	7,700	7,700	13,665	5,965
Total revenues	2,256,671	2,256,671	2,220,993	(35,678)
EXPENDITURES				
Current				
General Government				
Governing Body	105,060	105,060	100,412	4,648
Financial Administration	345,486	345,486	340,870	4,616
Judicial				
Municipal Court	9,500	9,500	8,204	1,296
Public Safety				
Police Department	1,026,524	1,026,524	1,025,719	805
Fire Department	91,850	91,850	91,554	296
Communications	4,300	4,300	3,560	740
Public Works				
Highways and Streets	328,538	328,538	328,411	127
Maintenance Shop	35,407	35,407	35,404	3
Detention Services	28,282	28,282	28,282	0
Culture and Recreation				
Parks and Recreation	48,394	48,394	48,452	(58)
Community Center	7,300	7,300	7,228	72
Library	20,420	20,420	20,418	2
Housing and Development				
Inspections	31,703	31,703	31,703	0
Better Home Towns	28,862	28,862	27,988	874
Cannery	103,945	103,945	103,944	1
Debt service				
Public Safety				
Fire Department	27,100	27,100	27,039	61
Total expenditures	2,242,671	2,242,671	2,229,188	13,483
Excess (deficiency) of revenues over (under) expenditure	14,000	14,000	(8,195)	(22,195)

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

Exhibit A-7, continued

CITY OF LAVONIA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2014

	Budget			Variance with
	Original	Final	Actual	Final Budget
Other financing sources (uses)				
Transfers out	$ (24,000)	$ (24,000)	$ (22,875)	$ 1,125
Sale of capital assets	10,000	10,000	13,989	3,989
Total other financing sources (uses)	(14,000)	(14,000)	(8,886)	5,114
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(17,081)	(17,081)
Fund balances, January 1 (original)	0	0	3,254,892	3,254,892
Fund balances, December 31	$ 0	$ 0	$ 3,237,811	$ 3,237,811

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 186,167	$ 0	$ 186,167
Certificates of deposit	354,721	0	354,721
Restricted assets			
Cash and cash equivalents	91,333	0	91,333
Certificates of deposit	45,279	0	45,279
Receivables			
Accounts (net)	238,512	33,007	271,519
Interest	814	0	814
Inventory	59,419	0	59,419
Prepaid items	15,408	350	15,758
Due from other funds	31,274	12,270	43,544
Total current assets	1,022,927	45,627	1,068,554
Noncurrent assets			
Capital assets			
Non-depreciable	580,695	0	580,695
Depreciable (net)	10,658,142	0	10,658,142
Total noncurrent assets	11,238,837	0	11,238,837
Total assets	$ 12,261,764	$ 45,627	$ 12,307,391
LIABILITIES			
Current liabilities			
Accounts payable	$ 27,627	$ 26,494	$ 54,121
Accrued salaries and payroll liabilities	14,576	540	15,116
Compensated absences	34,215	1,694	35,909
Unearned revenue	19,436	4,025	23,461
Due to other funds	11,117	12,874	23,991
Other current liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits	45,279	0	45,279
Revenue bonds payable	113,555	0	113,555
Interest payable	29,449	0	29,449
Total current liabilities	299,156	45,627	344,783
Noncurrent liabilities			
Notes payable	235,395	0	235,395
Revenue bonds payable	1,863,433	0	1,863,433
Total noncurrent liabilities	2,098,828	0	2,098,828
Total liabilities	2,397,984	45,627	2,443,611
NET POSITION			
Net investment in capital assets	9,026,454	0	9,026,454
Restricted for debt service	61,884	0	61,884
Unrestricted	775,442	0	775,442
Total net position	$ 9,863,780	$ 0	$ 9,863,780

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2014

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	$ 2,008,795	$ 309,510	$ 2,318,305
Other	25,451	0	25,451
Total operating revenues	2,034,246	309,510	2,343,756
OPERATING EXPENSES			
Costs of sales and services	743,036	289,067	1,032,103
Personal services	781,134	43,318	824,452
Depreciation	464,840	0	464,840
Total operating expenses	1,989,010	332,385	2,321,395
Operating income (loss)	45,236	(22,875)	22,361
Non-operating revenues (expenses)			
Interest revenue	1,004	0	1,004
Interest expense	(66,327)	0	(66,327)
Gain (loss) on sale of capital assets	193	0	193
Total non-operating revenues (expenses)	(65,130)	0	(65,130)
Net income (loss) before captial contributions and transfers	(19,894)	(22,875)	(42,769)
Capital contributions			
Intergovernmental revenue	100,025	0	100,025
Capital contributions	8,176	0	8,176
Total capital contributions	108,201	0	108,201
Net income (loss) before transfers	88,307	(22,875)	65,432
Transfers in (out)			
Transfers in	18,292	22,875	41,167
Change in net position	106,599	0	106,599
Net position, January 1	9,757,181	0	9,757,181
Net position, December 31	$ 9,863,780	$ 0	$ 9,863,780

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2014

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	$ 2,032,912	$ 317,250	$ 2,350,162
Payments to suppliers	(751,824)	(285,796)	(1,037,620)
Payments to employees	(778,616)	(42,059)	(820,675)
Other receipts	25,451	0	25,451
Net cash provided (used) by operating activities	527,923	(10,605)	517,318
Cash flows from non-capital financing activities:			
Receipts from other funds	38,977	10,605	49,582
Cash flows from capital and related financing activities:			
Receipt of capital contributions	8,176	0	8,176
Receipts from other governments	100,025	0	100,025
Receipts from other funds	18,292	0	18,292
Sale of capital assets	193	0	193
Payments for acquisitions of capital assets	(579,212)	0	(579,212)
Payments fof capital related accounts payable	(7,560)	0	(7,560)
Proceeds from issuance of notes payable	235,395	0	235,395
Principal payments - revenue bonds	(123,012)	0	(123,012)
Interest paid	(54,753)	0	(54,753)
Net cash provided (used) by captial and related financing activities	(402,456)	0	(402,456)
Cash flows from investing activities			
Proceeds from certificates of deposit	400,000	0	400,000
Purchases of certificates of deposit	(400,000)	0	(400,000)
Interest received	1,832	0	1,832
Net cash provided (used) by investing activities	1,832	0	1,832
Net increase (decrease) in cash and cash equivalents	166,276	0	166,276
Cash and cash equivalents, January 1	111,224	0	111,224
Cash and cash equivalents, December 31	$ 277,500	$ 0	$ 277,500
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 45,236	$ (22,875)	$ 22,361
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	464,840	0	464,840
(Increase) decrease in accounts receivable	22,489	4,862	27,351
(Increase) decrease in inventories	(4,459)	0	(4,459)
(Increase) decrease in prepaid items	791	0	791
Increase (decrease) in accounts payable	(5,120)	3,271	(1,849)
Increase (decrease) in unearned revenue	992	2,878	3,870
Increase (decrease) in payroll liabilities	2,518	1,259	3,777
Increase (decrease) in deposits payable	636	0	636
Total adjustments	482,687	12,270	494,957
Net cash provided (used) by operating activities	$ 527,923	$ (10,605)	$ 517,318
Cash and cash equivalents reconciliation			
Cash and cash equivalents reconciliation	$ 186,167	0	186,167
Debt Redemption			
Cash and cash equivalents reconciliation	91,333	0	91,333
	$ 277,500	$ 0	$ 277,500

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 11,396
Accounts receivable, net	40
Total assets	$ 11,436
LIABILITIES	
Due to other agencies	$ 11,436

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, 2014.

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, 2014, 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, 2014, 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 2013 amounts have been reclassified to conform with the 2014 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, 2014, 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, 2014, consist of the following:

Major Funds		
Enterprise Funds		
Water and Sewer	$ 449,546	
Less: Allowances for Uncollectibles	(211,034)	
Solid Waste	86,152	
Less: Allowances for Uncollectibles	(53,145)	$ 271,519
Fiduciary Funds		
Agency Fund		
Municipal Court Agency Fund		$ 40

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2014, consist of the following:

Major Funds	
2010 SPLOST Capital Projects Fund	
Franklin County Board of Commissioners	$ 41,892

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2014, consist of property taxes for seven years as follows:

Year of Levy	Amount
2014	$ 50,494
2013	2,121
2012	489
2011	165
2010	36
2009	4
2008	0
	53,309
Less allowance for uncollectible	(1,616)
	51,693
Add amount due from Franklin County Tax Commissioner	25,857
Total	$ 77,550

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 2014, based upon the assessments of January 1, 2014, were billed on August 14, 2014, and due on November 15, 2014. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mils for 2014 was levied on July 19, 2014.

Other Taxes

$263,346 of franchise taxes, $39,209 of sales taxes, and $14,579 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, 2014, is as follows:

	Due from:					
	Major Funds					
	General	2010 SPLOST	Water and Sewer	Solid Waste	Nonmajor Governmental	Total
Due to:						
Major Funds						
General	$ 0	$ 20,836	$ 11,117	$ 0	$ 227	$ 32,180
Water and Sewer	0	18,400	0	12,874	0	31,274
Solid Waste	12,270	0	0	0	0	12,270
Total	$ 12,270	$ 39,236	$ 11,117	$ 12,874	$ 227	$ 75,724

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	$ 18,292	$ 18,292
Solid Waste	22,875	0	22,875
	$ 22,875	$ 18,292	$ 41,167

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% ($297,732 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
2015	$ 9,341	$ 13,979	$ 23,320
2016	288,391	10,188	298,579
Totals	$ 297,732	$ 24,167	$ 321,899

9. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
Governmental activities				
Non-depreciable assets				
Land	$ 508,811	$ 0	$ 0	$ 508,811
Construction in progress	0	319,718	(269,718)	50,000
Total non-depreciable assets	508,811	319,718	(269,718)	558,811
Depreciable assets				
Buildings	4,684,430	171,294	0	4,855,724
Infrastructure	1,466,404	98,424	0	1,564,828
Vehicles	1,668,945	136,836	(160,824)	1,644,957
Machinery and equipment	660,984	10,219	0	671,203
Furniture and fixtures	138,486	0	(4,038)	134,448
Total depreciable assets	8,619,249	416,773	(164,862)	8,871,160
Accumulated depreciation				
Buildings	(1,810,212)	(94,256)	0	(1,904,468)
Infrastructure	(814,233)	(76,714)	0	(890,947)
Vehicles	(1,527,702)	(70,394)	160,824	(1,437,272)
Machinery and equipment	(536,064)	(32,050)	0	(568,114)
Furniture and fixtures	(122,356)	(7,311)	4,038	(125,629)
Total accumulated depreciation	(4,810,567)	(280,725)	164,862	(4,926,430)
Total depreciable assets, net	3,808,682	136,048	0	3,944,730
Governmental activities capital assets, net	$ 4,317,493	$ 455,766	$ (269,718)	$ 4,503,541

9. Capital Assets (continued)

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
Business-type activities				
Non-depreciable assets				
Land	$ 413,072	$ 0	$ 0	$ 413,072
Intangibles	116,574	0	0	116,574
Construction in progress	331,868	531,145	(811,964)	51,049
Total non-depreciable assets	861,514	531,145	(811,964)	580,695
Depreciable assets				
Buildings	177,559	0	0	177,559
Land improvements	3,800	0	0	3,800
Distribution system	16,095,878	833,329	(5,025)	16,924,182
Intangibles	61,026	0	0	61,026
Vehicles	282,251	4,000	0	286,251
Machinery and equipment	337,428	22,702	0	360,130
Furniture and fixtures	77,657	0	0	77,657
Total depreciable assets	17,035,599	860,031	(5,025)	17,890,605
Accumulated depreciation				
Buildings	(64,788)	(4,425)	0	(69,213)
Land improvements	(2,470)	(760)	0	(3,230)
Distribution system	(6,155,679)	(405,553)	5,025	(6,556,207)
Intangibles	(10,680)	(6,103)	0	(16,783)
Vehicles	(229,167)	(21,460)	0	(250,627)
Machinery and equipment	(237,743)	(25,210)	0	(262,953)
Furniture and fixtures	(72,121)	(1,329)	0	(73,450)
Total accumulated depreciation	(6,772,648)	(464,840)	5,025	(7,232,463)
Total depreciable assets, net	10,262,951	395,191	0	10,658,142
Business-type activities capital assets, net	$ 11,124,465	$ 926,336	$ (811,964)	$ 11,238,837

9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	$ 40,000	$ 0	$ 0	$ 40,000
Depreciable assets				
Buildings	100,751	0	0	100,751
Land improvements	22,533	0	0	22,533
Intangibles	2,496	0	0	2,496
Total depreciable assets	125,780	0	0	125,780
Less accumulated depreciation				
Buildings	(15,953)	(2,519)	0	(18,472)
Land improvements	(12,917)	(1,502)	0	(14,419)
Intangibles	(958)	(250)	0	(1,208)
Total accumulated depreciation	(29,828)	(4,271)	0	(34,099)
Total depreciable assets, net	95,952	(4,271)	0	91,681
Downtown Development Authority Component Unit capital assets, net	$ 135,952	$ (4,271)	$ 0	$ 131,681

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 3,364
Public Safety	133,456
Public Works	29,713
Culture and Recreation	97,468
Housing and Development	16,724
Total depreciation expense for governmental activities	$ 280,725
Business-type activities	
Water and Sewer	$ 464,840
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, 2014, is $74,894 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, 2014:

Year Ending December 31,	Governmental activities
2015	$ 27,039
2016	27,039
2017	27,039
Total minimum lease payments	81,117
Less amounts representing interest	(6,223)
Present value of minimum lease payments	$ 74,894

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, 2014:

$2,100,000 2013 Water and Sewerage Refunding Revenue Series Bonds due in semi-annual installments of $88,446 through July 15, 2028; interest at 3.25% ($1,976,988 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
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	129,185	47,707	176,892
2020-2024	712,257	172,204	884,461
2025-2028	658,511	49,059	707,570
Totals	$ 1,976,988	$ 499,503	$ 2,476,491

11. Long-Term Debt (continued)

Notes Payable

The City has entered into a lending agreement with the Georgia Environmental Facilities Authority in the original amount of $465,000 for the improvement of the water and sewer system. The note is still in the draw-down phase and will not be amortized until the loan and project are complete. The amortization commencement date is anticipated to be near the end of 2015. Therefore, the balance of $235,395 is reported as long-term.

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, 2014:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014	Due Within One Year
Governmental activities					
Capital lease obligations	$ 97,919	$ 0	$ (23,025)	$ 74,894	$ 23,969
Compensated absences	54,651	50,348	(54,651)	50,348	50,348
Total governmental activities	$ 152,570	$ 50,348	$ (77,676)	$ 125,242	$ 74,317
Business-type activities					
Revenue bonds	$ 2,100,000	$ 0	$ (123,012)	$ 1,976,988	$ 113,555
Notes payable	0	235,395	0	235,395	0
Compensated absences	40,394	35,909	(40,394)	35,909	35,909
Total business-type activities	$ 2,140,394	$ 271,304	$ (163,406)	$ 2,248,292	$ 149,464

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

Interest incurred and charged to expense totaled $3,186 and $66,327 for the governmental activities and business-type activities, respectively.

12. 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, 2014, the principal amount payable for the bonds issued totaled $8,215,000; the original issue amount totaled $8,500,000.

13. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2014:

	Nonmajor Governmental Funds
Restricted for:	
Public Safety	
Police department	$ 6,782
Housing and Development	
Revolving loan fund debt service	583,173
Trade and tourism	16,012
	$ 605,967
Restricted for:	
Public Works	
Cemetery operations	$ 2,059
Assigned to:	
Housing and Development	
Trade and tourism	$ 34,271
Budget	
Subsequent year's budget	40,000
	$ 74,271

At December 31, 2014, the City of Lavonia Development Authority fund balance consists of $292 assigned to development authority operations, and $1,000 assigned to the subsequent year's budget.

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.

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.

14. Pension Plan (continued)

Plan Description, continued

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	22
Terminated vested participants entitled to but not yet receiving benefits	14
Active participants	47
Total number of participants	83

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.

14. Pension Plan (continued)

Annual Pension Cost

For 2013, the City's annual pension cost of $110,083 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 $106,050. The recommended contribution was computed as part of an actuarial valuation as of July 1, 2013. 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.

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
12/31/2009	$ 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
12/31/2014	110,083	100%	0

14. Pension Plan (continued)

Historical Trend Information, continued

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)
3/1/2009	$ 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%
7/1/2014	2,509,654	2,438,631	(71,023)	102.91%	1,514,825	0.00%

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, 2014, there were 9 retirees eligible for and receiving the benefits. For 2014, the cost of providing these benefits totaled $239.

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, 2014, follows:

Lodging tax receipts	$243,797	
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	$178,811	73% 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, 2014, the City paid $2,344 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 2014, 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 $9,291 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.

19. Risk Management (continued)

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, 2014. 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, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	Confiscated Assets	Hotel/Motel Tax	Revolving Loan	Cemetery	
ASSETS					
Cash and cash equivalents	$ 6,922	$ 79,553	$ 285,441	$ 2,286	$ 374,202
Receivables					
Taxes	0	14,579	0	0	14,579
Notes	0	0	297,732	0	297,732
Prepaid items	0	1,033	0	0	1,033
Total assets	$ 6,922	$ 95,165	$ 583,173	$ 2,286	$ 687,546
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 0	$ 3,775	$ 0	$ 0	$ 3,775
Accrued payroll liabilities	0	982	0	0	982
Due to other funds	0	0	0	227	227
Other liabilities	140	125	0	0	265
Total liabilities	140	4,882	0	227	5,249
Fund balances					
Restricted for:					
Public Safety	6,782	0	0	0	6,782
Housing and Development	0	16,012	583,173	0	599,185
Committed for:					
Public Works	0	0	0	2,059	2,059
Assigned for:					
Housing and Development	0	34,271	0	0	34,271
Budget	0	40,000	0	0	40,000
Total fund balances	6,782	90,283	583,173	2,059	682,297
Total liabilities and fund balances	$ 6,922	$ 95,165	$ 583,173	$ 2,286	$ 687,546

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	Confiscated Assets	Hotel/Motel Tax	Revolving Loan	Cemetery	
REVENUES					
Taxes	$ 0	$ 243,797	$ 0	$ 0	$ 243,797
Fines, fees, and forfeitures	4,923	0	0	0	4,923
Charges for services	0	12,114	0	15,465	27,579
Interest	0	7	14,248	0	14,255
Other	0	2,407	0	0	2,407
Total revenues	4,923	258,325	14,248	15,465	292,961
EXPENDITURES					
Current					
Public Safety	4,487	0	0	0	4,487
Public Works	0	0	0	28,555	28,555
Housing and Development	0	203,811	0	0	203,811
Total expenditures	4,487	203,811	0	28,555	236,853
Excess (deficiency) of revenues over (under) expenditures	436	54,514	14,248	(13,090)	56,108
Fund balances, January 1	6,346	35,769	568,925	15,149	626,189
Fund balances, December 31	$ 6,782	$ 90,283	$ 583,173	$ 2,059	$ 682,297

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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, 2014 and 2013

	2014	2013
ASSETS		
Cash	$ 541,827	$ 580,778
Certificates of deposit	1,300,000	1,300,000
Receivables (net)		
Intergovernmental	0	8,102
Interest	2,963	3,366
Taxes	380,105	390,130
Prepaid items	20,996	19,965
Property held for resale	1,056,700	1,056,700
Due from other funds	32,180	9,063
Total assets	$ 3,334,771	$ 3,368,104
LIABILITIES		
Payables		
Accounts	$ 36,445	$ 26,790
Accrued salaries and payroll liabilities	19,562	12,593
Due to other funds	12,270	7,860
Unearned revenue	1,688	30,366
Other liabilities	2,815	2,815
Total liabilities	72,780	80,424
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	24,180	32,788
FUND BALANCES		
Nonspendable		
Prepaid items	20,996	19,965
Unassigned	3,216,815	3,234,927
Total fund balances	3,237,811	3,254,892
Total liabilities, deferred inflows of resources and fund balances	$ 3,334,771	$ 3,368,104

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2014 and 2013

	2014	2013
REVENUES		
Taxes	$ 1,965,642	$ 1,847,857
Licenses and permits	41,775	58,382
Fines, fees and forfeitures	138,997	153,593
Charges for services	3,766	1,160
Intergovernmental	43,161	39,588
Interest	5,343	5,912
Contributions	8,644	5,000
Other	13,665	20,066
Total revenues	2,220,993	2,131,558
EXPENDITURES		
Current		
General Government	441,282	439,685
Judicial	8,204	8,049
Public Safety	1,120,833	1,062,806
Public Works	392,097	369,607
Culture and Recreation	76,098	79,135
Housing and Development	163,635	59,103
Debt Service	27,039	27,039
Total expenditures	2,229,188	2,045,424
Excess of revenues over expenditures	(8,195)	86,134
Other financing sources (uses)		
Transfers in (out)		
Cemetery Fund	0	(12,563)
Solid Waste Fund	(22,875)	(15,952)
Gain (loss) on sale of property held for resale	0	9,524
Proceeds from sale of capital assets	13,989	5,148
Total other financing sources (uses)	(8,886)	(13,843)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(17,081)	72,291
Fund balances, January 1	3,254,892	3,182,601
Fund balances, December 31	$ 3,237,811	$ 3,254,892

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014
(With comparative actual amounts for the year ended December 31, 2014)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 834,500	$ 831,089	$ (3,411)	$ 770,086
Motor vehicle tax	90,971	91,274	303	74,718
Total general property taxes	925,471	922,363	(3,108)	844,804
Local option sales tax	450,000	441,960	(8,040)	427,060
Intangibles tax	7,000	4,867	(2,133)	6,038
Franchise tax	275,000	286,811	11,811	281,245
Insurance premium tax	110,000	116,283	6,283	111,215
Alcoholic beverage excise tax	135,000	120,696	(14,304)	117,228
Occupational tax	97,000	72,662	(24,338)	60,267
Total taxes	1,999,471	1,965,642	(33,829)	1,847,857
Licenses and permits				
Alcohol licenses	0	36,500	36,500	40,525
Building permits	5,600	3,530	(2,070)	15,341
Sign permits	1,500	1,745	245	2,516
Total licenses and permits	7,100	41,775	34,675	58,382
Fines, fees and forfeitures	135,000	138,997	3,997	153,593
Charges for Services				
Fire protection	500	1,120	620	750
Recreation	0	1,916	1,916	0
Other charges for services	400	730	330	410
Total charges for services	900	3,766	2,866	1,160
Intergovernmental				
Grants	50,000	21,968	(28,032)	8,499
Other	39,500	21,193	(18,307)	31,089
Total intergovernmental	89,500	43,161	(46,339)	39,588
Interest	12,000	5,343	(6,657)	5,912
Contributions	5,000	8,644	3,644	5,000
Other	7,700	13,665	5,965	20,066
Total revenues	$ 2,256,671	$ 2,220,993	$ (35,678)	$ 2,131,558

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	$ 75,060	$ 69,028	$ 6,032	$ 50,547
Contract services	29,000	30,724	(1,724)	28,263
Materials and supplies	1,000	660	340	293
Total Governing Body	105,060	100,412	4,648	79,103
Financial Administration				
Personal services	178,361	184,407	(6,046)	186,413
Contract services	121,050	112,928	8,122	122,988
Materials and supplies	46,075	43,535	2,540	46,751
Capital outlay	0	0	0	4,430
Total Financial Administration	345,486	340,870	4,616	360,582
Total General Government	450,546	441,282	9,264	439,685
Judicial				
Municipal Court				
Personal services	100	100	0	100
Contract services	9,400	8,104	1,296	7,949
Total Judicial	9,500	8,204	1,296	8,049
Public Safety				
Police Department				
Personal services	817,484	806,073	11,411	818,523
Contract services	124,870	148,075	(23,205)	131,774
Materials and supplies	52,310	55,058	(2,748)	33,767
Capital outlay	23,160	8,159	15,001	0
Payments to other agencies	8,700	8,354	346	8,145
Total Police Department	1,026,524	1,025,719	805	992,209
Fire Department				
Personal services	31,550	30,832	718	24,975
Contract services	27,400	30,294	(2,894)	27,248
Materials and supplies	24,700	30,428	(5,728)	15,533
Capital outlay	8,200	0	8,200	0
Total Fire Department	91,850	91,554	296	67,756
Communications				
Contract services	1,000	790	210	113
Materials and supplies	3,300	2,770	530	2,728
Total Communications	4,300	3,560	740	2,841
Total Public Safety	1,122,674	1,120,833	1,841	1,062,806

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
Public Works				
Highways and Streets				
Personal services	$ 143,988	$ 137,720	$ 6,268	$ 100,741
Contract services	45,950	47,831	(1,881)	71,774
Materials and supplies	91,600	92,860	(1,260)	95,604
Capital outlay	47,000	50,000	(3,000)	40,315
Total Highways and Streets	328,538	328,411	127	308,434
Maintenance Shop				
Personal services	19,172	19,390	(218)	18,948
Contract services	8,800	5,967	2,833	4,373
Materials and supplies	7,435	10,047	(2,612)	10,233
Total Maintenance Shop	35,407	35,404	3	33,554
Detention Services				
Personal services	24,197	23,752	445	23,499
Contract services	4,085	4,530	(445)	4,084
Materials and supplies	0	0	0	36
Total Detention Services	28,282	28,282	0	27,619
Total Public Works	392,227	392,097	130	369,607
Culture and Recreation				
Parks and Recreation				
Personal services	37,944	37,643	301	38,118
Contract services	3,200	2,223	977	2,897
Materials and supplies	7,250	8,586	(1,336)	9,675
Total Parks and Recreation	48,394	48,452	(58)	50,690
Community Center				
Contract services	2,300	1,387	913	4,350
Materials and supplies	5,000	5,841	(841)	4,617
Total Community Center	7,300	7,228	72	8,967
Library				
Contract services	4,800	4,531	269	3,358
Materials and supplies	5,620	5,887	(267)	6,120
Payments to others	10,000	10,000	0	10,000
Total Library	20,420	20,418	2	19,478
Total Culture and Recreation	76,114	76,098	16	79,135

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
Housing and Development				
Inspections				
Personal services	$ 25,403	$ 24,636	$ 767	$ 24,585
Contract services	5,200	5,579	(379)	5,482
Materials and supplies	1,100	1,488	(388)	1,077
Total Inspections	31,703	31,703	0	31,144
Better Home Towns				
Personal services	21,962	22,463	(501)	21,836
Contract services	4,900	3,787	1,113	3,228
Materials and supplies	2,000	1,738	262	2,895
Total Better Home Towns	28,862	27,988	874	27,959
Cannery				
Contract services	0	777	(777)	0
Materials and supplies	0	181	(181)	0
Capital Outlay	103,945	102,986	959	0
Total Cannery	103,945	103,944	1	0
Total Housing and Development	164,510	163,635	875	59,103
Total Current	2,215,571	2,202,149	13,422	2,018,385
Debt Service				
Public Safety				
Fire Department	27,100	27,039	61	27,039
Total Expenditures	$ 2,242,671	$ 2,229,188	$ 13,483	$ 2,045,424

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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, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 6,922	$ 6,487
LIABILITIES AND FUND BALANCES		
Liabilities		
Other liabilities	$ 140	$ 141
Fund balances		
Restricted for Public Safety	6,782	6,346
Total liabilities and fund balances	$ 6,922	$ 6,487

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	$ 10,000	$ 4,923	$ (5,077)	$ 5,869
Total revenue	10,000	4,923	(5,077)	5,869
EXPENDITURES				
Current				
Public Safety				
Contract services	5,200	3,147	2,053	2,820
Materials and supplies	600	1,340	(740)	75
Total expenditures	5,800	4,487	1,313	2,895
Excess (deficiency) of revenues over (under) expenditures	4,200	436	(3,764)	2,974
Other financing sources (uses)				
Contingency	(10,900)	0	10,900	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,700)	436	7,136	2,974
Fund balance, January 1	6,700	6,346	(354)	3,372
Fund balances, December 31	$ 0	$ 6,782	$ 6,782	$ 6,346

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 79,553	$ 41,211
Taxes receivable	14,579	11,497
Prepaid items	1,033	0
Total assets	$ 95,165	$ 52,708
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 3,775	$ 16,360
Accrued payroll liabilities	982	454
Other liabilities	125	125
Total liabilities	4,882	16,939
Fund balances		
Restricted for Housing and Development	16,012	2,390
Assigned for:		
Housing and Development	34,271	13,379
Budget	40,000	20,000
Total fund balances	90,283	35,769
Total liabilities and fund balances	$ 95,165	$ 52,708

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	$ 185,000	$ 243,797	$ 58,797	$ 203,596
Charges for services	0	12,114	12,114	16,035
Interest	50	7	(43)	34
Contributions	500	0	(500)	800
Other	500	2,407	1,907	2,148
Total revenues	186,050	258,325	72,275	222,613
EXPENDITURES				
Current				
Housing and Development				
Personal services	59,035	67,066	(8,031)	60,056
Contract services	28,600	32,908	(4,308)	54,207
Material and supplies	35,000	51,337	(16,337)	47,977
Capital outlay	56,230	27,500	28,730	54,330
Payments to other agencies	25,000	25,000	0	27,000
Total expenditures	203,865	203,811	54	243,570
Excess (deficiency) of revenues over (under) expenditures	(17,815)	54,514	72,329	(20,957)
Other financing sources (uses)				
Contingency	(2,185)	0	2,185	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(20,000)	54,514	74,514	(20,957)
Fund balance, January 1	20,000	35,769	15,769	56,726
Fund balances, December 31	$ 0	$ 90,283	$ 90,283	$ 35,769

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 285,441	$ 268,925
Notes receivable	297,732	300,000
Total assets	$ 583,173	$ 568,925
LIABILITIES AND FUND BALANCES		
Fund balances		
Restricted for Housing and Development	$ 583,173	$ 568,925

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Interest	$ 16,476	$ 14,248	$ (2,228)	$ 4,045
EXPENDITURES				
Current				
Housing and Development				
Materials and supplies	0	0	0	41
Total expenditures	0	0	0	41
Excess (deficiency) of revenues over (under) expenditures	16,476	14,248	(2,228)	4,004
Other financing sources (uses)				
Contigency	(16,476)	0	16,476	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	14,248	14,248	4,004
Fund balance, January 1	0	568,925	568,925	564,921
Fund balances, December 31	$ 0	$ 583,173	$ 583,173	$ 568,925

CITY OF LAVONIA, GEORGIA
CEMETERY SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 2,286	$ 15,376
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	$ 227	$ 227
Fund balances		
Committed for Public Works	2,059	15,149
Total liabilities and fund balances	$ 2,286	$ 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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	$ 16,594	$ 15,465	$ (1,129)	$ 5,139
Total revenues	16,594	15,465	(1,129)	5,139
EXPENDITURES				
Current				
Public Works				
Contract services	1,000	0	1,000	175
Materials and supplies	2,500	261	2,239	2,378
Capital outlay	28,294	28,294	0	0
Total expenditures	31,794	28,555	3,239	2,553
Excess (deficiency) of revenues over (under) expenditures	(15,200)	(13,090)	2,110	2,586
Other financing sources (uses)				
Transfers in (out)				
General Fund	0	0	0	12,563
Contingency	0	0	0	0
Total other financing sources (uses)	0	0	0	12,563
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(15,200)	(13,090)	2,110	15,149
Fund balance, January 1	15,200	15,149	(51)	0
Fund balances, December 31	$ 0	$ 2,059	$ 2,059	$ 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
COMPARATIVE BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 730	$ 389
Intergovernmental receivables	41,892	38,900
Total assets	$ 42,622	$ 39,289
LIABILITIES AND FUND BALANCES		
Due to other funds	$ 39,236	$ 47,236
Unearned revenue	26,015	0
Total liabilities	65,251	47,236
FUND BALANCES		
Unassigned	(22,629)	(7,947)
Total liabilities and fund balances	$ 42,622	$ 39,289

CITY OF LAVONIA, GEORGIA
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2014 and 2013

	2014	2013
REVENUES		
Intergovernmental	$ 308,085	$ 269,878
Interest	4	34
Total revenues	308,089	269,912
EXPENDITURES		
Capital outlay		
Public Safety		
Police	20,228	59,646
Fire	99,247	1,742
Public Works		
Highways and Streets	116,696	203,440
Culture and Recreation		
Parks and Recreation	0	3,632
Library	68,308	3,588
Total expenditures	304,479	272,048
Excess (deficiency) of revenues over (under) expenditures	3,610	(2,136)
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	(18,292)	(63,873)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(14,682)	(66,009)
Fund balances, January 1	(7,947)	58,062
Fund balances, December 31	$ (22,629)	$ (7,947)

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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, 2014 and 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 186,167	$ 30,249
Certificates of deposit	354,721	355,357
Receivables		
Accounts (net)	238,512	261,001
Interest	814	1,642
Inventory	59,419	54,960
Prepaid items	15,408	16,199
Due from other funds	31,274	59,134
Total current assets	886,315	778,542
Restricted assets		
Bond Redemption		
Cash and cash equivalents	91,333	80,975
Customer Deposits		
Certificates of deposit	45,279	44,643
Total restricted assets	136,612	125,618
Capital assets		
Land	413,072	413,072
Land improvements	3,800	3,800
Buildings	177,559	177,559
Vehicles	286,251	282,251
Furniture and fixtures	77,657	77,657
Plant and facilities	9,070,776	8,957,807
Water and sewer lines and towers	7,853,406	7,138,071
Machinery and equipment	360,130	337,428
Nondepreciable intangibles	116,574	116,574
Depreciable intangibles	61,026	61,026
Construction in progress	51,049	331,868
Accumulated depreciation	(7,232,463)	(6,772,648)
Total capital assets (net of accumulated depreciation)	11,238,837	11,124,465
Total assets	$ 12,261,764	$ 12,028,625

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	$ 27,627	$ 40,307
Accrued salaries and payroll liabilities	14,576	6,530
Compensated absences	34,215	39,743
Unearned revenue	19,436	18,444
Due to other funds	11,117	0
Other current liabilities	3,902	3,902
Total current liabilities	110,873	108,926
Current liabilities payable from restricted assets		
Customer deposits	45,279	44,643
Revenue bonds payable	113,555	123,011
Interest payable	29,449	17,875
Total current liabilities payable from restricted assets	188,283	185,529
Long-term liabilities		
Notes payable	235,395	0
Revenue bonds payable	1,863,433	1,976,989
Total long-term liabilities	2,098,828	1,976,989
Total liabilities	2,397,984	2,271,444
NET POSITION		
Net investment in capital assets	9,026,454	9,016,915
Restricted for debt service	61,884	63,100
Unrestricted	775,442	677,166
Total net position	$ 9,863,780	$ 9,757,181

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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,472,794	$ 1,380,754
Sewer charges	511,986	468,783
Tap fees	24,015	19,800
Other	25,451	22,731
Total operating revenues	2,034,246	1,892,068
OPERATING EXPENSES		
Costs of sales and services	743,036	771,929
Personal services	781,134	757,816
Depreciation	464,840	464,070
Total operating expenses	1,989,010	1,993,815
Operating income (loss)	45,236	(101,747)
Non-operating revenues (expenses)		
Interest revenue	1,004	1,957
Interest expense	(66,327)	(93,309)
Debt issue costs	0	(23,706)
Gain (loss) on sale of capital assets	193	7,955
Total non-operating revenues (expenses)	(65,130)	(107,103)
Net income (loss) before capital contributions and transfers	(19,894)	(208,850)
Capital contributions		
Intergovernmental revenue	100,025	0
Capital contributions	8,176	1,984
Total capital contributions	108,201	1,984
Net income (loss) before transfers	88,307	(206,866)
Transfers in (out)		
2010 SPLOST Fund	18,292	63,873
Change in net position	106,599	(142,993)
Net position, January 1	9,757,181	9,900,174
Net position, December 31	$ 9,863,780	$ 9,757,181

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 2,032,912	$ 1,845,453
Payments to suppliers	(751,824)	(768,090)
Payments to employees	(778,616)	(782,047)
Other receipts	25,451	22,731
Net cash provided (used) by operating activities	527,923	318,047
Cash flows from non-capital financing activities:		
Receipts from other funds	38,977	0
Payments to other funds	0	(8,500)
Net cash provided (used) by non-capital financing activities	38,977	(8,500)
Cash flows from capital and related financing activities:		
Receipts of capital contributions	8,176	1,984
Receipts from other governments	100,025	151,365
Receipts from other funds	18,292	63,873
Proceeds from sale of capital assets	193	7,955
Payments for acquisitions of capital assets	(579,212)	(487,906)
Payment of capital related accounts payable	(7,560)	(16,404)
Issuance of revenue bonds	0	2,100,000
Proceeds from issuance of notes payable	235,395	0
Principal payments - revenue bonds	(123,012)	(2,181,390)
Debt issue costs	0	(23,706)
Interest paid	(54,753)	(78,313)
Net cash provided (used) by capital and related financing activities	(402,456)	(462,542)
Cash flows from investing activities:		
Proceeds from certificates of deposit	400,000	0
Purchases of certificates of deposit	(400,000)	(400,000)
Interest received	1,832	315
Net cash provided (used) by investing activities	1,832	(399,685)
Net increase (decrease) in cash	166,276	(552,680)
Cash and cash equivalents, January 1	111,224	663,904
Cash and cash equivalents, December 31	$ 277,500	$ 111,224

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 45,236	$ (101,747)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	464,840	464,070
(Increase) decrease in accounts receivable	22,489	(32,199)
(Increase) decrease in inventories	(4,459)	(4,950)
(Increase) decrease in prepaid items	791	(1,801)
Increase (decrease) in accounts payable	(5,120)	10,590
Increase (decrease) in unearned revenue	992	197
Increase (decrease) in payroll liabilities	2,518	(24,231)
Increase (decrease) in deposits payable	636	8,118
Total adjustments	482,687	419,794
Net cash provided (used) by operating activities	$ 527,923	$ 318,047
Cash and cash equivalents reconciliation		
Cash and cash equivalents	$ 186,167	$ 30,249
Debt Redemption		
Cash and cash equivalents	91,333	80,975
Total cash and cash equivalents	$ 277,500	$ 111,224

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled $0 and $7,560 for the years ended December 31, 2014 and 2013, respectively.

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets		
Accounts receivable (net)	$ 33,007	$ 37,869
Prepaid items	350	350
Due from other funds	12,270	0
Total assets	45,627	38,219
LIABILITIES		
Current liabilities		
Accounts payable	26,494	23,223
Accrued salaries and payroll liabilities	540	324
Compensated absences	1,694	651
Unearned revenue	4,025	1,147
Due to other funds	12,874	12,874
Total liabilities	45,627	38,219
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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Charges for sales and services	$ 309,510	$ 310,407
OPERATING EXPENSES		
Costs of sales and services	289,067	284,124
Personal services	43,318	42,235
Total operating expenses	332,385	326,359
Operating income (loss)	(22,875)	(15,952)
Transfers in (out)		
General Fund	22,875	15,952
Change in net position	0	0
Net position, January 1	0	0
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, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 317,250	$ 308,055
Payments to suppliers	(285,796)	(286,507)
Payments to employees	(42,059)	(42,100)
Net cash provided (used) by operating activities	(10,605)	(20,552)
Cash flows from non-capital financing activities:		
Receipts from other funds	10,605	20,552
Net increase (decrease) in cash	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)	$ (22,875)	$ (15,952)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	4,862	(1,850)
(Increase) decrease in prepaid items	0	(11)
Increase (decrease) in accounts payable	3,271	(2,372)
Increase (decrease) in unearned revenue	2,878	(502)
Increase (decrease) in accrued payroll liabilities	1,259	135
Total adjustments	12,270	(4,600)
Net cash provided (used) by operating activities	$ (10,605)	$ (20,552)

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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, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 11,396	$ 8,619
Accounts receivable (net)	40	40
Total assets	$ 11,436	$ 8,659
LIABILITIES		
Due to other agencies	$ 11,436	$ 8,659

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2014

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Cash and cash equivalents	$ 8,619	$ 191,037	$ (188,260)	$ 11,396
Accounts receivable	40	40	(40)	40
Total assets	$ 8,659	$ 191,077	$ (188,300)	$ 11,436
LIABILITIES				
Due to others agencies	$ 8,659	$ 191,077	$ (188,300)	$ 11,436

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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, 2014 and 2013

ASSETS	**2014**	**2013**
Cash and cash equivalents	$ 1,900	$ 2,421
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 520	$ 1,037
Other liabilities	88	88
Total liabilities	608	1,125
Fund balances		
Assigned for:		
Housing and Development	292	296
Budget	1,000	1,000
Total fund balances	1,292	1,296
Total liabilities and fund balances	$ 1,900	$ 2,421

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 25,000	$ 25,000	$ 0	$ 27,000
Contributions	2,200	1,000	(1,200)	2,100
Rent	8,600	8,451	(149)	8,205
Other	1,100	1,375	275	1,215
Total revenues	36,900	35,826	(1,074)	38,520
EXPENDITURES				
Current				
Housing and Development				
Contract services	19,500	19,985	(485)	23,970
Supplies and materials	15,200	15,145	55	16,415
Capital outlay	500	0	500	0
Payments to other agencies	1,500	700	800	1,000
Total expenditures	36,700	35,830	870	41,385
Excess of revenues over (under) expenditures	200	(4)	(204)	(2,865)
Other financing sources (uses)				
Contingency	(1,200)	0	1,200	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,000)	(4)	996	(2,865)
Fund balances, January 1	1,000	1,296	296	4,161
Fund balances, December 31	$ 0	$ 1,292	$ 1,292	$ 1,296

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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, 2014, 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 23, 2015.

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 14-1

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 23, 2015

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2014

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Water Expansion	$ 385,715	$ 385,715	$ 97,704	$ 18,292	$ 115,996
Police Department Facilities and Equipment	192,857	192,857	164,252	20,228	184,480
Fire Department Facilities and Equipment	200,000	200,000	49,846	99,247	149,093
Library Facilities	45,000	45,000	3,588	34,968	38,556
Recreation Facilities	192,857	192,857	139,773	0	139,773
Construction and Improvement of Roads	385,713	385,713	238,767	90,630	329,397
Total	$ 1,402,142	$ 1,402,142	$ 693,930	$ 263,365	$ 957,295

Current year SPLOST expenditures	$ 263,365
Expenditures financed through other revenues	59,406
Total expenditures and transfers out of the 2010 SPLOST Capital Projects Fund	$ 322,771

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