CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2015

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CITY OF LAVONIA, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavonia, Georgia, as of and for the year ended December 31, 2015, 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, 2015, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund and Hotel/Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 13 and 64 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and schedules, and the 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, 2014, which are not presented with the accompanying financial statements. In our report dated April 23, 2015, 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 2014 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 2014 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 2014 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 2014 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016 on our consideration of the City of Lavonia, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lavonia, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 31, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lavonia, it is our pleasure to present this narrative discussion and analysis of the City of Lavonia's financial performance, providing an overview of the activities for the year ended December 31, 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, 2015, by $18,357,922. (reported as *net position*).

- As of December 31, 2015, Lavonia's governmental funds reported combined ending fund balances of $3,986,146. Approximately 77% of this total amount, $3,061,695, is available for spending at the City Council's discretion (unassigned fund balance of the General Fund).

More detailed information regarding these activities and funds begins on page 7.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to the City of Lavonia's basic financial statements. The City of Lavonia's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the City as a whole)

The focus of the government-wide financial statements is on the overall financial position and activities of the City of Lavonia and is designed to provide readers with a broad overview of the City's financial activities in a manner similar to a private business enterprise.

The purpose of the ***Statement of Net Position*** (pages 14-15) 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 16), 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 14-16.

Fund Financial Statements (Reporting the City's Major Funds)

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 68. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

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

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

  In addition to the General Fund and Hotel/Motel Tax Special Revenue Fund, which are reported as major funds, the City of Lavonia maintains two governmental fund types:

  1. Special Revenue Funds
  2. Capital Projects Funds

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

The City's basic governmental fund financial statements are presented on pages 17-22 of this report.

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

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

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

- ***Fiduciary Funds –*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Lavonia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City acts as a trustee or fiduciary for the Municipal Court Agency Fund.

Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements.

The City's fiduciary fund Statement of Assets and Liabilities is presented on page 28.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-63 of this report.

Other Supplementary Information

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

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

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

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

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

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

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

Overview of the City's Financial Position and Operations

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

City of Lavonia
Net Position
As of December 31, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Assets						
Current assets	$ 4,053,714	$ 3,724,815	$ 1,017,991	$ 1,044,563	$ 5,071,705	$ 4,769,378
Capital assets	4,659,641	4,503,541	11,538,988	11,238,837	16,198,629	15,742,378
Other noncurrent assets	0	288,391	0	0	0	288,391
Total assets	8,713,355	8,516,747	12,556,979	12,283,400	21,270,334	20,800,147
Deferred Outflows of Resources						
Pension contributions subsequent to measurement date	41,098	0	28,596	0	69,694	0
Liabilities						
Current liabilities	119,274	168,551	415,063	320,792	534,337	489,343
Noncurrent liabilities	181,931	50,925	2,196,362	2,098,828	2,378,293	2,149,753
Total liabilities	301,205	219,476	2,611,425	2,419,620	2,912,630	2,639,096
Deferred Inflows of Resources						
Pension investment return differences	22,408	0	15,592	0	38,000	0
Pension assumption changes	1,545	0	1,075	0	2,620	0
Pension experience differences	17,016	0	11,840	0	28,856	0
Total deferred inflows of resources	40,969	0	28,507	0	69,476	0
Net Position						
Net investment in capital assets	4,608,716	4,428,647	9,306,063	9,026,454	13,914,779	13,455,101
Restricted	773,721	605,967	66,689	61,884	840,410	667,851
Unrestricted	3,029,842	3,262,657	572,891	775,442	3,602,733	4,038,099
Total net position	$ 8,412,279	$ 8,297,271	$ 9,945,643	$ 9,863,780	$ 18,357,922	$ 18,161,051

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 $18,357,922 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 (76%) 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% ($9,945,643) 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.

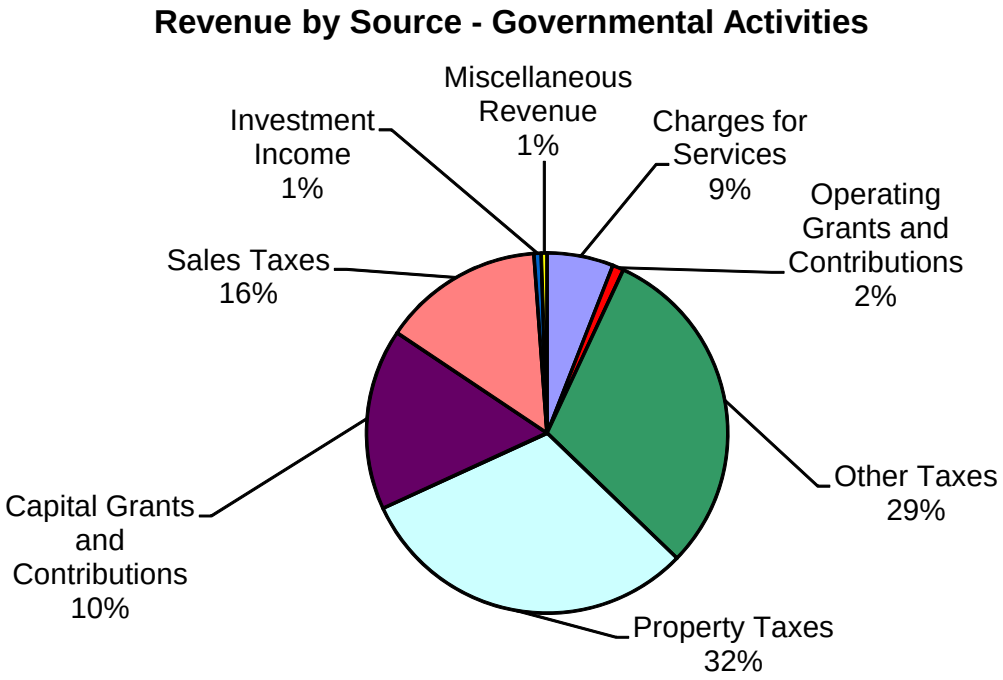
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Lavonia's net position changed during the year.

City of Lavonia
Changes in Net Position
For the years ending December 31, 2015 and 2014

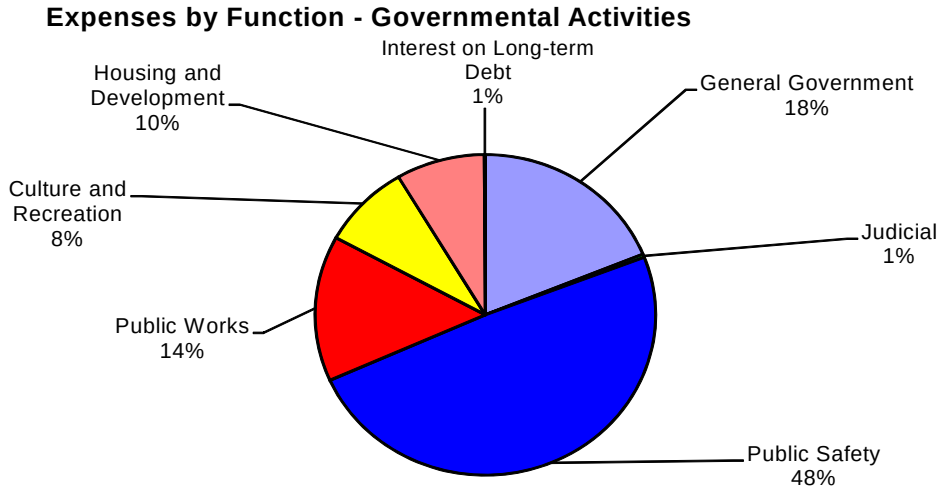
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	$ 173,903	$ 224,446	$ 2,368,814	$ 2,318,305	$ 2,542,717	$ 2,542,751
Operating grants and contributions	29,436	31,805	0	0	29,436	31,805
Capital grants and contributions	476,904	328,089	182,193	108,201	659,097	436,290
General revenues:						
Property taxes	906,572	913,756	0	0	906,572	913,756
Sales tax	423,291	441,960	0	0	423,291	441,960
Other taxes	889,293	845,115	0	0	889,293	845,115
Investment income	19,361	19,602	1,787	1,004	21,148	20,606
Miscellaneous revenue	15,162	22,650	24,894	25,644	40,056	48,294
Total revenues	2,933,922	2,827,423	2,577,688	2,453,154	5,511,610	5,280,577
Expenses						
General Government	483,581	443,454	0	0	483,581	443,454
Judicial	8,770	8,204	0	0	8,770	8,204
Public Safety	1,262,998	1,286,993	0	0	1,262,998	1,286,993
Public Works	377,101	386,431	0	0	377,101	386,431
Culture and Recreation	218,484	190,261	0	0	218,484	190,261
Housing and Development	216,630	237,786	0	0	216,630	237,786
Interest on long-term debt	2,210	3,186	0	0	2,210	3,186
Water and sewer	0	0	2,027,068	2,055,337	2,027,068	2,055,337
Solid Waste	0	0	451,236	332,385	451,236	332,385
Total expenses	2,569,774	2,556,315	2,478,304	2,387,722	5,048,078	4,944,037
Increase (decrease) in net position before transfers	364,148	271,108	99,384	65,432	463,532	336,540
Transfers	(83,892)	(41,167)	83,892	41,167	0	0
Increase (decrease) in net assets	280,256	229,941	183,276	106,599	463,532	336,540
Net position - beginning (original)	8,297,271	8,067,330	9,863,780	9,757,181	18,161,051	17,824,511
Prior period adjustment	(165,248)	0	(101,413)	0	(266,661)	0
Net position - beginning (restated)	8,132,023	8,067,330	9,762,367	9,757,181	17,894,390	17,824,511
Net position - ending	$ 8,412,279	$ 8,297,271	$ 9,945,643	$ 9,863,780	$ 18,357,922	$ 18,161,051

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 $183,276; this is $76,677 more than the increase in net position for 2014. The key elements of this increase are:

- 2015 operating income increased by $49,952 from 2014 due to increased customer usage in 2015. Capital grants in 2015 increased by $73,992 due to grants received in conjunction with water system projects during 2015.

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 $3,986,146. Of this amount, $3,061,621 (77%) 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 2016 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 $3,061,695, while total fund balance was $3,080,756. 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 123% of total General Fund expenditures, while total fund balance represents 124% 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 $61,083 was consumed by the East Main Paving Project.
- Numerous inter departmental budget adjustments were made to get the departmental budgets in balance which amounted to a zero dollar impact on the General Fund Budget.

It is anticipated that the General Fund will see only a slight increase in revenues in 2016 due to increases in Property Tax from real growth, Building Permits, and Franchise Tax categories. Therefore, the City will continue to hold the line with operating budgets, employee positions and salary increases to help insure that the General Fund reserve balance remains positive.

Proprietary Funds

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

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

- Water and Sewer $ 10,070,994
- Solid Waste $ (25,351)

The total increase in net position for both funds was $183,276. 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 $16,198,629 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 71% of this investment is related to business-type activities and approximately 29% relates to governmental activities.

During 2015, the City invested $1,229,910 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities
2015

Water Shed Additions	$ 65,545
Water Shed Parking Lot	16,346
Raw Water Intake Upgrade Project Phase Four	571,183
I-85 Trunk Line Project Phase One	18,928
Water Meter Replacement Project Phase Two	126,248
Purchased SCAG 72" Mower	4,300
Purchased Komatsu Fork Lift	2,000
	$ 804,550

Governmental Activities
2015

Cannery Phase Two Exterior Renovation Project	$ 55,279
Library Phase Two Exterior Project	20,301
East Main Street Project	92,112
Cemetery Paving Project Phase Two	15,372
Downtown TE Streescape Project Engineering	8,076
Fire Training Center Project	53,163
Purchased Kustom Pro Laser w/USB Port	2,501
Purchased Durabook Laptop	2,190
Purchased AMKUS Heavy Duty Cutter	2,249
Purchased MSA G1 Cylinder	126,150
Purchased Compressor System	18,356
Purchased Fill System	5,445
Purchased Carbon Monoxide Monitor	2,188
Purchased Cascade 8 Cylinder	9,650
Purchased Cascade 4 Cylinder	4,942
Purchased 120,000 BTU Unit	7,386
	$ 425,360

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, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
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	4,931,304	4,855,724	243,104	177,559	5,174,408	5,033,283
Infrastructure	1,672,312	1,564,828	20,146	3,800	1,692,458	1,568,628
Distribution system	0	0	16,924,182	16,924,182	16,924,182	16,924,182
Vehicles and equipment	2,489,025	2,316,160	652,681	646,381	3,141,706	2,962,541
Furniture and fixtures	134,448	134,448	77,657	77,657	212,105	212,105
Depreciable Intangibles	0	0	61,026	61,026	61,026	61,026
Construction in progress	111,239	50,000	767,408	51,049	878,647	101,049
Total	9,847,139	9,429,971	19,275,850	18,471,300	29,122,989	27,901,271
Accumulated depreciation	(5,187,498)	(4,926,430)	(7,736,862)	(7,232,463)	(12,924,360)	(12,158,893)
Net Capital Assets	$ 4,659,641	$ 4,503,541	$ 11,538,988	$ 11,238,837	$ 16,198,629	$ 15,742,378

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

Long-term debt. At December 31, 2015, the City of Lavonia had $2,216,422 in bonds, notes payable, and capital leases outstanding, a decrease in total of $70,855 from 2014.

City of Lavonia
Outstanding Debt
As of December 31, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue bonds	$0	$0	$1,863,433	$1,976,988	$1,863,433	$1,976,988
Notes payable	0	0	302,064	235,395	302,064	235,395
Capital leases	50,925	74,894	0	0	50,925	74,894
Total	$50,925	$74,894	$2,165,497	$2,212,383	$2,216,422	$2,287,277

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

Economic Condition and Outlook

We, as management, in considering the current and forecasted economic conditions for 2016, see a steady but slow recovery period ahead. Rural Georgia is not experiencing the robust economic recovery rate as larger urban centers. City property tax revenues have recovered and are moving in a positive direction. With a general positive economic outlook for 2016, the City has decided to move forward with several proposed General Fund capital projects during the present year including an Interior renovation of the Carnegie Library, paving and striping the Community Center and Ag Education/Cannery lots and repaving of Brookwood Drive. Management has given careful consideration to the uncertainty of the market and the new economic growth in the preparation of the city budgets for 2016. Noteworthy budget items and cost saving considerations were:

- General Fund budget expenditures will remain consistent with 2015 expenditures.
- With most revenue streams expected to remain at or slightly above 2015 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 low wattage LED fixtures to conserve energy and help reduce energy costs for the city. Gasoline and fuel prices are expected to remain steady for the upcoming year
- Interest rates on C.D.'s are expected to be less than ½ % again for 2016, which is about the same as 2015. 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 2015.
- The Mayor and Council decided provide a COLA increase for all employees at the beginning of 2016.
- In late 2015, Franklin County informed the City that they would no longer lease the Lavonia Ballfields from the City and run for the benefit of Franklin County Little League. One full time staff person was moved from the Street Department and renovations made to the concession stand. This will be ongoing for the foreseeable future.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,789,573	$ 191,650	$ 1,981,223	$ 3,928
Certificates of deposit	700,000	351,495	1,051,495	0
Restricted assets				
Cash and cash equivalents	0	94,446	94,446	0
Certificates of deposit	0	48,505	48,505	0
Receivables (net)				
Accounts	0	247,931	247,931	0
Intergovernmental	53,246	66,752	119,998	0
Interest	2,235	1,657	3,892	0
Taxes	373,168	0	373,168	0
Internal balances	58,631	(58,631)	0	0
Inventories	0	57,299	57,299	0
Prepaids	20,161	16,887	37,048	0
Property held for resale	1,056,700	0	1,056,700	0
Total current assets	4,053,714	1,017,991	5,071,705	3,928
Noncurrent assets				
Capital assets				
Non-depreciable	620,050	1,297,054	1,917,104	40,000
Depreciable (net)	4,039,591	10,241,934	14,281,525	87,410
Total noncurrent assets	4,659,641	11,538,988	16,198,629	127,410
Total assets	8,713,355	12,556,979	21,270,334	131,338
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	41,098	28,596	69,694	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	14,238	73,706	87,944	0
Retainages	0	52,325	52,325	0
Interest	1,827	0	1,827	0
Accrued salaries and payroll liabilities	23,311	13,421	36,732	0
Compensated absences	51,867	24,979	76,846	0
Unearned revenue	0	22,617	22,617	0
Capital lease payable	24,951	0	24,951	0
Note payable	0	30,575	30,575	0
Other current liabilities	3,080	3,902	6,982	87
Liabilities payable from restricted assets				
Customer deposits	0	48,505	48,505	0
Revenue bonds payable	0	117,276	117,276	0
Interest payable	0	27,757	27,757	0
Total current liabilities	119,274	415,063	534,337	87

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	$ 155,957	$ 108,516	$ 264,473	$ 0
Capital lease payable	25,974	0	25,974	0
Notes payable	0	271,489	271,489	0
Revenue bonds payable	0	1,746,157	1,746,157	0
Post-closure care	0	70,200	70,200	0
Total noncurrent liabilities	181,931	2,196,362	2,378,293	0
Total liabilities	301,205	2,611,425	2,912,630	87
DEFERRED INFLOWS OF RESOURCES				
Pension investment return differences	22,408	15,592	38,000	0
Pension assumption changes	1,545	1,075	2,620	0
Pension experience differences	17,016	11,840	28,856	0
Total deferred inflows of resources	40,969	28,507	69,476	0
NET POSITION				
Net investment in capital assets	4,608,716	9,306,063	13,914,779	127,410
Restricted for:				
Public Safety	9,283	0	9,283	0
Housing and Development	707,424	0	707,424	0
Capital outlay	57,014	0	57,014	0
Debt Service	0	66,689	66,689	0
Unrestricted	3,029,842	572,891	3,602,733	3,841
Total net position	$ 8,412,279	$ 9,945,643	$ 18,357,922	$ 131,251

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

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	$ 483,581	$ 32,450	$ 2,765	$ 0	$ (448,366)
Judicial	8,770	0	0	0	(8,770)
Public Safety	1,262,998	125,755	22,671	314,547	(800,025)
Public Works	377,101	5,480	0	94,049	(277,572)
Health and Welfare	0	0	4,000	0	4,000
Culture and Recreation	218,484	8,202	0	68,308	(141,974)
Housing and Development	216,630	2,016	0	0	(214,614)
Interest on long-term debt	2,210	0	0	0	(2,210)
Total governmental activities	2,569,774	173,903	29,436	476,904	(1,889,531)
Business-type activities					
Water and Sewer	2,027,068	2,037,043	0	182,193	192,168
Solid Waste	451,236	331,771	0	0	(119,465)
Total business-type activities	2,478,304	2,368,814	0	182,193	72,703
Total primary government	5,048,078	2,542,717	29,436	659,097	(1,816,828)
Component Unit					
Downtown Development Authority					
Housing and Development	38,627	0	25,000	0	(13,627)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net position				
Net (expense) revenue	$ (1,889,531)	$ 72,703	$ (1,816,828)	$ (13,627)
General revenues				
Taxes				
Property	906,572	0	906,572	0
Sales	423,291	0	423,291	0
Insurance premium	124,230	0	124,230	0
Occupational	59,257	0	59,257	0
Franchise	266,346	0	266,346	0
Intangible	10,897	0	10,897	0
Alcohol excise	118,523	0	118,523	0
Hotel/Motel	310,040	0	310,040	0
Interest and investment earnings	19,361	1,787	21,148	0
Miscellaneous	15,162	24,894	40,056	11,905
Transfers	(83,892)	83,892	0	0
Total general revenues and transfers	2,169,787	110,573	2,280,360	11,905
Change in net position	280,256	183,276	463,532	(1,722)
Net position - beginning (original)	8,297,271	9,863,780	18,161,051	132,973
Prior period adjustment	(165,248)	(101,413)	(266,661)	0
Net position - beginning (restated)	8,132,023	9,762,367	17,894,390	132,973
Net position - ending	$ 8,412,279	$ 9,945,643	$ 18,357,922	$ 131,251

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

CITY OF LAVONIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	General	Hotel/Motel Tax	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 928,810	$ 220,176	$ 640,587	$ 1,789,573
Certificates of deposit	700,000	0	0	700,000
Receivables (net)				
Intergovernmental	2,000	0	51,246	53,246
Interest	2,235	0	0	2,235
Taxes	350,835	22,333	0	373,168
Prepaid items	19,061	1,100	0	20,161
Property held for resale	1,056,700	0	0	1,056,700
Due from other funds	87,240	0	0	87,240
Total assets	$ 3,146,881	$ 243,609	$ 691,833	$ 4,082,323
LIABILITIES				
Accounts payable	$ 14,238	$ 0	$ 0	$ 14,238
Accrued salaries and payroll liabilities	22,133	1,178	0	23,311
Due to other funds	0	1,146	27,463	28,609
Other liabilities	2,815	125	140	3,080
Total liabilities	39,186	2,449	27,603	69,238
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	26,939	0	0	26,939
FUND BALANCES				
Nonspendable prepaid items	19,061	1,100	0	20,161
Restricted for:				
Public Safety	0	0	9,283	9,283
Housing and Development	0	109,417	598,007	707,424
Capital outlay	0	0	57,014	57,014
Assigned for:				
Housing and Development	0	643	0	643
Budget	0	130,000	0	130,000
Unassigned	3,061,695	0	(74)	3,061,621
Total fund balances	3,080,756	241,160	664,230	3,986,146
Total liabilities, deferred inflows of resources, and fund balances	$ 3,146,881	$ 243,609	$ 691,833	$ 4,082,323

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, 2015

Total fund balance - total governmental funds			$ 3,986,146
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			4,659,641
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			26,939
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. These are:			
Deferred outflows of resources:			
Pension contributions subsequent to measurement date	$ 41,098		
Deferred inflows of resources:			
Pension investment return differences	(22,408)		
Pension assumption changes	(1,545)		
Pension experience differences	(17,016)		129
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These are:			
Capital leases	$ (50,925)		
Interest payable	(1,827)		
Compensated absences	(51,867)		
Net pension liability	(155,957)		(260,576)
Net position of governmental activities			$ 8,412,279

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, 2015

	General	Hotel/Motel Tax	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	$ 1,906,356	$ 310,040	$ 0	$ 2,216,396
Licenses and permits	34,466	0	0	34,466
Fines, fees and forfeitures	121,791	0	3,774	125,565
Charges for services	190	1,852	5,501	7,543
Intergovernmental	224,508	0	276,553	501,061
Interest	4,512	12	14,836	19,360
Contributions	5,276	0	0	5,276
Other	17,420	3,936	0	21,356
Total revenues	2,314,519	315,840	300,664	2,931,023
EXPENDITURES				
Current				
General Government	481,102	0	0	481,102
Judicial	8,770	0	0	8,770
Public Safety	1,288,245	0	1,273	1,289,518
Public Works	468,945	0	7,634	476,579
Culture and Recreation	104,491	0	0	104,491
Housing and Development	112,982	164,963	0	277,945
Capital outlay	0	0	85,020	85,020
Debt service	27,039	0	0	27,039
Total expenditures	2,491,574	164,963	93,927	2,750,464
Excess (deficiency) of revenues over (under) expenditures	(177,055)	150,877	206,737	180,559
Other financing sources (uses)				
Transfers out	0	0	(83,892)	(83,892)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(177,055)	150,877	122,845	96,667
Fund balances, January 1 (restated)	3,257,811	90,283	541,385	3,889,479
Fund balances, December 31	$ 3,080,756	$ 241,160	$ 664,230	$ 3,986,146

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, 2015

Net change in fund balances - total governmental funds			$ 96,667
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	$ 425,360		
Depreciation	(269,260)		156,100
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Unavailable deferred revenue			2,759
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.			
Pension contributions	$ 61,762		
Cost of benefits net of employee contributions	(60,342)		1,420
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			23,969
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	$ 860		
Compensated absences	(1,519)		(659)
Change in net position of governmental activities			$ 280,256

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, 2015

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,986,500	$ 1,986,500	$ 1,906,356	$ (80,144)
Licenses and permits	7,100	7,100	34,466	27,366
Fines, fees and forfeitures	135,000	135,000	121,791	(13,209)
Charges for services	600	600	190	(410)
Intergovernmental	44,500	44,500	224,508	180,008
Interest	10,000	10,000	4,512	(5,488)
Contributions	6,000	6,000	5,276	(724)
Other	23,500	23,500	17,420	(6,080)
Total revenues	2,213,200	2,213,200	2,314,519	101,319
EXPENDITURES				
Current				
General Government				
Governing Body	112,795	120,295	116,151	4,144
Financial Administration	362,306	362,306	364,951	(2,645)
Judicial				
Municipal Court	8,100	8,900	8,770	130
Public Safety				
Police Department	1,012,762	1,012,762	962,761	50,001
Fire Department	85,800	96,100	322,222	(226,122)
Communications	3,700	3,700	3,262	438
Public Works				
Highways and Streets	287,138	287,138	409,318	(122,180)
Maintenance Shop	34,830	34,830	33,360	1,470
Detention Services	27,197	27,197	26,267	930
Culture and Recreation				
Parks and Recreation	63,894	66,894	65,124	1,770
Community Center	13,300	21,300	21,571	(271)
Library	17,700	17,700	17,796	(96)
Housing and Development				
Inspections	31,873	31,873	26,653	5,220
Better Home Towns	29,022	29,022	27,018	2,004
Cannery	9,600	9,600	59,311	(49,711)
Debt service				
Public Safety				
Fire Department	27,100	27,100	27,039	61
Total expenditures	2,127,117	2,156,717	2,491,574	(334,857)
Excess (deficiency) of revenues over (under) expenditure	86,083	56,483	(177,055)	(233,538)
Other financing sources (uses)				
Transfers out	(35,000)	(35,000)	0	35,000
Sale of capital assets	10,000	10,000	0	(10,000)
Contingency	(61,083)	(31,483)	0	31,483
Total other financing sources (uses)	(86,083)	(56,483)	0	56,483
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(177,055)	(177,055)
Fund balances, January 1 (restated)	0	0	3,257,811	3,257,811
Fund balances, December 31	$ 0	$ 0	$ 3,080,756	$ 3,080,756

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

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2015

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Hotel/motel taxes	$ 245,000	$ 245,000	$ 310,040	$ 65,040
Charges for services	1,500	1,500	1,852	352
Interest	0	0	12	12
Other	3,500	3,500	3,936	436
Total revenues	250,000	250,000	315,840	65,840
EXPENDITURES				
Current				
Housing and Development				
Inspections	265,000	177,387	164,963	12,424
Excess (deficiency) of revenues over (under) expenditure	(15,000)	72,613	150,877	78,264
Other financing sources (uses)				
Transfers out	(25,000)	0	0	0
Contingency	0	(112,613)	0	112,613
Total other financing sources (uses)	(25,000)	(112,613)	0	112,613
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(40,000)	(40,000)	150,877	190,877
Fund balances, January 1	40,000	40,000	90,283	50,283
Fund balances, December 31	$ 0	$ 0	$ 241,160	$ 241,160

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 191,650	$ 0	$ 191,650
Certificates of deposit	351,495	0	351,495
Restricted assets			
Cash and cash equivalents	94,446	0	94,446
Certificates of deposit	48,505	0	48,505
Receivables			
Accounts (net)	208,692	39,239	247,931
Intergovernmental	66,752	0	66,752
Interest	1,657	0	1,657
Inventory	57,299	0	57,299
Prepaid items	16,537	350	16,887
Due from other funds	31,274	0	31,274
Total current assets	1,068,307	39,589	1,107,896
Noncurrent assets			
Capital assets			
Non-depreciable	1,297,054	0	1,297,054
Depreciable (net)	10,241,934	0	10,241,934
Total noncurrent assets	11,538,988	0	11,538,988
Total assets	12,607,295	39,589	12,646,884
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	27,058	1,538	28,596
LIABILITIES			
Current liabilities			
Payables			
Accounts	23,577	50,129	73,706
Retainages	52,325	0	52,325
Accrued salaries and payroll liabilities	12,653	768	13,421
Compensated absences	23,555	1,424	24,979
Unearned revenue	18,737	3,880	22,617
Notes payable	30,575	0	30,575
Due to other funds	57,200	32,705	89,905
Other current liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits	48,505	0	48,505
Revenue bonds payable	117,276	0	117,276
Interest payable	27,757	0	27,757
Total current liabilities	416,062	88,906	504,968
Noncurrent liabilities			
Net pension liability	102,678	5,838	108,516
Notes payable	271,489	0	271,489
Revenue bonds payable	1,746,157	0	1,746,157
Post-closure care	0	70,200	70,200
Total noncurrent liabilities	2,120,324	76,038	2,196,362
Total liabilities	2,536,386	164,944	2,701,330

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

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
DEFERRED INFLOWS OF RESOURCES			
Pension investment return differences	$ 14,753	$ 839	$ 15,592
Pension assumption changes	1,017	58	1,075
Pension experience differences	11,203	637	11,840
Total deferred inflows of resources	26,973	1,534	28,507
NET POSITION			
Net investment in capital assets	9,306,063	0	9,306,063
Restricted for debt service	66,689	0	66,689
Unrestricted	698,242	(125,351)	572,891
Total net position	$ 10,070,994	$ (125,351)	$ 9,945,643

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, 2015

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	$ 2,037,043	$ 331,771	$ 2,368,814
Other	24,894	0	24,894
Total operating revenues	2,061,937	331,771	2,393,708
OPERATING EXPENSES			
Costs of sales and services	692,359	404,678	1,097,037
Personal services	763,463	46,558	810,021
Depreciation	504,399	0	504,399
Total operating expenses	1,960,221	451,236	2,411,457
Operating income (loss)	101,716	(119,465)	(17,749)
Non-operating revenues (expenses)			
Interest revenue	1,787	0	1,787
Interest expense	(66,847)	0	(66,847)
Total non-operating revenues (expenses)	(65,060)	0	(65,060)
Net income (loss) before capital contributions and transfers	36,656	(119,465)	(82,809)
Capital contributions			
Intergovernmental revenue	179,090	0	179,090
Capital contributions	3,103	0	3,103
Total capital contributions	182,193	0	182,193
Net income (loss) before transfers	218,849	(119,465)	99,384
Transfers in (out)			
Transfers in	83,892	0	83,892
Change in net position	302,741	(119,465)	183,276
Net position, January 1 (restated)	9,871,780	0	9,871,780
Prior period adjustment	(103,527)	(5,886)	(109,413)
Net position, January 1 (restated)	9,768,253	(5,886)	9,762,367
Net position, December 31	$ 10,070,994	$ (125,351)	$ 9,945,643

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, 2015

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	$ 2,069,390	$ 325,394	$ 2,394,784
Payments to suppliers	(710,521)	(310,843)	(1,021,364)
Payments to employees	(776,980)	(46,652)	(823,632)
Other receipts	24,894	0	24,894
Net cash provided (used) by operating activities	606,783	(32,101)	574,682
Cash flows from non-capital financing activities:			
Receipts from other funds	54,083	32,101	86,184
Cash flows from capital and related financing activities:			
Receipt of capital contributions	3,103	0	3,103
Receipts from other governments	112,338	0	112,338
Receipts from other funds	83,892	0	83,892
Payments for acquisitions of capital assets	(737,122)	0	(737,122)
Proceeds from issuance of notes payable	76,827	0	76,827
Principal payments - revenue bonds	(113,555)	0	(113,555)
Principal payments - notes payable	(10,158)	0	(10,158)
Interest paid	(68,539)	0	(68,539)
Net cash provided (used) by capital and related financing activities	(653,214)	0	(653,214)
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	944	0	944
Net cash provided (used) by investing activities	944	0	944
Net increase (decrease) in cash and cash equivalents	8,596	0	8,596
Cash and cash equivalents, January 1	277,500	0	277,500
Cash and cash equivalents, December 31	$ 286,096	$ 0	$ 286,096

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, 2015

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 101,716	$ (119,465)	$ (17,749)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	504,399	0	504,399
(Increase) decrease in accounts receivable	29,820	(6,232)	23,588
(Increase) decrease in inventories	2,120	0	2,120
(Increase) decrease in prepaid items	(1,129)	0	(1,129)
(Increase) decrease in prior year pension contributions during measurement period	(27,058)	(1,538)	(28,596)
Increase (decrease) in accounts payable	(19,153)	23,635	4,482
Increase (decrease) in unearned revenue	(699)	(145)	(844)
Increase (decrease) in payroll liabilities	(12,583)	(42)	(12,625)
Increase (decrease) in net pension liability	(849)	(48)	(897)
Increase (decrease) in post-closure care liability	0	70,200	70,200
Increase (decrease) in pension investment return differences	14,753	839	15,592
Increase (decrease) in pension assumption changes	1,017	58	1,075
Increase (decrease) in pension experience differences	11,203	637	11,840
Increase (decrease) in deposits payable	3,226	0	3,226
Total adjustments	505,067	87,364	592,431
Net cash provided (used) by operating activities	$ 606,783	$ (32,101)	$ 574,682
Cash and cash equivalents reconciliation			
Cash and cash equivalents reconciliation	$ 191,650	0	191,650
Debt Redemption			
Cash and cash equivalents reconciliation	94,446	0	94,446
	$ 286,096	$ 0	$ 286,096

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled $15,103 for the year ended December 31, 2015.

Acquisition of capital assets through retainage payable totaled $52,325 for the year ended December 31, 2015.

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, 2015

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 8,829
Accounts receivable, net	40
Total assets	$ 8,869
LIABILITIES	
Due to other agencies	$ 8,869

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.

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

The City reports the following major proprietary funds:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Lavonia.

Solid Waste Fund – This fund is used to account for activities connected with the collection and disposal of residential, commercial, industrial and institutional solid waste in the City of Lavonia.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Governmental Fund Types, continued

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

Fiduciary Fund Types

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has an agency fund to account for the activity of the Municipal Court.

Component Unit

The Lavonia Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

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

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Component Unit, continued

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

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

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

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

F. Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Summary of Significant Accounting Policies (continued)

F. Revenues and Expenditures/Expenses, continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Solid Waste Funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. The Capital Projects Fund is budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of November, the City Manager submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting, continued

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31, 2015.

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, 2015, 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. The City reports deferred outflow of resource for their defined benefit pension plans.

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

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, 2015, 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 2014 amounts have been reclassified to conform with the 2015 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, 2015, 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, 2015, consist of the following:

Major Funds		
Enterprise Funds		
Water and Sewer	$ 420,396	
Less: Allowances for Uncollectibles	(211,704)	
Solid Waste	91,527	
Less: Allowances for Uncollectibles	(52,288)	$ 247,931
Fiduciary Funds		
Agency Fund		
Municipal Court Agency Fund		$ 40

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2015, consist of the following:

Governmental Funds		
General		
Georgia Municipal Association	$ 2,000	
Nonmajor Funds		
2010 SPLOST		
Franklin County Board of Commissioners	38,837	
Athens Regional Library System	12,409	$ 53,246
Enterprise Funds		
Water and Sewer		
Tennessee Valley Authority		66,752
Total		$ 119,998

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2015, consist of property taxes for seven years as follows:

Year of Levy	Amount
2015	$ 45,658
2014	841
2013	167
2012	108
2011	25
2010	4
2009	4
	46,807
Less allowance for uncollectible	(930)
	45,877
Add amount due from Franklin County Tax Commissioner	23,892
Total	$ 69,769

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 2015, based upon the assessments of January 1, 2015, were billed on December 20, 2015, and due on November 15, 2015. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mils for 2015 was levied on December 3, 2015.

Other Taxes

$243,553 of franchise taxes, $37,513 of sales taxes, and $22,333 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, 2015, is as follows:

	Due from:				
	Major Funds				
	Hotel/Motel Tax	Water and Sewer	Solid Waste	Nonmajor Governmental	Total
Due to:					
Major Funds					
General	$ 1,146	$ 57,200	$ 19,831	$ 9,063	$ 87,240
Water and Sewer	0	0	12,874	18,400	31,274
Total	$ 1,146	$ 57,200	$ 32,705	$ 27,463	$ 118,514

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made. The balance reported in the Water and Sewer Fund and the Solid Waste Fund resulted from transactions to alleviate an equity in pooled cash deficit at year-end.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

A summary of interfund transfers is as follows:

	Transfers out:
	Nonmajor Funds
	2010 SPLOST
Transfers in:	
Major Funds	
Water and Sewer	$ 83,892

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

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
Governmental activities				
Non-depreciable assets				
Land	$ 508,811	$ 0	$ 0	$ 508,811
Construction in progress	50,000	152,191	(90,952)	111,239
Total non-depreciable assets	558,811	152,191	(90,952)	620,050
Depreciable assets				
Buildings	4,855,724	75,580	0	4,931,304
Infrastructure	1,564,828	107,484	0	1,672,312
Vehicles	1,644,957	0	0	1,644,957
Machinery and equipment	671,203	181,057	(8,192)	844,068
Furniture and fixtures	134,448	0	0	134,448
Total depreciable assets	8,871,160	364,121	(8,192)	9,227,089
Accumulated depreciation				
Buildings	(1,904,468)	(98,064)	0	(2,002,532)
Infrastructure	(890,947)	(79,174)	0	(970,121)
Vehicles	(1,437,272)	(60,839)	0	(1,498,111)
Machinery and equipment	(568,114)	(27,187)	8,192	(587,109)
Furniture and fixtures	(125,629)	(3,996)	0	(129,625)
Total accumulated depreciation	(4,926,430)	(269,260)	8,192	(5,187,498)
Total depreciable assets, net	3,944,730	94,861	0	4,039,591
Governmental activities capital assets, net	$ 4,503,541	$ 247,052	$ (90,952)	$ 4,659,641

8. Capital Assets (continued)

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
Business-type activities				
Non-depreciable assets				
Land	$ 413,072	$ 0	$ 0	$ 413,072
Intangibles	116,574	0	0	116,574
Construction in progress	51,049	716,359	0	767,408
Total non-depreciable assets	580,695	716,359	0	1,297,054
Depreciable assets				
Buildings	177,559	65,545	0	243,104
Land improvements	3,800	16,346	0	20,146
Distribution system	16,924,182	0	0	16,924,182
Intangibles	61,026	0	0	61,026
Vehicles	286,251	0	0	286,251
Machinery and equipment	360,130	6,300	0	366,430
Furniture and fixtures	77,657	0	0	77,657
Total depreciable assets	17,890,605	88,191	0	17,978,796
Accumulated depreciation				
Buildings	(69,213)	(4,425)	0	(73,638)
Land improvements	(3,230)	(570)	0	(3,800)
Distribution system	(6,556,207)	(451,425)	0	(7,007,632)
Intangibles	(16,783)	(6,103)	0	(22,886)
Vehicles	(250,627)	(20,870)	0	(271,497)
Machinery and equipment	(262,953)	(19,677)	0	(282,630)
Furniture and fixtures	(73,450)	(1,329)	0	(74,779)
Total accumulated depreciation	(7,232,463)	(504,399)	0	(7,736,862)
Total depreciable assets, net	10,658,142	(416,208)	0	10,241,934
Business-type activities capital assets, net	$ 11,238,837	$ 300,151	$ 0	$ 11,538,988

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
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	(18,472)	(2,519)	0	(20,991)
Land improvements	(14,419)	(1,502)	0	(15,921)
Intangibles	(1,208)	(250)	0	(1,458)
Total accumulated depreciation	(34,099)	(4,271)	0	(38,370)
Total depreciable assets, net	91,681	(4,271)	0	87,410
Downtown Development Authority Component Unit capital assets, net	$ 131,681	$ (4,271)	$ 0	$ 127,410

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 5,464
Public Safety	121,445
Public Works	29,767
Culture and Recreation	99,175
Housing and Development	13,409
Total depreciation expense for governmental activities	$ 269,260
Business-type activities	
Water and Sewer	$ 504,399
Component Unit	
Downtown Development Authority	$ 4,271

9. 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, 2015, is $50,925 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, 2015:

Year Ending December 31,	Governmental activities
2016	$ 27,039
2017	27,039
Total minimum lease payments	54,078
Less amounts representing interest	(3,153)
Present value of minimum lease payments	$ 50,925

Total assets leased under capital leases are $224,818 for governmental activities, consisting of:

	Cost	Accumulated Depreciation
Furniture and fixtures	$ 224,818	$ 224,818

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

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

10. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2015:

$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% ($1,863,433 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
2016	$ 117,276	$ 59,616	$ 176,892
2017	121,118	55,774	176,892
2018	125,087	51,805	176,892
2019	129,185	47,707	176,892
2020	133,418	43,475	176,893
2021-2025	735,593	148,868	884,461
2026-2028	501,756	28,921	530,677
Totals	$ 1,863,433	$ 436,166	$ 2,299,599

10. 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 $312,222 for the improvement of the water and sewer system. Monthly installments of principal and interest are due through December 1, 2025; interest at 0.50%. At December 31, 2015, the balance of this note is $302,064.

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

Year Ending December 31,	Principal	Interest	Total
2016	$ 30,575	$ 1,441	$ 32,016
2017	30,729	1,287	32,016
2018	30,883	1,133	32,016
2019	31,037	979	32,016
2020	31,193	883	32,076
2021-2025	147,647	1,761	149,408
Totals	$ 302,064	$ 7,484	$ 309,548

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, 2015:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015	Due Within One Year
Governmental activities					
Capital lease obligations	$ 74,894	$ 0	$ (23,969)	$ 50,925	$ 24,951
Compensated absences	50,348	51,867	(50,348)	51,867	51,867
Total governmental activities	$ 125,242	$ 51,867	$ (74,317)	$ 102,792	$ 76,818
Business-type activities					
Revenue bonds	$ 1,976,988	$ 0	$ (113,555)	$ 1,863,433	$ 117,276
Notes payable	235,395	76,827	(10,158)	302,064	30,575
Landfill post-closure care costs	0	70,200	0	70,200	0
Compensated absences	35,909	24,979	(35,909)	24,979	24,979
Total business-type activities	$ 2,248,292	$ 172,006	$ (159,622)	$ 2,260,676	$ 172,830

10. Long-Term Debt (continued)

Changes in Long-Term Debt, continued

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 $3,071 and $66,847 for the governmental activities and business-type activities, respectively.

11. Conduit Debt

The City, through the Hospital Authority of the City of Lavonia, has issued revenue bonds to provide financial assistance to a private-sector entity for the acquisition and construction of the Ty Cobb Regional Medical Center. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loan. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City nor the State, or any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2015, the principal amount payable for the bonds issued totaled $8,065,000; the original issue amount totaled $8,500,000.

12. Landfill Post-Closure Care Costs

The City operates an inert landfill. State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of $70,200 as of December 31, 2015. The inert landfill is expected to be filled to capacity by the year 2066.

12. Landfill Post-Closure Care Costs (continued)

The estimated total current cost of the landfill closure and post-closure care ($70,200) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2015. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

13. Deficit Equity Balances

At December 31, 2015, the Cemetery Fund and the Solid Waste Fund had deficit equity balances of $74 and $125,351, respectively. The City plans to transfer funds to these funds in the next year to alleviate this deficit.

14. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2015:

	Hotel/Motel Tax	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:			
Public Safety			
Police department	$ 0	$ 9,283	$ 9,283
Housing and Development			
Revolving loan fund debt service	0	598,007	598,007
Trade and tourism	109,417	0	109,417
Capital outlay	0	57,014	57,014
	$ 109,417	$ 664,304	$ 773,721
Assigned to:			
Housing and Development			
Trade and tourism	$ 643	$ 0	$ 643
Budget			
Subsequent year's budget	130,000	0	130,000
	$ 130,643	$ 0	$ 130,643

At December 31, 2015, the City of Lavonia Development Authority fund balance consists of $3,341 assigned to development authority operations, and $500 assigned to the subsequent year's budget.

15. Changes in Beginning Balances

Governmental Activities

A prior period adjustment has been made to record a net pension liability and deferred inflows and outflows of resources at December 31, 2014. This adjustment was required with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This adjustment decreased beginning net position by $157,248.

General Fund

A prior period adjustment has been made to record a due to/from other funds in the General Fund. An entry was made to the incorrect fund. The 2014 numbers were restated to reflect this change. This adjustment increased beginning fund balance by $20,000.

2010 SPLOST

A prior period adjustment has been made to record a due to/from other funds in the 2010 SPLOST Fund. An entry was made to the incorrect fund. The 2014 numbers were restated to reflect this change. This adjustment decreased beginning fund balance by $28,000.

The net effect of these adjustments was to decrease net position in the Governmental Activities by $165,248.

Business Type Activities

Water and Sewer Enterprise Fund

A prior period adjustment has been made to record a net pension liability and deferred inflows and outflows of resources at December 31, 2014 in the Water and Sewer Fund. This adjustment was required with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This adjustment decreased beginning net position by $103,527.

A prior period adjustment has been made to record a due to/from other funds in the Water and Sewer Fund. An entry was made to the incorrect fund. The 2014 numbers were restated to reflect this change. This adjustment increased beginning net position by $8,000.

15. Changes in Beginning Balances (continued)

Business Type Activities, continued

Solid Waste Enterprise Fund

A prior period adjustment has been made to record a net pension liability and deferred inflows and outflows of resources at December 31, 2014 in the Solid Waste Fund. This adjustment was required with the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This adjustment decreased beginning net position by $5,886.

The net effect of these adjustments was to decrease net position in the Business-Type Activities by $101,413.

16. Pension Plans

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

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

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

16. Pension Plan (continued)

At July 1, 2015, the date of the most recent actuarial valuation, there were 84 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	21
Terminated vested participants entitled to but not yet receiving benefits	15
Active participants	48
Total number of participants	84

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

Contributions. Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the year period ending December 31, 2015 was $107,565, or 7.23% of covered employee payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2015, the City reported a net pension liability of $264,473. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. For the fiscal year ended December 31, 2015, the City recognized pension expense of $102,329.

16. Pension Plan (continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ (28,856)
Changes of assumptions	0	(2,620)
Net difference between projected and actual earnings on pension plan investments	0	(38,000)
Pension contributions subsequent to measurement date	69,694	0
Totals	$ 69,694	$ (69,476)

The $69,694 of deferred outflows of resources resulting from the City's prior year contributions during the measurement period will be recognized as a reduction of the net position liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2016	$ (17,369)
2017	(17,369)
2018	(17,369)
2019	(17,369)
Totals	$ (69,476)

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

16. Pension Plan (continued)

The mortality and economic actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	0%		
Total	100%		

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

16. Pension Plan (continued)

Changes in Net Pension Liability (Asset)

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 3/31/2014	$ 2,779,942	$ 2,429,696	$ 350,246
Changes for the year:			
Service cost	87,588	0	87,588
Interest	212,123	0	212,123
Differences between expected and actual experience	(36,071)	0	(36,071)
Contributions—employer	0	118,627	(118,627)
Net investment income	0	236,720	(236,720)
Benefit payments, including refunds of employee contributions	(85,732)	(85,732)	0
Administrative expense	0	(9,209)	9,209
Other changes	(3,275)	0	(3,275)
Net changes	174,633	260,406	(85,773)
Balances at 3/31/2015	$ 2,954,575	$ 2,690,102	$ 264,473

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

	Discount Rate	Net Pension Liabilty (Asset)
1% decrease	6.75%	$ 671,206
Current discount rate	7.75%	264,473
1% increase	8.75%	(73,739)

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

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

17. 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, 2015, there were 9 retirees eligible for and receiving the benefits. For 2015, the cost of providing these benefits totaled $2,793.

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.

18. 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, 2015, follows:

Lodging tax receipts	$310,040	
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	$139,963	45% of tax receipts

19. 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, 2015, the City paid $2,363 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 2015, 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.

20. 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 $9,687 as payment-in-lieu-of-taxes for 2015. Separate financial statements may be obtained from Housing Authority of the City of Lavonia, PO Box 453, Lavonia, GA 30553.

21. Risk Management

Material estimates have been made by management about the life of depreciated fixed assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2015, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

22. Commitments and Contingencies

Commitments

The City has active construction projects as of December 31, 2015. At year-end, the City's commitments with contractors are as follows:

Projects	Amount Expended To Date	Remaining Commitment
Raw Water Intake Upgrade - Phase IV	$ 571,184	$ 134,075

Contingencies

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

23. Material Noncompliance

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

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

	Budget	Actual	Variance
General Fund			
Fire Department	$ 96,100	$ 322,222	$ (226,122)
Highways and Streets	287,138	409,318	(122,180)
Cannery	9,600	59,311	(49,711)

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2015
(Unaudited)

	Fiscal Year End 2015
Total pension liability	
Service cost	$ 87,588
Interest	212,123
Differences between expected and actual experience	(36,071)
Benefit payments, including refunds of employee contributions	(85,732)
Other changes	(3,275)
Net change in total pension liability	174,633
Total pension liability - beginning	2,779,942
Total pension liability - ending (a)	$ 2,954,575
Plan fiduciary net position	
Contributions - employer	$ 118,627
Net investment income	236,720
Benefit payments, including refunds of employee contributions	(85,732)
Administrative expense	(9,209)
Net change in total pension liability	260,406
Plan fiduciary net position - beginning	2,429,696
Plan fiduciary net position - ending (b)	$ 2,690,102
Net pension liability (asset) - ending : (a) - (b)	$ 264,473
Plan's fiduciary net position as a percentage of the total pension liability	91.05%
Covered-employee payroll	$ 1,487,956
Net pension liability as a percentage of covered-employee payroll	17.77%

Note: 2015 was the first year of implementation. Therefore, only one year is reported.

See accompanying notes to the required supplementary information.

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
December 31, 2015
(Unaudited)

	Fiscal Year End 2015
Actuarially determined contribution	$ 107,565
Contributions in relation to the actuarially determined contribution	(107,565)
Contribution deficiency (excess)	$ 0
Covered-employee payroll	$ 1,487,956
Contributions as a percentage of covered-employee payroll	7.23%

Note: 2015 was the first year of implementation. Therefore, only one year is reported.

See accompanying notes to the required supplementary information.

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2016.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = N/A

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

Net investment rate of return = 7.75%

Projected salary increases = 3.25% plus service based merit increases

2. Methods and Assumptions Used to Determine Contribution Rates

Cost of living adjustments = 0.00%

Retirement age for inactive vested participants = 65

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

3. Changes in Benefits

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

4. Changes of Assumptions

Amounts reported for the fiscal year ending in 2016 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period of January 1, 2010 to June 30, 2014:

The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

The inflation and cost-of-living adjustment assumptions were decreased from 3.50% to 3.25%.

The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases range from 4.00% to 11.00% and include an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF LAVONIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015

	Special Revenue			Capital Projects	Total Nonmajor
	Confiscated Assets	Revolving Loan	Cemetery	2010 SPLOST	Governmental Funds
ASSETS					
Cash and cash equivalents	$ 9,423	$ 598,007	$ 153	$ 33,004	$ 640,587
Receivables					
Intergovernmental	0	0	0	51,246	51,246
Total assets	$ 9,423	$ 598,007	$ 153	$ 84,250	$ 691,833
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds	$ 0	$ 0	$ 227	$ 27,236	$ 27,463
Other liabilities	140	0	0	0	140
Total liabilities	140	0	227	27,236	27,603
Fund balances					
Restricted for:					
Public Safety	9,283	0	0	0	9,283
Housing and Development	0	598,007	0	0	598,007
Capital outlay	0	0	0	57,014	57,014
Unassigned	0	0	(74)	0	(74)
Total fund balances	9,283	598,007	(74)	57,014	664,230
Total liabilities and fund balances	$ 9,423	$ 598,007	$ 153	$ 84,250	$ 691,833

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2015

	Special Revenue			Capital Projects	Total Nonmajor
	Confiscated Assets	Revolving Loan	Cemetery	2010 SPLOST	Governmental Funds
REVENUES					
Fines, fees, and forfeitures	$ 3,774	$ 0	$ 0	$ 0	$ 3,774
Charges for services	0	0	5,501	0	5,501
Intergovernmental	0	0	0	276,553	276,553
Interest	0	14,834	0	2	14,836
Total revenues	3,774	14,834	5,501	276,555	300,664
EXPENDITURES					
Current					
Public Safety	1,273	0	0	0	1,273
Public Works	0	0	7,634	0	7,634
Capital Outlay	0	0	0	85,020	85,020
Total expenditures	1,273	0	7,634	85,020	93,927
Excess (deficiency) of revenues over (under) expenditures	2,501	14,834	(2,133)	191,535	206,737
Other financing sources (uses)					
Transfers out	0	0	0	(83,892)	(83,892)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	2,501	14,834	(2,133)	107,643	122,845
Fund balances, January 1 (restated)	6,782	583,173	2,059	(50,629)	541,385
Fund balances, December 31	$ 9,283	$ 598,007	$ (74)	$ 57,014	$ 664,230

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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, 2015 and 2014

	2015	2014
ASSETS		
Cash	$ 928,810	$ 541,827
Certificates of deposit	700,000	1,300,000
Receivables (net)		
Intergovernmental	2,000	0
Interest	2,235	2,963
Taxes	350,835	380,105
Prepaid items	19,061	20,996
Property held for resale	1,056,700	1,056,700
Due from other funds	87,240	52,180
Total assets	$ 3,146,881	$ 3,354,771
LIABILITIES		
Payables		
Accounts	$ 14,238	$ 36,444
Accrued salaries and payroll liabilities	22,133	19,563
Due to other funds	0	12,270
Unearned revenue	0	1,688
Other liabilities	2,815	2,815
Total liabilities	39,186	72,780
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	26,939	24,180
FUND BALANCES		
Nonspendable		
Prepaid items	19,061	20,996
Unassigned	3,061,695	3,236,815
Total fund balances	3,080,756	3,257,811
Total liabilities, deferred inflows of resources and fund balances	$ 3,146,881	$ 3,354,771

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2015 and 2014

	2015	2014
REVENUES		
Taxes	$ 1,906,356	$ 1,965,642
Licenses and permits	34,466	41,775
Fines, fees and forfeitures	121,791	138,997
Charges for services	190	3,766
Intergovernmental	224,508	43,161
Interest	4,512	5,343
Contributions	5,276	8,644
Other	17,420	13,665
Total revenues	2,314,519	2,220,993
EXPENDITURES		
Current		
General Government	481,102	441,282
Judicial	8,770	8,204
Public Safety	1,288,245	1,120,833
Public Works	468,945	392,097
Culture and Recreation	104,491	76,098
Housing and Development	112,982	163,635
Debt Service	27,039	27,039
Total expenditures	2,491,574	2,229,188
Excess of revenues over expenditures	(177,055)	(8,195)
Other financing sources (uses)		
Transfers in (out)		
Solid Waste Fund	0	(2,875)
Proceeds from sale of capital assets	0	13,989
Total other financing sources (uses)	0	11,114
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(177,055)	2,919
Fund balances, January 1 (restated)	3,257,811	3,254,892
Fund balances, December 31	$ 3,080,756	$ 3,257,811

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 824,500	$ 827,698	$ 3,198	$ 831,089
Motor vehicle tax	75,000	76,115	1,115	91,274
Total general property taxes	899,500	903,813	4,313	922,363
Local option sales tax	450,000	423,291	(26,709)	441,960
Intangibles tax	7,000	10,896	3,896	4,867
Franchise tax	280,000	266,346	(13,654)	286,811
Insurance premium tax	115,000	124,230	9,230	116,283
Alcoholic beverage excise tax	135,000	118,523	(16,477)	120,696
Occupational tax	100,000	59,257	(40,743)	72,662
Total taxes	1,986,500	1,906,356	(80,144)	1,965,642
Licenses and permits				
Alcohol licenses	0	32,450	32,450	36,500
Building permits	5,600	955	(4,645)	3,530
Sign permits	1,500	1,061	(439)	1,745
Total licenses and permits	7,100	34,466	27,366	41,775
Fines, fees and forfeitures	135,000	121,791	(13,209)	138,997
Charges for Services				
Fire protection	0	0	0	1,120
Recreation	0	0	0	1,916
Other charges for services	600	190	(410)	730
Total charges for services	600	190	(410)	3,766
Intergovernmental				
Grants	19,000	201,837	182,837	21,968
Other	25,500	22,671	(2,829)	21,193
Total intergovernmental	44,500	224,508	180,008	43,161
Interest	10,000	4,512	(5,488)	5,343
Contributions	6,000	5,276	(724)	8,644
Other	23,500	17,420	(6,080)	13,665
Total revenues	$ 2,213,200	$ 2,314,519	$ 101,319	$ 2,220,993

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	$ 74,995	$ 70,945	$ 4,050	$ 69,028
Contract services	44,800	44,054	746	30,724
Materials and supplies	500	1,152	(652)	660
Total Governing Body	120,295	116,151	4,144	100,412
Financial Administration				
Personal services	206,906	209,203	(2,297)	184,407
Contract services	114,150	110,114	4,036	112,928
Materials and supplies	41,250	45,634	(4,384)	43,535
Total Financial Administration	362,306	364,951	(2,645)	340,870
Total General Government	482,601	481,102	1,499	441,282
Judicial				
Municipal Court				
Personal services	100	995	(895)	100
Contract services	8,800	7,775	1,025	8,104
Total Judicial	8,900	8,770	130	8,204
Public Safety				
Police Department				
Personal services	818,362	776,411	41,951	806,073
Contract services	139,600	127,659	11,941	148,075
Materials and supplies	36,100	40,950	(4,850)	55,058
Capital outlay	10,000	4,691	5,309	8,159
Payments to other agencies	8,700	13,050	(4,350)	8,354
Total Police Department	1,012,762	962,761	50,001	1,025,719
Fire Department				
Personal services	31,600	31,177	423	30,832
Contract services	32,000	31,294	706	30,294
Materials and supplies	17,500	90,771	(73,271)	30,428
Capital outlay	15,000	168,980	(153,980)	0
Total Fire Department	96,100	322,222	(226,122)	91,554
Communications				
Contract services	1,000	110	890	790
Materials and supplies	2,700	3,152	(452)	2,770
Total Communications	3,700	3,262	438	3,560
Total Public Safety	1,112,562	1,288,245	(175,683)	1,120,833

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
Public Works				
Highways and Streets				
Personal services	$ 143,988	$ 137,439	$ 6,549	$ 137,720
Contract services	46,950	67,662	(20,712)	47,831
Materials and supplies	96,200	95,057	1,143	92,860
Capital outlay	0	109,160	(109,160)	50,000
Total Highways and Streets	287,138	409,318	(122,180)	328,411
Maintenance Shop				
Personal services	19,130	19,434	(304)	19,390
Contract services	6,600	5,546	1,054	5,967
Materials and supplies	9,100	8,380	720	10,047
Total Maintenance Shop	34,830	33,360	1,470	35,404
Detention Services				
Personal services	24,197	23,764	433	23,752
Contract services	3,000	2,503	497	4,530
Total Detention Services	27,197	26,267	930	28,282
Total Public Works	349,165	468,945	(119,780)	392,097
Culture and Recreation				
Parks and Recreation				
Personal services	37,944	37,905	39	37,643
Contract services	2,300	14,585	(12,285)	2,223
Materials and supplies	11,650	12,634	(984)	8,586
Capital outlay	15,000	0	15,000	0
Total Parks and Recreation	66,894	65,124	1,770	48,452
Community Center				
Contract services	12,300	15,438	(3,138)	1,387
Materials and supplies	6,000	6,133	(133)	5,841
Capital outlay	3,000	0	3,000	0
Total Community Center	21,300	21,571	(271)	7,228
Library				
Contract services	1,700	2,477	(777)	4,531
Materials and supplies	6,000	5,319	681	5,887
Payments to others	10,000	10,000	0	10,000
Total Library	17,700	17,796	(96)	20,418
Total Culture and Recreation	105,894	104,491	1,403	76,098

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
Housing and Development				
Inspections				
Personal services	$ 24,473	$ 21,714	$ 2,759	$ 24,636
Contract services	6,000	3,695	2,305	5,579
Materials and supplies	1,400	1,244	156	1,488
Total Inspections	31,873	26,653	5,220	31,703
Better Home Towns				
Personal services	22,472	22,884	(412)	22,463
Contract services	4,550	2,497	2,053	3,787
Materials and supplies	2,000	1,637	363	1,738
Total Better Home Towns	29,022	27,018	2,004	27,988
Cannery				
Contract services	2,500	1,299	1,201	777
Materials and supplies	2,100	2,733	(633)	181
Capital Outlay	5,000	55,279	(50,279)	102,986
Total Cannery	9,600	59,311	(49,711)	103,944
Total Housing and Development	70,495	112,982	(42,487)	163,635
Total Current	2,129,617	2,464,535	(334,918)	2,202,149
Debt Service				
Public Safety				
Fire Department	27,100	27,039	61	27,039
Total Expenditures	$ 2,156,717	$ 2,491,574	$ (334,857)	$ 2,229,188

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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, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 9,423	$ 6,922
LIABILITIES AND FUND BALANCES		
Liabilities		
Other liabilities	$ 140	$ 140
Fund balances		
Restricted for Public Safety	9,283	6,782
Total liabilities and fund balances	$ 9,423	$ 6,922

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	$ 2,000	$ 3,774	$ 1,774	$ 4,923
Total revenue	2,000	3,774	1,774	4,923
EXPENDITURES				
Current				
Public Safety				
Contract services	3,000	1,273	1,727	3,147
Materials and supplies	1,100	0	1,100	1,340
Total expenditures	4,100	1,273	2,827	4,487
Excess (deficiency) of revenues over (under) expenditures	(2,100)	2,501	4,601	436
Other financing sources (uses)				
Contingency	(1,900)	0	1,900	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,000)	2,501	6,501	436
Fund balance, January 1	4,000	6,782	2,782	6,346
Fund balances, December 31	$ 0	$ 9,283	$ 9,283	$ 6,782

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 220,176	$ 79,553
Taxes receivable	22,333	14,579
Prepaid items	1,100	1,033
Total assets	$ 243,609	$ 95,165
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 3,775
Accrued payroll liabilities	1,178	982
Due to other funds	1,146	0
Other liabilities	125	125
Total liabilities	2,449	4,882
Fund balances		
Nonspendable prepaid items	1,100	1,033
Restricted for Housing and Development	109,417	16,012
Assigned for:		
Housing and Development	643	33,238
Budget	130,000	40,000
Total fund balances	241,160	90,283
Total liabilities and fund balances	$ 243,609	$ 95,165

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	$ 245,000	$ 310,040	$ 65,040	$ 243,797
Charges for services	1,500	1,852	352	12,114
Interest	0	12	12	7
Other	3,500	3,936	436	2,407
Total revenues	250,000	315,840	65,840	258,325
EXPENDITURES				
Current				
Housing and Development				
Personal services	69,787	71,505	(1,718)	67,066
Contract services	33,600	26,839	6,761	32,908
Material and supplies	34,500	34,233	267	51,337
Capital outlay	14,500	7,386	7,114	27,500
Payments to other agencies	25,000	25,000	0	25,000
Total expenditures	177,387	164,963	12,424	203,811
Excess (deficiency) of revenues over (under) expenditures	72,613	150,877	78,264	54,514
Other financing sources (uses)				
Contingency	(112,613)	0	112,613	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(40,000)	150,877	190,877	54,514
Fund balance, January 1	40,000	90,283	50,283	35,769
Fund balances, December 31	$ 0	$ 241,160	$ 241,160	$ 90,283

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 598,007	$ 285,441
Notes receivable	0	297,732
Total assets	$ 598,007	$ 583,173
LIABILITIES AND FUND BALANCES		
Fund balances		
Restricted for Housing and Development	$ 598,007	$ 583,173

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
REVENUES				
Interest	$ 13,978	$ 14,834	$ 856	$ 14,248
Other	9,341	0	(9,341)	0
Total revenues	23,319	14,834	(8,485)	14,248
EXPENDITURES				
Current				
Housing and Development				
Materials and supplies	0	0	0	0
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	23,319	14,834	(8,485)	14,248
Other financing sources (uses)				
Contingency	(23,319)	0	23,319	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	14,834	14,834	14,248
Fund balance, January 1	0	583,173	583,173	568,925
Fund balances, December 31	$ 0	$ 598,007	$ 598,007	$ 583,173

CITY OF LAVONIA, GEORGIA
CEMETERY SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 153	$ 2,286
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	$ 227	$ 227
Fund balances		
Committed for Public Works	0	2,059
Unassigned	(74)	0
Total fund balances	(74)	2,059
Total liabilities and fund balances	$ 153	$ 2,286

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	$ 10,000	$ 5,501	$ (4,499)	$ 15,464
Total revenues	10,000	5,501	(4,499)	15,464
EXPENDITURES				
Current				
Public Works				
Contract services	500	0	500	0
Materials and supplies	0	1,234	(1,234)	261
Capital outlay	10,000	6,400	3,600	28,294
Total expenditures	10,500	7,634	2,866	28,555
Excess (deficiency) of revenues over (under) expenditures	(500)	(2,133)	(1,633)	(13,090)
Fund balance, January 1	500	2,059	1,559	15,149
Fund balances, December 31	$ 0	$ (74)	$ (74)	$ 2,059

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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, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 33,004	$ 730
Intergovernmental receivables	51,246	41,892
Total assets	$ 84,250	$ 42,622
LIABILITIES AND FUND BALANCES		
Due to other funds	$ 27,236	$ 67,236
Unearned revenue	0	26,015
Total liabilities	27,236	93,251
FUND BALANCES		
Restricted for capital outlay	57,014	0
Unassigned	0	(50,629)
Total fund balances	57,014	(50,629)
Total liabilities and fund balances	$ 84,250	$ 42,622

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, 2015 and 2014

	2015	2014
REVENUES		
Intergovernmental	$ 276,553	$ 308,085
Interest	2	4
Total revenues	276,555	308,089
EXPENDITURES		
Capital outlay		
Public Safety		
Police	1,650	20,228
Fire	53,163	99,247
Public Works		
Highways and Streets	8,370	116,696
Culture and Recreation		
Library	21,837	68,308
Total expenditures	85,020	304,479
Excess (deficiency) of revenues over (under) expenditures	191,535	3,610
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	(83,892)	(46,292)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	107,643	(42,682)
Fund balances, January 1 (restated)	(50,629)	(7,947)
Fund balances, December 31	$ 57,014	$ (50,629)

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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, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 191,650	$ 186,167
Certificates of deposit	351,495	354,721
Receivables		
Accounts (net)	208,692	238,512
Intergovernmental	66,752	0
Interest	1,657	814
Inventory	57,299	59,419
Prepaid items	16,537	15,408
Due from other funds	31,274	39,274
Total current assets	925,356	894,315
Restricted assets		
Bond Redemption		
Cash and cash equivalents	94,446	91,333
Customer Deposits		
Certificates of deposit	48,505	45,279
Total restricted assets	142,951	136,612
Capital assets		
Land	413,072	413,072
Land improvements	20,146	3,800
Buildings	243,105	177,559
Vehicles	286,251	286,251
Furniture and fixtures	77,657	77,657
Plant and facilities	9,070,775	9,070,776
Water and sewer lines and towers	7,853,406	7,853,406
Machinery and equipment	366,430	360,130
Nondepreciable intangibles	116,574	116,574
Depreciable intangibles	61,026	61,026
Construction in progress	767,408	51,049
Accumulated depreciation	(7,736,862)	(7,232,463)
Total capital assets (net of accumulated depreciation)	11,538,988	11,238,837
Total assets	12,607,295	12,269,764
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	$ 27,058	$ 0

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	2015	2014
LIABILITIES		
Current liabilities		
Accounts payable	$ 23,577	$ 27,627
Retainages payable	52,325	0
Accrued salaries and payroll liabilities	12,653	14,576
Compensated absences	23,555	34,215
Unearned revenue	18,737	19,436
Notes payable	30,575	0
Due to other funds	57,200	11,117
Other current liabilities	3,902	3,902
Total current liabilities	222,524	110,873
Current liabilities payable from restricted assets		
Customer deposits	48,505	45,279
Revenue bonds payable	117,276	113,555
Interest payable	27,757	29,449
Total current liabilities payable from restricted assets	193,538	188,283
Long-term liabilities		
Net pension liability	102,678	0
Notes payable	271,489	235,395
Revenue bonds payable	1,746,157	1,863,433
Total long-term liabilities	2,120,324	2,098,828
Total liabilities	2,536,386	2,397,984
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	14,753	0
Pension assumption changes	1,017	0
Pension experience differences	11,203	0
Total deferred inflows of resources	26,973	0
NET POSITION		
Net investment in capital assets	9,306,063	9,026,454
Restricted for debt service	66,689	61,884
Unrestricted	698,242	783,442
Total net position	$ 10,070,994	$ 9,871,780

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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,474,408	$ 1,472,794
Sewer charges	547,105	511,986
Tap fees	15,530	24,015
Other	24,894	25,451
Total operating revenues	2,061,937	2,034,246
OPERATING EXPENSES		
Costs of sales and services	692,359	743,036
Personal services	763,463	781,134
Depreciation	504,399	464,840
Total operating expenses	1,960,221	1,989,010
Operating income (loss)	101,716	45,236
Non-operating revenues (expenses)		
Interest revenue	1,787	1,004
Interest expense	(66,847)	(66,327)
Gain (loss) on sale of capital assets	0	193
Total non-operating revenues (expenses)	(65,060)	(65,130)
Net income (loss) before capital contributions and transfers	36,656	(19,894)
Capital contributions		
Intergovernmental revenue	179,090	100,025
Capital contributions	3,103	8,176
Total capital contributions	182,193	108,201
Net income (loss) before transfers	218,849	88,307
Transfers in (out)		
2010 SPLOST Fund	83,892	26,292
Change in net position	302,741	114,599
Net position, January 1 (restated)	9,871,780	9,757,181
Prior period adjustments	(103,527)	0
Net position, January 1 (restated)	9,768,253	9,757,181
Net position, December 31	$ 10,070,994	$ 9,871,780

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	$ 2,069,390	$ 2,032,912
Payments to suppliers	(710,521)	(751,824)
Payments to employees	(776,980)	(778,616)
Other receipts	24,894	25,451
Net cash provided (used) by operating activities	606,783	527,923
Cash flows from non-capital financing activities:		
Receipts from other funds	54,083	38,977
Cash flows from capital and related financing activities:		
Receipts of capital contributions	3,103	8,176
Receipts from other governments	112,338	100,025
Receipts from other funds	83,892	18,292
Proceeds from sale of capital assets	0	193
Payments for acquisitions of capital assets	(737,122)	(579,212)
Payment of capital related accounts payable	0	(7,560)
Proceeds from issuance of notes payable	76,827	235,395
Principal payments - revenue bonds	(113,555)	(123,012)
Principal payments - notes payable	(10,158)	0
Interest paid	(68,539)	(54,753)
Net cash provided (used) by capital and related financing activities	(653,214)	(402,456)
Cash flows from investing activities:		
Proceeds from certificates of deposit	400,000	400,000
Purchases of certificates of deposit	(400,000)	(400,000)
Interest received	944	1,832
Net cash provided (used) by investing activities	944	1,832
Net increase (decrease) in cash	8,596	166,276
Cash and cash equivalents, January 1	277,500	111,224
Cash and cash equivalents, December 31	$ 286,096	$ 277,500

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	2015	2014
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 101,716	$ 45,236
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	504,399	464,840
(Increase) decrease in accounts receivable	29,820	22,489
(Increase) decrease in inventories	2,120	(4,459)
(Increase) decrease in prepaid items	(1,129)	791
(Increase) decrease in prior year pension contributions during measurement period	(27,058)	0
Increase (decrease) in accounts payable	(19,153)	(5,120)
Increase (decrease) in unearned revenue	(699)	992
Increase (decrease) in payroll liabilities	(12,583)	2,518
Increase (decrease) in net pension liability	(849)	0
Increase (decrease) in pension investment return differences	14,753	0
Increase (decrease) in pension assumption changes	1,017	0
Increase (decrease) in pension experience differences	11,203	0
Increase (decrease) in deposits payable	3,226	636
Total adjustments	505,067	482,687
Net cash provided (used) by operating activities	$ 606,783	$ 527,923
Cash and cash equivalents reconciliation		
Cash and cash equivalents	$ 191,650	$ 186,167
Debt Redemption		
Cash and cash equivalents	94,446	91,333
Total cash and cash equivalents	$ 286,096	$ 277,500

Noncash investing, capital, and financing activities:

Acquisition of capital assets through accounts payable totaled $15,103 and $0 for the years ended December 31, 2015 and 2014, respectively.

Acquisition of capital assets through retainage payable totaled $52,325 and $0 for the years ended December 31, 2015 and 2014, respectively.

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Accounts receivable (net)	$ 39,239	$ 33,007
Prepaid items	350	350
Due from other funds	0	12,270
Total assets	39,589	45,627
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	1,538	0
LIABILITIES		
Current liabilities		
Accounts payable	50,129	26,494
Accrued salaries and payroll liabilities	768	540
Compensated absences	1,424	1,694
Unearned revenue	3,880	4,025
Due to other funds	32,705	12,874
Total current liabilities	88,906	45,627
Long-term liabilities		
Net pension liability	5,838	0
Post-closure care	70,200	0
Total long-term liabilities	76,038	0
Total liabilities	164,944	45,627
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	839	0
Pension assumption changes	58	0
Pension experience differences	637	0
Total deferred inflows of resources	1,534	0
NET POSITION		
Unrestricted	$ (125,351)	$ 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, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Charges for sales and services	$ 331,771	$ 309,510
OPERATING EXPENSES		
Costs of sales and services	404,678	289,067
Personal services	46,558	43,318
Total operating expenses	451,236	332,385
Operating income (loss)	(119,465)	(22,875)
Transfers in (out)		
General Fund	0	22,875
Change in net position	(119,465)	0
Net position, January 1 (original)	0	0
Prior period adjustment	(5,886)	0
Net position, January 1 (restated)	(5,886)	0
Net position, December 31	$ (125,351)	$ 0

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	$ 325,394	$ 317,250
Payments to suppliers	(310,843)	(285,796)
Payments to employees	(46,652)	(42,059)
Net cash provided (used) by operating activities	(32,101)	(10,605)
Cash flows from non-capital financing activities:		
Receipts from other funds	32,101	10,605
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)	$ (119,465)	$ (22,875)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(6,232)	4,862
(Increase) decrease in prior year pension contributions during measurement period	(1,538)	0
Increase (decrease) in accounts payable	23,635	3,271
Increase (decrease) in unearned revenue	(145)	2,878
Increase (decrease) in accrued payroll liabilities	(42)	1,259
Increase (decrease) in net pension liability	(48)	0
Increase (decrease) in post-closure care liability	70,200	0
Increase (decrease) in pension investment return differences	839	0
Increase (decrease) in pension assumption changes	58	0
Increase (decrease) in pension experience differences	637	0
Total adjustments	87,364	12,270
Net cash provided (used) by operating activities	$ (32,101)	$ (10,605)

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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, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 8,829	$ 11,396
Accounts receivable (net)	40	40
Total assets	$ 8,869	$ 11,436
LIABILITIES		
Due to other agencies	$ 8,869	$ 11,436

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2015

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Cash and cash equivalents	$ 11,396	$ 165,019	$ (167,586)	$ 8,829
Accounts receivable	40	0	0	40
Total assets	$ 11,436	$ 165,019	$ (167,586)	$ 8,869
LIABILITIES				
Due to others agencies	$ 11,436	$ 165,019	$ (167,586)	$ 8,869

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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, 2015 and 2014

ASSETS	**2015**	**2014**
Cash and cash equivalents	$ 3,928	$ 1,900
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 0	$ 520
Other liabilities	87	88
Total liabilities	87	608
Fund balances		
Assigned for:		
Housing and Development	3,341	292
Budget	500	1,000
Total fund balances	3,841	1,292
Total liabilities and fund balances	$ 3,928	$ 1,900

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, 2015
(With comparative actual amounts for the year ended December 31, 2014

	2015			2014
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 25,000	$ 25,000	$ 0	$ 25,000
Contributions	1,300	0	(1,300)	1,000
Rent	8,650	8,705	55	8,451
Other	1,050	3,201	2,151	1,375
Total revenues	36,000	36,906	906	35,826
EXPENDITURES				
Current				
Housing and Development				
Contract services	18,500	21,780	(3,280)	19,985
Supplies and materials	16,000	11,577	4,423	15,145
Capital outlay	1,000	0	1,000	0
Payments to other agencies	1,500	1,000	500	700
Total expenditures	37,000	34,357	2,643	35,830
Excess of revenues over (under) expenditures	(1,000)	2,549	3,549	(4)
Fund balances, January 1	1,000	1,292	292	1,296
Fund balances, December 31	$ 0	$ 3,841	$ 3,841	$ 1,292

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OTHER REPORTING SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavonia, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2016.

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 2015-01

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

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lavonia, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

Comment 2015-02

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

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

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

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

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

The City of Lavonia, Georgia's Response to Findings

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

Purpose of this Report

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

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 31, 2016

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2015

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Water Expansion	$ 385,715	$ 385,715	$ 123,996	$ 83,892	$ 207,888
Police Department Facilities and Equipment	192,857	192,857	184,480	1,650	186,130
Fire Department Facilities and Equipment	200,000	200,000	149,093	53,163	202,256
Library Facilities	45,000	45,000	38,556	21,837	60,393
Recreation Facilities	192,857	192,857	139,773	0	139,773
Construction and Improvement of Roads	385,713	385,713	329,397	8,370	337,767
Total	$ 1,402,142	$ 1,402,142	$ 965,295	$ 168,912	$ 1,134,207

Note: The prior year amount for Water Expansion has been increased by $8,000 from previously reported due to a prior period adjustment to the 2010 SPLOST Fund financial statements.