CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2017

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CITY OF LAVONIA, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2017

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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, 2017, 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, 2017, and the respective changes in the financial position and cash flows, where applicable, and the budgetary comparison of the General Fund, Hotel/Motel Tax Fund, and Revolving Loan 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 14 and 66 through 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Lavonia, Georgia's basic financial statements for the year ended December 31, 2016, which are not presented with the accompanying financial statements. In our report dated May 1, 2017, 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 2016 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 2016 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 2016 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 2016 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018 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 11, 2018

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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, 2017. 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, 2017, by $17,783,548. (reported as *net position*).

- As of December 31, 2017, Lavonia's governmental funds reported combined ending fund balances of $3,275,457. Approximately 61% of this total amount, $2,003,365, is available for spending at the City Council's discretion (unassigned fund balance of the General Fund).

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

Overview of the Financial Statements

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

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

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

The purpose of the ***Statement of Net Position*** (pages 15-16) is to attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The ***Statement of Activities*** (page 17), on the other hand, presents the revenues and expenses of the City. Under the accrual basis of accounting mentioned earlier, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The primary focus of the Statement of Activities is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide the City of Lavonia into three types of activities:

- ***Governmental activities*** – Most of the City's basic services are reported under this category, including police, fire, public works, and general administration. Sales tax, property taxes, and intergovernmental revenues finance most of these services.

- ***Business-type activities*** – The City charges fees to customers to assist in covering all or most of the cost for certain services it provides. The City's water and sewer system and garbage collection fees are reported in this category.

- ***Discretely Presented Component Unit*** – Component units are legally separate organizations for which the elected officials of the City are financially accountable. The Downtown Development Authority, although legally separate, functions for all practical purposes as a department of the City of Lavonia, and therefore has been included as an integral part of the primary government.

The City's government-wide financial statements are presented on pages 15-17.

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

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 70. The City's funds are divided into three broad categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

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

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

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

  1. Special Revenue Funds
  2. Capital Projects Funds

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

The City's basic governmental fund financial statements are presented on pages 18-24 of this report.

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

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

The City's proprietary fund financial statements are presented on pages 25-29.

- ***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 30.

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 31-65 of this report.

Other Supplementary Information

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

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

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

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

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

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

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

Overview of the City's Financial Position and Operations

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

City of Lavonia
Net Position
As of December 31, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	$ 3,398,301	$ 3,807,787	$ 2,076,568	$ 1,783,194	$ 5,474,869	$ 5,590,981
Capital assets	4,557,855	4,506,332	10,852,503	11,296,128	15,410,358	15,802,460
Total assets	7,956,156	8,713,355	12,929,071	13,079,322	20,885,227	21,393,441
Deferred Outflows of Resources						
Pension contributions subsequent to measurement date	54,071	51,724	37,196	28,596	28,596	80,320
Pension investment return differences	0	96,398	0	0	0	96,398
Pension experience differences	23,156	3,822	15,590	0	0	3,822
Total deferred outflows of resources	77,227	151,944	52,786	28,596	28,596	180,540
Liabilities						
Current liabilities	211,044	203,634	352,418	415,063	415,063	618,697
Noncurrent liabilities	700,614	794,553	1,948,715	2,196,362	2,196,362	2,990,915
Total liabilities	911,658	301,205	2,301,133	2,611,425	2,611,425	3,609,612
Deferred Inflows of Resources						
Pension investment return differences	648	16,685	2,515	15,592	15,592	32,277
Pension assumption changes	759	1,150	550	1,075	1,075	2,225
Pension experience differences	8,366	12,670	6,063	11,840	11,840	24,510
Total deferred inflows of resources	9,773	40,969	9,128	28,507	28,507	59,012
Net Position						
Net investment in capital assets	4,037,751	3,920,358	8,986,703	9,278,482	13,024,454	13,198,840
Restricted	596,770	1,070,818	76,468	71,550	673,238	1,142,368
Unrestricted	2,477,431	2,446,195	1,608,425	1,331,889	4,085,856	3,778,084
Total net position	$ 7,111,952	$ 7,437,371	$ 10,671,596	$ 10,681,921	$ 17,783,548	$ 18,119,292

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets for the City of Lavonia exceeded liabilities by $17,783,548 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 (73%) of the City of Lavonia's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire the assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Although the net position of our business-type activities represents 60% ($10,671,596) 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.

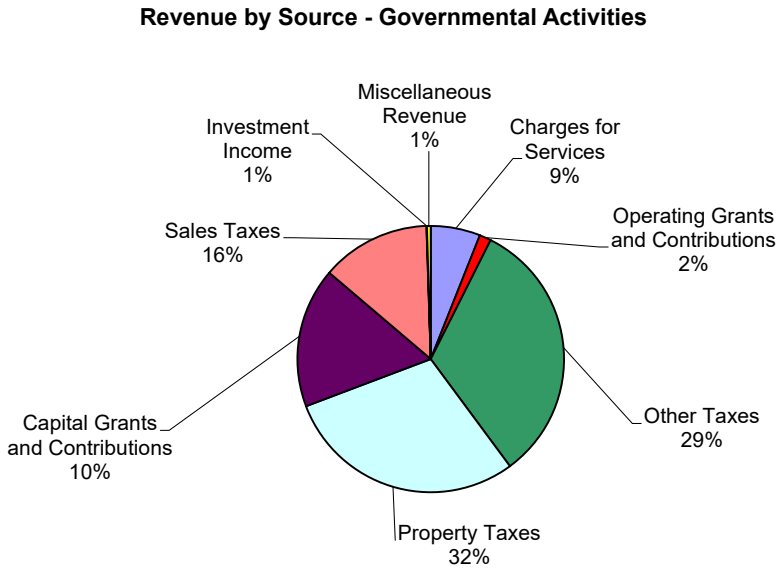
City of Lavonia

Changes in Net Position
For the years ending December 31, 2017 and 2016

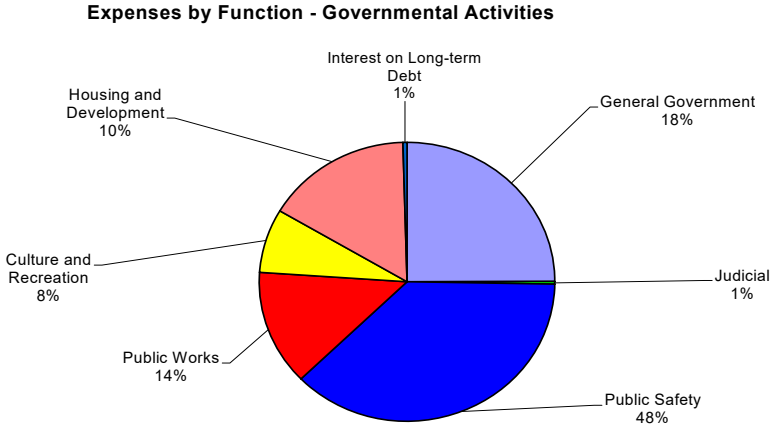
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	$ 195,675	$ 182,135	$ 2,531,801	$ 2,507,674	$ 2,727,476	$ 2,689,809
Operating grants and contributions	45,025	43,061	0	0	45,025	43,061
Capital grants and contributions	551,774	286,526	0	54,161	551,774	340,687
General revenues:						
Property taxes	954,436	890,999	0	0	954,436	890,999
Sales tax	430,865	408,758	0	0	430,865	408,758
Other taxes	1,055,399	1,007,007	0	0	1,055,399	1,007,007
Investment income	1,243	3,049	3,143	1,066	4,386	4,115
Gain on sale of assets	10,921	11,725	3,709	10,803	14,630	22,528
Miscellaneous revenue	15,252	16,478	42,277	50,660	57,529	67,138
Total revenues	3,260,590	2,849,738	2,580,930	2,624,364	5,841,520	5,474,102
Expenses						
General Government	853,412	440,296	0	0	853,412	440,296
Judicial	10,614	7,963	0	0	10,614	7,963
Public Safety	1,281,463	1,294,050	0	0	1,281,463	1,294,050
Public Works	456,289	466,709	0	0	456,289	466,709
Culture and Recreation	252,755	241,480	0	0	252,755	241,480
Housing and Development	549,534	279,412	0	0	549,534	279,412
Interest on long-term debt	15,232	3,101	0	0	15,232	3,101
Water and sewer	0	0	2,406,854	2,224,792	2,406,854	2,224,792
Solid Waste	0	0	351,111	347,217	351,111	347,217
Loss on sale of investments	0	0	0	407,712	0	407,712
Total expenses	3,419,299	2,733,011	2,757,965	2,979,721	6,177,264	5,712,732
Increase (decrease) in net position before transfers	(158,709)	116,727	(177,035)	(355,357)	(335,744)	(238,630)
Transfers	(166,710)	(1,091,635)	166,710	1,091,635	0	0
Increase (decrease) in net position	(325,419)	(974,908)	(10,325)	736,278	(335,744)	(238,630)
Net position - beginning	7,437,371	8,412,279	10,681,921	9,945,643	18,119,292	18,357,922
Net position - ending	$ 7,111,952	$ 7,437,371	$ 10,671,596	$ 10,681,921	$ 17,783,548	$ 18,119,292

Governmental Activities –

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



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



Business-type Activities –

Business-type activities decreased the City of Lavonia's net position by $10,325. The key elements of this decrease are:

- 2017 operating expenses increased by $186,115 from 2016 due to increased costs of sales and services in 2017. Capital grants in 2017 decreased by $54,161 due to grants received in conjunction with water system projects during 2016 that were not received in 2017.

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 $3,275,457. Of this amount, $1,952,001 (60%) 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 2018 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 $1,952,001, while total fund balance was $2,604,673. 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 75% of total General Fund expenditures, while total fund balance represents 103% of that same amount.

The **Hotel Motel Special Revenue Fund** has a $146,615 fund balance at year end. Of this fund balance, $70,210 is restricted and $75,226 is assigned for housing and development purposes.

The **Revolving Loan Special Revenue Fund** has a $179,438 fund balance at year end. The entire fund balance is restricted for housing and development purposes. The total fund balance decreased by $418,629 from prior year due to a repayment to the Georgia Department of Community Affairs.

General Fund Budget Highlights

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

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

- The General Fund contingency was decreased by $48,595 for adjustments to the Streetscape Project and Recreation Building Improvements.
- 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 2018 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 $ 10,739,132
- Solid Waste $ (67,536)

The total decrease in net position for both funds was $10,325. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The City of Lavonia has invested $15,410,358 in capital assets (net of accumulated depreciation). Capital assets include infrastructure, land, buildings, and machinery and equipment. Approximately 70% of this investment is related to business-type activities and approximately 30% relates to governmental activities.

During 2017, the City invested $434,853 in new capital assets. Major capital asset events during the current year included the following:

Business-type Activities 2017	
Purchased Pump Motor	8,242
Purchased Soft Start Pump	2,994
Purchased Surge Buster	10,113
Purchased Edmunds Software	33,404
Purchased Digital Copier	3,573
Purchased SCAG Turf Tiger 61"	10,867
Purchased (2) HVAC Units	5,000
	$ 74,193

Governmental Activities 2017	
Downtown TE Streescape Project Engineering	301,518
Purchased (2) Durabook Computers	5,343
Purchased 3 Scoreboards	9,900
Purchased SCAG Turf Tiger 61"	10,568
Purchased Forcible Entry Door Simulator	6,000
Purchased Edmunds Software	27,331
	$ 360,660

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, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Land	$ 525,266	$ 525,266	$ 413,072	$ 413,072	$ 938,338	$ 938,338
Nondepreciable Intangibles	0	0	116,574	116,574	116,574	116,574
Buildings	4,985,725	4,985,725	247,085	247,084	5,232,810	5,232,809
Infrastructure	1,973,830	1,672,312	20,146	20,146	1,993,976	1,692,458
Distribution system	0	0	17,773,399	17,747,051	17,773,399	17,747,051
Vehicles and equipment	2,560,801	2,576,640	647,537	652,270	3,208,338	3,228,910
Furniture and fixtures	134,448	134,448	112,630	77,657	247,078	212,105
Depreciable Intangibles	0	0	61,026	61,026	61,026	61,026
Software	27,331	0	0		27,331	
Construction in progress	0	65,922	160,927	160,927	160,927	226,849
Total	10,207,401	9,847,139	19,552,396	19,275,850	29,759,797	29,122,989
Accumulated depreciation	(5,649,546)	(5,453,981)	(8,699,893)	(8,199,679)	(14,349,439)	(13,653,660)
Net Capital Assets	$ 4,557,855	$ 4,393,158	$ 10,852,503	$ 11,076,171	$ 15,410,358	$ 15,469,329

Additional information on the City of Lavonia's capital assets can be found in the Note 8 to the Financial Statements on pages 48-50 of this report.

Long-term debt. At December 31, 2017, the City of Lavonia had $2,376,331 in bonds, notes payable, and capital leases outstanding, a decrease in total of $227,289 from 2016.

City of Lavonia
Outstanding Debt
As of December 31, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue bonds	$0	$0	$1,625,039	$1,746,157	$1,625,039	$1,746,157
Notes payable	0	0	240,761	271,489	240,761	271,489
Capital leases	510,531	585,974	0	0	510,531	585,974
Total	$510,531	$585,974	$1,865,800	$2,017,646	$2,376,331	$2,603,620

Additional information on the City's long-term debt can be found in the Notes 9 and 10 to the Financial Statements on pages 51-54 of this report.

Economic Condition and Outlook

We, as management, in considering the current and forecasted economic conditions for 2018, are guardedly optimistic and see a period of growth and expansion ahead. Building and annexations are taking place at an increasing pace. Property tax revenues are steady and are continuing to improve. Management is continuing to budget conservatively, as even with an improving local and national economic outlook, there is still plenty of uncertainty ahead. Noteworthy budget items and cost saving considerations were:

- General Fund budget expenditures will remain consistent with 2017 expenditures.
- With most revenue streams expected to remain at or slightly above 2017 levels, certain departmental operational expenditures are expected to continue to rise. Insurance, contract services, infrastructure raw materials, and service provision costs are expected to rise slightly 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.
- After a period of increases, energy costs are expected to remain static for 2018. A continual push is being made to replace outdated standard light fixtures to 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 forecasted to remain very low for the next year. 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 2017.
- The Mayor and Council decided not provide a COLA increase for employees at the beginning of 2018.

Contacting the City's Financial Services Department

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

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

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BASIC FINANCIAL STATEMENTS

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,285,414	$ 887,690	$ 3,173,104	$ 463
Certificates of deposit	0	646,734	646,734	0
Restricted assets				
Cash and cash equivalents	0	100,674	100,674	0
Certificates of deposit	0	53,266	53,266	0
Receivables (net)				
Accounts	0	312,705	312,705	0
Intergovernmental	83,328	0	83,328	0
Interest	6	2,133	2,139	0
Taxes	396,472	0	396,472	0
Inventories	0	53,416	53,416	0
Prepaid items	581,717	19,950	601,667	0
Property held for resale	51,364	0	51,364	0
Total current assets	3,398,301	2,076,568	5,474,869	463
Noncurrent assets				
Capital assets				
Non-depreciable	525,266	690,573	1,215,839	40,000
Depreciable (net)	4,032,589	10,161,930	14,194,519	78,870
Total noncurrent assets	4,557,855	10,852,503	15,410,358	118,870
Total assets	7,956,156	12,929,071	20,885,227	119,333
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	54,071	37,196	91,267	0
Pension experience differences	23,156	15,590	38,746	0
Total deferred outflows of resources	77,227	52,786	130,013	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	66,679	44,397	111,076	468
Interest	1,740	0	1,740	0
Accrued salaries and payroll liabilities	34,403	16,204	50,607	0
Compensated absences	54,326	37,406	91,732	0
Unearned revenue	0	17,067	17,067	0
Capital lease payable	50,817	0	50,817	0
Notes payable	0	30,883	30,883	0
Other current liabilities	3,079	3,902	6,981	88
Liabilities payable from restricted assets				
Customer deposits	0	53,266	53,266	0
Revenue bonds payable	0	125,087	125,087	0
Interest payable	0	24,206	24,206	0
Total current liabilities	211,044	352,418	563,462	556

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Net pension liability	$ 240,900	$ 163,885	$ 404,785	$ 0
Capital lease payable	459,714	0	459,714	0
Notes payable	0	209,878	209,878	0
Revenue bonds payable	0	1,499,952	1,499,952	0
Post-closure care	0	75,000	75,000	0
Total noncurrent liabilities	700,614	1,948,715	2,649,329	0
Total liabilities	911,658	2,301,133	3,212,791	556
DEFERRED INFLOWS OF RESOURCES				
Pension investment return differences	648	2,515	3,163	0
Pension assumption changes	759	550	1,309	0
Pension experience differences	8,366	6,063	14,429	0
Total deferred inflows of resources	9,773	9,128	18,901	0
NET POSITION				
Net investment in capital assets	4,037,751	8,986,703	13,024,454	118,870
Restricted for:				
Public Safety	38,719	0	38,719	0
Housing and Development	249,648	0	249,648	0
Capital outlay	308,403	0	308,403	0
Debt service	0	76,468	76,468	0
Unrestricted	2,477,431	1,608,425	4,085,856	(93)
Total net position	$ 7,111,952	$ 10,671,596	$ 17,783,548	$ 118,777

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

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	$ 434,725	$ 29,475	$ 0	$ 0	$ (405,250)
Judicial	10,614	0	0	0	(10,614)
Public Safety	1,281,463	118,577	27,025	261,039	(874,822)
Public Works	456,289	16,740	0	290,735	(148,814)
Health and Welfare	0	0	8,000	0	8,000
Culture and Recreation	252,755	20,354	0	0	(232,401)
Housing and Development	968,222	9,829	10,000	0	(948,393)
Interest on long-term debt	15,232	0	0	0	(15,232)
Total governmental activities	3,419,300	194,975	45,025	551,774	(2,627,526)
Business-type activities					
Water and Sewer	2,406,854	2,206,498	0	0	(200,356)
Solid Waste	351,111	325,303	0	0	(25,808)
Total business-type activities	2,757,965	2,531,801	0	0	(226,164)
Total primary government	6,177,265	2,726,776	45,025	551,774	(2,853,690)
Component Unit					
Downtown Development Authority					
Housing and Development	47,143	0	30,000	0	(17,143)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net position				
Net (expense) revenue	$ (2,627,526)	$ (226,164)	$ (2,853,690)	$ (17,143)
General revenues				
Taxes				
Property	954,436	0	954,436	0
Sales	430,865	0	430,865	0
Insurance premium	143,290	0	143,290	0
Occupational	76,269	0	76,269	0
Franchise	271,689	0	271,689	0
Intangible	8,595	0	8,595	0
Alcohol excise	119,904	0	119,904	0
Hotel/Motel	435,652	0	435,652	0
Interest and investment earnings	1,244	3,143	4,387	0
Miscellaneous	15,952	42,277	58,229	9,930
Gain on sale of assets	10,921	3,709	14,630	0
Transfers	(166,710)	166,710	0	0
Total general revenues and transfers	2,302,107	215,839	2,517,946	9,930
Change in net position	(325,419)	(10,325)	(335,744)	(7,213)
Net position - beginning	7,437,371	10,681,921	18,119,292	125,990
Net position - ending	$ 7,111,952	$ 10,671,596	$ 17,783,548	$ 118,777

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General	Hotel/Motel Tax	Revolving Loan	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	$ 1,676,354	$ 159,783	$ 179,438	$ 269,839	$ 2,285,414
Receivables (net)					
Intergovernmental	4,000	0	0	79,328	83,328
Interest	6	0	0	0	6
Taxes	369,334	27,138	0	0	396,472
Prepaid items	580,538	1,179	0	0	581,717
Property held for resale	51,364	0	0	0	51,364
Due from other funds	3,997	0	0	0	3,997
Total assets	$ 2,685,593	$ 188,100	$ 179,438	$ 349,167	$ 3,402,298
LIABILITIES					
Accounts payable	$ 26,212	$ 36,894	$ 0	$ 3,573	$ 66,679
Accrued salaries and payroll liabilities	33,210	1,193	0	0	34,403
Due to other funds	0	3,274	0	723	3,997
Other liabilities	2,815	124	0	140	3,079
Total liabilities	62,237	41,485	0	4,436	108,158
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	18,683	0	0	0	18,683
FUND BALANCES					
Nonspendable for:					
Prepaid items	580,538	1,179	0	0	581,717
Property held for resale	51,364	0	0	0	51,364
Restricted for:					
Public Safety	20,770	0	0	17,949	38,719
Housing and Development	0	70,210	179,438	0	249,648
Capital outlay	0	0	0	308,403	308,403
Committed for Public Works	0	0	0	18,379	18,379
Assigned for:					
Housing and Development	0	75,226	0	0	75,226
Unassigned	1,952,001	0	0	0	1,952,001
Total fund balances	2,604,673	146,615	179,438	344,731	3,275,457
Total liabilities, deferred inflows of resources, and fund balances	$ 2,685,593	$ 188,100	$ 179,438	$ 349,167	$ 3,402,298

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2017

Total fund balance - total governmental funds			$ 3,275,457
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			4,557,855
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources or unavailable revenue in the funds. These are:			
Property taxes			18,683
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	$ 54,071		
Pension experience difference	23,156		
Deferred inflows of resources:			
Pension investment return differences	(648)		
Pension assumption changes	(759)		
Pension experience differences	(8,366)		67,454
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These are:			
Capital leases	(510,531)		
Interest payable	(1,740)		
Compensated absences	(54,326)		
Net pension liability	(240,900)		(807,497)
Net position of governmental activities			$ 7,111,952

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	General	Hotel/Motel Tax	Revolving Loan	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	$ 2,000,770	$ 435,652	$ 0	$ 0	$ 2,436,422
Licenses and permits	39,304	0	0	0	39,304
Fines, fees and forfeitures	101,126	0	0	17,103	118,229
Charges for services	20,696	6	0	16,740	37,442
Intergovernmental	268,927	0	0	217,849	486,776
Interest	1,151	29	60	27	1,267
Contributions	110,000	0	0	0	110,000
Other	15,252	700	0	0	15,952
Total revenues	2,557,226	436,387	60	251,719	3,245,392
EXPENDITURES					
Current					
General Government	452,160	0	418,689	0	870,849
Judicial	8,782	0	0	0	8,782
Public Safety	1,140,013	0	0	1,832	1,141,845
Public Works	640,506	0	0	2,422	642,928
Culture and Recreation	142,551	0	0	0	142,551
Housing and Development	54,877	495,940	0	0	550,817
Capital outlay	0	0	0	96,200	96,200
Debt service	91,775	0	0	0	91,775
Total expenditures	2,530,664	495,940	418,689	100,454	3,545,747
Excess (deficiency) of revenues over (under) expenditures	26,562	(59,553)	(418,629)	151,265	(300,355)
Other financing sources (uses)					
Transfers in	92,769	0	0	0	92,769
Transfers out	(86,471)	(92,769)	0	(80,239)	(259,479)
Sale of capital assets	10,921	0	0	0	10,921
Total other financing sources (uses)	17,219	(92,769)	0	(80,239)	(155,789)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	43,781	(152,322)	(418,629)	71,026	(456,144)
Fund balances, January 1	2,560,892	298,937	598,067	273,705	3,731,601
Fund balances, December 31	$ 2,604,673	$ 146,615	$ 179,438	$ 344,731	$ 3,275,457

See accompanying notes to 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, 2017

Net change in fund balances - total governmental funds		$ (456,144)
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	$ 294,738	
Depreciation	(243,215)	51,523
In the statement of activities, the gain/loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.		
Cost of assets disposed	(47,650)	
Related accumulated depreciation	47,650	0
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue		4,278
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	72,612	
Cost of benefits net of employee contributions	(83,475)	(10,863)
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		75,443
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	1,100	
Compensated absences	9,244	10,344
Change in net position of governmental activities		$ (325,419)

See accompanying notes to 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, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 1,938,000	$ 1,938,000	$ 2,000,770	$ 62,770
Licenses and permits	4,100	4,100	39,304	35,204
Fines, fees and forfeitures	125,000	125,000	101,126	(23,874)
Charges for services	19,350	19,350	20,696	1,346
Intergovernmental	77,764	277,764	268,927	(8,837)
Interest	5,000	5,000	1,151	(3,849)
Contributions	5,000	15,000	110,000	95,000
Other	6,100	6,100	15,252	9,152
Total revenues	2,180,314	2,390,314	2,557,226	166,912
EXPENDITURES				
Current				
General Government				
Governing Body	109,640	109,640	108,292	1,348
Financial Administration	321,251	321,251	343,868	(22,617)
Judicial				
Municipal Court	9,000	9,000	8,782	218
Public Safety				
Police Department	1,039,937	1,039,937	1,014,522	25,415
Fire Department	101,350	101,350	122,130	(20,780)
Communications	4,800	4,800	3,361	1,439
Public Works				
Highways and Streets	315,233	550,828	573,289	(22,461)
Maintenance Shop	31,711	35,711	37,094	(1,383)
Detention Services	29,106	29,106	30,123	(1,017)
Culture and Recreation				
Parks and Recreation	80,959	103,959	111,811	(7,852)
Community Center	12,500	12,500	9,203	3,297
Library	24,800	24,800	21,537	3,263
Housing and Development				
Inspections	23,390	23,390	23,397	(7)
Better Home Towns	31,684	31,684	29,271	2,413
Cannery	7,800	7,800	2,209	5,591
Debt service				
Public Safety				
Fire Department	27,100	27,100	91,775	(64,675)
Total expenditures	2,170,261	2,432,856	2,530,664	(97,808)
Excess (deficiency) of revenues over (under) expenditure	10,053	(42,542)	26,562	69,104
Other financing sources (uses)				
Transfers in	120,000	120,000	92,769	(27,231)
Transfers out	(25,000)	(25,000)	(86,471)	(61,471)
Sale of capital assets	10,000	10,000	10,921	921
Contingency	(115,053)	(62,458)	0	62,458
Total other financing sources (uses)	(10,053)	42,542	17,219	(25,323)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	43,781	43,781
Fund balances, January 1	0	0	2,560,892	2,560,892
Fund balances, December 31	$ 0	$ 0	$ 2,604,673	$ 2,604,673

See accompanying notes to these financial statements.

Exhibit A-7

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, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Hotel/motel taxes	$ 370,000	$ 370,000	$ 435,652	$ 65,652
Charges for service	500	500	6	(494)
Interest	25	25	29	4
Other	3,000	3,000	700	(2,300)
Total revenues	373,525	373,525	436,387	62,862
EXPENDITURES				
Current				
Housing and Development				
Inspections	258,513	258,513	495,940	(237,427)
Excess (deficiency) of revenues over (under) expenditure	115,012	115,012	(59,553)	(174,565)
Other financing sources (uses)				
Transfers out	(120,000)	(120,000)	(92,769)	27,231
Contingency	(145,012)	(145,012)	0	145,012
Total other financing sources (uses)	(265,012)	(265,012)	(92,769)	172,243
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(150,000)	(150,000)	(152,322)	(2,322)
Fund balances, January 1	150,000	150,000	298,937	148,937
Fund balances, December 31	$ 0	$ 0	$ 146,615	$ 146,615

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ 3,848	$ 3,848	$ 60	$ (3,788)
Other	18,251	18,251	0	(18,251)
Total revenues	22,099	22,099	60	(22,039)
EXPENDITURES				
Current				
Housing and Development				
Payments to others	0	0	418,689	(418,689)
Excess (deficiency) of revenues over (under) expenditure	22,099	22,099	(418,629)	(440,728)
Other financing sources (uses)				
Contingency	(22,099)	(22,099)	0	22,099
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(418,629)	(418,629)
Fund balances, January 1	0	0	598,067	598,067
Fund balances, December 31	$ 0	$ 0	$ 179,438	$ 179,438

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 887,690	$ 0	$ 887,690
Certificates of deposit	646,734	0	646,734
Restricted assets			
Cash and cash equivalents	100,674	0	100,674
Certificates of deposit	53,266	0	53,266
Receivables			
Accounts (net)	269,241	43,464	312,705
Interest	2,133	0	2,133
Inventory	53,416	0	53,416
Prepaid items	19,574	376	19,950
Total current assets	2,032,728	43,840	2,076,568
Noncurrent assets			
Capital assets			
Non-depreciable	690,573	0	690,573
Depreciable (net)	10,161,930	0	10,161,930
Total noncurrent assets	10,852,503	0	10,852,503
Total assets	12,885,231	43,840	12,929,071
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	35,141	2,055	37,196
Pension experience differences	14,690	900	15,590
Total deferred outflows of resources	49,831	2,955	52,786
LIABILITIES			
Current liabilities			
Accounts payable	18,117	26,280	44,397
Accrued salaries and payroll liabilities	15,655	549	16,204
Compensated absences	36,874	532	37,406
Unearned revenue	14,575	2,492	17,067
Notes payable	30,883	0	30,883
Other current liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits	53,266	0	53,266
Revenue bonds payable	125,087	0	125,087
Interest payable	24,206	0	24,206
Total current liabilities	322,565	29,853	352,418

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
LIABILITIES			
Noncurrent liabilities			
Net pension liability	$ 154,590	$ 9,295	$ 163,885
Notes payable	209,878	0	209,878
Revenue bonds payable	1,499,952	0	1,499,952
Post-closure care	0	75,000	75,000
Total noncurrent liabilities	1,864,420	84,295	1,948,715
Total liabilities	2,186,985	114,148	2,301,133
DEFERRED INFLOWS OF RESOURCES			
Pension investment return differences	2,656	(141)	2,515
Pension assumption changes	523	27	550
Pension experience differences	5,766	297	6,063
Total deferred inflows of resources	8,945	183	9,128
NET POSITION			
Net investment in capital assets	8,986,703	0	8,986,703
Restricted for debt service	76,468	0	76,468
Unrestricted	1,675,961	(67,536)	1,608,425
Total net position	$ 10,739,132	$ (67,536)	$ 10,671,596

See accompanying notes to these financial statements.

Exhibit A-10, continued

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2017

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	$ 2,206,498	$ 325,303	$ 2,531,801
Other	42,277	0	42,277
Total operating revenues	2,248,775	325,303	2,574,078
OPERATING EXPENSES			
Costs of sales and services	1,011,022	305,101	1,316,123
Personal services	822,757	46,010	868,767
Depreciation	517,818	0	517,818
Total operating expenses	2,351,597	351,111	2,702,708
Operating income (loss)	(102,822)	(25,808)	(128,630)
Non-operating revenues (expenses)			
Interest revenue	3,143	0	3,143
Interest expense	(55,257)	0	(55,257)
Gain (loss) on sale of capital assets	3,709	0	3,709
Total non-operating revenues (expenses)	(48,405)	0	(48,405)
Net income (loss) before transfers	(151,227)	(25,808)	(177,035)
Transfers in (out)			
Transfers in	164,103	39,149	203,252
Transfers out	(36,542)	0	(36,542)
Change in net position	(23,666)	13,341	(10,325)
Net position, January 1	10,762,798	(80,877)	10,681,921
Net position, December 31	$ 10,739,132	$ (67,536)	$ 10,671,596

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2017

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	$ 2,185,865	$ 321,764	$ 2,507,629
Payments to suppliers	(1,008,972)	(301,076)	(1,310,048)
Payments to employees	(809,919)	(46,963)	(856,882)
Other receipts	42,277	0	42,277
Net cash provided (used) by operating activities	409,251	(26,275)	382,976
Cash flows from non-capital financing activities:			
Payments to other funds	(80,752)	(12,874)	(93,626)
Receipts from other funds	31,274	39,149	70,423
Net cash provided (used) by non-capital financing activities	(49,478)	26,275	(23,203)
Cash flows from capital and related financing activities:			
Receipts from other funds	164,103	0	164,103
Proceeds from sale of capital assets	3,709	0	3,709
Payments for acquisitions of capital assets	(74,193)	0	(74,193)
Principal payments - revenue bonds	(121,118)	0	(121,118)
Principal payments - notes payable	(30,728)	0	(30,728)
Interest paid	(57,061)	0	(57,061)
Net cash provided (used) by capital and related financing activities	(115,288)	0	(115,288)
Cash flows from investing activities			
Proceeds from certificates of deposit	400,000	0	400,000
Purchases of certificates of deposit	(700,000)	0	(700,000)
Interest received	1,895	0	1,895
Net cash provided (used) by investing activities	(298,105)	0	(298,105)
Net increase (decrease) in cash and cash equivalents	(53,620)	0	(53,620)
Cash and cash equivalents, January 1	1,041,984	0	1,041,984
Cash and cash equivalents, December 31	$ 988,364	$ 0	$ 988,364

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2017

	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)	$ (102,822)	$ (25,808)	$ (128,630)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	517,818	0	517,818
(Increase) decrease in accounts receivable	(21,266)	(2,386)	(23,652)
(Increase) decrease in inventories	4,690	0	4,690
(Increase) decrease in prepaid items	(949)	(25)	(974)
(Increase) decrease in pension contributions subsequent to measurement date	45,943	(91)	45,852
Increase (decrease) in pension investment return differences	0	3,858	3,858
Increase (decrease) in pension experience differences	0	(747)	(747)
Increase (decrease) in accounts payable	(1,691)	1,707	16
Increase (decrease) in unearned revenue	(2,590)	(1,153)	(3,743)
Increase (decrease) in payroll liabilities	5,916	(1,373)	4,543
Increase (decrease) in net pension liability	(27,480)	(1,668)	(29,148)
Increase (decrease) in post-closure care liability	0	2,343	2,343
Increase (decrease) in pension investment return differences	(8,549)	(751)	(9,300)
Increase (decrease) in pension assumption changes	(249)	(15)	(264)
Increase (decrease) in pension experience differences	(2,743)	(166)	(2,909)
Increase (decrease) in deposits payable	3,223	0	3,223
Total adjustments	512,073	(467)	511,606
Net cash provided (used) by operating activities	$ 409,251	$ (26,275)	$ 382,976
Cash and cash equivalents reconciliation			
Cash and cash equivalents reconciliation	$ 887,690	$ 0	$ 887,690
Debt Redemption Cash and cash equivalents reconciliation	100,674	0	100,674
	$ 988,364	$ 0	$ 988,364

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 12,740
Accounts receivable, net	40
Total assets	$ 12,780
LIABILITIES	
Due to other agencies	$ 12,780

See accompanying notes to 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 funds:

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

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

Revolving Loan Special Revenue 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 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, 2017.

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, 2017 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 acquisition value on the date donated.

Land and construction-in-progress are not depreciated. The other property, plant equipment, and infrastructure of the primary government are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life 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, 2017 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 2016 amounts have been reclassified to conform with the 2017 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, 2017, 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, 2017 consist of the following:

Major Funds		
Enterprise Funds		
Water and Sewer	$ 278,610	
Less: Allowances for Uncollectibles	(9,369)	
Solid Waste	44,350	
Less: Allowances for Uncollectibles	(886)	$ 312,705
Fiduciary Funds		
Agency Fund		
Municipal Court Agency Fund		$ 40

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2017 consist of the following:

Governmental Funds		
General Fund		
Georgia Municipal Association		
Nonmajor Funds	$ 4,000	
2017 SPLOST		
Franklin County Board of Commissioners	79,328	
Total		$ 83,328

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2017 consist of property taxes for seven years as follows:

Year of Levy	Amount
2017	$ 42,783
2016	2,147
2015	364
2014	327
2013	194
2012	197
2011	118
	46,130
Less allowance for uncollectible	(2,046)
	44,084
Add amount due from Franklin County Tax Commissioner	39,377
Total	$ 83,461

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 2017, based upon the assessments of January 1, 2017, were billed on August 29, 2017, and due on November 15, 2017. Tax liens are issued 90 days after the due date. The tax rate of 10.0 mils for 2017 was levied on July 31, 2017.

Other Taxes

$248,391 of franchise taxes, $37,482 of sales taxes, and $27,138 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, 2017 is as follows:

	Due from:		
	Hotel/Motel Tax	Nonmajor Governmental	Total
Due to:			
Major Funds			
General	$ 3,274	$ 723	$ 3,997

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

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

A summary of interfund transfers is as follows:

	Transfers out:				
	Major Funds				
	General	Hotel/Motel Tax	Water and Sewer	Nonmajor Governmental	Total
Transfers in:					
Major Funds					
General	$ 0	$ 92,769	$ 0	$ 0	$ 92,769
Water and Sewer	83,864	0	0	80,239	164,103
Solid Waste	2,607	0	36,542	0	39,149
Total	$ 86,471	$ 92,769	$ 36,542	$ 80,239	$ 296,021

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

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

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

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Governmental activities				
Non-depreciable assets				
Land	$ 525,266	$ 0	$ 0	$ 525,266
Construction in progress	65,922	0	(65,922)	0
Total non-depreciable assets	591,188	0	(65,922)	525,266
Depreciable assets				
Buildings	4,985,725		0	4,985,725
Infrastructure	1,672,312	301,518	0	1,973,830
Vehicles	1,714,665		(24,675)	1,689,990
Machinery and equipment	861,975	31,811	(22,975)	870,811
Furniture and fixtures	134,448	0	0	134,448
Software	0	27,331	0	27,331
Total depreciable assets	9,369,125	360,660	(47,650)	9,682,135
Accumulated depreciation				
Buildings	(2,102,391)	(101,220)	0	(2,203,611)
Infrastructure	(1,051,983)	(42,080)	0	(1,094,063)
Vehicles	(1,536,196)	(61,735)	24,675	(1,573,256)
Machinery and equipment	(631,125)	(34,722)	22,975	(642,872)
Furniture and fixtures	(132,286)	(2,091)	0	(134,377)
Software	0	(1,367)	0	(1,367)
Total accumulated depreciation	(5,453,981)	(243,215)	47,650	(5,649,546)
Total depreciable assets, net	3,915,144	117,445	0	4,032,589
Governmental activities capital assets, net	$ 4,506,332	$ 117,445	$ (65,922)	$ 4,557,855

8. Capital Assets (continued)

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Business-type activities				
Non-depreciable assets				
Land	$ 413,072	$ 0	$ 0	$ 413,072
Intangibles	116,574	0	0	116,574
Construction in progress	160,927	0	0	160,927
Total non-depreciable assets	690,573	0	0	690,573
Depreciable assets				
Buildings	247,085	0	0	247,085
Land improvements	20,146	0	0	20,146
Distribution system	17,747,050	26,349	0	17,773,399
Intangibles	61,026	0	0	61,026
Vehicles	282,340	0	(15,600)	266,740
Machinery and equipment	369,930	10,867	0	380,797
Furniture and fixtures	77,657	36,977	(2,004)	112,630
Total depreciable assets	18,805,234	74,193	(17,604)	18,861,823
Accumulated depreciation				
Buildings	(79,746)	(6,329)	0	(86,075)
Land improvements	(4,890)	(1,090)	0	(5,980)
Distribution system	(7,457,606)	(476,986)	0	(7,934,592)
Intangibles	(28,989)	(6,103)	0	(35,092)
Vehicles	(252,763)	(8,717)	15,600	(245,880)
Machinery and equipment	(299,577)	(15,534)	0	(315,111)
Furniture and fixtures	(76,108)	(3,059)	2,004	(77,163)
Total accumulated depreciation	(8,199,679)	(517,818)	17,604	(8,699,893)
Total depreciable assets, net	10,605,555	(443,625)	0	10,161,930
Business-type activities capital assets, net	$ 11,296,128	$ (443,625)	$ 0	$ 10,852,503

8. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
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	(23,509)	(2,518)	0	(26,027)
Land improvements	(17,423)	(1,502)	0	(18,925)
Intangibles	(1,708)	(250)	0	(1,958)
Total accumulated depreciation	(42,640)	(4,270)	0	(46,910)
Total depreciable assets, net	83,140	(4,270)	0	78,870
Downtown Development Authority Component Unit capital assets, net	$ 123,140	$ (4,270)	$ 0	$ 118,870

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 8,118
Public Safety	119,955
Public Works	46,931
Culture and Recreation	55,279
Housing and Development	12,932
Total depreciation expense for governmental activities	$ 243,215
Business-type activities	
Water and Sewer Fund	$ 517,818
Component Unit	
Downtown Development Authority	$ 4,270

9. Capital and Operating Lease Agreements

The City has entered into agreements for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by GASB Statement No. 62, paragraph 212, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee.

In 2017, a capital lease was entered into by the City for a 2017 E-One Typhoon Fire Truck. The City deposited into escrow to be held for the benefit of the City, the amount of $560,000, which, together with interest earned thereon until disbursed if necessary, will be used to pay the costs of the equipment in the amount of $560,000. The equipment will be acquired with due diligence and will be fully acquired on or before March 1, 2018. As of December 31, 2017 the cost of the fire truck is reported as prepaid. The balance of capital leases at December 31, 2017 is $510,531 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, 2017:

Year Ending December 31,	Governmental activities
2018	$ 64,735
2019	64,735
2020	64,735
2021	64,735
2022	64,735
2023-2026	258,940
Total minimum lease payments	582,615
Less amounts representing interest	(72,084)
Present value of minimum lease payments	$ 510,531

9. Capital and Operating Lease Agreements (continued)

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

	Cost	Accumulated Depreciation
Vehicles	$ 560,000	$ 0

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

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

10. Long-Term Debt

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

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2017:

$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% ($1,625,039 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. At December 31, 2017, the balance of these bonds is $1,625,039.

10. Long-Term Debt (continued)

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

Year Ending December 31,	Principal	Interest	Total
2018	$ 125,087	$ 51,806	$ 176,893
2019	129,185	47,707	176,892
2020	133,418	43,475	176,893
2021	137,789	39,103	176,892
2022	142,303	34,589	176,892
2023-2027	784,585	99,876	884,461
2028	172,672	4,220	176,892
Totals	$ 1,625,039	$ 320,776	$ 1,945,815

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, 2017, the balance of this note is $240,761.

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

Year Ending December 31,	Principal	Interest	Total
2018	$ 30,883	$ 1,133	$ 32,016
2019	31,037	979	32,016
2020	31,193	883	32,076
2021	31,349	666	32,015
2022	31,506	509	32,015
2023-2025	84,793	584	85,377
Totals	$ 240,761	$ 4,754	$ 245,515

10. Long-Term Debt (continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017	Due Within One Year
Governmental activities					
Capital lease obligations	$ 585,974	$ 0	$ (75,443)	$ 510,531	$ 50,817
Compensated absences	63,570	54,326	(63,570)	54,326	54,326
Total governmental activities	$ 649,544	$ 54,326	$ (139,013)	$ 564,857	$ 105,143
Business-type activities					
Revenue bonds	$ 1,746,157	$ 0	$ (121,118)	$ 1,625,039	$ 125,087
Notes payable	271,489	0	(30,728)	240,761	30,883
Landfill post-closure care costs	72,657	2,343	0	75,000	0
Compensated absences	34,757	37,406	(34,757)	37,406	37,406
Total business-type activities	$ 2,125,060	$ 39,749	$ (186,603)	$ 1,978,206	$ 193,376

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 $15,232 and $55,257 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, 2017, the principal amount payable for the bonds issued totaled $7,740,000; 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 $75,000 as of December 31, 2017. The inert landfill is expected to be filled to capacity by the year 2066.

The estimated total current cost of the landfill closure and post-closure care ($75,000) 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, 2017. 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, 2017, the Solid Waste Fund had deficit equity balance of $67,536. The City plans to transfer funds to this fund 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, 2017:

	General	Hotel/Motel Tax	Revolving Loan	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:					
Public Safety					
Police department	$ 0	$ 0	$ 0	$ 17,949	$ 17,949
Fire department	20,770	0	0	0	20,770
Housing and Development					
Revolving loan fund debt service	0	0	179,438	0	179,438
Trade and tourism	0	70,210	0	0	70,210
Capital outlay	0	0	0	308,403	308,403
	$ 20,770	$ 70,210	$ 179,438	$ 326,352	$ 596,770
Commited for:					
Public Works					
Cemetery operations	$ 0	$ 0	$ 0	$ 18,379	$ 18,379
Assigned for:					
Housing and Development					
Trade and tourism	$ 0	$ 75,226	$ 0	$ 0	$ 75,226

15. 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.

At July 1, 2017, the date of the most recent actuarial valuation, there were 90 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	25
Terminated vested participants entitled to but not yet receiving benefits	18
Active participants	47
Total number of participants	90

15. Pension Plan (continued)

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

Contributions. Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the year ending December 31, 2017 was $121,689, or 7.84% of covered payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the City reported a net pension liability of $404,785. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. For the fiscal year ended December 31, 2017, the City recognized pension expense of $139,897. In prior years, net pension liabilities have been liquidated in the General Fund, Water and Sewer Fund, and Solid Waste Fund.

15. Pension Plan (continued)

At December 31, 2017, 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	$ 38,746	$ (14,429)
Changes of assumptions	0	(1,309)
Net difference between projected and actual earnings on pension plan investments	0	(3,163)
Pension contributions subsequent to measurement date	91,267	0
Totals	$ 130,013	$ (18,901)

The $91,267 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2018	$ 6,674
2019	6,674
2020	24,043
2021	(17,546)
Totals	$ 19,845

Actuarial Assumptions. The total pension liability in the July 1, 2017 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.

15. Pension Plan (continued)

The mortality and economic actuarial assumptions used in the July 1, 2017 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, 2017 are summarized in the following table:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 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.

15. 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 3/31/2016	$ 3,174,726	$ 2,697,671	$ 477,055
Changes for the year:			
Service cost	86,408	0	86,408
Interest	241,046	0	241,046
Differences between expected and actual experience	42,483	0	42,483
Contributions—employer	0	117,756	(117,756)
Net investment income	0	338,321	(338,321)
Benefit payments, including refunds of employee contributions	(128,903)	(128,903)	0
Administrative expense	0	(13,870)	13,870
Net changes	241,034	313,304	(72,270)
Balances at 3/31/2017	$ 3,415,760	$ 3,010,975	$ 404,785

Plan fiduciary net position as a percentage of the total pension liability	88.15%
Covered payroll	$ 1,556,969
Net pension liability as a percentage of covered payroll	26.00%

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%	$ 861,050
Current discount rate	7.75%	404,785
1% increase	8.75%	23,248

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

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

16. 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, 2017, there were 12 retirees eligible for and receiving the benefits. For 2017, the cost of providing these benefits totaled $4,073.

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.

17. 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, 2017 follows:

Lodging tax receipts	$435,652
Disbursements to promote tourism, conventions, and trade shows, operation of community theater, and general recreation purposes	$495,940 114% of tax receipts

18. 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, 2017, the City paid $2,379 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

The City of Lavonia has entered into an intergovernmental agreement with the Joint Development Authority of Hart, Franklin, and Stephens Counties, Georgia, to provide sewer services to the occupants of the Gateway Business Park, an industrial park development located jointly in Hart and Franklin Counties. During 2017, 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.

19. 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 $14,041 as payment-in-lieu-of-taxes for 2017. Separate financial statements may be obtained from Housing Authority of the City of Lavonia, PO Box 453, Lavonia, GA 30553.

20. 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, 2017, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

21. Commitments and Contingencies

Commitments

The City has active construction projects as of December 31, 2017. At year-end, the City has no commitments with contractors.

Contingencies

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

22. Material Noncompliance

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

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

	Budget	Actual	Variance
General Fund			
Current			
Financial Administration	$ 321,251	$ 343,868	$ (22,617)
Fire Department	101,350	122,130	(20,780)
Highways and Streets	550,828	573,289	(22,461)
Maintenance Shop	35,711	37,094	(1,383)
Detention Services	29,106	30,123	(1,017)
Parks and Recreation	103,959	111,811	(7,852)
Debt Service			
Fire Department	27,100	91,775	(64,675)
Hotel/Motel Tax Fund	258,513	495,940	(237,427)
Revolving Loan Fund	0	418,689	(418,689)

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2017
(Unaudited)

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

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

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

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
December 31, 2017
(Unaudited)

	Fiscal Year End		
	2017	**2016**	**2015**
Actuarially determined contribution	$ 121,689	$ 116,445	$ 107,565
Contributions in relation to the actuarially determined contribution	(121,689)	(116,445)	(116,739)
Contribution deficiency (excess)	$ 0	$ 0	$ (9,174)
Covered payroll	$ 1,551,328	$ 1,556,969	$ 1,455,761
Contributions as a percentage of covered payroll	7.84%	7.48%	7.39%

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

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

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2018.

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

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

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

4. Changes of Assumptions

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF LAVONIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Confiscated Assets	Cemetery	2010 SPLOST	2015 SPLOST	
ASSETS					
Cash and cash equivalents	$ 18,089	$ 19,102	$ 151,741	$ 80,907	$ 269,839
Receivables					
Intergovernmental	0	0	0	79,328	79,328
Total assets	$ 18,089	$ 19,102	$ 151,741	$ 160,235	$ 349,167
LIABILITIES AND FUND BALANCES					
Liabilities					
Payables					
Accounts	$ 0	$ 0	$ 3,573	$ 0	$ 3,573
Due to other funds	0	723	0	0	723
Other liabilities	140	0	0	0	140
Total liabilities	140	723	3,573	0	4,436
Fund balances					
Restricted for:					
Public Safety	17,949	0	0	0	17,949
Capital outlay	0	0	148,168	160,235	308,403
Committed for:					
Public Works	0	18,379	0	0	18,379
Total fund balances	17,949	18,379	148,168	160,235	344,731
Total liabilities and fund balances	$ 18,089	$ 19,102	$ 151,741	$ 160,235	$ 349,167

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Confiscated Assets	Cemetery	2010 SPLOST	2015 SPLOST	
REVENUES					
Fines, fees, and forfeitures	$ 17,103	$ 0	$ 0	$ 0	$ 17,103
Charges for services	0	16,740	0	0	16,740
Intergovernmental	0	0	57,449	160,400	217,849
Interest	4	0	22	1	27
Total revenues	17,107	16,740	57,471	160,401	251,719
EXPENDITURES					
Current					
Judicial	1,832	0	0	0	1,832
Public Safety	0	0	0	0	0
Public Works	0	2,422	0	0	2,422
Capital Outlay	0	0	96,034	166	96,200
Total expenditures	1,832	2,422	96,034	166	100,454
Excess (deficiency) of revenues over (under) expenditures	15,275	14,318	(38,563)	160,235	151,265
Other financing sources (uses)					
Transfers out	0	0	(80,239)	0	(80,239)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	15,275	14,318	(118,802)	160,235	71,026
Fund balances, January 1	2,674	4,061	266,970	0	273,705
Fund balances, December 31	$ 17,949	$ 18,379	$ 148,168	$ 160,235	$ 344,731

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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, 2017 and 2016

	2017	2016
ASSETS		
Cash	$ 1,676,354	$ 745,554
Certificates of deposit	0	800,000
Receivables (net)		
Intergovernmental	4,000	6,000
Interest	6	2,552
Taxes	369,334	381,857
Prepaid items	580,538	578,844
Property held for resale	51,364	51,364
Due from other funds	3,997	62,610
Total assets	$ 2,685,593	$ 2,628,781
LIABILITIES		
Accounts payable	$ 26,212	$ 26,478
Accrued salaries and payroll liabilities	33,210	24,191
Other liabilities	2,815	2,815
Total liabilities	62,237	53,484
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	18,683	14,405
FUND BALANCES		
Nonspendable		
Prepaid items	580,538	578,844
Property held for resale	51,364	51,364
Restricted for Public Safety	20,770	0
Unassigned	1,952,001	1,930,684
Total fund balances	2,604,673	2,560,892
Total liabilities, deferred inflows of resources and fund balances	$ 2,685,593	$ 2,628,781

CITY OF LAVONIA, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2017 and 2016

	2017	2016
REVENUES		
Taxes	$ 2,000,770	$ 1,922,542
Licenses and permits	39,304	39,281
Fines, fees and forfeitures	101,126	117,342
Charges for services	20,696	17,273
Intergovernmental	268,927	94,021
Interest	1,151	2,963
Contributions	110,000	5,069
Other	15,252	13,544
Total revenues	2,557,226	2,212,035
EXPENDITURES		
Current		
General Government	452,160	430,934
Judicial	8,782	7,963
Public Safety	1,140,013	1,192,342
Public Works	640,506	473,292
Culture and Recreation	142,551	125,571
Housing and Development	54,877	75,643
Debt Service	91,775	27,039
Total expenditures	2,530,664	2,332,784
Excess of revenues over expenditures	26,562	(120,749)
Other financing sources (uses)		
Transfers in (out)		
Hotel/Motel Tax Fund	92,769	105,000
Solid Waste Fund	(2,607)	(70,503)
Water and Sewer Fund	(83,864)	(1,005,337)
Proceeds from capital leases	0	560,000
Proceeds from sale of capital assets	10,921	11,725
Total other financing sources (uses)	17,219	(399,115)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	43,781	(519,864)
Fund balances, January 1	2,560,892	3,080,756
Fund balances, December 31	$ 2,604,673	$ 2,560,892

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 802,500	$ 878,924	$ 76,424	$ 804,772
Motor vehicle tax	90,000	71,234	(18,766)	98,761
Total general property taxes	892,500	950,158	57,658	903,533
Local option sales tax	410,000	430,865	20,865	408,758
Intangibles tax	10,500	8,595	(1,905)	11,516
Franchise tax	280,000	271,689	(8,311)	278,234
Insurance premium tax	115,000	143,290	28,290	134,565
Alcoholic beverage excise tax	120,000	119,904	(96)	123,401
Occupational tax	110,000	76,269	(33,731)	62,535
Total taxes	1,938,000	2,000,770	62,770	1,922,542
Licenses and permits				
Alcohol licenses	0	29,475	29,475	28,950
Building permits	2,900	4,046	1,146	9,356
Sign permits	1,200	5,783	4,583	975
Total licenses and permits	4,100	39,304	35,204	39,281
Fines, fees and forfeitures	125,000	101,126	(23,874)	117,342
Charges for Services				
Recreation	18,700	20,348	1,648	16,991
Other charges for services	650	348	(302)	282
Total charges for services	19,350	20,696	1,346	17,273
Intergovernmental				
Grants	256,264	241,902	(14,362)	67,960
Other	21,500	27,025	5,525	26,061
Total intergovernmental	277,764	268,927	(8,837)	94,021
Interest	5,000	1,151	(3,849)	2,963
Contributions	15,000	110,000	95,000	5,069
Other	6,100	15,252	9,152	13,544
Total revenues	$ 2,390,314	$ 2,557,226	$ 166,912	$ 2,212,035

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	$ 75,690	$ 73,138	$ 2,552	$ 74,281
Contract services	32,450	34,530	(2,080)	37,171
Materials and supplies	1,500	624	876	584
Total Governing Body	109,640	108,292	1,348	112,036
Financial Administration				
Personal services	181,451	182,859	(1,408)	179,314
Contract services	112,000	106,493	5,507	105,816
Materials and supplies	27,800	27,185	615	33,768
Capital outlay	0	27,331	(27,331)	0
Total Financial Administration	321,251	343,868	(22,617)	318,898
Total General Government	430,891	452,160	(21,269)	430,934
Judicial				
Municipal Court				
Personal services	100	200	(100)	200
Contract services	8,900	8,582	318	7,763
Total Judicial	9,000	8,782	218	7,963
Public Safety				
Police Department				
Personal services	847,767	834,785	12,982	836,409
Contract services	129,570	118,328	11,242	120,548
Materials and supplies	39,100	41,988	(2,888)	43,442
Capital outlay	10,000	8,072	1,928	64,107
Payments to other agencies	13,500	11,349	2,151	11,942
Total Police Department	1,039,937	1,014,522	25,415	1,076,448
Fire Department				
Personal services	35,100	33,723	1,377	32,088
Contract services	36,300	30,108	6,192	32,063
Materials and supplies	11,950	30,797	(18,847)	41,299
Capital outlay	18,000	27,502	(9,502)	7,563
Total Fire Department	101,350	122,130	(20,780)	113,013
Communications				
Contract services	1,000	0	1,000	0
Materials and supplies	3,800	3,361	439	2,881
Total Communications	4,800	3,361	1,439	2,881
Total Public Safety	1,146,087	1,140,013	6,074	1,192,342

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Public Works				
Highways and Streets				
Personal services	$ 180,333	$ 155,744	$ 24,589	$ 130,818
Contract services	36,200	85,342	(49,142)	160,017
Materials and supplies	98,700	96,607	2,093	97,277
Capital outlay	235,595	235,596	(1)	21,190
Total Highways and Streets	550,828	573,289	(22,461)	409,302
Maintenance Shop				
Personal services	20,611	21,307	(696)	20,661
Contract services	4,200	5,752	(1,552)	5,272
Materials and supplies	10,900	10,035	865	10,746
Total Maintenance Shop	35,711	37,094	(1,383)	36,679
Detention Services				
Personal services	25,606	27,890	(2,284)	24,915
Contract services	3,500	2,233	1,267	2,396
Total Detention Services	29,106	30,123	(1,017)	27,311
Total Public Works	615,645	640,506	(24,861)	473,292
Culture and Recreation				
Parks and Recreation				
Personal services	48,959	52,116	(3,157)	48,363
Contract services	7,550	7,685	(135)	20,816
Materials and supplies	24,450	28,062	(3,612)	31,483
Capital outlay	23,000	23,948	(948)	0
Total Parks and Recreation	103,959	111,811	(7,852)	100,662
Community Center				
Contract services	3,000	3,785	(785)	2,320
Materials and supplies	7,500	5,418	2,082	5,828
Capital outlay	2,000	0	2,000	0
Total Community Center	12,500	9,203	3,297	8,148
Library				
Contract services	2,300	2,345	(45)	2,911
Materials and supplies	6,500	3,192	3,308	3,850
Payments to others	16,000	16,000	0	10,000
Total Library	24,800	21,537	3,263	16,761
Total Culture and Recreation	141,259	142,551	(1,292)	125,571

CITY OF LAVONIA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Housing and Development				
Inspections				
Personal services	$ 17,690	$ 19,696	$ (2,006)	$ 19,109
Contract services	4,200	3,281	919	4,693
Materials and supplies	1,500	420	1,080	1,512
Total Inspections	23,390	23,397	(7)	25,314
Better Home Towns				
Personal services	25,884	24,869	1,015	24,153
Contract services	4,000	2,460	1,540	2,202
Materials and supplies	1,800	1,942	(142)	2,442
Total Better Home Towns	31,684	29,271	2,413	28,797
Cannery				
Contract services	1,700	1,903	(203)	20,522
Materials and supplies	3,100	306	2,794	1,010
Capital Outlay	3,000	0	3,000	0
Total Cannery	7,800	2,209	5,591	21,532
Total Housing and Development	62,874	54,877	7,997	75,643
Total Current	2,405,756	2,438,889	(33,133)	2,305,745
Debt Service				
Public Safety				
Fire Department	27,100	91,775	(64,675)	27,039
Total Expenditures	$ 2,432,856	$ 2,530,664	$ (97,808)	$ 2,332,784

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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, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 18,089	$ 2,814
LIABILITIES AND FUND BALANCES		
Liabilities		
Other liabilities	$ 140	$ 140
Fund balances		
Restricted for Public Safety	17,949	2,674
Total liabilities and fund balances	$ 18,089	$ 2,814

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, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	$ 5,000	$ 17,103	$ 12,103	$ 4,014
Interest	0	4	4	0
Total revenue	5,000	17,107	12,107	4,014
EXPENDITURES				
Current				
Public Safety				
Contract services	3,500	0	3,500	1,459
Materials and supplies	1,500	0	1,500	9,164
Judicial				
Materials and supplies	0	1,832	(1,832)	0
Total expenditures	5,000	1,832	3,168	10,623
Excess (deficiency) of revenues over (under) expenditures	0	15,275	15,275	(6,609)
Other financing sources (uses)				
Contingency	(6,500)	0	6,500	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,500)	15,275	21,775	(6,609)
Fund balances, January 1	6,500	2,674	(3,826)	9,283
Fund balances, December 31	$ 0	$ 17,949	$ 17,949	$ 2,674

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 159,783	$ 292,357
Taxes receivable	27,138	22,971
Prepaid items	1,179	1,103
Total assets	$ 188,100	$ 316,431
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 36,894	$ 7,010
Accrued payroll liabilities	1,193	1,022
Due to other funds	3,274	9,337
Other liabilities	124	125
Total liabilities	41,485	17,494
Fund balances		
Nonspendable prepaid items	1,179	1,103
Restricted for Housing and Development	70,210	203,107
Assigned for Housing and Development	75,226	94,727
Total fund balances	146,615	298,937
Total liabilities and fund balances	$ 188,100	$ 316,431

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, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/motel taxes	$ 370,000	$ 435,652	$ 65,652	$ 396,756
Charges for services	500	6	(494)	0
Interest	25	29	4	26
Other	3,000	700	(2,300)	2,935
Total revenues	373,525	436,387	62,862	399,717
EXPENDITURES				
Current				
Housing and Development				
Personal services	72,813	72,303	510	72,299
Contract services	61,200	94,017	(32,817)	45,434
Material and supplies	37,500	23,872	13,628	59,561
Capital outlay	62,000	0	62,000	34,646
Payments to other agencies	25,000	305,748	(280,748)	25,000
Total expenditures	258,513	495,940	(237,427)	236,940
Excess (deficiency) of revenues over (under) expenditures	115,012	(59,553)	(174,565)	162,777
Other financing sources (uses)				
Transfer to General Fund	(120,000)	(92,769)	27,231	(105,000)
Contingency	(145,012)	0	145,012	0
Total other financing sources (uses)	(265,012)	(92,769)	172,243	(105,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(150,000)	(152,322)	(2,322)	57,777
Fund balances, January 1	150,000	298,937	148,937	241,160
Fund balances, December 31	$ 0	$ 146,615	$ 146,615	$ 298,937

CITY OF LAVONIA, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 179,438	$ 598,067
FUND BALANCES		
Fund balances		
Restricted for Housing and Development	$ 179,438	$ 598,067

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, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Interest	$ 3,848	$ 60	$ (3,788)	$ 60
Other	18,251	0	(18,251)	0
Total revenues	22,099	60	(22,039)	60
EXPENDITURES				
Current				
Housing and Development				
Payments to others	0	418,689	(418,689)	0
Excess (deficiency) of revenues over (under) expenditures	22,099	(418,629)	(440,728)	60
Other financing sources (uses)				
Contingency	(22,099)	0	22,099	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(418,629)	(418,629)	60
Fund balances, January 1	0	598,067	598,067	598,007
Fund balances, December 31	$ 0	$ 179,438	$ 179,438	$ 598,067

CITY OF LAVONIA, GEORGIA
CEMETERY SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 19,102	$ 4,288
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	$ 723	$ 227
Fund balances		
Committed for Public Works	18,379	4,061
Total liabilities and fund balances	$ 19,102	$ 4,288

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, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Charges for services	$ 9,500	$ 16,740	$ 7,240	$ 4,225
Total revenues	9,500	16,740	7,240	4,225
EXPENDITURES				
Current				
Public Works				
Contract services	500	91	409	85
Materials and supplies	3,000	2,331	669	5
Total expenditures	3,500	2,422	1,078	90
Excess (deficiency) of revenues over (under) expenditures	6,000	14,318	8,318	4,135
Other financing sources (uses)				
Contingency	(6,500)	0	6,500	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(500)	14,318	14,818	4,135
Fund balances, January 1	500	4,061	3,561	(74)
Fund balances, December 31	$ 0	$ 18,379	$ 18,379	$ 4,061

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CAPITAL PROJECTS FUNDS

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

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

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

CITY OF LAVONIA, GEORGIA
2010 SPECIAL PURPOSE LOCAL OPTION SALES TAX
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 151,741	$ 254,789
Intergovernmental receivables	0	39,417
Total assets	$ 151,741	$ 294,206
LIABILITIES AND FUND BALANCES		
Accounts payable	$ 3,573	$ 0
Due to other funds	0	27,236
Total liabilities	3,573	27,236
FUND BALANCES		
Restricted for capital outlay	148,168	266,970
Total liabilities and fund balances	$ 151,741	$ 294,206

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, 2017 and 2016

	2017	2016
REVENUES		
Intergovernmental	$ 57,449	$ 230,482
Interest	22	15
Total revenues	57,471	230,497
EXPENDITURES		
Capital outlay		
Public Safety		
Fire	3,225	1,257
Public Works		
Highways and Streets	41,813	0
Culture and Recreation		
Library	0	3,489
Recreation	50,996	0
Total expenditures	96,034	4,746
Excess (deficiency) of revenues over (under) expenditures	(38,563)	225,751
Other financing sources (uses)		
Transfer to Water and Sewer Fund	(80,239)	(15,795)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(118,802)	209,956
Fund balances, January 1	266,970	57,014
Fund balances, December 31	$ 148,168	$ 266,970

CITY OF LAVONIA, GEORGIA
2015 SPECIAL PURPOSE LOCAL OPTION SALES TAX
BALANCE SHEET
December 31, 2017

ASSETS		
Cash and cash equivalents	$	80,907
Intergovernmental receivables		79,328
Total assets	$	160,235
FUND BALANCES		
Restricted for capital outlay	$	160,235

CITY OF LAVONIA, GEORGIA
2015 SPECIAL PURPOSE LOCAL OPTION SALES TAX
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the year ended December 31, 2017

REVENUES	
Intergovernmental	$ 160,400
Interest	1
Total revenues	160,401
EXPENDITURES	
Capital outlay	
Public Works	
Highways and Streets	166
Total expenditures	166
Excess (deficiency) of revenues over (under) expenditures	160,235
Fund balances, January 1	0
Fund balances, December 31	$ 160,235

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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, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 887,690	$ 944,424
Certificates of deposit	646,734	349,957
Receivables		
Accounts (net)	269,241	247,975
Interest	2,133	885
Inventory	53,416	58,106
Prepaid items	19,574	18,625
Due from other funds	0	31,274
Total current assets	1,878,788	1,651,246
Restricted assets		
Bond Redemption		
Cash and cash equivalents	100,674	97,560
Customer Deposits		
Certificates of deposit	53,266	50,043
Total restricted assets	153,940	147,603
Capital assets		
Land	413,072	413,072
Land improvements	20,146	20,146
Buildings	247,085	247,085
Vehicles	266,740	282,340
Furniture and fixtures	112,630	77,657
Plant and facilities	9,793,744	9,767,396
Water and sewer lines and towers	7,979,654	7,979,654
Machinery and equipment	380,797	369,930
Nondepreciable intangibles	116,574	116,574
Depreciable intangibles	61,026	61,026
Construction in progress	160,927	160,927
Accumulated depreciation	(8,699,892)	(8,199,679)
Total capital assets (net of accumulated depreciation)	10,852,503	11,296,128
Total assets	12,885,231	13,094,977
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	35,141	33,645
Pension investment return differences	0	59,760
Pension experience differences	14,690	2,369
Total deferred outflows of resources	49,831	95,774

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
LIABILITIES		
Current liabilities		
Accounts payable	$ 18,117	$ 19,808
Accrued salaries and payroll liabilities	15,655	13,518
Compensated absences	36,874	33,095
Unearned revenue	14,575	17,165
Notes payable	30,883	30,729
Due to other funds	0	44,210
Other current liabilities	3,902	3,902
Total current liabilities	120,006	162,427
Current liabilities payable from restricted assets		
Customer deposits	53,266	50,043
Revenue bonds payable	125,087	121,118
Interest payable	24,206	26,010
Total current liabilities payable from restricted assets	202,559	197,171
Long-term liabilities		
Net pension liability	154,590	182,070
Notes payable	209,878	240,760
Revenue bonds payable	1,499,952	1,625,039
Total long-term liabilities	1,864,420	2,047,869
Total liabilities	2,186,985	2,407,467
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	2,656	11,205
Pension assumption changes	523	772
Pension experience differences	5,766	8,509
Total deferred inflows of resources	8,945	20,486
NET POSITION		
Net investment in capital assets	8,986,703	9,278,482
Restricted for debt service	76,468	71,550
Unrestricted	1,675,961	1,412,766
Total net position	$ 10,739,132	$ 10,762,798

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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for sales and services		
Water sales	$ 1,619,621	$ 1,617,808
Sewer charges	557,377	549,693
Tap fees	29,500	18,985
Other	42,277	50,660
Total operating revenues	2,248,775	2,237,146
OPERATING EXPENSES		
Costs of sales and services	1,011,022	836,728
Personal services	822,757	830,481
Depreciation	517,818	498,273
Total operating expenses	2,351,597	2,165,482
Operating income (loss)	(102,822)	71,664
Non-operating revenues (expenses)		
Interest revenue	3,143	1,066
Interest expense	(55,257)	(59,310)
Gain (loss) on sale of property held for resale	0	(407,712)
Gain (loss) on sale of capital assets	3,709	10,803
Total non-operating revenues (expenses)	(48,405)	(455,153)
Net income (loss) before capital contributions and transfers	(151,227)	(383,489)
Capital contributions		
Intergovernmental revenue	0	47,829
Capital contributions	0	6,332
Total capital contributions	0	54,161
Net income (loss) before transfers	(151,227)	(329,328)
Transfers in (out)		
2010 SPLOST Fund	80,239	15,795
General Fund	83,864	1,005,337
Solid Waste Fund	(36,542)	0
Total transfers in (out)	127,561	1,021,132
Change in net position	(23,666)	691,804
Net position, January 1	10,762,798	10,070,994
Net position, December 31	$ 10,739,132	$ 10,762,798

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 2,185,865	$ 2,147,169
Payments to suppliers	(1,008,972)	(843,391)
Payments to employees	(809,919)	(815,887)
Other receipts	42,277	50,660
Net cash provided (used) by operating activities	409,251	538,551
Cash flows from non-capital financing activities:		
Payments to other funds	(80,752)	(12,990)
Receipts from other funds	115,138	0
Net cash provided (used) by non-capital financing activities	34,386	(12,990)
Cash flows from capital and related financing activities:		
Receipts of capital contributions	0	6,332
Receipts from other governments	0	114,581
Receipts from other funds	80,239	15,795
Proceeds from sale of capital assets	3,709	10,803
Payments for acquisitions of capital assets	(74,193)	(255,413)
Payments for capital related retainage	0	(52,325)
Principal payments - revenue bonds	(121,118)	(117,276)
Principal payments - notes payable	(30,728)	(30,575)
Interest paid	(57,061)	(61,058)
Net cash provided (used) by capital and related financing activities	(199,152)	(369,136)
Cash flows from investing activities:		
Proceeds from certificates of deposit	400,000	600,000
Purchases of certificates of deposit	(700,000)	(600,000)
Proceeds from sale of investments	0	597,625
Interest received	1,895	1,838
Net cash provided (used) by investing activities	(298,105)	599,463
Net increase (decrease) in cash and cash equivalents	(53,620)	755,888
Cash and cash equivalents, January 1	1,041,984	286,096
Cash and cash equivalents, December 31	$ 988,364	$ 1,041,984

CITY OF LAVONIA, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	2017	2016
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (102,822)	$ 71,664
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	517,818	498,273
(Increase) decrease in accounts receivable	(21,266)	(39,283)
(Increase) decrease in inventories	4,690	(807)
(Increase) decrease in prepaid items	(949)	(2,088)
(Increase) decrease in pension contributions subsequent to measurement date	45,943	(68,716)
Increase (decrease) in accounts payable	(1,691)	(3,768)
Increase (decrease) in unearned revenue	(2,590)	(1,572)
Increase (decrease) in payroll liabilities	5,916	10,405
Increase (decrease) in net pension liability	(27,480)	79,392
Increase (decrease) in pension investment return differences	(8,549)	(3,548)
Increase (decrease) in pension assumption changes	(249)	(245)
Increase (decrease) in pension experience differences	(2,743)	(2,694)
Increase (decrease) in deposits payable	3,223	1,538
Total adjustments	512,073	466,887
Net cash provided (used) by operating activities	$ 409,251	$ 538,551
Cash and cash equivalents reconciliation		
Cash and cash equivalents	$ 887,690	$ 944,424
Debt Redemption Cash and cash equivalents	100,674	97,560
Total cash and cash equivalents	$ 988,364	$ 1,041,984

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Accounts receivable (net)	$ 43,464	$ 41,078
Prepaid items	376	351
Total assets	43,840	41,429
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	2,055	1,964
Pension investment return differences	0	3,858
Pension experience differences	900	153
Total deferred outflows of resources	2,955	5,975
LIABILITIES		
Current liabilities		
Accounts payable	26,280	24,573
Accrued salaries and payroll liabilities	549	792
Compensated absences	532	1,662
Unearned revenue	2,492	3,645
Due to other funds	0	12,874
Total current liabilities	29,853	43,546
Long-term liabilities		
Net pension liability	9,295	10,963
Post-closure care	75,000	72,657
Total long-term liabilities	84,295	83,620
Total liabilities	114,148	127,166
DEFERRED INFLOWS OF RESOURCES		
Pension investment return differences	(141)	610
Pension assumption changes	27	42
Pension experience differences	297	463
Total deferred inflows of resources	183	1,115
NET POSITION		
Unrestricted	$ (67,536)	$ (80,877)

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Charges for sales and services	$ 325,303	$ 321,188
OPERATING EXPENSES		
Costs of sales and services	305,101	296,622
Personal services	46,010	50,595
Total operating expenses	351,111	347,217
Operating income (loss)	(25,808)	(26,029)
Transfers in (out)		
General Fund	39,149	70,503
Change in net position	13,341	44,474
Net position, January 1	(80,877)	(125,351)
Net position, December 31	$ (67,536)	$ (80,877)

CITY OF LAVONIA, GEORGIA
SOLID WASTE ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 321,764	$ 319,114
Payments to suppliers	(301,076)	(319,722)
Payments to employees	(46,963)	(50,064)
Net cash provided (used) by operating activities	(26,275)	(50,672)
Cash flows from non-capital financing activities:		
Payments to other funds	(12,874)	0
Receipts from other funds	39,149	50,672
Net cash provided (used) by non-capital financing activities	26,275	50,672
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents, January 1	0	0
Cash and cash equivalents, December 31	$ 0	$ 0
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (25,808)	$ (26,029)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(2,386)	(1,839)
(Increase) decrease in prepaid items	(25)	(1)
(Increase) decrease in pension contributions subsequent to measurement date	(91)	(426)
Increase (decrease) in pension investment return differences	3,858	(3,858)
Increase (decrease) in pension experience differences	(747)	(153)
Increase (decrease) in accounts payable	1,707	(25,556)
Increase (decrease) in unearned revenue	(1,153)	(235)
Increase (decrease) in accrued payroll liabilities	(1,373)	262
Increase (decrease) in net pension liability	(1,668)	5,125
Increase (decrease) in post-closure care liability	2,343	2,457
Increase (decrease) in pension investment return differences	(751)	(229)
Increase (decrease) in pension assumption changes	(15)	(16)
Increase (decrease) in pension experience differences	(166)	(174)
Total adjustments	(467)	(24,643)
Net cash provided (used) by operating activities	$ (26,275)	$ (50,672)

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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, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 12,740	$ 11,580
Accounts receivable (net)	40	40
Total assets	$ 12,780	$ 11,620
LIABILITIES		
Due to other agencies	$ 12,780	$ 11,620

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2017

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Cash and cash equivalents	$ 11,580	$ 136,912	$ (135,752)	$ 12,740
Accounts receivable	40	0	0	40
Total assets	$ 11,620	$ 136,912	$ (135,752)	$ 12,780
LIABILITIES				
Due to others agencies	$ 11,620	$ 136,912	$ (135,752)	$ 12,780

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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, 2017 and 2016

ASSETS	**2017**	**2016**
Cash and cash equivalents	$ 463	$ 4,091
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 468	$ 1,154
Other liabilities	88	87
Total liabilities	556	1,241
Fund balances		
Assigned for:		
Housing and Development	0	2,350
Budget	0	500
Unassigned	(93)	0
Total fund balances	(93)	2,850
Total liabilities and fund balances	$ 463	$ 4,091

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, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Intergovernmental	$ 30,000	$ 30,000	$ 0	$ 25,000
Rent	9,120	8,475	(645)	9,726
Other	2,380	1,454	(926)	2,490
Total revenues	41,500	39,929	(1,571)	37,216
EXPENDITURES				
Current				
Housing and Development				
Contract services	21,500	24,013	(2,513)	22,461
Supplies and materials	18,000	18,359	(359)	15,746
Capital outlay	500	0	500	0
Payments to other agencies	2,000	500	1,500	0
Total expenditures	42,000	42,872	(872)	38,207
Excess of revenues over (under) expenditures	(500)	(2,943)	(2,443)	(991)
Fund balances, January 1	500	2,850	2,350	3,841
Fund balances, December 31	$ 0	$ (93)	$ (93)	$ 2,850

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OTHER REPORTING SECTION

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, 2017, 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 11, 2018.

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 2017-001

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

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

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 2017-002

Condition: The City experienced a material excess of expenditures over appropriations in the General Fund, Hotel/Motel Tax Fund, and Revolving Loan 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 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 11, 2018

STATE REPORTING SECTION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2017

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Water Expansion	$ 385,715	$ 385,715	$ 223,683	$ 80,239	$ 303,922
Police Department Facilities and Equipment	192,857	192,857	186,130	0	186,130
Fire Department Facilities and Equipment	200,000	200,000	203,513	3,225	206,738
Library Facilities	45,000	45,000	51,474	0	51,474
Recreation Facilities	192,857	192,857	139,773	50,996	190,769
Construction and Improvement of Roads	385,713	385,713	337,767	41,813	379,580
Total	$ 1,402,142	$ 1,402,142	$ 1,142,340	$ 176,273	$ 1,318,613
2015 Referendum					
Roads, Street, and Bridges	$ 423,571	$ 423,571	$ 0	$ 166	$ 166
Public Safety and Fire	392,857	392,857	0	0	0
Water and Sewer	385,715	385,715	0	0	0
Recreation	192,857	192,857	0	0	0
Library	45,000	45,000	0	0	0
Total	$ 1,440,000	$ 1,440,000	$ 0	$ 166	$ 166