CITY OF LAVONIA, GEORGIA

Annual Financial Report

For the year ended December 31, 2025

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CITY OF LAVONIA, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2025

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ACCOUNTING & BUSINESS ADVISORS | CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City of Lavonia, Georgia's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund, American Rescue Plan Act Fund, and the Hotel Motel Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lavonia, Georgia and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lavonia, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City of Lavonia, Georgia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lavonia, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2026, 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, LLC

Gainesville, Georgia
June 22, 2026

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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, 2025. 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. This analytical information is designed to be read in conjunction with the City's financial statements, which follow this section.

Financial Highlights

As of December 31, 2025, the City's governmental funds reported combined ending fund balances of $4,933,624. Approximately 40% of this total amount, $1,997,779, is available for spending at the City Council's discretion (unassigned fund balance of the General Fund).

The City experienced an overall decrease in net position of $(394,943) during the current year. Governmental activities increased net position by $427,476, while business-type activities decreased net position by $(822,419).

More detailed information regarding these activities and funds begins on page 14.

Overview of the Financial Statements

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

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

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

The purpose of the ***Statement of Net Position*** (pages 14-15) is to attempt to report all of the assets held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.

The ***Statement of Activities*** (page 16), on the other hand, presents the revenues and expenses of the City. Under the accrual basis of accounting mentioned earlier, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The primary focus of the Statement of Activities is on the *net cost* of various activities provided by the City and identifies the extent to which each function of the City draws from general revenues or is self-financing through fees, grants, or other sources.

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

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

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

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

The City's government-wide financial statements are presented on pages 14-16.

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

The focus of fund financial statements is directed to specific activities of the City and its most significant funds, not the City as a whole. A fund is an entity with a self-balancing set of accounts that the City uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the City's non-major funds can be found beginning on page 76. 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, the American Rescue Plan Act Special Revenue Fund, and the Hotel Motel Tax Special Revenue Fund which are reported as major funds, the City of Lavonia maintains two governmental fund types:

  1. Special Revenue Funds
  2. Capital Projects Funds

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

The City's basic governmental fund financial statements are presented on pages 17-23 of this report.

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

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

The City's proprietary fund financial statements are presented on pages 24-28.

- ***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 Custodial 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 financial statements are presented on pages 29-30.

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 31-69 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's defined benefit pension plan. The required supplementary information can be found on pages 70-75 of this report.

Other Supplementary Information

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

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

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

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

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

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

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

Overview of the City's Financial Position and Operations

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

City of Lavonia
Net Position
As of December 31, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Assets						
Current assets	$ 5,726,872	$ 8,839,754	$ 1,791,560	$ 3,320,690	$ 7,518,432	$ 12,160,444
Capital assets	7,892,263	6,093,705	18,545,828	16,822,424	26,438,091	22,916,129
Total assets	13,619,135	14,933,459	20,337,388	20,143,114	33,956,523	35,076,573
Deferred Outflows of Resources						
Deferred outflows related to pension	318,024	229,603	195,193	198,018	513,217	427,621
Total deferred outflows of resources	318,024	229,603	195,193	198,018	513,217	427,621
Liabilities						
Current liabilities	1,229,545	868,623	1,187,845	1,433,358	2,417,390	2,301,981
Noncurrent liabilities	4,168,997	6,081,914	3,994,600	2,652,086	8,163,597	8,734,000
Total liabilities	5,398,542	6,950,537	5,182,445	4,085,444	10,580,987	11,035,981
Deferred Inflows of Resources						
Deferred inflows related to pension	20,771	115,021	770	61,681	21,541	176,702
Deferred inflows related to leases	0	7,134	220,365	242,587	220,365	249,721
Total deferred inflows of resources	20,771	122,155	221,135	304,268	241,906	426,423
Net Position						
Net investment in capital assets	4,223,703	4,455,050	14,284,647	13,521,058	18,508,350	17,976,108
Restricted	768,605	361,016	113,958	108,507	882,563	469,523
Unrestricted	3,525,538	3,274,304	730,396	2,321,855	4,255,934	5,596,159
Total net position	$ 8,517,846	$ 8,090,370	$ 15,129,001	$ 15,951,420	$ 23,646,847	$ 24,041,790

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 $23,646,847 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 (78%) 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 66% ($15,129,001) 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.

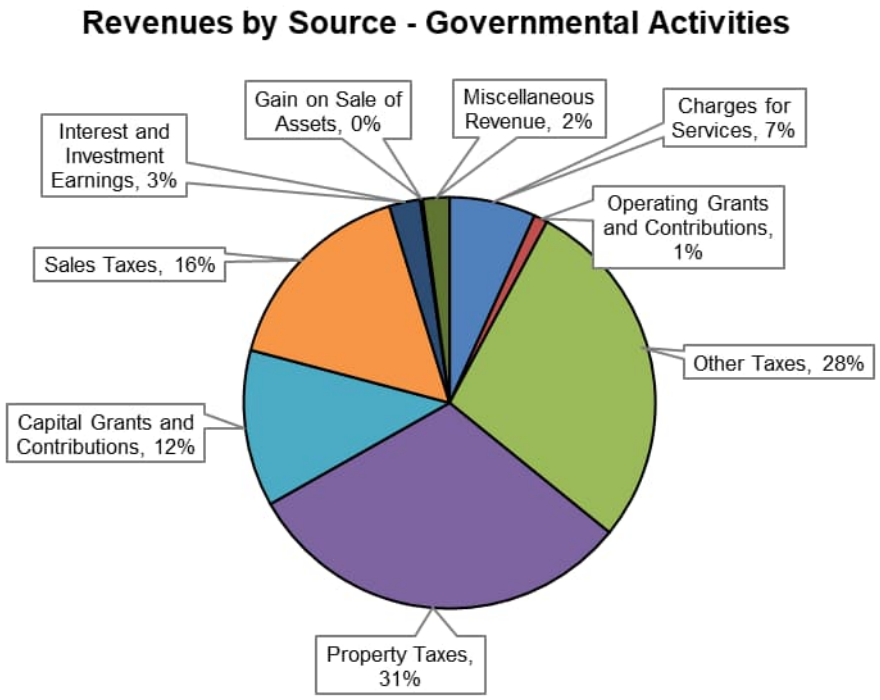
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of Lavonia's net position changed during the year.

City of Lavonia
Changes in Net Position
For the years ending December 31, 2025 and 2024

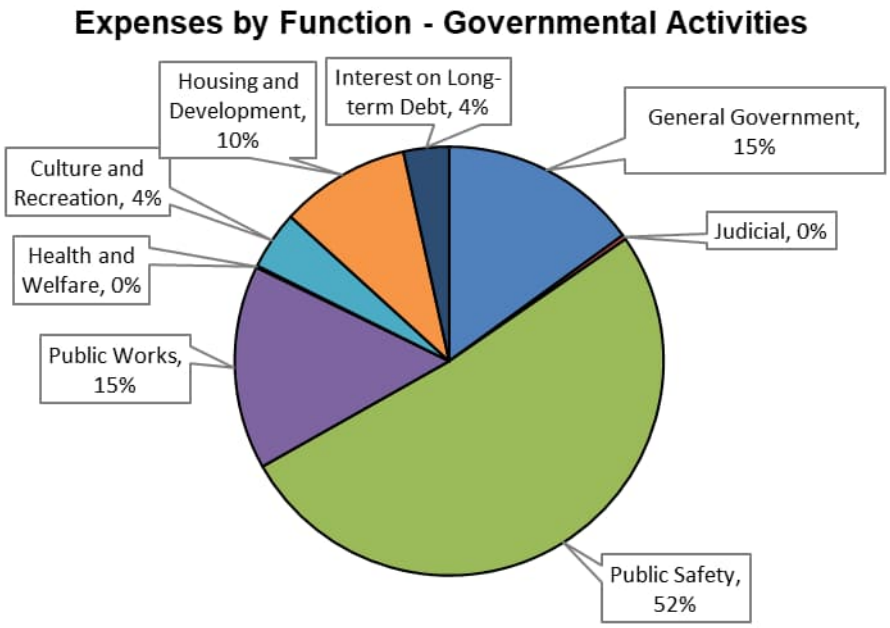
	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues						
Program Revenues						
Charges for services	$ 353,382	$ 523,990	$ 4,775,630	$ 4,088,978	$ 5,129,012	$ 4,612,968
Operating grants and contributions	56,221	157,952	0	0	56,221	157,952
Capital grants and contributions	642,417	599,377	0	571,481	642,417	1,170,858
General revenues:						
Property tax	1,614,348	1,418,790	0	0	1,614,348	1,418,790
Sales tax	841,350	805,925	0	0	841,350	805,925
Other taxes	1,459,770	1,407,888	0	0	1,459,770	1,407,888
Investment income (loss)	127,358	59,376	51,689	48,861	179,047	108,237
Gain on sale of assets	10,080	13,757	0	13,757	10,080	27,514
Other revenue	109,359	77,698	34,546	21,665	143,905	99,363
Total revenues	5,214,285	5,064,753	4,861,865	4,744,742	10,076,150	9,809,495
Expenses						
General Government	828,319	750,734	0	0	828,319	750,734
Judicial	19,715	21,300	0	0	19,715	21,300
Public Safety	2,836,569	2,759,951	0	0	2,836,569	2,759,951
Public Works	848,213	861,677	0	0	848,213	861,677
Health and Welfare	8,000	8,000	0	0	8,000	8,000
Culture and Recreation	243,270	232,487	0	0	243,270	232,487
Housing and Development	541,186	574,825	0	0	541,186	574,825
Interest on long-term debt	189,152	46,609	0	0	189,152	46,609
Water and Sewer	0	0	4,153,966	3,943,672	4,153,966	3,943,672
Solid Waste	0	0	802,703	733,601	802,703	733,601
Total expenses	5,514,424	5,255,583	4,956,669	4,677,273	10,471,093	9,932,856
Increase (decrease) in net position before transfers	(300,139)	(190,830)	(94,804)	67,469	(394,943)	(123,361)
Transfers in (out)	727,615	(276,990)	(727,615)	276,990	0	0
Increase (decrease) in net position	427,476	(467,820)	(822,419)	344,459	(394,943)	(123,361)
Net position - beginning	8,090,370	8,558,190	15,951,420	15,606,961	24,041,790	24,165,151
Net position - ending	$ 8,517,846	$ 8,090,370	$ 15,129,001	$ 15,951,420	$ 23,646,847	$ 24,041,790

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 $822,419. The key elements of this decrease are:

- The assumption of debt financing for the purchase of various capital improvements, previously only recorded in the Governmental Activities, reduced Business-Type Activities net position by $1,803,926. This debt from Bank of America was first recorded in 2024 in the Governmental Activities prior to the purchase of any capital improvements. Once the assets were purchased, the debt was reallocated between the Governmental and Business-Type Activities based on their portion of assets purchased. The General Fund and the Water and Sewer Fund split the responsibility for paying debt service based on this allocation. Also, Business-Type Activities costs of sales and services increased by $210,294 over 2024, and capital grants and contributions decreased by $571,481 over 2024.

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 $4,933,624. Of this amount, $1,997,779 (40%) 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 2026 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 $1,997,779, while total fund balance was $4,421,143. 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 28% of total General Fund expenditures, while total fund balance represents 61% of that same amount. Fund balance decreased by $3,873,370 during the year due to increased capital outlay and transfers out relating to the City-wide capital improvement project financed by Bank of America.

The **American Rescue Plan Act Special Revenue Fund** has $0 of fund balance at year end.

The **Hotel Motel Tax Special Revenue Fund** collects hotel/motel taxes which are used to support trade and tourism. At the end of the current year, nonspendable prepaid fund balance for the Hotel Motel Tax Fund was $833.

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 Use of Fund Balance increased by $3,279,041 to cover additional expenditures primarily in the Parks and Recreation, Library, and Cannery relating to the City-wide capital improvement project financed by Bank of America.

It is anticipated that the General Fund will see only a slight increase in revenues in 2026 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 ensure 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 $ 15,129,001
- Solid Waste $ 0

The total decrease in net position for both funds was $822,419. 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 $26,438,091 in capital assets (net of accumulated depreciation/amortization). 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 2025, the City invested $5,201,958 in new capital assets. Major capital asset events during the current year in the Governmental Activities included Gym Improvements, Train Depot Improvements and HVAC Installations costing $883,752, $1,020,757, and $385,541, respectively. Major capital asset events during the current year in the Business-Type Activities included Water Treatment Plant Main Building Upgrades and Generator Installations costing $1,674,788, and $492,233, respectively.

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/amortization)
Fiscal Years 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 792,158	$ 792,158	$ 461,792	$ 461,792	$ 1,253,950	$ 1,253,950
Construction in progress	15,998	15,998	394,600	87,484	410,598	103,482
Nondepreciable Intangibles	0	0	116,574	116,574	116,574	116,574
Buildings	7,208,876	5,120,567	506,639	438,873	7,715,515	5,559,440
Infrastructure	2,746,012	2,746,012	0	77,839	2,746,012	2,823,851
Land improvements	0	0	77,839	0	77,839	0
Distribution system	0	0	27,866,472	26,133,138	27,866,472	26,133,138
Depreciable Intangibles	0	0	61,026	61,026	61,026	61,026
Machinery, equipment, and vehicles	4,922,835	4,509,214	2,028,928	1,523,718	6,951,763	6,032,932
Furniture and fixtures	222,000	186,421	43,187	43,187	265,187	229,608
Software	33,541	33,541	0	0	33,541	33,541
Right-to-use assets	1,125,058	1,083,135	325,445	325,445	1,450,503	1,408,580
Total	17,066,478	14,487,046	31,882,502	29,269,076	48,948,980	43,756,122
Accumulated depreciation and amortization	(9,174,215)	(8,393,341)	(13,336,674)	(12,446,652)	(22,510,889)	(20,839,993)
Net Capital Assets	$ 7,892,263	$ 6,093,705	$18,545,828	$16,822,424	$ 26,438,091	$22,916,129

Additional information on the City of Lavonia's capital assets can be found in Note 9 to the Financial Statements on pages 50-52 of this report.

Long-term debt. At December 31, 2025, the City of Lavonia had $7,938,365 in bonds payable, notes payable, leases payable, and subscriptions payable outstanding, a decrease in total of $1,332,810 from 2024. As noted on page 10, Business-type Activities was allocated its portion of the financed purchase debt with Bank of America, worth $1,803,926, originally only recorded in the Governmental Activities in 2024. This reallocation resulted in the fluctuation in the Notes Payable balances presented below.

City of Lavonia
Outstanding Debt
As of December 31, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Bonds payable	$ 0	$ 0	$ 501,756	$ 658,510	$ 501,756	$ 658,510
Subscription payable	106,319	207,944	0	0	106,319	207,944
Notes payable	3,254,871	5,335,940	3,612,293	2,415,177	6,867,164	7,751,117
Leases payable	315,994	425,925	147,132	227,679	463,126	653,604
Total	$3,677,184	$5,969,809	$4,261,181	$3,301,366	$7,938,365	$9,271,175

Additional information on the City's long-term debt can be found in the Notes 10 and 11 to the Financial Statements on pages 53-60 of this report.

Economic Condition and Outlook

We, as management, in considering and forecasted economic conditions for 2026, are continuing to be guardedly optimistic. The current growth period is extending and expansion in terms of jobs and commercial/industrial development. Building permits and annexations are continuing on pace with last year. Property tax revenues are increasing. Management is continuing to budget conservatively as there is a margin of uncertainty ahead. The next recession could be just beyond the horizon and could arrive unexpectedly. Noteworthy budget items and cost saving considerations were:

- General Fund budget expenditures are slightly above 2025 expenditures.
- With most revenue streams expected to remain slightly above 2025 levels, certain department operational expenditures are expected to continue to rise. Inflation remains high and is cause for concern. Insurance, contract services, raw materials, repair parts and service costs are expected to continue upward. This has and will continue to have a direct impact on the City's ability to maintain current operational standards and repair/replace existing infrastructure as needed. We are aggressively pursuing grant funding on the State and Federal levels to fill funding gaps. At the same time these grants are being chased by an increasing number of cities and counties, which makes longer odds for success.
- Market wages have continued to increase and this creates increased pressure on the ability to hire and retain qualified employees.

Contacting the City's Financial Services Department

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

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

BASIC FINANCIAL STATEMENTS

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,423,418	$ 980,977	$ 3,404,395	$ 208
Restricted assets				
Cash and cash equivalents	586,607	210,032	796,639	0
Receivables (net)				
Accounts	0	587,195	587,195	0
Intergovernmental	112,966	0	112,966	0
Taxes	615,967	0	615,967	0
Leases	0	255,176	255,176	0
Internal balances	354,064	(354,064)	0	0
Inventories	0	89,786	89,786	0
Prepaid items	37,486	22,458	59,944	0
Property held for resale	1,596,364	0	1,596,364	0
Total current assets	5,726,872	1,791,560	7,518,432	208
Noncurrent assets				
Capital assets				
Non-depreciable/amortizable	808,156	972,966	1,781,122	40,000
Depreciable/amortizable (net)	7,084,107	17,572,862	24,656,969	9,933
Total noncurrent assets	7,892,263	18,545,828	26,438,091	49,933
Total assets	13,619,135	20,337,388	33,956,523	50,141
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	318,024	195,193	513,217	0
LIABILITIES				
Current liabilities				
Payables				
Accounts	560,636	143,839	704,475	2,305
Interest	28,414	0	28,414	0
Accrued salaries and payroll liabilities	203,102	67,968	271,070	0
Other current liabilities	3,743	3,902	7,645	87
Unearned revenue	0	70,615	70,615	0
Compensated absences	63,823	52,074	115,897	0
Leases payable	140,753	82,806	223,559	0
Subscriptions payable	52,555	0	52,555	0
Notes payable	176,519	508,677	685,196	0
Liabilities payable from restricted assets				
Customer deposits	0	84,436	84,436	0
Revenue bonds payable	0	161,890	161,890	0
Interest payable	0	11,638	11,638	0
Total current liabilities	1,229,545	1,187,845	2,417,390	2,392

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Noncurrent liabilities				
Compensated absences	$ 101,531	$ 71,738	$ 173,269	$ 0
Net pension liability	760,109	415,054	1,175,163	0
Leases payable	175,241	64,326	239,567	0
Subscriptions payable	53,764	0	53,764	0
Notes payable	3,078,352	3,103,616	6,181,968	0
Revenue bonds payable	0	339,866	339,866	0
Total noncurrent liabilities	4,168,997	3,994,600	8,163,597	0
Total liabilities	5,398,542	5,182,445	10,580,987	2,392
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	20,771	770	21,541	0
Deferred inflows related to leases	0	220,365	220,365	0
Total deferred inflows of resources	20,771	221,135	241,906	0
NET POSITION				
Net investment in capital assets	4,223,703	14,284,647	18,508,350	49,933
Restricted for:				
Public Safety	24,506	0	24,506	0
Capital outlay	653,429	0	653,429	0
Debt service	90,670	113,958	204,628	0
Unrestricted	3,525,538	730,396	4,255,934	(2,184)
Total net position	$ 8,517,846	$ 15,129,001	$ 23,646,847	$ 47,749

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

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	$ 828,319	$ 44,675	$ 0	$ 0	$ (783,644)
Judicial	19,715	0	0	0	(19,715)
Public Safety	2,836,569	246,015	48,221	75,035	(2,467,298)
Public Works	848,213	23,175	0	567,382	(257,656)
Health and Welfare	8,000	0	8,000	0	0
Culture and Recreation	243,270	206	0	0	(243,064)
Housing and Development	541,186	39,311	0	0	(501,875)
Interest on long-term debt	189,152	0	0	0	(189,152)
Total governmental activities	5,514,424	353,382	56,221	642,417	(4,462,404)
Business-type activities					
Water and Sewer	4,153,966	4,151,434	0	0	(2,532)
Solid Waste	802,703	624,196	0	0	(178,507)
Total business-type activities	4,956,669	4,775,630	0	0	(181,039)
Total primary government	10,471,093	5,129,012	56,221	642,417	(4,643,443)
Component Unit					
Downtown Development Authority					
Housing and Development	92,610	0	8,862	0	(83,748)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Change in net position				
Net (expense) revenue	$ (4,462,404)	$ (181,039)	$ (4,643,443)	$ (83,748)
General revenues				
Taxes				
Property	1,614,348	0	1,614,348	0
Sales	841,350	0	841,350	0
Insurance premium	231,820	0	231,820	0
Occupational	91,532	0	91,532	0
Franchise	372,465	0	372,465	0
Intangible	17,538	0	17,538	0
Alcohol excise	149,805	0	149,805	0
Hotel/Motel	596,610	0	596,610	0
Interest and investment earnings	127,358	51,689	179,047	0
Payments from City of Lavonia	0	0	0	47,400
Gain on sale of assets	10,080	0	10,080	0
Miscellaneous	109,359	34,546	143,905	33,364
Transfers	727,615	(727,615)	0	0
Total general revenues and transfers	4,889,880	(641,380)	4,248,500	80,764
Change in net position	427,476	(822,419)	(394,943)	(2,984)
Net position, January 1	8,090,370	15,951,420	24,041,790	50,733
Net position, December 31	$ 8,517,846	$ 15,129,001	$ 23,646,847	$ 47,749

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	General	American Rescue Plan Act	Hotel Motel Tax	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	$ 1,902,851	$ 0	$ 72,978	$ 447,589	$ 2,423,418
Restricted assets					
Cash and cash equivalents	586,607	0	0	0	586,607
Receivables (net)					
Intergovernmental	33,321	0	0	79,645	112,966
Taxes	575,707	0	40,260	0	615,967
Prepaid items	36,653	0	833	0	37,486
Property held for resale	1,596,364	0	0	0	1,596,364
Due from other funds	460,779	0	0	0	460,779
Total assets	$ 5,192,282	$ 0	$ 114,071	$ 527,234	$ 5,833,587
LIABILITIES					
Accounts payable	$ 539,455	$ 0	6,398	$ 14,783	$ 560,636
Accrued salaries and payroll liabilities	203,102	0	0	0	203,102
Due to other funds	0	0	106,715	0	106,715
Other liabilities	2,815	0	125	803	3,743
Total liabilities	745,372	0	113,238	15,586	874,196
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	25,767	0	0	0	25,767
FUND BALANCES					
Nonspendable for:					
Prepaid items	36,653	0	833	0	37,486
Property held for resale	1,596,364	0	0	0	1,596,364
Restricted for:					
Public Safety	0	0	0	24,506	24,506
Capital outlay	699,677	0	0	449,689	1,149,366
Debt service	90,670	0	0	0	90,670
Committed for Public Works	0	0	0	37,453	37,453
Unassigned	1,997,779	0	0	0	1,997,779
Total fund balances	4,421,143	0	833	511,648	4,933,624
Total liabilities, deferred inflows of resources, and fund balances	$ 5,192,282	$ 0	$ 114,071	$ 527,234	$ 5,833,587

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, 2025

Total fund balance - total governmental funds		$ 4,933,624
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/amortization		7,892,263
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		25,767
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 related to pension	$ 318,024	
Deferred inflows of resources related to pension	(20,771)	297,253
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These are:		
Notes payable	$ (3,254,871)	
Interest payable	(28,414)	
Compensated absences	(165,354)	
Net pension liability	(760,109)	
Leases payable	(315,994)	
Subscriptions payable	(106,319)	(4,631,061)
Net position of governmental activities		$ 8,517,846

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, 2025

	General	American Rescue Plan Act	Hotel Motel Tax	Nonmajor Governmental Funds	Totals
REVENUES					
Taxes	$ 3,308,413	$ 0	$ 596,610	$ 0	$ 3,905,023
Licenses and permits	83,987	0	0	0	83,987
Fines, fees and forfeitures	244,555	0	0	0	244,555
Charges for services	1,666	0	0	23,175	24,841
Intergovernmental	233,616	0	0	464,987	698,603
Interest	127,343	0	15	35	127,393
Other	109,359	0	0	0	109,359
Total revenues	4,108,939	0	596,625	488,197	5,193,761
EXPENDITURES					
Current					
General Government	846,064	0	0	0	846,064
Judicial	143,543	0	0	0	143,543
Public Safety	2,185,368	0	0	73	2,185,441
Public Works	893,352	0	0	27,388	920,740
Culture and Recreation	1,249,577	0	0	0	1,249,577
Housing and Development	1,351,339	0	379,250	0	1,730,589
Capital outlay	0	0	0	40,722	40,722
Debt service	544,233	0	0	180,104	724,337
Total expenditures	7,213,476	0	379,250	248,287	7,841,013
Excess (deficiency) of revenues over (under) expenditures	(3,104,537)	0	217,375	239,910	(2,647,252)
Other financing sources (uses)					
Transfers in	752,481	535,006	0	0	1,287,487
Transfers out	(1,573,317)	(535,006)	(217,475)	(38,000)	(2,363,798)
Sale of capital assets	10,080	0	0	0	10,080
Issuance of long-term debt	41,923	0	0	0	41,923
Total other financing sources (uses)	(768,833)	0	(217,475)	(38,000)	(1,024,308)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(3,873,370)	0	(100)	201,910	(3,671,560)
Fund balances, January 1	8,294,513	0	933	309,738	8,605,184
Fund balances, December 31	$ 4,421,143	$ 0	$ 833	$ 511,648	$ 4,933,624

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, 2025

Net change in fund balances - total governmental funds			$ (3,671,560)
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/amortization expense.			
Capital outlays	$ 2,588,532		
Depreciation and amortization	(789,974)		1,798,558
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	$ (9,100)		
Related accumulated depreciation	9,100		0
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Unavailable revenue			10,445
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	$ 179,401		
Cost of benefits net of employee contributions	(180,634)		(1,233)
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. In addition, interest on long-term debt is not recognized in the governmental funds until due.			
Issuance of debt	$ (41,923)		
Debt principal payments	530,622		
Notes payable transfer to the Water and Sewer Fund	1,803,926		
Net change in interest payable	4,563		2,297,188
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.			
Compensated absences			(5,922)
Change in net position of governmental activities			$ 427,476

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 3,070,000	$ 3,070,000	$ 3,308,413	$ 238,413
Licenses and permits	198,500	198,500	83,987	(114,513)
Fines, fees and forfeitures	240,000	240,000	244,555	4,555
Charges for services	1,000	1,000	1,666	666
Intergovernmental	209,400	209,400	233,616	24,216
Interest	45,500	45,500	127,343	81,843
Contributions	500	500	0	(500)
Other	9,450	9,450	109,359	99,909
Total revenues	3,774,350	3,774,350	4,108,939	334,589
EXPENDITURES				
Current				
General Government				
Governing Body	130,553	138,100	138,100	0
Financial Administration	589,583	707,964	707,964	0
Judicial				
Municipal Court	20,300	152,543	143,543	9,000
Public Safety				
Police Department	1,836,248	1,962,898	1,962,898	0
Fire Department	266,090	266,090	218,177	47,913
Communications	5,000	5,000	4,293	707
Public Works				
Highways and Streets	565,127	695,559	695,559	0
Maintenance Shop	52,724	117,128	117,128	0
Detention Services	83,630	83,630	80,665	2,965
Culture and Recreation				
Parks and Recreation	93,235	1,031,631	1,031,631	0
Community Center	11,450	11,909	11,909	0
Library	30,550	206,037	206,037	0
Housing and Development				
Inspections	0	22,805	22,805	0
Planning and Zoning	2,200	2,200	450	1,750
Better Home Towns	144,724	144,724	132,580	12,144
Cannery	8,500	1,195,504	1,195,504	0
Debt service				
Public Safety				
Fire Department	0	77,896	77,896	0
Police Department	144,000	274,219	274,219	0
Public works				
Highways and Streets	25,000	192,118	192,118	0
Total expenditures	4,008,914	7,287,955	7,213,476	74,479
Excess (deficiency) of revenues over (under) expenditure	(234,564)	(3,513,605)	(3,104,537)	409,068
Other financing sources (uses)				
Transfers in	260,000	260,000	752,485	492,485
Transfers out	0	0	(1,573,317)	(1,573,317)
Sales of capital assets	10,000	10,000	10,080	80
Issuance of long-term debt	0	0	41,923	41,923
Contingency	(35,436)	(35,436)	0	35,436
Total other financing sources (uses)	234,564	234,564	(768,829)	(1,003,393)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(3,279,041)	(3,873,366)	(594,325)
Fund balances, January 1	0	3,279,041	8,294,513	5,015,472
Fund balances, December 31	$ 0	$ 0	$ 4,421,147	$ 4,421,147

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Total revenues	$ 0	$ 0	$ 0	$ 0
EXPENDITURES	0	0	0	0
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	0	0	0	0
Other financing sources (uses)				
Transfers in	0	0	535,006	535,006
Transfers out	0	0	(535,006)	(535,006)
Total other financing sources (uses)	0	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	0	0
Fund balances, January 1	0	0	0	0
Fund balances, December 31	$ 0	$ 0	$ 0	$ 0

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Hotel/motel taxes	$ 600,000	$ 600,000	$ 596,610	$ (3,390)
Interest	0	0	15	15
Total revenues	600,000	600,000	596,625	(3,375)
EXPENDITURES				
Current				
Housing and Development				
Contract services	34,125	34,125	33,182	943
Material and supplies	47,625	47,625	24,584	23,041
Capital outlay	7,000	7,000	10,467	(3,467)
Payments to other agencies	293,750	293,750	311,017	(17,267)
Total expenditures	382,500	382,500	379,250	3,250
Excess (deficiency) of revenues over (under) expenditures	217,500	217,500	217,375	(125)
Other financing sources (uses)				
Transfers out	(217,500)	(217,500)	(217,475)	25
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(100)	(100)
Fund balances, January 1	0	0	933	933
Fund balances, December 31	$ 0	$ 0	$ 833	$ 833

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2025

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 980,977	$ 0	$ 980,977
Restricted assets			
Cash and cash equivalents	210,032	0	210,032
Receivables			
Accounts (net)	503,382	83,813	587,195
Leases	255,176	0	255,176
Inventory	89,786	0	89,786
Prepaid items	22,125	333	22,458
Due from other funds	4,096	0	4,096
Total current assets	2,065,574	84,146	2,149,720
Noncurrent assets			
Capital assets			
Non-depreciable	972,966	0	972,966
Depreciable/amortizable (net)	17,572,862	0	17,572,862
Total noncurrent assets	18,545,828	0	18,545,828
Total assets	20,611,402	84,146	20,695,548
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	186,990	8,203	195,193
LIABILITIES			
Current liabilities			
Accounts payable	84,076	59,763	143,839
Accrued salaries and payroll liabilities	65,319	2,649	67,968
Compensated absences	51,256	818	52,074
Leases payable	82,806	0	82,806
Unearned revenue	66,102	4,513	70,615
Notes payable	508,677	0	508,677
Due to other funds	354,064	4,096	358,160
Other current liabilities	3,902	0	3,902
Liabilities payable from restricted assets:			
Customer deposits	84,436	0	84,436
Revenue bonds payable	161,890	0	161,890
Interest payable	11,638	0	11,638
Total current liabilities	1,474,166	71,839	1,546,005

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2025

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
LIABILITIES			
Noncurrent liabilities			
Net pension liability	$ 395,445	$ 19,609	$ 415,054
Compensated absences	71,607	131	71,738
Leases payable	64,326	0	64,326
Notes payable	3,103,616	0	3,103,616
Revenue bonds payable	339,866	0	339,866
Total noncurrent liabilities	3,974,860	19,740	3,994,600
Total liabilities	5,449,026	91,579	5,540,605
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	0	770	770
Deferred inflows related to leases	220,365	0	220,365
Total deferred inflows of resources	220,365	770	221,135
NET POSITION			
Net investment in capital assets	14,284,647	0	14,284,647
Restricted for:			
Debt service	113,958	0	113,958
Unrestricted	730,396	0	730,396
Total net position	$ 15,129,001	$ 0	$ 15,129,001

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2025

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
OPERATING REVENUES			
Charges for sales and services	$ 4,151,434	$ 624,196	$ 4,775,630
Other	34,546	0	34,546
Total operating revenues	4,185,980	624,196	4,810,176
OPERATING EXPENSES			
Costs of sales and services	1,672,247	741,286	2,413,533
Personal services	1,428,373	61,417	1,489,790
Depreciation/amortization	890,022	0	890,022
Total operating expenses	3,990,642	802,703	4,793,345
Operating income (loss)	195,338	(178,507)	16,831
Non-operating revenues (expenses)			
Interest revenue	51,689	0	51,689
Interest expense	(163,324)	0	(163,324)
Assumption of governmental activities debt	(1,803,926)	0	(1,803,926)
Total non-operating revenues (expenses)	(1,915,561)	0	(1,915,561)
Net income (loss) before transfers	(1,720,223)	(178,507)	(1,898,730)
Transfers in (out)			
Transfers in	1,560,964	178,507	1,739,471
Transfer out	(663,160)	0	(663,160)
Total transfers in (out)	897,804	178,507	1,076,311
Change in net position	(822,419)	0	(822,419)
Net position, January 1	15,951,420	0	15,951,420
Net position, December 31	$ 15,129,001	$ 0	$ 15,129,001

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2025

	Business-Type Activities		
	Water and Sewer	Solid Waste	Totals
Cash flows from operating activities:			
Receipts from customers	$ 4,227,267	$ 623,310	$ 4,850,577
Payments to suppliers	(1,677,070)	(736,590)	(2,413,660)
Payments to employees	(1,394,947)	(65,959)	(1,460,906)
Other receipts	34,546	0	34,546
Net cash provided (used) by operating activities	1,189,796	(179,239)	1,010,557
Cash flows from non-capital financing activities:			
Receipts from other funds	455,701	298,891	754,592
Payments to other funds	(778,977)	(119,652)	(898,629)
Net cash provided (used) by non-capital financing activities	(323,276)	179,239	(144,037)
Cash flows from capital and related financing activities:			
Receipts from other funds	1,853,052	0	1,853,052
Receipts from other governments	400,000	0	400,000
Payments for acquisitions of capital assets	(2,613,426)	0	(2,613,426)
Principal payments - revenue bonds	(156,754)	0	(156,754)
Principal payments - notes payable	(606,810)	0	(606,810)
Principal payments - leases payable	(80,547)	0	(80,547)
Interest paid	(165,659)	0	(165,659)
Net cash provided (used) by capital and related financing activities	(1,370,144)	0	(1,370,144)
Cash flows from investing activities:			
Interest received	51,689	0	51,689
Net increase (decrease) in cash and cash equivalents	(451,935)	0	(451,935)
Cash and cash equivalents, January 1	1,642,944	0	1,642,944
Cash and cash equivalents, December 31	$ 1,191,009	$ 0	$ 1,191,009

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2025

	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)	$ 195,338	$ (178,507)	$ 16,831
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization expense	890,022	0	890,022
(Increase) decrease in accounts receivable	45,352	(1,179)	44,173
(Increase) decrease in leases receivable	15,612	0	15,612
(Increase) decrease in inventories	(6,765)	0	(6,765)
(Increase) decrease in prepaid items	(8,713)	184	(8,529)
(Increase) decrease in deferred outflows related to pension	2,776	49	2,825
Increase (decrease) in accounts payable	10,655	4,512	15,167
Increase (decrease) in unearned revenue	21,369	293	21,662
Increase (decrease) in payroll liabilities	87,855	(91)	87,764
Increase (decrease) in net pension liability	307	(1,101)	(794)
Increase (decrease) in deferred inflows related to pension	(57,512)	(3,399)	(60,911)
Increase (decrease) in deferred inflows related to leases	(22,222)	0	(22,222)
Increase (decrease) in deposits payable	15,722	0	15,722
Total adjustments	994,458	(732)	993,726
Net cash provided (used) by operating activities	$ 1,189,796	$ (179,239)	$ 1,010,557
Cash and cash equivalents reconciliation			
Cash and cash equivalents	$ 980,977	$ 0	$ 980,977
Restricted assets			
Cash and cash equivalents	210,032	0	210,032
	$ 1,191,009	$ 0	$ 1,191,009

Noncash capital and financing activities:

Assumption of governmental activities debt totaled $1,803,926.

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT CUSTODIAL FUND
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2025

ASSETS		
Cash and cash equivalents	$	17,678
Accounts receivable, net		20,752
Total assets		38,430
LIABILITIES		
Due to others		38,430
NET POSITION		
Restricted for individuals, organizations, and other governments	$	0

See accompanying notes to these financial statements.

CITY OF LAVONIA, GEORGIA
MUNICIPAL COURT CUSTODIAL FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2025

ADDITIONS		
Court fees collected for others	$	308,019
Interest		22
Total additions		308,041
DEDUCTIONS		
Court fees distributed to others		308,041
Change in net position		0
Net position, January 1		0
Net position, December 31	$	0

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 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". 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.

American Rescue Plan Act Special Revenue Fund – This fund is used to account for revenues and expenditures of the American Rescue Plan Act Fund.

Hotel Motel Tax Special Revenue Fund – This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Lavonia.

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.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Governmental Fund Types

Additionally, the City reports the following 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.

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

Custodial Funds – Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held for individuals, organizations, or other governments. The City has a 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 at the fund level. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Interfund Activity

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

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

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

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

The proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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 year end.

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. Leases Receivable

Leases receivable are measured at the present value of lease payments expected to be received during the lease terms. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessees' revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

2. Summary of Significant Accounting Policies (continued)

K. Leases Receivable, continued

A deferred inflow of resources is recorded for each of the leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the respective lease.

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. The cost of the prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

M. 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.

The City has recorded intangible right-to-use assets as a result of implementing GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Agreements*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease/subscription liability plus any lease/subscription payments made prior to the lease/subscription term, less lease/subscription incentives, and plus ancillary charges necessary to place the lease/subscription into service. The right-to-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or life of the related lease/subscription.

2. Summary of Significant Accounting Policies (continued)

M. Capital Assets, continued

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/amortized using the straight-line method over the estimated useful lives or lease/subscription terms of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Buildings	40	$ 5,000
Distribution systems	40	$ 10,000
Roads – per lane mile	40	$ 50,000
Bridges and culverts	40	$ 20,000
Machinery and equipment	10	$ 5,000
Vehicles	5	$ 5,000
Furniture and fixtures	5	$ 5,000
Land improvements	15	$ 5,000
Intangible right-to-use assets		
Vehicles	5	$ 5,000
Machinery and equipment	5	$ 5,000
Software	5	$ 5,000

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.

2. Summary of Significant Accounting Policies (continued)

N. 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 outflows of resources for their defined benefit pension plan.

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 leases and defined benefit pension plan.

O. 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.

2. Summary of Significant Accounting Policies (continued)

P. 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.

Q. 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)

R. 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 year end 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)

R. 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.

S. Compensation for Future Absences

In accordance with GASB No. 101*, Compensated Absences*, it is the City's policy to permit employees to accumulate earned but unused personal leave benefits which will be paid to the employees upon separation from City service. Accumulated unpaid personal leave 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.

T. 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)

U. 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.

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, 2025, 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.

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, 2025 consist of the following:

Major Funds		
Enterprise Funds		
Water and Sewer	$ 564,473	
Less: Allowances for Uncollectibles	(61,091)	
Solid Waste	86,604	
Less: Allowances for Uncollectibles	(2,791)	$ 587,195
Fiduciary Funds		
Custodial Fund		
Municipal Court		$ 20,752

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2025 consist of the following:

Governmental Funds	
General Fund	$ 33,321
Nonmajor Funds	79,645
Total primary government	$ 112,966

6. Property Taxes

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 2025, based upon the assessments of January 1, 2025, were billed on September 1, 2025, and due on November 15, 2025. Tax liens are issued 90 days after the due date. The tax rate of 8.107 mils for 2025 was levied on August 7, 2025.

7. Leases Receivable

In 2010, the City entered into a 25 year lease with Cellco Partnership, dba Verizon Wireless, to provide access to various equipment. Monthly payments on this lease vary between $1,200 and $3,050 and provide for annual escalations. In 2021, the City entered into a 48 month lease with Franklin County to provide the tenant use of an office for monthly payments of $1,200. At the conclusion of the 48-month lease both parties agreed to renew the lease. The new lease consists of monthly payments of $1,200, but only renews for one month at a time. Since the duration of the renewal is less than one year, it is not included in the lease receivable balance. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at an imputed discount rate of 4.43%. During the current year, the City recognized $29,356 of lease revenue (reported as other revenue on the proprietary statement of revenues, expenses, and changes in net position) and $11,694 of interest revenue under the leases. As of December 31, 2025, the City recognized $255,176 of lease receivable in the Water and Sewer Fund.

8. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2025 is as follows:

	Due from: Major Funds		
	General	Water and Sewer	Total
Due to:			
Major Funds			
Hotel Motel Tax	$ 106,715	$ 0	$ 106,715
Solid Waste	0	4,096	4,096
Water and Sewer	354,064	0	354,064
	$ 460,779	$ 4,096	$ 464,875

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balance reported in the Water and Sewer Fund resulted from transactions to alleviate an equity in pooled cash deficit at year-end. The balance reported in the General Fund resulted from funds deposited in the Hotel/Motel Tax, Water and Sewer, and Solid Waste Funds not being transferred prior to year end.

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

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	American Rescue Plan Act	Hotel Motel Tax	Water and Sewer	Nonmajor	Total
Transfers in:						
Major Funds						
General	$ 0	$ 535,006	$ 217,475	$ 0	$ 0	$ 752,481
American Rescue Plan Act	0	0	0	535,006	0	535,006
Water and Sewer	1,522,964	0	0	0	38,000	1,560,964
Solid Waste	50,353	0	0	128,154	0	178,507
	$ 1,573,317	$ 535,006	$ 217,475	$ 663,160	$ 38,000	$ 3,026,958

Interfund transfers were used to transfer unrestricted revenues from payor funds to subsidize operations in payee funds in accordance with budgetary authorizations, to transfer City matching funds in accordance with grant agreements, and to move capital assets between governmental activities and business-type activities. The transfers from the Water and Sewer Fund to the General Fund are in accordance with City policy and are common practice for government-owned utility systems. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

9. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Non-depreciable/amortizable assets				
Land	$ 792,158	$ 0	$ 0	$ 792,158
Construction in progress	15,998	0	0	15,998
Total non-depreciable/amortizable assets	808,156	0	0	808,156
Depreciable/amortizable assets				
Buildings	5,120,567	2,088,309	0	7,208,876
Infrastructure	2,746,012	0	0	2,746,012
Vehicles	3,389,368	17,539	0	3,406,907
Machinery and equipment	1,119,846	405,182	(9,100)	1,515,928
Furniture and fixtures	186,421	35,579	0	222,000
Software	33,541	0	0	33,541
Intangible right-to-use assets				
Vehicles	736,788	41,923	0	778,711
Machinery and equipment	71,703	0	0	71,703
Software	274,644	0	0	274,644
Total depreciable/amortizable assets	13,678,890	2,588,532	(9,100)	16,258,322
Accumulated depreciation/amortization				
Buildings	(2,927,281)	(111,554)	0	(3,038,835)
Infrastructure	(1,432,132)	(77,813)	0	(1,509,945)
Vehicles	(2,663,790)	(271,331)	0	(2,935,121)
Machinery and equipment	(839,096)	(57,953)	9,100	(887,949)
Furniture and fixtures	(123,048)	(9,627)	0	(132,675)
Software	(28,573)	(1,242)	0	(29,815)
Intangible right-to-use assets				
Vehicles	(320,907)	(191,184)	0	(512,091)
Machinery and equipment	(3,585)	(14,341)	0	(17,926)
Software	(54,929)	(54,929)	0	(109,858)
Total accumulated depreciation/amortization	(8,393,341)	(789,974)	9,100	(9,174,215)
Total depreciable/amortizable assets, net	5,285,549	1,798,558	0	7,084,107
Governmental activities capital assets, net	$ 6,093,705	$ 1,798,558	$ 0	$ 7,892,263

9. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Non-depreciable assets				
Land	$ 461,792	$ 0	$ 0	$ 461,792
Intangibles	116,574	0	0	116,574
Construction in progress	87,484	2,111,042	(1,803,926)	394,600
Total Non-depreciable assets	665,850	2,111,042	(1,803,926)	972,966
Depreciable/amortizable assets				
Buildings	438,873	67,766	0	506,639
Land improvements	77,839	0	0	77,839
Distribution system	26,133,138	1,733,334	0	27,866,472
Intangibles	61,026	0	0	61,026
Vehicles	298,609	0	0	298,609
Machinery and equipment	1,225,109	505,210	0	1,730,319
Furniture and fixtures	43,187	0	0	43,187
Intangible right-to-use assets				
Vehicles	325,445	0	0	325,445
Total depreciable/amortizable assets	28,603,226	2,306,310	0	30,909,536
Less accumulated depreciation/amortization				
Buildings	(144,181)	(10,264)	0	(154,445)
Land improvements	(19,698)	(4,936)	0	(24,634)
Distribution system	(11,317,287)	(664,557)	0	(11,981,844)
Intangibles	(61,026)	0	0	(61,026)
Vehicles	(258,400)	(20,579)	0	(278,979)
Machinery and equipment	(506,479)	(107,083)	0	(613,562)
Furniture and fixtures	(38,579)	(1,242)	0	(39,821)
Intangible right-to-use assets				
Vehicles	(101,002)	(81,361)	0	(182,363)
Total accumulated depreciation/amortization	(12,446,652)	(890,022)	0	(13,336,674)
Total depreciable/amortizable assets, net	16,156,574	1,416,288	0	17,572,862
Business-type activities capital assets, net	$ 16,822,424	$ 3,527,330	$ (1,803,926)	$ 18,545,828

9. Capital Assets (continued)

Capital asset activity for the Downtown Development Authority Component Unit for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Downtown Development Authority Component Unit				
Non-depreciable assets				
Land	$ 40,000	$ 0	$ 0	$ 40,000
Total Non-depreciable assets	40,000	0	0	40,000
Depreciable/amortizable assets				
Land improvements	34,533	0	0	34,533
Intangibles	2,496	0	0	2,496
Total depreciable/amortizable assets	37,029	0	0	37,029
Less accumulated depreciation/amortization				
Land improvements	(23,800)	(800)	0	(24,600)
Intangibles	(2,496)	0	0	(2,496)
Total accumulated depreciation/amortization	(26,296)	(800)	0	(27,096)
Total depreciable/amortizable assets, net	10,733	(800)	0	9,933
Downtown Development Authority Component Unit capital assets, net	$ 50,733	$ (800)	$ 0	$ 49,933

Depreciation/amortization expense was charged to functions/programs as follows:

Governmental activities	
General Government	$ 14,062
Public Safety	568,965
Public Works	75,637
Culture and Recreation	109,171
Housing and Development	22,139
Total depreciation/amortization	$ 789,974
Business-type Activities	
Water and Sewer Fund	$ 890,022
Component Unit	
Downtown Development Authority	$ 800

10. Long-Term Liabilities

Leases

Governmental Activities

The City has entered into agreements to lease certain vehicles and cameras. The lease agreements qualify as other than short-term leases under GASB Statement No. 87, *Leases*, and therefore have been recorded at the present value of the future minimum lease payments at their inception. Monthly payments on the leased vehicles range between $614 and $1,068 with interest rates ranging between .367% and 2.923%. The leased vehicles mature between January 2025 and August 2029. Annual payments on the leased cameras are $17,036 with an interest rate of 2.426%.The leased cameras mature in September 2028.

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 140,753	$ 7,188	$ 147,941
2027	121,499	3,343	124,842
2028	50,051	831	50,882
2029	3,691	23	3,714
Totals	$ 315,994	$ 11,385	$ 327,379

Business-Type Activities

The City entered into agreements to lease certain vehicles. The lease agreements qualify as other than short-term leases under GASB Statement No. 87, *Leases*, and have been recorded at the present value of the future minimum lease payments at their inception. Monthly payments on the leased vehicles range between $776 and $1,407 with interest rates ranging between 2.452% and 3.545%. The leased vehicles mature between April 2027 and October 2027.

10. Long-Term Liabilities (continued)

Leases (continued)

Business-Type Activities (continued)

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 82,806	$ 3,045	$ 85,851
2027	64,326	822	65,148
Totals	$ 147,132	$ 3,867	$ 150,999

Subscriptions

Governmental Activities

The City has entered into an agreement to subscribe to software. The subscription qualifies as other than short-term subscription under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and has been recorded at the present value of the future minimum subscription payments at their inception. Annual payments on the software subscription range from $55,000 to $66,700 with an interest rate of 2.293%.The software subscription matures in December 2027.

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 52,555	$ 2,445	$ 55,000
2027	53,764	1,236	55,000
Totals	$ 106,319	$ 3,681	$ 110,000

10. Long-Term Liabilities (continued)

Notes from Direct Borrowings

Governmental Activities

The City entered into an agreement in 2021 to finance the purchase of a Ten-8 Aerial Fire Truck. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. This contract was financed at an interest rate of 2.23% and will mature in 2034. The balance of this agreement at the end of the current fiscal year is $714,523.

The City entered into a note from a direct borrowing agreement with the Georgia Municipal Association to finance the purchase of various equipment. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. This note was financed at an interest rate of 3.4% and is set to mature in 2029. The outstanding principal balance at year end was $335,002; of this amount, $174,201 is allocated to business-type activities, and $160,801 is allocated to the governmental activities.

The City entered into an agreement with Bank of America to finance the purchase of various capital improvements throughout the City. This contract was financed at an interest rate of 4.67% and will mature in 2044. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. The balance of this agreement at the end of the current fiscal year is $4,083,889; of this amount, $1,704,342 is allocated to business-type activities, leaving a remaining governmental activities balance of $2,379,547.

10. Long-Term Liabilities (continued)

Notes from Direct Borrowings (continued)

Governmental Activities (continued)

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 176,519	$ 131,921	$ 308,440
2027	184,176	125,951	310,127
2028	192,195	119,680	311,875
2029	200,595	113,093	313,688
2030	165,720	106,174	271,894
2031-2035	864,175	437,535	1,301,710
2036-2040	707,887	279,236	987,123
2041-2044	763,604	91,373	854,977
Totals	$ 3,254,871	$ 1,404,963	$ 4,659,834

Business-Type Activities

The City has entered into a note from a direct borrowing agreement with the Georgia Environmental Finance Authority to finance improvements to the City's water and sewerage system. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. This note was financed at an interest rate of 0.5% and is set to mature in 2026. In response to the COVID-19 pandemic, GEFA allowed the City to defer all principal and interest payments on outstanding GEFA notes for six months beginning July 1, 2020 through December 31, 2020 with payments resuming January 1, 2021, extending the maturity of this note. The outstanding principal balance at year end was $5,333.

10. Long-Term Liabilities (continued)

Notes from Direct Borrowings (continued)

Business-Type Activities (continued)

The City has entered into a note from a direct borrowing agreement with the Georgia Environmental Finance Authority to finance the construction of new water and sewer lines at Hart County's Lavonia Gateway Industrial Park in the original amount of $2,206,000. $750,000 of this amount is forgivable if the City draws down all funds. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. This note was financed at an interest rate of 1.12% and is set to mature in 2041. The outstanding principal balance at year end was $1,379,723.

The City entered into a lending agreement with Northeast Georgia Bank for the financing of Water Systems Improvements in the original amount of $1,500,000, at an interest rate of 7.00% and will mature in 2026. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. The balance of this agreement at the end of the current fiscal year is $348,694.

The City entered into an agreement with Bank of America to finance the purchase of various capital improvements throughout the City. This contract was financed at an interest rate of 4.67% and will mature in 2044. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. The balance of this agreement at the end of the current fiscal year is $4,083,889; of this amount, $2,379,547 is allocated to governmental activities, leaving a remaining business-type activities balance of $1,704,342. This agreement was originally only recorded in the Governmental Activities in 2024. Once the assets were purchased, the debt was reallocated between the Governmental and Business-Type Activities based on their portion of assets purchased. The General Fund and the Water and Sewer Fund split the responsibility for paying debt service based on this allocation.

10. Long-Term Liabilities (continued)

Notes from Direct Borrowings (continued)

Business-Type Activities (continued)

The City has entered into a note from a direct borrowing agreement with the Georgia Municipal Association to finance the purchase of various vehicles and equipment. Note payments and performance obligations are secured by revenues on taxes, fees and charges collected by the City. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable. This note was financed at an interest rate of 3.4% and is set to mature in 2029. The outstanding principal balance at year end was $174,201.

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 508,677	$ 100,189	$ 608,866
2027	160,196	95,847	256,043
2028	166,001	91,294	257,295
2029	172,077	86,516	258,593
2030	131,124	81,503	212,627
2031-2035	736,786	348,365	1,085,151
2036-2040	885,464	227,923	1,113,387
2041-2044	851,968	72,172	924,140
Totals	$ 3,612,293	$ 1,103,809	$ 4,716,102

10. Long-Term Liabilities (continued)

Revenue Bonds from Direct Placements

Business-Type Activities

In 2013 the City issued the 2013 Water and Sewerage Refunding Revenue Series Bonds for $2,100,000, which were issued for the refunding of the 1997 Water and Sewerage Revenue Series Bonds. The original 1997 issuance was for the expansion of the water and sewer system in the City of Lavonia. The 2013 series was issued at an interest rate of 3.25% and is due in semi-annual installments of $88,446 through July 2028. The balance of the bonds outstanding at year end was $501,756.

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 161,890	$ 15,002	$ 176,892
2027	167,194	9,698	176,892
2028	172,672	4,220	176,892
Totals	$ 501,756	$ 28,920	$ 530,676

10. Long-Term Liabilities (continued)

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the current year:

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities						
Leases payable	$ 425,925	$ 0	$ 41,923	$ (151,854)	$ 315,994	$ 140,753
Subscriptions payable	207,944	0	0	(101,625)	106,319	52,555
Notes payable	5,335,940	(1,803,926)	0	(277,143)	3,254,871	176,519
Compensated absences	159,432	0	5,922	0	165,354	63,823
Total governmental activities	$ 6,129,241	$ (1,803,926)	$ 47,845	$ (530,622)	$ 3,842,538	$ 433,650
Business-type activities						
Bonds from direct placements	$ 658,510	$ 0	$ 0	$ (156,754)	$ 501,756	$ 161,890
Leases payable	227,679	0	0	(80,547)	147,132	82,806
Notes from direct borrowings	2,415,177	1,803,926	0	(606,810)	3,612,293	508,677
Compensated absences	88,622	0	35,190	0	123,812	52,074
Total business-type activities	$ 3,389,988	$ 1,803,926	$ 35,190	$ (844,111)	$ 4,384,993	$ 805,447

In accordance with GASB Statement No. 101, *Compensated Absences,* the additions and deductions noted for compensated absences reflect the net change for the period. The total interest incurred and charged to expense for the current year was $189,152 and $163,324 for the governmental activities and business-type activities respectively. During the current year, $1,803,926 of the obligation related to the Bank of America financed purchase originally recorded in the Governmental Activities was transferred to the Business-type Activities.

11. 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 $30,386 as payment-in-lieu-of-taxes during the current year. Separate financial statements may be obtained from Housing Authority of the City of Lavonia, PO Box 453, Lavonia, GA 30553.

12. Restricted and Committed Fund Balances

The following is a summary of restricted and committed fund balances of the governmental funds for the year ended December 31, 2025:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:			
Public Safety			
Confiscated assets	$ 0	$ 24,506	$ 24,506
Capital outlay	699,677	449,689	1,149,366
Debt service	90,670	0	90,670
Total Restricted	$ 790,347	$ 474,195	$ 1,264,542
Committed for:			
Public Works			
Cemetery operations	$ 0	$ 37,453	$ 37,453

13. Pension Plan

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, 2025, the date of the most recent actuarial valuation, there were 124 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	37
Terminated vested participants entitled to but not yet receiving benefits	32
Active participants	55
Total number of participants	124

13. 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 62 with no reduction in benefit. Officials are eligible to retire at age 62 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, 2025 was $278,721, or 9.59% of covered payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2025, the City reported a net pension liability of $1,175,163. The net pension liability was measured as of March 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. For the year ended December 31, 2025, the City recognized pension expense of $219,719. In prior years, net pension liabilities have been liquidated in the General Fund, Water and Sewer Fund, and Solid Waste Fund.

13. Pension Plan (continued)

At December 31, 2025, 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	$ 203,852	$ 0
Net difference between projected and actual earnings on pension plan investments	115,676	0
Changes in participant fund allocation	21,541	(21,541)
Pension contributions subsequent to measurement date	172,148	0
Totals	$ 513,217	$ (21,541)

The $172,148 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	
2026	$ 199,168
2027	135,871
2028	(36,426)
2029	20,915
Totals	$ 319,528

Actuarial Assumptions. The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustments	NA
Net investment rate of return	7.375%

Healthy mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

13. Pension Plan (continued)

The mortality and economic actuarial assumptions used in the July 1, 2025 valuation were based on the results of an actuarial experience study for the period of January 1, 2015 through June 30, 2019.

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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.60%
International equity	20%	7.03%
Domestic fixed income	20%	2.70%
Real estate	10%	3.40%
Global fixed income	5%	3.70%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.375 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.

13. 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 3/31/2024	$ 5,947,109	$ 4,955,056	$ 992,053
Changes for the year:			
Service cost	158,008	0	158,008
Interest	440,585	0	440,585
Differences between expected and actual experience	94,065	0	94,065
Contributions—employer	0	264,104	(264,104)
Net investment income	0	260,383	(260,383)
Benefit payments, including refunds of employee contributions	(262,160)	(262,160)	0
Administrative expense	0	(14,939)	14,939
Net changes	430,498	247,388	183,110
Balances at 3/31/2025	$ 6,377,607	$ 5,202,444	$ 1,175,163

Plan fiduciary net position as a percentage of the total pension liability	81.57%
Covered payroll	$ 2,509,071
Net pension liability as a percentage of covered payroll	46.84%

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 (6.375 percent) or one percentage-point higher (8.375 percent) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.375%	$ 1,982,530
Current discount rate	7.375%	1,175,163
1% increase	8.375%	501,843

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 these plans can be obtained from the plans' annual reports. These plans are immaterial to the financial statements.

14. 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, 2025, there were 18 retirees eligible for and receiving the benefits. For 2025, the cost of providing these benefits totaled $6,264.

The City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, however, has elected not to record a liability since any unrecorded liability for other post employment benefits would be immaterial to the financial statements.

15. 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(b). The City is required to spend an amount equal to 62.5% for the purposes of promoting tourism, conventions, and trade shows or for facilities used for these purposes. A summary of the transactions for the current year are as follows:

Lodging tax receipts	$596,610
Disbursements to promote tourism, conventions, and trade shows	$379,250 63.6% of tax receipts
Transfers to General Fund	$217,475 36.50% of tax receipts

16. 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. 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. Separate financial statements may be obtained from Joint Development Authority of Hart, Franklin, and Stephens Counties, Georgia, PO Box 793, Hartwell, GA 30643.

17. Risk Management

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.

17. Risk Management(continued)

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the 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, 2025, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

18. Contingencies

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

19. New Accounting Pronouncements

The City implemented GASB Statement No. 102, *Certain Risk Disclosures*, effective for the City's current year. The requirements of this statement are effective for periods beginning after June 15, 2024. The implementation of this statement had no impact on net position.

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SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
December 31, 2025
(Unaudited)

	Fiscal Year End			
	2025	**2024**	**2023**	**2022**
Total pension liability				
Service cost	$ 158,008	$ 115,252	$ 106,955	$ 92,763
Interest	440,585	406,959	373,620	319,733
Differences between expected and actual experience	94,065	161,681	209,856	40,946
Benefit payments, including refunds of employee contributions	(262,160)	(279,239)	(214,113)	(190,533)
Other changes	0	0	0	465,367
Net change in total pension liability	430,498	404,653	476,318	728,276
Total pension liability - beginning	5,947,109	5,542,456	5,066,138	4,337,862
Total pension liability - ending (a)	$ 6,377,607	$ 5,947,109	$ 5,542,456	$ 5,066,138
Plan fiduciary net position				
Contributions - employer	$ 264,104	$ 196,966	$ 169,161	$ 122,440
Net investment income	260,383	720,097	(314,686)	275,542
Benefit payments, including refunds of employee contributions	(262,160)	(279,239)	(214,113)	(190,533)
Administrative expense	(14,939)	(12,192)	(14,553)	(16,906)
Net change in plan fiduciary net position	247,388	625,632	(374,191)	190,543
Plan fiduciary net position - beginning	4,955,056	4,329,424	4,703,615	4,513,072
Plan fiduciary net position - ending (b)	$ 5,202,444	$ 4,955,056	$ 4,329,424	$ 4,703,615
Net pension liability (asset) - ending : (a) - (b)	$ 1,175,163	$ 992,053	$ 1,213,032	$ 362,523
Plan's fiduciary net position as a percentage of the total pension liability	81.57%	83.32%	78.11%	92.84%
Covered payroll	$ 2,509,071	$ 2,344,103	$ 1,810,409	$ 1,776,755
Net pension liability as a percentage of covered payroll	46.84%	42.32%	67.00%	20.40%

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

Fiscal Year End						
2021	2020	2019	2018	2017	2016
$ 81,803	$ 89,973	$ 74,309	$ 94,111	$ 86,408	$ 87,873
289,913	286,786	277,263	259,495	241,046	225,077
205,560	(90,514)	(85,042)	7,793	42,483	7,932
(177,270)	(168,036)	(142,437)	(134,876)	(128,903)	(100,731)
0	1,792	0	51,479	0	0
400,006	120,001	124,093	278,002	241,034	220,151
3,937,856	3,817,855	3,693,762	3,415,760	3,174,726	2,954,575
$ 4,337,862	$ 3,937,856	$ 3,817,855	$ 3,693,762	$ 3,415,760	$ 3,174,726
$ 130,331	$ 120,908	$ 125,957	$ 123,457	$ 117,756	$ 109,785
1,421,525	(237,492)	121,046	374,107	338,321	8,429
(177,270)	(168,036)	(142,437)	(134,876)	(128,903)	(100,731)
(13,261)	(14,410)	(13,802)	(13,650)	(13,870)	(9,914)
1,361,325	(299,030)	90,764	349,038	313,304	7,569
3,151,747	3,450,777	3,360,013	3,010,975	2,697,671	2,690,102
$ 4,513,072	$ 3,151,747	$ 3,450,777	$ 3,360,013	$ 3,010,975	$ 2,697,671
$ (175,210)	$ 786,109	$ 367,078	$ 333,749	$ 404,785	$ 477,055
104.04%	80.04%	90.39%	90.96%	88.15%	84.97%
$ 1,554,227	$ 1,558,874	$ 1,388,421	$ 1,556,969	$ 1,455,761	$ 1,487,956
-11.27%	50.43%	26.44%	21.44%	27.81%	32.06%

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, 2025
(Unaudited)

	Fiscal Year End			
	2025	**2024**	**2023**	**2022**
Actuarially determined contribution	$ 278,721	$ 233,309	$ 204,434	$ 147,370
Contributions in relation to the actuarially determined contribution	(278,721)	(233,309)	(204,434)	(147,370)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 2,907,750	$ 2,509,071	$ 2,344,103	$ 1,810,409
Contributions as a percentage of covered payroll	9.59%	9.30%	8.72%	8.14%

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

Fiscal Year End						
2021	2020	2019	2018	2017	2016
126,955	$ 131,006	$ 117,542	$ 128,762	$ 121,689	$ 116,445
(126,955)	(131,006)	(117,542)	(128,762)	(121,689)	(116,445)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 1,660,001	$ 1,776,755	$ 1,407,031	$ 1,649,084	$ 1,388,421	$ 1,556,969
7.65%	7.37%	8.35%	7.81%	8.76%	7.48%

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, 2025, 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, 2026.

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 = Remaining amortization period varies for the bases, with a net effective amortization period of 17 years

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 = 7.375%

Projected salary increases = 2.25% plus service based merit increases

Cost of living adjustments = N/A

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled mortality rates were based on the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

3. Changes in Benefits

There were no changes in benefit provisions.

4. Changes of Assumptions

There were no changes in assumptions.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF LAVONIA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2025

	Special Revenue		Capital Projects	Total Nonmajor
	Confiscated Assets	Cemetery	2023 SPLOST	Governmental Funds
ASSETS				
Cash and cash equivalents	$ 25,309	$ 37,453	$ 384,827	$ 447,589
Intergovernmental receivables	0	0	79,645	79,645
Total assets	$ 25,309	$ 37,453	$ 464,472	$ 527,234
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 0	$ 0	$ 14,783	$ 14,783
Other liabilities	803	0	0	803
Total liabilities	803	0	14,783	15,586
Fund balances				
Restricted for:				
Public Safety	24,506	0	0	24,506
Capital outlay	0	0	449,689	449,689
Committed for Public Works	0	37,453	0	37,453
Total fund balances	24,506	37,453	449,689	511,648
Total liabilities and fund balances	$ 25,309	$ 37,453	$ 464,472	$ 527,234

CITY OF LAVONIA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2025

	Special Revenue		Capital Projects	Total
	Confiscated Assets	Cemetery	2023 SPLOST	Nonmajor Governmental
REVENUES				
Charges for services	$ 0	$ 23,175	$ 0	$ 23,175
Intergovernmental	0	0	464,987	464,987
Interest	0	0	35	35
Total revenues	0	23,175	465,022	488,197
EXPENDITURES				
Current				
Public Safety	73	0	0	73
Public Works	0	27,388	0	27,388
Capital outlay	0	0	40,722	40,722
Debt service	0	0	180,104	180,104
Total expenditures	73	27,388	220,826	248,287
Excess (deficiency) of revenues over (under) expenditures	(73)	(4,213)	244,196	239,910
Other financing sources (uses)				
Transfers out	0	0	(38,000)	(38,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(73)	(4,213)	206,196	201,910
Fund balances, January 1	24,579	41,666	243,493	309,738
Fund balances, December 31	$ 24,506	$ 37,453	$ 449,689	$ 511,648

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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.

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
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2025

	Final Budget	Actual	Variance
REVENUES			
Fees, fines, and forfeitures	$ 5,000	$ 0	$ (5,000)
Total revenues	5,000	0	(5,000)
EXPENDITURES			
Current			
Public Safety			
Supplies	5,000	73	4,927
Total expenditures	5,000	73	4,927
Excess (deficiency) of revenues over (under) expenditures	0	(73)	(73)
Fund balances, January 1	0	24,579	24,579
Fund balances, December 31	$ 0	$ 24,506	$ 24,506

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, 2025

	Final Budget	Actual	Variance
REVENUES			
Charges for services	$ 23,175	$ 23,175	$ 0
Total revenues	23,175	23,175	0
EXPENDITURES			
Current			
Public Works			
Contract services	26,250	26,250	0
Materials and supplies	1,000	1,138	(138)
Total expenditures	27,250	27,388	(138)
Excess (deficiency) of revenues over (under) expenditures	(4,075)	(4,213)	(138)
Other financing sources (uses)			
Contingency	(4,000)	0	4,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,075)	(4,213)	3,862
Fund balances, January 1	8,075	41,666	33,591
Fund balances, December 31	$ 0	$ 37,453	$ 37,453

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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)
BALANCE SHEET
December 31, 2025

ASSETS	
Cash and cash equivalents	$ 208
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	$ 2,305
Other liabilities	87
Total liabilities	2,392
Fund balances	
Unassigned	(2,184)
Total liabilities and fund balances	$ 208

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, 2025

	Final Budget	Actual	Variance
REVENUES			
Intergovernmental	$ 54,505	$ 52,400	$ (2,105)
Rent	12,500	9,088	(3,412)
Other	22,500	28,138	5,638
Total revenues	89,505	89,626	121
EXPENDITURES			
Current			
Housing and Development			
Contract services	35,266	36,696	(1,430)
Supplies and materials	50,239	51,114	(875)
Payments to other agencies	4,000	4,000	0
Total expenditures	89,505	91,810	(2,305)
Excess of revenues over (under) expenditures	0	(2,184)	(2,184)
Fund balances, January 1	0	0	0
Fund balances, December 31	$ 0	$ (2,184)	$ (2,184)

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2025, and the related notes to the financial statements, which collectively comprise the City of Lavonia, Georgia's basic financial statements and have issued our report thereon dated June 22, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below, that we consider to be a material weakness.

2025-001

Condition: The City lacks sufficient controls and procedures regarding year-end close to ensure timely and accurate financial reporting. This included a $3.7 million adjustment to cash.

Criteria: Internal controls should be in place to ensure the City can perform timely and accurate year-end close procedures for the City to be able to produce its annual financial statements timely.

Effect: Failure to properly design and implement internal controls over year-end close procedures may lead to financial statements that are materially misstated and lead to delays in financial reporting.

Cause: Activity went unrecorded in cash, and the related income statement activity wasn't closed out at year-end.

2025-001, continued

Recommendation: We recommend that the City's Finance Department continue to implement and/or strengthen internal controls over the year-end closeout procedures. We also recommend management reconcile account balances monthly to the subsidiary ledgers to ensure proper and timely recording.

Management Response: Management concurs with this finding. City management has contracted with finance personnel proficient in the design, application and implementation of proper internal controls over the year-end close procedures. The Finance Department will implement policies and procedures that will ensure that account balances are reconciled monthly to the subsidiary ledgers. This action was taken immediately upon receipt of the comment from our auditors.

Report on Compliance and Other Matters

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

City of Lavonia, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lavonia, Georgia's response to the findings identified in our audit and described previously. The City of Lavonia, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Rushton, LLC

Gainesville, Georgia
June 22, 2026

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STATE REPORTING SECTION

CITY OF LAVONIA, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2025

	Estimated Cost *		Expenditures		
			Prior	Current	
Project	Original	Current	Years	Year	Total
2023 Referendum					
Roads, Street, and Sidewalks	$ 500,000	$ 500,000	$ 69,018	$ 23,183	$ 92,201
Public Safety and Fire	475,000	475,000	222,024	197,643	419,667
Water and Sewer	475,000	475,000	109,194	38,000	147,194
Recreation	225,000	225,000	77,816	0	77,816
Library	50,000	50,000	20,456	0	20,456
Total	$ 1,725,000	$ 1,725,000	$ 498,508	$ 258,826	$ 757,334

* Estimated cost represents the portion of the projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.