

**GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS  
NONPROFIT AND LOCAL GOVERNMENT AUDITS DIVISION  
AUDIT REPORT TRANSMITTAL DOCUMENT**

*Please complete the top portion of this form and submit it with your audit report. We will use this information to furnish your government the results of our review. These results will be furnished by e-mail.*

<b>Name of Governmental Unit</b>		
<b>Fiscal Year End</b>		
<b>Governmental Contacts</b>	<b>Name</b>	<b>E-Mail Address</b>
Chief Official (e.g., Mayor, Chairman)		
City/County Clerk		
City/County Manager		
Finance Director		
Other Officials to be Notified of Audit Results: (list below)		
Name of Audit Firm		
Auditor Contact for this Report		
CPA Telephone		
CPA Fax		
Form Completed by: (Name)		
(Title)		

**For DOAA Internal Use**

Date Rpt Rcvd	Assigned to:	Upload	Mail	E-mail
Type of Report	Date Reviewed	# Grant Cites		
# of 1s	# of 2s	# of Xs	# of 3s	
Date of CPA/Govt Response				
Date Orig. Notice to Govt	Date Rev Notice to Govt			
Report Accepted? Y N		Grants OK? Y N		
CAP Required? Y N		Date Cap Received		
CAP Letter Dates		CAP Not Received		
CAP Has Problems		CAP Accepted		
Pension Plan(s)	Deferred Comp? Y N	OPEB? Y N N/A	Single Audit? Y N	
Total GF Revenues	\$	Total GF Expenditures	\$	
GF Nonspendable FB	\$	GF Restricted FB	\$	
GF Committed FB	\$	GF Assigned FB	\$	
GF Unassigned FB	\$	All Govt Funds Total FB	\$	
Total GW Expenses	Draft to CPA	Letter to Govt	Logged	

**CITY OF FLOVILLA, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**CITY OF FLOVILLA, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**TABLE OF CONTENTS**

<b><u>Financial Section</u></b>	<b><u>Page</u></b>
<b>Independent Auditor’s Report.....</b>	<b>1-2</b>
<b>Management’s Discussion and Analysis (Unaudited).....</b>	<b>3-10</b>
 <b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position.....	11
Statement of Activities.....	12
 <b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Activities to the Statement of Activities.....	16
 <b>Proprietary Funds:</b>	
Statement of Net Position.....	17
Statement of Revenues, Expenses and Changes in Fund Net Position.....	18
Statement of Cash Flows.....	19-20
 <b>Notes to the Basic Financial Statements.....</b>	 <b>21-35</b>
 <b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget And Actual – General Fund.....	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget And Actual – Sanitation Fund.....	37
2012 Special Purpose Local Option Sales Tax Capital Projects Fund – Project Length Budget Comparison.....	38
Notes to the Required Supplementary Information.....	39

**CITY OF FLOVILLA, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**TABLE OF CONTENTS (CONTINUED)**

**Supplementary Information**

**Individual Fund Statements and Schedules:**

**Governmental Funds**

**General Fund**

Comparative Balance Sheet.....	40
Schedule of Revenues Budget and Actual.....	41
Schedule of Expenditures Budget and Actual.....	42-43

**Sanitation Fund**

Comparative Balance Sheet.....	44
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances.....	45

**2012 Special Purpose Local Option Sales Tax Capital Projects Fund**

Comparative Balance Sheet.....	46
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances.....	47

**Grant Fund**

Comparative Balance Sheet.....	48
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances.....	49

**Special Reports Section**

<b>Independent Auditor’s 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.....</b>	<b>50-51</b>
<b>Schedule of Findings and Responses.....</b>	<b>52-54</b>

<b>Independent Auditor’s Report on Special County 1 Percent Sales and Use Tax Approved in Special Election Held in 2012.....</b>	<b>55</b>
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<b>Schedule of Projects Financed with Special Sales Tax Proceeds.....</b>	<b>56</b>
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David M. Haisten  
C.P.A. & C.F.P.

# HAISTEN & JOHNSTON

A Professional Corporation of Certified Public Accountants

Rae O. Johnston  
C.P.A.

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
Flovilla, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Flovilla, Georgia (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, and each major fund the City of Flovilla, Georgia as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Members of American Institute of Certified Public Accountants & Georgia Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

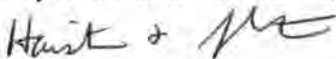
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flovilla, Georgia's basic financial statements. The individual fund financial statements on pages 40-49 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements 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 a report dated June 30, 2017 on our consideration of City of Flovilla's internal control over financial reporting and on the test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 entity's internal control over financial reporting and compliance



Haisten & Johnston, P.C.

Jackson, GA  
June 30, 2017

## **CITY OF FLOVILLA, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of City of Flovilla's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### **Financial Highlights**

- The City's assets exceeded its liabilities by \$1,550,961 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets, of \$976,182 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net position of \$308,348 is restricted by constraints imposed from outside the City such as laws, or regulations.
  - (3) Unrestricted net position reports a reserve of \$266,431.
- The City's governmental funds reported total ending fund balance of \$503,941 this year. This compares to the prior year ending fund balance of \$463,611 showing an increase of \$40,330 during the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$226,029.
- Overall, the City continues to maintain a stable financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

### **Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

#### ***Government-wide Financial Statements***

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

## **CITY OF FLOVILLA, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS**

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include the water system.

The government-wide financial statements are presented on pages 11 & 12 of this report.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 13-16 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

*Proprietary funds* are used to report services for which the City charges customers a fee. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Proprietary Fund Financial Statements are presented on pages 17-20 of this report.

### **Notes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.



**CITY OF FLOVILLA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. As discussed, the City reports major funds in the basic financial statements.

**Financial Analysis of the City as a Whole**

The City has implemented the "total" approach to governmental accounting mandated by the Governmental Accounting Standards Board (GASB). Comparative data for the fiscal years ending December 31, 2016 and December 31, 2015 are shown below.

The City's net position at fiscal year-end is \$1,550,961. The following table provides a summary of the City's net position:

	Summary of Net Position for FY December 31, 2016			
	Governmental Activities	Business-Type Activities	Total	Percentage of Total
Assets:				
Current assets	\$ 535,914	\$ 105,318	\$ 641,232	36%
Capital assets	682,822	482,080	1,164,902	64%
<b>Total assets</b>	<b>1,218,736</b>	<b>587,398</b>	<b>1,806,134</b>	<b>100%</b>
Liabilities:				
Current liabilities	22,428	59,696	82,124	32%
Long-term liabilities	33,760	139,289	173,049	68%
<b>Total liabilities</b>	<b>56,188</b>	<b>198,985</b>	<b>255,173</b>	<b>100%</b>
Net position:				
Net investment in capital assets	640,351	335,831	976,182	63%
Restricted for:				
Capital Projects	203,758	-	203,758	13%
Program purposes	74,154	-	74,154	5%
Debt Service	-	30,436	30,436	2%
Unrestricted	244,285	22,146	266,431	17%
<b>Total net position</b>	<b>\$ 1,162,548</b>	<b>\$ 388,413</b>	<b>\$ 1,550,961</b>	<b>100%</b>

**CITY OF FLOVILLA, GEORGIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Summary of Net Position for FY December 31, 2015

	Governmental Activities	Business-Type Activities	Total	Percentage of Total
<b>Assets:</b>				
Current assets	\$ 501,498	\$ 87,423	\$ 588,921	33%
Capital assets	649,601	523,799	1,173,400	67%
<b>Total assets</b>	<b>1,151,099</b>	<b>611,222</b>	<b>1,762,321</b>	<b>100%</b>
<b>Liabilities:</b>				
Current liabilities	31,049	52,724	83,773	30%
Long-term liabilities	42,477	152,810	195,287	70%
<b>Total liabilities</b>	<b>73,526</b>	<b>205,534</b>	<b>279,060</b>	<b>100%</b>
<b>Net position:</b>				
Net investment in capital assets	598,887	370,989	969,876	65%
Restricted for:				
Capital projects	192,715	-	192,715	13%
Program purposes	31,332	-	31,332	2%
Debt service	29,190	31,551	60,741	4%
Unrestricted	225,449	3,148	228,597	15%
<b>Total net position</b>	<b>\$ 1,077,573</b>	<b>\$ 405,688</b>	<b>\$ 1,483,261</b>	<b>100%</b>

Net position increased \$84,975 for governmental activities and decreased \$17,275 for business-type activities. The City's overall financial position improved during fiscal year 2016.

Note that 55% of the governmental activities' net position is tied up in capital. The City uses these capital assets to provide services to its citizens.

**CITY OF FLOVILLA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table provides a summary of the City's changes in net position:

	Summary of Changes in Net Position for FY 2016			
	Governmental Activities	Business-Type Activities	Total	Percentage of Total
Revenues:				
Program:				
Charges for services	\$ 59,244	\$ 273,859	\$ 333,103	43%
Operating/grants contributions	27,843	-	27,843	4%
Capital grants/contributions	88,380	-	88,380	11%
General:				
Taxes	289,598	-	289,598	38%
Other	32,782	32	32,814	4%
Total revenues	497,847	273,891	771,738	100%
Program Expenses:				
General government	215,762	-	215,762	31%
Public safety	83,396	-	83,396	12%
Public works	113,714	-	113,714	16%
Water services	-	291,166	291,166	41%
Total expenses	412,872	291,166	704,038	100%
Excess (deficiency) net	84,975	(17,275)	67,700	
Beginning net position	1,077,573	405,688	1,483,261	
Ending net position	\$ 1,162,548	\$ 388,413	\$ 1,550,961	

**CITY OF FLOVILLA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Changes in Net Position for FY 2015

	Governmental Activities	Business-Type Activities	Total	Percentage of Total
Revenues:				
Program:				
Charges for services	\$ 62,701	\$ 228,439	\$ 291,140	39%
Operating grants/contributions	50,065	-	50,065	7%
Capital grants/contributions	97,657	-	97,657	13%
General:				
Taxes	291,284	-	291,284	39%
Other	9,748	55	9,803	1%
Total revenues	<u>511,455</u>	<u>228,494</u>	<u>739,949</u>	<u>100%</u>
Program Expenses:				
General government	218,355	-	218,355	34%
Public safety	93,734	-	93,734	14%
Public works	82,751	-	82,751	13%
Water services	-	253,909	253,909	39%
Total expenses	<u>394,840</u>	<u>253,909</u>	<u>648,749</u>	<u>100%</u>
Excess (deficiency) net	<u>116,615</u>	<u>(25,415)</u>	<u>91,200</u>	
Beginning net position	<u>960,958</u>	<u>431,103</u>	<u>1,392,061</u>	
Ending net position	<u>\$ 1,077,573</u>	<u>\$ 405,688</u>	<u>\$ 1,483,261</u>	

**GOVERNMENTAL REVENUES**

The City is heavily reliant on sales taxes to support governmental operations and capital. Sales taxes provided 34% of the City's total governmental revenues. The local option sales tax revenue decreased by \$2,908 in the current year.

**GOVERNMENTAL FUNCTIONAL EXPENSES**

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

**CITY OF FLOVILLA, GEORGIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

	Governmental Activities				Business-type Activities			
	Total Cost of Services		Net Cost of Services		Total Cost of Services		Net Cost of Services	
	Amount	%	Amount	%	Amount	%	Amount	%
General government	\$ 215,762	52%	\$ 201,046	85%	\$ -	-	\$ -	-
Public safety	83,396	20%	64,290	27%	-	-	-	-
Public works	113,714	28%	(29,696)	-12%	-	-	-	-
Water services	-	-	-	-	291,166	100%	(17,307)	100%
<b>Total</b>	<b>\$ 412,872</b>	<b>100%</b>	<b>\$ 235,640</b>	<b>100%</b>	<b>\$ 291,166</b>	<b>100%</b>	<b>\$ (17,307)</b>	<b>100%</b>

After reducing gross expenses by program revenues, public works totals -12% of the net cost of services. Note that the general government’s percent of net costs decreased from 105% to 85% because general government does not generate a substantial amount of program revenues.

**Financial Analysis of the City’s Funds**

***Governmental Funds***

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$503,941.

The total ending fund balances of governmental funds show an increase of \$40,330 from the prior year.

**Major Governmental Funds**

The General Fund is the City’s primary operating fund and the largest source of day-to-day service delivery. The General Fund’s fund balance increased by \$18,035. In fiscal year 2015, the fund balance increased by \$42,469.

Taxes decreased by \$7,468 from fiscal 2015. This decrease relates primarily to a decrease in consumer spending.

Public safety costs in 2016 decreased by \$7,401 from the 2015 amount. The public works function increased by \$40,574.

**CITY OF FLOVILLA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Budget Section**

*General Fund Budgetary Highlights*

The City did not amend its budget during the year. Appropriations exceeded expenditures by \$43,644 while budget amounts exceeded revenues by \$39,009. This resulted in a budget overage of \$4,635.

**Capital Assets and Debt Administration**

*Capital Assets*

The City's net investment in capital assets for governmental activities as of December 31, 2016, was \$640,351 as compared to \$598,887 at December 31, 2015. Net investment in capital assets for the business-type activities decreased \$35,158. See Note 3-D for additional information about changes in capital assets during the fiscal year and related debt outstanding at the end of the year.

*Debt*

At year-end, the City had \$42,471 in notes payable to Hamilton State Bank for the purchase of land for a community center. See Note 3-E for additional information regarding long-term debt.

**Economic Conditions Affecting the City**

The US Census Bureau estimates current population growth rate at 0.7% for Butts County. While the City of Flovilla has not experienced any significant growth within the City limits, officials expect the growth in the County to spill over into the city limits within the next 5 years.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Mayor by writing to 308 Heard Street, Flovilla, Georgia 30216.

**CITY OF FLOVILLA, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 455,701	\$ 52,118	\$ 507,819
Receivables: (net allowance for uncollectibles)			
Taxes	37,801	-	37,801
Intergovernmental receivable	3,155	-	3,155
Accounts receivable	7,687	22,764	30,451
Restricted Assets			
Cash	31,570	30,436	62,006
<b>Total Current Assets</b>	<b>535,914</b>	<b>105,318</b>	<b>641,232</b>
<b>Capital Assets</b>			
Nondepreciable capital assets	70,657	348,023	418,680
Depreciable capital assets, net	612,165	134,057	746,222
Total Capital Assets	682,822	482,080	1,164,902
<b>Total Assets</b>	<b>1,218,736</b>	<b>587,398</b>	<b>1,806,134</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	13,717	20,959	34,676
Customer Deposits	-	31,777	31,777
Notes Payable	8,711	6,960	15,671
<b>Total Current Liabilities</b>	<b>22,428</b>	<b>59,696</b>	<b>82,124</b>
<b>Long-Term Liabilities</b>			
Notes Payable	33,760	-	33,760
Revenue Bonds Payable	-	139,289	139,289
<b>Total Liabilities</b>	<b>56,188</b>	<b>198,985</b>	<b>255,173</b>
<b>Net Position</b>			
Net investment in capital assets	640,351	335,831	976,182
Restricted for:			
Capital projects	203,758	-	203,758
Program purposes	74,154	-	74,154
Debt service	-	30,436	30,436
Unrestricted	244,285	22,146	266,431
<b>Total Net Position</b>	<b>\$ 1,162,548</b>	<b>\$ 388,413</b>	<b>\$ 1,550,961</b>

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

**CITY OF FLOVILLA, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Governing Body	\$ 40,784	\$ -	\$ -	\$ -	\$ (40,784)	\$ -	\$ (40,784)
Financial Administration	172,351	3,140	-	11,102	(158,109)	-	(158,109)
Court	5,184	2,883	-	-	(2,301)	-	(2,301)
Fire Department	78,212	-	3,155	13,068	(61,989)	-	(61,989)
Roads and Streets	71,745	-	24,688	64,210	17,153	-	17,153
Sanitation	41,969	53,221	-	-	11,252	-	11,252
Interest on Long-Term Debt	2,627	-	-	-	(2,627)	-	(2,627)
<b>Total Governmental Activities</b>	<b>412,872</b>	<b>59,244</b>	<b>27,843</b>	<b>88,380</b>	<b>(237,405)</b>	<b>-</b>	<b>(237,405)</b>
<b>Business-type activities</b>							
Water supply	291,166	273,859	-	-	-	(17,307)	(17,307)
<b>Total</b>	<b>\$ 704,038</b>	<b>\$ 333,103</b>	<b>\$ 27,843</b>	<b>\$ 88,380</b>	<b>(237,405)</b>	<b>(17,307)</b>	<b>(254,712)</b>
<b>General Revenues</b>							
Taxes:							
					201,495	-	201,495
					32,540	-	32,540
					40,756	-	40,756
					7,971	-	7,971
					6,836	-	6,836
					200	32	232
					32,582	-	32,582
					<b>322,380</b>	<b>32</b>	<b>322,412</b>
					<b>84,975</b>	<b>(17,275)</b>	<b>67,700</b>
					<b>1,077,573</b>	<b>405,688</b>	<b>1,483,261</b>
					<b>\$ 1,162,548</b>	<b>\$ 388,413</b>	<b>\$ 1,550,961</b>

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



**CITY OF FLOVILLA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2016**

Assets	General	Sanitation Fund	SPLOST Fund	Total Governmental Funds
Cash and equivalents	\$ 213,629	\$ 38,314	\$ 203,758	\$ 455,701
Receivables				
Taxes	37,801	-	-	37,801
Intergovernmental	3,155	-	-	3,155
Accounts	-	7,687	-	7,687
Restricted assets -				
Cash	31,570	-	-	31,570
 Total Assets	 <u>\$ 286,155</u>	 <u>\$ 46,001</u>	 <u>\$ 203,758</u>	 <u>\$ 535,914</u>
 <b>Liabilities, Deferred Inflows Of Resources and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 10,300	\$ 3,417	\$ -	\$ 13,717
 Total Liabilities	 <u>10,300</u>	 <u>3,417</u>	 <u>-</u>	 <u>13,717</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - sales tax	18,256	-	-	18,256
 Total Deferred Inflows of Resources	 <u>18,256</u>	 <u>-</u>	 <u>-</u>	 <u>18,256</u>
<b>Fund Balances</b>				
Restricted for:				
Capital projects	-	-	203,758	203,758
Program purposes	31,570	42,584	-	74,154
Unassigned	226,029	-	-	226,029
 Total Fund Balance	 <u>257,599</u>	 <u>42,584</u>	 <u>203,758</u>	 <u>503,941</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>				
	\$ 286,155	\$ 46,001	\$ 203,758	\$ 535,914

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

**CITY OF FLOVILLA, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - total governmental funds	\$	503,941
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		682,822
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		18,256
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes Payable		(42,471)
Net position of governmental activities	\$	1,162,548

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

**CITY OF FLOVILLA, GEORGIA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Sanitation Fund</u>	<u>SPLOST Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 286,417	\$ -	\$ -	\$ 286,417
Licenses and permits	2,190	-	-	2,190
Intergovernmental	27,843	-	88,380	116,223
Sanitation	-	53,221	-	53,221
Fines and Forfeitures	2,883	-	-	2,883
Cemetery	950	-	-	950
Interest	104	-	96	200
Miscellaneous	32,582	-	-	32,582
<b>Total Revenues</b>	<u>352,969</u>	<u>53,221</u>	<u>88,476</u>	<u>494,666</u>
<b>Expenditures:</b>				
Current:				
Governing Body	40,784	-	-	40,784
Financial Administration	156,388	-	-	156,388
Municipal Court	5,184	-	-	5,184
Fire Department	41,731	-	-	41,731
Roads and Streets	79,977	-	-	79,977
Sanitation	-	41,969	-	41,969
Capital Outlay	-	-	77,433	77,433
Debt service				
Principal	8,243	-	-	8,243
Interest	2,627	-	-	2,627
<b>Total Expenditures</b>	<u>334,934</u>	<u>41,969</u>	<u>77,433</u>	<u>454,336</u>
Net change in Fund Balance	18,035	11,252	11,043	40,330
Fund Balance - Beginning of Year	<u>239,564</u>	<u>31,332</u>	<u>192,715</u>	<u>463,611</u>
Fund Balance - End of Year	<u>\$ 257,599</u>	<u>\$ 42,584</u>	<u>\$ 203,758</u>	<u>\$ 503,941</u>

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

**CITY OF FLOVILLA, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Net changes in fund balances - total governmental funds \$ 40,330

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$109,366) exceeded depreciation (\$76,145) in the current period. 33,221

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred taxes 12-31-16	18,256	
Deferred taxes 12-31-15	<u>(15,075)</u>	3,181

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of Long-Term Debt		<u>8,243</u>
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Change in net position of governmental activities \$ 84,975

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

**CITY OF FLOVILLA, GEORGIA**  
**WATER SUPPLY FUND**  
**STATEMENT OF FUND NET POSITION**  
**DECEMBER 31, 2016**

<b>Assets</b>		<u>2016</u>
<b>Current Assets:</b>		
Cash	\$	52,118
Accounts Receivable, net		22,764
Restricted Cash		<u>30,436</u>
<b>Total Current Assets</b>		<u>105,318</u>
<b>Capital Assets</b>		
Non-depreciable capital assets		348,023
Depreciable capital assets, (net of accumulated depreciation of \$1,251,035)		<u>134,057</u>
<b>Total Capital Assets</b>		<u>482,080</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>587,398</u></u></b>
<b>Liabilities and Net Position</b>		
<b>Liabilities:</b>		
Current Liabilities -		
Accounts payable	\$	20,959
Customer deposits		31,777
Revenue bonds payable		<u>6,960</u>
<b>Total Current Liabilities</b>		<u>59,696</u>
<b>Noncurrent liabilities</b>		
Revenue bonds payable		<u>139,289</u>
<b>Total Noncurrent Liabilities</b>		<u>139,289</u>
<b>Total Liabilities</b>		<u>198,985</u>
<b>Net Position:</b>		
Net investment in capital assets		335,831
Restricted for debt service		30,436
Unassigned		<u>22,146</u>
<b>Total Net Position</b>		<u>388,413</u>
<b>Total Liabilities and Net Position</b>	<b>\$</b>	<b><u><u>587,398</u></u></b>

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

**CITY OF FLOVILLA, GEORGIA  
WATER SUPPLY FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016
<b>Operating Revenues</b>	
Charges for Services	\$ 240,990
Connection Fees	8,187
Penalties and Late Fees	20,618
Miscellaneous	4,064
<b>Total Operating Revenues</b>	<b>273,859</b>
<b>Operating Expenses</b>	
Personnel Services and Benefits	76,731
Water Purchase	6,593
Purchase/Contracted Services	133,172
Supplies	23,337
Depreciation	41,719
Other Expenses	445
<b>Total Operating Expenses</b>	<b>281,997</b>
<b>Operating Income (loss)</b>	<b>(8,138)</b>
<b>Non-Operating Income (Expense)</b>	
Interest Income	32
Interest Expense	(9,169)
<b>Total Non-Operating Income (Expense)</b>	<b>(9,137)</b>
<b>Change in Net Position</b>	<b>(17,275)</b>
<b>Net Position</b>	
Beginning of Year	405,688
<b>End of Year</b>	<b>\$ 388,413</b>

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

**CITY OF FLOVILLA, GEORGIA  
WATER SUPPLY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016
<b>Cash Flows From Operating Activities:</b>	
Cash received from customers	\$ 281,476
Cash paid to suppliers	(187,883)
Cash paid to employees	(52,383)
<b>Net Cash Flows From Operating Activities</b>	41,210
<b>Cash Flows from Investing Activities:</b>	
Interest Income	32
<b>Net Cash Flows from Investing Activities</b>	32
<b>Cash Flows Used for Capital and Related Financing Activities:</b>	
Principal payments on debt	(6,561)
Interest Paid	(9,169)
<b>Net Cash Used for Capital and related Financing Activities</b>	(15,730)
<b>Increase in Cash</b>	25,512
<b>Cash and Cash Equivalents, beginning</b>	57,042
<b>Cash and Cash Equivalents, ending</b>	\$ 82,554

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

**CITY OF FLOVILLA, GEORGIA  
WATER SUPPLY FUND  
STATEMENT OF CASH FLOWS (continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Net Operating Loss</b>	\$	(8,138)
<b>Adjustment to reconcile Net Operating Loss to Cash</b>		
<b>from operating activities:</b>		
Depreciation		41,719
Changes in Operating Assets and Liabilities:		
Accounts Receivable		7,617
Customer Deposits		600
Accounts Payable		(588)
		<hr/>
<b>Net Cash Flows From Operating Activities</b>	\$	<u>41,210</u>
<b>Unassigned Cash</b>	\$	52,118
<b>Restricted Cash</b>		<hr/> 30,436
<b>Total Cash</b>	\$	<u><u>82,554</u></u>

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



**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Index**

<b>Summary of Significant Accounting Policies .....</b>	<b>1</b>
Reporting Entity.....	1-A
Basis of Presentation.....	1-B
Measurement Focus.....	1-C
Basis of Accounting.....	1-D
Assets, Liabilities and Fund Equity.....	1-E
Cash, Cash Equivalents and Investments .....	1-E-1
Receivables.....	1-E-2
Prepaid Items.....	1-E-3
Restricted Assets.....	1-E-4
Capital Assets .....	1-E-5
Accrued Liabilities and Long-term Obligations .....	1-E-6
Deferred Outflows/Inflows of Resources.....	1-E-7
Fund Equity.....	1-E-8
Operating Revenues and Expenses and Non-Operating Revenues and Expenses.....	1-E-9
Contributions of Capital.....	1-E-10
Compensated Absences.....	1-E-11
Interfund Activity .....	1-E-12
Comparative Data .....	1-E-13
Estimates.....	1-E-14
 <b>Stewardship, Compliance and Accountability.....</b>	 <b>2</b>
Budgets and Budgetary Accounting.....	2-A
Legal Violations.....	2-B
 <b>Detailed Notes on All Funds.....</b>	 <b>3</b>
Custodial Credit Risks – Deposits.....	3-A
Receivables.....	3-B
Interfund Balances and Transfers.....	3-C
Capital Assets.....	3-D
Long-Term Debt.....	3-E
Deferred Revenues.....	3-F
 <b>Other Notes .....</b>	 <b>4</b>
Risk Management.....	4-A
Joint Venture.....	4-B
Property Tax.....	4-C
Employee Benefit Fund.....	4-D

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

The City of Flovilla, Georgia (the “City”) was chartered by an act of the General Assembly of the State of Georgia. The City operates under a mayor-council form of government and provides general and administrative services, highways and streets, parks and recreation, sanitation, water services, and fire protection and police services through shared responsibility with Butts County, Georgia.

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City has implemented GASB 62 Codification of Accounting and Financial Reporting Guidance on pre-November 30, 1989 FASB statements and AICPA pronouncements.

The most significant of the City’s accounting policies are described below.

***1-A. Reporting Entity***

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The City does not have any component units.

***1-B. Basis of Presentation***

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City’s general revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial position of the governmental activities and business-type activities of the City at the end of the fiscal year.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

*See auditor’s report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

***1-B. Basis of Presentation (Continued)***

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental funds and proprietary funds.

Major individual governmental funds are reported in separate columns.

***Fund Accounting*** - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

***The General Fund*** – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

***The Sanitation Fund*** – The sanitation fund accounts for monies collected from the City's citizens for garbage pickup within the city and remitted to the private entity providing this service.

***The SPLOST Fund*** – This fund is used to account for monies received from Special Purpose Local Option Sales Taxes and spent on projects approved by the 2012 SPLOST referendum.

***Proprietary Funds*** - Proprietary funds are those that operate similar to a business. Proprietary funds distinguish operating revenue 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 City of Flovilla uses proprietary fund accounting to account for its Water Fund.

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

***1-C. Measurement Focus***

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

***Fund Financial Statements*** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

***Proprietary funds*** - Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., Expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow need of its proprietary activities. On the proprietary funds financial statements, operating revenues are those that flow directly from the operation of the activity, i.e. charges to customers or users who purchase or use the good or services for that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

***1-D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and proprietary fund financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues – Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

***Revenues - Non-exchange Transactions*** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 31 days for sales taxes and within 60 days for all other revenues) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: sales taxes and federal and state grants.

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

***1-D. Basis of Accounting (Continued)***

***Deferred/Unearned Revenue*** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenue is reclassified as “*unearned revenue*” on the government-wide statement of net position.

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

***1-E. Assets, Liabilities and Fund Equity***

***1-E-1. Cash, Cash Equivalents, and Investments***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers’ acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

The City has adopted GASB Statement No. 40 - *Deposit and Investment Risk Disclosures*.

***1-E-2. Receivables***

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at December 31, 2016.

***1-E-3. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

*See auditor’s report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1-E-4. Restricted Assets**

Restricted assets in the Water Fund account for monies set aside for specific purposes and include the Water Fund Sinking fund and Reserve fund for the City's outstanding Revenue Bonds. City ordinances require various amounts to be set aside for retirement of bonded debt.

**1-E-5. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and the respective funds.

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets or business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during fiscal year ended December 31, 2016. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings and improvements	30-40 years
Water system and lines	30-40 years
Machinery and equipment	7-10 years
Vehicles	5-10 years
Infrastructure	40-50 years
Recreational Facilities	10-20 years

The City only reports infrastructure assets purchased subsequent to December 31, 2003.

**1-E-6. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental funds payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments are compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1-E-7. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net 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 does not have any deferred outflows of resources at December 31, 2016.

In addition to liabilities, the statement of net 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 City has unavailable revenues that arise only under a modified accrual basis of accounting. Accordingly, they are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sales taxes, which will be recognized as an inflow of resources in the period in which the amounts become available.

**1-E-8. *Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City of through external restrictions imposed by creditors, guarantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the approval of a motion. Only the City Council may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City finance director or designee to assign fund balances.
- ***Unassigned*** – Fund balances reported as unassigned are the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balances in the following order.

- Committed
- Assigned
- Unassigned

*See auditor’s report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

***1-E-8. Fund Equity (Continued)***

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The City's government-wide statement of net position reports \$309,774 of restricted net position, of which none is restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

***1-E-9. Operating Revenues and Expenses and Non-operating Revenues and Expenses***

Operating revenues are those revenues that are generated from exchange transactions associated with the primary activity of the proprietary fund type. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. Non-operating revenues such as investment earnings and non-operating expenses result from non-exchange transactions.

***1-E-10. Contributions of Capital***

Contributions of capital in proprietary fund type financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

***1-E-11. Compensated Absences***

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulated right to receive sick pay benefits. At December 31, 2016, the amount outstanding for accumulated unpaid vacation was immaterial to the financial statements and was not recorded.

***1-E-12. Inter-fund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between funds reported in the governmental activities column are eliminated.

***1-E-13. Comparative Data***

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

*See auditor's report.*



**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1-E-14. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2 - Stewardship, Compliance and Accountability**

**2-A. Budgets and Budgetary Accounting**

The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. The responsibility of budgeting is with the City Council and Mayor. Budgetary discussions are held in October or November. The budget is presented in December of each fiscal year. The City Council is responsible for the adoption and approval of each fiscal year's budget. The City Council must approve all budget revisions or changes. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**2-B. Legal Violations**

During the fiscal year ended December 31, 2016 the General Fund's appropriations exceeded expenditures by \$43,644; however, the following department expenditures exceeded their corresponding appropriations which is a violation of state law.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Municipal Court	-	5,184	5,184
Fire Department	35,500	41,731	6,231
Total	\$ 35,500	\$ 46,915	\$ 11,415

**Note 3 - Detailed Notes on All Funds**

**3-A. Custodial Credit Risks - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's financial policies require all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of December 31, 2016, all of the City's deposits were covered by Federal Deposit Insurance.

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3-B. Receivables**

Receivables as of year- end, including the applicable allowances for uncollectible accounts, are as follows:

<b>Governmental Funds</b>	<b>General</b>
Taxes	\$ 37,801
Intergovernmental receivables	3,155
Accounts	7,687
Gross Receivables	48,643
Less: Allowance for uncollectibles	-
Receivables (Net)	\$ 48,643
 <b>Proprietary Funds</b>	<b>Water</b>
Accounts	\$ 22,764
Less: allowance for uncollectibles	-
Receivables (Net)	\$ 22,764

**3-C. Inter-fund Balances and Transfers**

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3-D Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 70,657	\$ -	\$ -	\$ 70,657
Total capital assets, not being depreciated	<u>70,657</u>	<u>-</u>	<u>-</u>	<u>70,657</u>
Capital assets being depreciated:				
Buildings	769,314	-	-	769,314
Infrastructure	-	95,643	-	95,643
Land Improvements	18,821	-	-	18,821
Machinery and equipment	257,426	13,723	-	271,149
Recreation facilities	26,719	-	-	26,719
Vehicles	<u>535,793</u>	<u>-</u>	<u>-</u>	<u>535,793</u>
Total capital assets being depreciated	<u>1,608,073</u>	<u>109,366</u>	<u>-</u>	<u>1,717,439</u>
Less accumulated depreciation for:				
Buildings	390,682	19,265	-	409,947
Infrastructure	-	3,188	-	3,188
Land Improvements	409	1,636	-	2,045
Machinery and equipment	191,428	16,040	-	207,468
Recreational facilities	10,541	260	-	10,801
Vehicles	<u>436,069</u>	<u>35,756</u>	<u>-</u>	<u>471,825</u>
Total accumulated depreciation	<u>1,029,129</u>	<u>76,145</u>	<u>-</u>	<u>1,105,274</u>
Total capital assets being depreciated, net	<u>578,944</u>	<u>33,221</u>	<u>-</u>	<u>612,165</u>
Governmental capital assets, net	<u>\$ 649,601</u>	<u>\$ 33,221</u>	<u>\$ -</u>	<u>\$ 682,822</u>

See auditor's report.

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3-D Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Financial Administration	\$	23,204
Fire		36,481
Parks and Recreation		260
Roads and Streets		<u>16,200</u>
 Total depreciation expense	 \$	 <u><u>76,145</u></u>

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated				
Construction in progress	\$ 37,354	\$ -	\$ -	\$ 37,354
Land	<u>310,669</u>	<u>-</u>	<u>-</u>	<u>310,669</u>
 Total capital assets, not being depreciated	 <u>348,023</u>	 <u>-</u>	 <u>-</u>	 <u>348,023</u>
Capital assets being depreciated:				
Water system and lines	1,240,937	-	-	1,240,937
Machinery and equipment	118,237	-	-	118,237
Vehicles, including related equipment	<u>25,918</u>	<u>-</u>	<u>-</u>	<u>25,918</u>
 Total capital assets being depreciated	 <u>1,385,092</u>	 <u>-</u>	 <u>-</u>	 <u>1,385,092</u>
Less accumulated depreciation for:				
Water system and lines	1,066,631	41,266	-	1,107,897
Machinery and equipment	116,767	452	-	117,219
Vehicles, including related equipment	<u>25,919</u>	<u>-</u>	<u>-</u>	<u>25,919</u>
 Total accumulated depreciation	 <u>1,209,317</u>	 <u>41,718</u>	 <u>-</u>	 <u>1,251,035</u>
 Business-Type Activities capital assets being depreciated, net	 <u>175,775</u>	 <u>(41,718)</u>	 <u>-</u>	 <u>134,057</u>
 Business-Type activities capital assets, net	 <u>\$ 523,798</u>	 <u>\$ (41,718)</u>	 <u>\$ -</u>	 <u>\$ 482,080</u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3-E. Long-Term Debt**

**Changes in General Long-Term Debt**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Note Payable	\$ 50,714	\$ -	\$ 8,243	\$ 42,471	\$ 8,711
Total Governmental Activities	50,714	-	8,243	42,471	8,711
<b>Business-Type Activities</b>					
Water Bonds	152,810	-	6,561	146,249	6,960
Total Activities	152,810	-	6,561	146,249	6,960
<b>Total</b>	<u>\$ 203,524</u>	<u>\$ -</u>	<u>\$ 14,804</u>	<u>\$ 188,720</u>	<u>\$ 15,671</u>

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities.

The Water Supply Fund is used to liquidate all of the business-type activity long-term liabilities.

**Governmental Activities Long-Term Debt**

Governmental activities long-term obligations as of December 31, 2016 consisted of a loan from Hamilton State Bank for land for the new Community Center.

The Hamilton State Bank note was refinanced in May 2014. The note is now payable in 84 monthly installments of \$906, commencing June 15, 2014 with an interest rate of 5.5%. The final payment is due May 15, 2021. Annual repayment requirements for the bank loan are as follows:

F/Y/E	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31			
2017	\$ 8,711	\$ 2,160	\$ 10,871
2018	9,213	1,658	10,871
2019	9,743	1,128	10,871
2020	10,304	567	10,871
2021	4,500	63	4,563
	<u>\$ 42,471</u>	<u>\$ 5,576</u>	<u>\$ 48,047</u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3-E. Long-Term Debt(Continued)**

**Water Supply Long Term Debt -**

In 1991, the City issued a series of water revenue bonds in the amount of \$236,700, which have an interest rate of 6%. Bond interest for the year ended December 31, 2016, amounted to \$9,792. The bonds are payable in annual installments of approximately \$15,730 through January 2031. The bonds were issued to finance water system improvements.

According to the regulations of the bond ordinance, the City is to maintain a sinking fund and reserve fund for the purpose of paying the principal and interest on the bonds as they mature. The balance in these funds as of December 31, 2016, amount to \$30,437. In addition, the City is to establish fees and rates sufficient to produce net revenues of at least equal to 1.2 times the amount required in any sinking fund year to pay principal and interest on outstanding revenue bonds. During the year ended December 31, 2016 the Water Fund produced a sufficient amount of net revenue to meet the 1.2 times requirement. Annual repayment requirements under the capital lease and water revenue bond agreements in the water supply fund are as follows:

F/Y/E December 31	Revenue Bonds		Total
	Principal	Interest	
2018	\$ 6,960	\$ 8,357	\$ 15,317
2019	7,370	7,915	15,285
2020	7,820	7,446	15,266
2021	8,280	6,949	15,229
2022	8,780	6,422	15,202
2023	9,310	5,864	15,174
2024	9,870	5,272	15,142
2025	10,460	4,644	15,104
2026	11,090	3,978	15,068
2027	11,750	3,274	15,024
2028	12,460	2,526	14,986
2029	13,200	1,734	14,934
2030	14,000	894	14,894
2031	14,899	-	14,899
	<u>\$ 146,249</u>	<u>\$ 65,275</u>	<u>\$ 211,524</u>

**3-F Deferred Revenues**

Deferred revenues as of December 31, 2016, reported in the Governmental Fund's balance sheet, consisted of the following items which had been received but were not yet earned as of December 31, 2016 or were not received within 60 days after year end:

Local Option Sales Tax	<u>\$ 18,256</u>
------------------------	------------------

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**4. Other Notes**

**4-A. Risk Management**

The City of Flovilla is exposed to various risks of loss-related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Inter-local Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insured Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risks pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' 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 to allow the pools' agent and attorney 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 City pays an annual premium to GIRMA for its general insurance and has coverage of \$1,000,000 for the risks discussed above, except for buildings, which are covered at 100% of the value of the City's holdings. The City's coverage for worker's compensation claims is statutory.

The funds are to defend and protect members of the funds against liability or loss as prescribed in the member governments' contract and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs 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.

The City continues to carry commercial insurance for all other risks of loss, employee health and accident insurance. Settled claims in the past three years have not exceeded the commercial insurance coverage.

**4-B Joint Venture**

Under Georgia law, the City, in conjunction with other cities and counties in the bordering area, is a member of the Three Rivers Regional Commission (RC). Membership in this organization 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. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. A copy of the RC audit can be obtained by contacting them directly.

**4-C. Property Tax**

Property taxes are levied in October of each year and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. A local option sales tax is in force. Proceeds for this tax are remitted to the City monthly and are utilized to give property owners tax relief. As a result of the local option sales tax no property taxes were levied for the year ended December 31, 2016.

**4-D. Employee Benefit Fund**

The City's employees are covered under the Social Security Act maintained by the federal government.

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Taxes	\$ 299,250	\$ 286,417	\$ (12,833)
Licenses and permits	2,000	2,190	190
Intergovernmental	16,000	27,843	11,843
Fines & forfeitures	5,000	2,883	(2,117)
Charges for services	2,000	950	(1,050)
Interest	36,728	104	(36,624)
Sale of assets	500	-	(500)
Miscellaneous	30,500	32,582	2,082
<b>Total Revenues</b>	<b>391,978</b>	<b>352,969</b>	<b>(39,009)</b>
<b>Expenditures:</b>			
Current:			
Governing Body	42,411	40,784	(1,627)
Financial Administration	184,572	156,388	(28,184)
Municipal Court	-	5,184	5,184
Police Department	-	-	-
Fire Department	35,500	41,731	6,231
Roads and Streets	105,225	79,977	(25,248)
Debt Service			
Principal	8,400	8,243	(157)
Interest	2,470	2,627	157
<b>Total Expenditures</b>	<b>378,578</b>	<b>334,934</b>	<b>(43,644)</b>
<b>Excess of revenues over expenditures</b>	<b>13,400</b>	<b>18,035</b>	<b>4,635</b>
<b>Other financing sources(uses)</b>			
Transfers in (out)	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>13,400</b>	<b>18,035</b>	<b>4,635</b>
<b>Fund Balance - Beginning of Year</b>	<b>239,564</b>	<b>239,564</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 252,964</b>	<b>\$ 257,599</b>	<b>\$ 4,635</b>

See auditor's report.



**CITY OF FLOVILLA, GEORGIA**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Final Budget	Actual	Variance Over (Under)
<b>Revenues:</b>			
Sanitation fees	\$ 42,000	\$ 53,221	\$ 11,221
Total Revenues	42,000	53,221	11,221
<b>Expenditures</b>			
Sanitation	42,000	41,969	(31)
Total Expenditures	42,000	41,969	(31)
Excess (Deficiency of) Revenues over Expenditures	-	11,252	11,252
Other Financing Sources (uses)			
Transfers out	-	-	-
Net Change in Fund Balance	-	11,252	11,252
Fund Balance - Beginning of Year	31,332	31,332	-
Fund Balance - End of Year	\$ 31,332	\$ 42,584	\$ 11,252

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**2012 SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND**  
**PROJECT-LENGTH BUDGET COMPARISON**  
**FOR THE YEARS ENDED DECEMBER 31, 2016**

	<u>Original/ Final Budget</u>	<u>Actual Project to Date</u>	<u>Over (Under)</u>
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 537,895	\$ 364,345	\$ (173,550)
Interest	-	139	139
Total Revenues	<u>537,895</u>	<u>364,484</u>	<u>(173,411)</u>
<b>Expenditures:</b>			
Capital Outlay			
Administration	-	14,864	14,864
Community Center	175,000	-	(175,000)
Water System	100,000	-	(100,000)
Fire Equipment	35,000	13,068	(21,932)
Fire Station Expansion	122,895	-	(122,895)
Streets	80,000	112,263	32,263
Cemetary	25,000	18,102	(6,898)
Debt Service			
Principal	-	57,750	57,750
Interest	-	2,429	2,429
Total Expenditures	<u>537,895</u>	<u>218,476</u>	<u>(319,419)</u>
Excess of Revenues			
Over (Under) Expenditures	<u>-</u>	<u>146,008</u>	<u>146,008</u>
Other Financing Sources			
Capital Lease Proceeds	<u>-</u>	<u>57,750</u>	<u>57,750</u>
Net Change in Fund Balance	-	203,758	203,758
Fund Balance - Beginning of Project	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 203,758</u>	<u>\$ 203,758</u>

See auditor's report.

**CITY OF FLOVILLA, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

*Note 1 - Budgetary Information*

The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. The responsibility of budgeting is with the City Council and Mayor. Budgetary discussions are held in October or November. The budget is presented in December of each fiscal year. The City Council is responsible for the adoption and approval of each fiscal year's budget. The City Council must approve all budget revisions or changes. Budgets are adopted on a basis consistent with generally accepted accounting principles.

*Note 2 - Expenditures in Excess of Appropriations*

During the fiscal year ended December 31, 2016 the General Fund's appropriations exceeded expenditures by \$43,644; however, the following department expenditures exceeded their corresponding appropriations which is a violation of state law.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Municipal Court	-	5,184	5,184
Fire Department	<u>35,500</u>	<u>41,731</u>	<u>6,231</u>
 Total	 <u>\$ 35,500</u>	 <u>\$ 46,915</u>	 <u>\$ 11,415</u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2016 AND 2015**

Assets	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 213,629	\$ 214,185
Receivables -		
Taxes	37,801	32,477
Intergovernmental	3,155	-
Restricted assets -		
Cash	<u>31,570</u>	<u>29,190</u>
 Total Assets	 <u>\$ 286,155</u>	 <u>\$ 275,852</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 10,300	\$ 19,402
Due to other funds	<u>-</u>	<u>1,811</u>
 Total Liabilities	 <u>10,300</u>	 <u>21,213</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - sales tax	<u>18,256</u>	<u>15,075</u>
 Total Deferred Inflows of Resources	 <u>18,256</u>	 <u>15,075</u>
<b>Fund Balance</b>		
Fund balance:		
Restricted for debt service	31,570	29,190
Unassigned	<u>226,029</u>	<u>210,374</u>
 Total Fund Balance	 <u>257,599</u>	 <u>239,564</u>
 <b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balance</b>	 <u><u>\$ 286,155</u></u>	 <u><u>\$ 275,852</u></u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)**

	2016			2015 Actual
	Final Budget	Actual	Variance	
<b>REVENUES</b>				
<b>Taxes-</b>				
Local option sales	\$ 223,000	\$ 198,314	\$ (24,686)	\$ 207,004
Utility franchise	30,000	32,540	2,540	31,791
Beer and wine	9,500	7,971	(1,529)	7,818
Insurance premium	36,000	40,756	4,756	37,626
Title ad valorem tax	-	6,486	6,486	9,157
Real Estate Transfer	750	350	(400)	489
<b>Total Taxes</b>	<b>299,250</b>	<b>286,417</b>	<b>(12,833)</b>	<b>293,885</b>
Licenses and permits	2,000	2,190	190	2,310
Intergovernmental	16,000	27,843	11,843	36,790
Interest	36,728	104	(36,624)	176
Court	5,000	2,883	(2,117)	4,080
Miscellaneous	30,500	30,769	269	9,558
Sale of Assets	500	-	(500)	-
Cemetery	2,000	950	(1,050)	2,665
Insurance Proceeds	-	1,813	1,813	-
<b>Total Revenues</b>	<b>\$ 391,978</b>	<b>\$ 352,969</b>	<b>\$ (39,009)</b>	<b>\$ 349,464</b>

See auditor's report.

**CITY OF FLOVILLA, GEORGIA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET (GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative totals for the year ended December 31, 2015)**

	Final Budget	Actual	Variance	2015 Actual
<b>GOVERNING BODY:</b>				
Personnel services and benefits	\$ 38,000	\$ 38,634	\$ 634	\$ 37,826
Purchased/contracted services	4,411	2,150	(2,261)	3,492
<b>Total Governing Body</b>	<b>42,411</b>	<b>40,784</b>	<b>(1,627)</b>	<b>41,318</b>
<b>FINANCIAL ADMINISTRATION</b>				
Personnel services and benefits	80,176	46,442	(33,734)	49,946
Purchased/contracted services	67,300	56,869	(10,431)	71,648
Supplies	37,096	45,576	8,480	24,049
<b>Total Operating</b>	<b>184,572</b>	<b>148,887</b>	<b>(35,685)</b>	<b>145,643</b>
Capital Outlay	-	7,501	7,501	21,446
<b>Total Financial Administration</b>	<b>184,572</b>	<b>156,388</b>	<b>(28,184)</b>	<b>167,089</b>
<b>COURT</b>				
Purchased/contracted services	-	4,279	4,279	5,403
Supplies	-	424	424	381
Payments to others	-	481	481	976
<b>Total Court</b>	<b>-</b>	<b>5,184</b>	<b>5,184</b>	<b>6,760</b>
<b>FIRE DEPARTMENT</b>				
Personnel services and benefits	14,300	11,156	(3,144)	35,757
Purchased/contracted services	16,400	20,603	4,203	7,303
Supplies	4,800	9,972	5,172	4,496
<b>Total Fire Department</b>	<b>35,500</b>	<b>41,731</b>	<b>6,231</b>	<b>47,556</b>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES (Continued)  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative totals for the year ended December 31, 2015)**

	2016			2015 Actual
	Final Budget	Actual	Variance	
<b>ROADS AND STREETS</b>				
Personnel services and benefits	59,400	29,476	(29,924)	1,630
Purchased/contracted services	11,300	21,035	9,735	20,474
Supplies	5,200	5,034	(166)	4,699
 Total Operating	 75,900	 55,545	 (20,355)	 26,803
 Capital Outlay	 29,325	 24,432	 (4,893)	 12,600
 Total Roads and Streets	 105,225	 79,977	 (25,248)	 39,403
<b>DEBT SERVICE</b>				
Principal	8,400	8,243	(157)	7,805
Interest	2,470	2,627	157	3,056
 Total Debt Service	 10,870	 10,870	 -	 10,861
 Total Expenditures	 \$ 378,578	 \$ 334,934	 \$ (43,644)	 \$ 312,987

See auditor's report.

**CITY OF FLOVILLA, GEORGIA  
SANITATION FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2016 AND 2015**

<b>Assets</b>	<u>2016</u>	<u>2015</u>
Cash	\$ 38,314	\$ 24,453
Accounts Receivable (net)	<u>7,687</u>	<u>10,289</u>
 Total Assets	 <u>\$ 46,001</u>	 <u>\$ 34,742</u>
 <b>Liabilities and Fund Equity</b>		
 LIABILITIES:		
Accounts Payable	<u>\$ 3,417</u>	<u>\$ 3,410</u>
 Total Liabilities	 <u>3,417</u>	 <u>3,410</u>
 FUND EQUITY:		
Restricted	<u>42,584</u>	<u>31,332</u>
 Total Fund Equity	 <u>42,584</u>	 <u>31,332</u>
 Total Liabilities and Fund Equity	 <u>\$ 46,001</u>	 <u>\$ 34,742</u>

*See auditor's report.*



**CITY OF FLOVILLA, GEORGIA  
SANITATION FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Sanitation fees	\$ 53,221	\$ 53,646
 Total Revenues	 <u>53,221</u>	 <u>53,646</u>
 <b>Expenditures</b>		
Sanitation	<u>41,969</u>	<u>42,129</u>
 Total Expenditures	 <u>41,969</u>	 <u>42,129</u>
 Excess (Deficiency of) Revenues over Expenditures	 <u>11,252</u>	 <u>11,517</u>
 Other Financing Sources (uses)		
Transfers out	<u>-</u>	<u>-</u>
 Net Change in Fund Balance	 11,252	 11,517
 Fund Balance - Beginning of Year	 <u>31,332</u>	 <u>19,815</u>
 Fund Balance - End of Year	 <u>\$ 42,584</u>	 <u>\$ 31,332</u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**2012 SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND**  
**COMPARATIVE BALANCE SHEET**  
**DECEMBER 31, 2016 AND 2015**

<b>Assets</b>	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 203,758	\$ 190,904
Accounts Receivable (net)	<u>-</u>	<u>1,811.00</u>
 Total Assets	 <u>\$ 203,758</u>	 <u>\$ 192,715</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts Payable	<u>-</u>	<u>-</u>
 <b>Total Liabilities</b>	 <u>-</u>	 <u>-</u>
 <b>Fund Balances</b>		
Restricted for:		
Capital Projects	<u>203,758</u>	<u>192,715</u>
 <b>Total Liabilities and Fund Balances</b>	 <u>\$ 203,758</u>	 <u>\$ 192,715</u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA**  
**2012 SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Intergovernmental Revenues	\$ 88,380	\$ 97,657
Interest	96	14
	<u>88,476</u>	<u>97,671</u>
<b>Total Revenues</b>		
<b>Expenditures</b>		
Capital Outlay	77,433	7,000
	<u>77,433</u>	<u>7,000</u>
<b>Total Expenditures</b>		
<b>Excess of Revenues (Under) Expenditures</b>	<u>11,043</u>	<u>90,671</u>
Change in Fund Balance	11,043	90,671
<b>Fund Balance Beginning of Year</b>	<u>192,715</u>	<u>102,044</u>
<b>Fund Balance End of Year</b>	<u><u>\$ 203,758</u></u>	<u><u>\$ 192,715</u></u>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA  
GRANT FUND  
COMPARATIVE BALANCE SHEET  
DECEMBER 31, 2016 AND 2015**

<b>Assets</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Cash	\$ -	\$ -
Due from other funds	-	-
<b>Total Assets</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Liabilities and Fund Equity</b>		
<b>LIABILITIES</b>		
Deferred revenue	\$ -	\$ -
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND EQUITY:</b>		
Fund Balance	-	-
<b>Total Fund Equity</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

*See auditor's report.*

**CITY OF FLOVILLA, GEORGIA  
GRANT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>Revenues:</b>		
Grants	\$ -	\$ 13,275
Total Revenues	-	13,275
<b>Expenditures</b>		
Grant Expenditures	-	7,283
Total Expenditures	-	7,283
<b>Excess revenues over expenditures</b>	-	5,992
<b>Other financing uses</b>		
Transfers out	-	5,992
<b>Total other financing uses</b>	-	5,992
<b>Net change in Fund Balance</b>	-	-
Fund Balance - Beginning of Year	-	-
Fund Balance - End of Year	\$ -	\$ -

*See auditor's report.*

David M. Haisten  
C.P.A. & C.F.P.

# HAISTEN & JOHNSTON

A Professional Corporation of Certified Public Accountants

Rae O. Johnston  
C.P.A.

## 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

To the Mayor and Council  
City of Flovilla, 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, and each major fund of City of Flovilla, Georgia as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Flovilla, Georgia's basic financial statements and have issued our report thereon dated June 30, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Flovilla, 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 City of Flovilla, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Flovilla, Georgia's internal control.

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. However, material weaknesses may exist that have not been identified. As described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 05.1, 06.3, and 06.4 to be material weaknesses.

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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. We consider the deficiency described in the accompanying schedule of findings and responses as item 05.4 to be a significant deficiency.

### **Compliance and Other Matters**

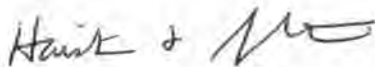
As part of obtaining reasonable assurance about whether City of Flovilla, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 05.4.

### **City of Flovilla, Georgia's Response to Findings**

City of Flovilla, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Flovilla, Georgia's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to described 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.



Haisten & Johnston, P. C.  
Jackson, Georgia  
June 30, 2017

**CITY OF FLOVILLA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**05.1 WATER LOSS RATE - REPEAT FINDING**

Condition: The City's water loss rate (the amount of water treated and pumped through the City's water system vs. the amount of water not sold i.e. unauthorized for) is approximately 25%.

Criteria: An acceptable water lost rate is 15% or less.

Effect: The City has a significantly higher water loss rate than what is normally acceptable. This could be the result of significant leaks within the system, customer usage that is not being billed or a number of other possible causes.

Recommendation: Management should compare water sold with water that is treated and pumped through the City's water system on a monthly basis and explain significant variances, if any should occur.

Response: Management agrees with the finding. The City's water consultant will be instructed to compare water produced with water sold on a monthly basis in an attempt to identify the cause of the large water loss rate.

**05.4 BUDGET VARIANCES - REPEAT FINDING**

Condition: The City's Fire Department and Municipal Court expenditures exceeded appropriations.

Criteria: The State of Georgia, Department of Audits, has determined that any excess of a department's expenditures over its appropriation is a violation of state law.

Effect: The City has violated a state law.

Recommendation: Management should monitor the City's budget on a monthly basis to determine if a need exists to amend the budget.

Response: Management agrees with the finding. Management will monitor the budget on a monthly basis and will amend the budget when needed.



**CITY OF FLOVILLA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSE (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**06.3 ORGANIZATION STRUCTURE - REPEAT FINDING**

Condition: The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the other staff were large enough to provide optimum segregation of duties.

Criteria: Personnel with responsibilities over cash receipts and disbursements should not have responsibilities over entries into the City's general ledger or utility billing system.

Effect: The lack of control could result in an error or fraud going undetected by employees performing their duties in the normal course of business.

Recommendations: The Mayor and Council should remain involved in the financial affairs of the City to provide oversight and independent review functions.

Response: Management agrees with the finding. Management will continue to provide oversight and independent review functions over the City's financial transactions.

**06.4 CITY'S ACCOUNTING SYSTEM - REPEAT FINDING**

Condition: The City's current accounting system does not provide the City's management with sufficient information to be able to make proper decisions on analysis as to the City's budgeting process or accounting for the City's various funds.

Criteria: The City financial reporting system should provide the City's management with a detailed analysis of costs incurred by each of the City's departments with a detailed analysis of expenditures incurred in relation to budgeted costs.

Effect: Management is not provided with a financial report that includes a sufficient amount of detail by department and fund to make proper decisions or analysis.

Recommendation: Management should review the City's current financial reporting system to determine if the use of electronic software or if a software upgrade would provide sufficient accounting information for decision making.

Response: Management agrees with the finding. Management will review the City's financial accounting system and investigate the possibility of providing detailed analyses to management.

**CITY OF FLOVILLA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSE (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**06.4 CITY'S ACCOUNTING SYSTEM - REPEAT FINDING (Continued)**

Status: Management purchased new Black Mountain Software in 2015 and has now contracted with an outside accounting firm to assist them in monthly journal entries and reconciliations so that more accurate records will be available on a timely basis.

David M. Haisten  
C.P.A. & C.F.P.

# HAISTEN & JOHNSTON

A Professional Corporation of Certified Public Accountants

Rae O. Johnston  
C.P.A.

## Independent Auditor's Report on Special County 1 Percent Sales and Use Tax Approved in Special Election Held in 2012

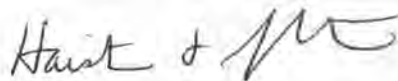
To the Mayor and City Council  
City of Flovilla, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Flovilla, Georgia as of December 31, 2016. This schedule is the responsibility of City of Flovilla's management. Our responsibility is to express an opinion on the Schedule for Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated 48-8-121 on the modified accrual basis of accounting as described in Note 1 and is not intended to be a complete presentation of City of Flovilla's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Flovilla's resolution or ordinance calling for the tax for the year ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.



Haisten & Johnston, P.C.  
Jackson, Georgia  
June 30, 2017

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**CITY OF FLOVILLA, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED  
WITH SPECIAL SALES TAX PROCEEDS  
FROM 2012 ELECTION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Project</b>	<b>Original Estimated Cost</b>	<b>Expenditures</b>			<b>Estimated Percent Complete</b>
		<b>Beginning Of Year</b>	<b>Current Year</b>	<b>To Date</b>	
Community Center	\$ 175,000	\$ -	\$ -	\$ -	0.00%
Water System	100,000	-	-	-	0.00%
Fire Department	35,000	14,864	13,068	27,932	79.81%
Fire Station Expansion	122,895	-	-	-	0.00%
Streets	80,000	59,000	53,263	112,263	140.33%
Cemetery	25,000	7,000	11,102	18,102	72.41%
<b>Total Capital Outlay</b>	<b>537,895</b>	<b>80,864</b>	<b>77,433</b>	<b>158,297</b>	
<b>Debt Service Payments</b>					
Principal	-	57,750	-	57,750	
Interest	-	2,429	-	2,429	
<b>Total Expenditures</b>	<b>\$ 537,895</b>	<b>\$ 141,043</b>	<b>\$ 77,433</b>	<b>\$ 218,476</b>	

*See auditor's report.*