

**CITY OF FLOVILLA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2013**

CITY OF FLOVILLA, GEORGIA
FOR THE YEAR ENDED DECEMBER 31, 2013

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FOR THE YEAR ENDED DECEMBER 31, 2013

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David M. Haisten
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A Professional Corporation of Certified Public Accountants
INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Flovilla, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Flovilla, Georgia (the City) as of and for the year ended December 31, 2013, 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. 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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flovilla, Georgia as of December 31 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 2014, 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.

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 through 10 and 40 through 49 respectively, be presented to supplement the basis 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.



Haisten & Johnston, P. C.

Jackson, GA 30233
September 15, 2014

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, 2013. 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 \$1,284,600 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$1,153,993 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 \$45,222 is restricted by constraints imposed from outside the City such as laws, or regulations.
 - (3) Unrestricted net position reports a reserve of \$85,385.
- The City's governmental funds reported total ending fund balance of \$115,163 this year. This compares to the prior year ending fund balance of a deficit of \$31,485 showing an increase of \$146,648 during the current year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$88,716.
- 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 positions*. 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 13-17 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 18-21 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 22 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, 2013 and December 31, 2012 are shown below.

The City's net position at fiscal year-end is \$1,284,600. The following table provides a summary of the City's net position:

Summary of Net Position for FY December 31, 2013				
	Governmental Activities	Business-Type Activities	Total	Percentage of Total
Assets:				
Current assets	\$ 213,167	\$ 70,626	\$ 283,793	17%
Capital assets	755,436	641,851	1,397,287	83%
Total assets	968,603	712,477	1,681,080	100%
Liabilities:				
Current liabilities	100,752	72,426	173,178	44%
Long-term liabilities	58,462	164,840	223,302	56%
Total liabilities	159,214	237,266	396,480	100%
Net position:				
Net investment in capital assets	676,982	477,011	1,153,993	90%
Restricted for:				
Capital Projects	9,458	-	9,458	0.50%
Program purposes	8,162	-	8,162	0.50%
Debt Service	8,827	18,775	27,602	2%
Unrestricted	105,960	(20,575)	85,385	7%
Total net position	\$ 809,389	\$ 475,211	\$ 1,284,600	100%

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

Summary of Net Position for FY December 31, 2012

	Governmental Activities	Business-Type Activities	Total	Percentage of Total
Assets:				
Current assets	\$ 126,713	\$ 57,111	\$ 183,824	11%
Capital assets	763,596	684,869	1,448,465	89%
Total assets	890,309	741,980	1,632,289	100%
Liabilities:				
Current liabilities	149,058	67,920	216,978	48%
Long-term liabilities	65,215	170,350	235,565	52%
Total liabilities	214,273	238,270	452,543	100%
Net position:				
Net investment in capital assets,	691,767	514,519	1,206,286	102%
Restricted for:				
Program purposes	-	-	-	0%
Debt service	-	18,377	18,377	2%
Unrestricted	(15,732)	(29,186)	(44,918)	-4%
Total net position	\$ 676,035	\$ 503,710	\$ 1,179,745	100%

Net position increased \$133,354 for governmental activities and decreased \$28,499 for business-type activities. The City's overall financial position improved during fiscal year 2013.

Note that 90% of the governmental activities' net assets are 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 2013			Percentage of Total
	Governmental Activities	Business-Type Activities	Total	
Revenues:				
Program:				
Charges for services	\$ 85,301	\$ 213,638	\$ 298,939	44%
Operating/grants contributions	25,530	-	25,530	4%
Capital grants/contributions	67,391	-	67,391	10%
General:				
Taxes	274,945	-	274,945	41%
Other	8,770	46	8,816	1%
Total revenues	461,937	213,684	675,621	100%
Program Expenses:				
General government	152,875	-	152,875	25%
Public safety	101,933	-	101,933	17%
Public works	97,148	-	97,148	16%
Water services	-	242,183	242,183	42%
Total expenses	351,956	242,183	594,139	100%
Excess (deficiency) net	109,981	(28,499)	81,482	
Beginning net position as originally reported	676,035	503,710	1,179,745	
Prior period adjustment	23,373	-	23,373	
Beginning net position as restated	699,408	503,710	1,203,118	
Ending net position	\$ 809,389	\$ 475,211	\$ 1,284,600	

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

Summary of Changes in Net Position for FY 2012

	Governmental Activities	Business-Type Activities	Total	Percentage of Total
Revenues:				
Program:				
Charges for services	\$ 110,624	\$ 234,016	\$ 344,640	51%
Operating/grants/contributions	6,617	-	6,617	1%
General:				
Taxes	286,412	-	286,412	44%
Other	16,991	81	17,072	4%
Total revenues	420,644	234,097	654,741	100%
Program Expenses:				
General government	230,167	-	230,167	30%
Public safety	152,612	-	152,612	20%
Public works	105,750	-	105,750	14%
Water services	-	270,889	270,889	36%
Total expenses	488,529	270,889	759,418	100%
Excess (deficiency) net	(67,885)	(36,792)	(104,677)	
Beginning net position as originally reported	743,920	506,102	1,250,022	
Prior period adjustment	-	34,400	34,400	
Beginning net position as restated	743,920	540,502	1,284,422	
Ending net position	<u>\$ 676,035</u>	<u>\$ 503,710</u>	<u>\$ 1,179,745</u>	

GOVERNMENTAL REVENUES

The City is heavily reliant on sales taxes to support governmental operations and capital. Sales taxes provided 41% of the City's total governmental revenues. The local option sales tax revenue decreased by \$11,125 in the current year, due to a deflated economy.

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	\$ 152,875	43%	\$ 109,679	63%	\$ -	0%	\$ -	0%
Public safety	101,933	29%	68,070	39%	-	0%	-	0%
Public works	97,148	28%	(4,015)	-2%	-	0%	-	0%
Water services	-	-	-	-	242,183	100%	28,545	100%
Total	\$ 351,956	100%	\$ 173,734	100%	\$ 242,183	100%	\$ 28,545	100%

After reducing gross expenses by program revenues, public works totals -2% of the net cost of services. Note that the general government's percent of net costs increases from 43% to 63% 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 \$115,163.

The total ending fund balances of governmental funds show an increase of \$146,648 from the prior year. Of this amount, \$23,373 is the result of a prior period adjustment discussed in Note 3-G on page 37.

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 \$132,300 (including the \$23,373 prior period adjustment in Note 3-G.) In fiscal year 2012, the fund balance increased by \$4,391.

Taxes decreased by \$14,603 from fiscal 2012. This decrease relates primarily to a decrease in consumer spending.

Public safety costs in 2013 decreased by \$50,679 from the 2012 amount. The public works function decreased by \$8,602.

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 \$76,279 while revenues exceeded budget amounts by \$32,648. This resulted in a budget overage of \$108,927.

Capital Assets and Debt Administration

Capital Assets

The City's net investment in capital assets for governmental activities as of December 31, 2013, was \$676,982 as compared to \$691,767 at December 31, 2012. Capital assets for the business-type activities only decreased by the current year depreciation expense of \$43,018. 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 \$78,454 in notes payable. \$65,149 represents a note payable to Hamilton State Bank for the purchase of land for a community center, while \$13,305 is the balance on a lease agreement for a new tractor from Kabota, Inc. See Note 3-E for additional information regarding long-term debt.

Economic Conditions Affecting the City

The Butts County Development Authority estimates current population growth rate at 2.4% 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 P.O. Box 155, Flovilla, Georgia 30229.

CITY OF FLOVILLA, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 134,765	\$ 40,257	\$ 175,022
Receivables: (net allowance for uncollectibles)			
Taxes	32,875	-	32,875
Accounts	36,700	11,594	48,294
Restricted Assets			
Cash	8,827	18,775	27,602
Total Current Assets	<u>213,167</u>	<u>70,626</u>	<u>283,793</u>
Capital Assets			
Nondepreciable capital assets	70,657	383,634	454,291
Depreciable capital assets, net	684,779	258,217	942,996
Total Capital Assets	<u>755,436</u>	<u>641,851</u>	<u>1,397,287</u>
Total Assets	<u>968,603</u>	<u>712,477</u>	<u>1,681,080</u>
Liabilities			
Current Liabilities			
Accounts payable	60,192	42,959	103,151
Customer Deposits	-	29,467	29,467
Unearned Revenue	20,568	-	20,568
Notes Payable	19,992	-	19,992
Total Current Liabilities	<u>100,752</u>	<u>72,426</u>	<u>173,178</u>
Long-Term Liabilities			
Notes Payable	58,462	-	58,462
Revenue Bonds Payable	-	164,840	164,840
Total Liabilities	<u>159,214</u>	<u>237,266</u>	<u>396,480</u>
Net Position			
Net investment in capital assets	676,982	477,011	1,153,993
Restricted for:			
Capital projects	9,458	-	9,458
Program purposes	8,162	-	8,162
Debt service	8,827	18,775	27,602
Unrestricted	105,960	(20,575)	85,385
Total Net Position	<u>\$ 809,389</u>	<u>\$ 475,211</u>	<u>\$ 1,284,600</u>

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

CITY OF FLOVILLA, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Function/Program	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest				
Governmental Activities							
Governing Body	\$ 19,474	\$ -	\$ -	\$ -	\$ (19,474)	\$ -	\$ (19,474)
Financial Administration	127,961	7,235	25,178	10,783	(84,765)	-	(84,765)
Court	10,314	33,863	-	-	23,549	-	23,549
Police Department	7,823	-	-	-	(7,823)	-	(7,823)
Fire Department	83,796	-	-	-	(83,796)	-	(83,796)
Roads and Streets	57,833	-	352	56,608	(873)	-	(873)
Sanitation	39,315	44,203	-	-	4,888	-	4,888
Interest on Long-Term Debt	5,440	-	-	-	(5,440)	-	(5,440)
Total Governmental Activities	351,956	85,301	25,530	67,391	(173,734)	-	(173,734)
Business-type activities							
Water supply	242,183	213,638	-	-	-	(28,545)	(28,545)
Total	\$ 594,139	\$ 298,939	\$ 25,530	\$ 67,391	(173,734)	(28,545)	(202,279)
General Revenues							
Taxes:							
					202,923	-	202,923
Local Option Sales Tax					28,708	-	28,708
Franchise					33,700	-	33,700
Insurance premium taxes					9,043	-	9,043
Alcohol beverage					571	-	571
Other taxes					47	46	93
Interest Earnings					8,723	-	8,723
Other					283,715	46	283,761
Total General Revenues					109,981	(28,499)	81,482
Changes in Net Position					676,035	503,710	1,179,745
Net Position - Beginning of Year as originally reported					23,373	-	23,373
Prior period adjustment					699,408	503,710	1,203,118
Net position - Beginning of Year as restated					809,389	475,211	1,284,600
Net Position - End of Year							

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

**CITY OF FLOVILLA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2013**

Assets	General	Grant Fund	Sanitation Fund	SPLOST Fund	Total Governmental Funds
Cash and equivalents	\$ 98,760	\$ 13,285	\$ 5,128	\$ 17,592	\$ 134,765
Receivables					
Taxes	32,875	-	-	-	32,875
Accounts	30,414	-	6,286	-	36,700
Due from other funds	-	7,283	-	-	7,283
Restricted assets -					
Cash	8,827	-	-	-	8,827
Total Assets	\$ 170,876	\$ 20,568	\$ 11,414	\$ 17,592	\$ 220,450
Liabilities and Fund Equity					
Liabilities					
Accounts payable	\$ 48,806	\$ -	\$ 3,252	\$ 8,134	\$ 60,192
Due to other funds	7,283	-	-	-	7,283
Deferred revenue	17,244	20,568	-	-	37,812
Total Liabilities	73,333	20,568	3,252	8,134	105,287
Fund Balances					
Restricted for:					
Capital projects	-	-	-	9,458	9,458
Program purposes	-	-	8,162	-	8,162
Debt service	8,827	-	-	-	8,827
Unassigned	88,716	-	-	-	88,716
Total Fund Balance	97,543	-	8,162	9,458	115,163
Total Liabilities and Fund Balance	\$ 170,876	\$ 20,568	\$ 11,414	\$ 17,592	\$ 220,450

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, 2013

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

Total fund balances - total governmental funds	\$	115,163
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		755,436
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		17,244
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes Payable		(78,454)
Net position of governmental activities	\$	809,389

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, 2013**

	General	Grant Fund	Sanitation Fund	SPLOST Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 273,454	\$ -	\$ -	\$ -	\$ 273,454
Licenses and permits	2,535	-	-	-	2,535
Intergovernmental	25,530	-	-	67,391	92,921
Sanitation	-	-	44,203	-	44,203
Interest	43	-	2	2	47
Fines and Forfeitures	33,863	-	-	-	33,863
Miscellaneous	8,723	-	-	-	8,723
Cemetery	4,700	-	-	-	4,700
Total Revenues	348,848	-	44,205	67,393	460,446
Expenditures:					
Current:					
Governing Body	19,474	-	-	-	19,474
Financial Administration	110,283	-	-	-	110,283
Municipal Court	10,314	-	-	-	10,314
Police Department	7,823	-	-	-	7,823
Fire Department	35,291	-	-	-	35,291
Roads and Streets	45,511	-	-	-	45,511
Sanitation	-	-	39,315	-	39,315
Capital Outlay	-	-	-	70,345	70,345
Debt service					
Principal	6,680	-	-	44,445	51,125
Interest	4,545	-	-	895	5,440
Total Expenditures	239,921	-	39,315	115,685	394,921
Excess (deficiency) of Revenue over Expenditure	108,927	-	4,890	(48,292)	65,525
Other financing sources (uses)					
Capital Lease Proceeds	-	-	-	57,750	57,750
Other financing sources (uses)	-	-	-	57,750	57,750
Net change in Fund Balance	108,927	-	4,890	9,458	123,275
Fund Balance - Beginning of Year	(34,757)	-	3,272	-	(31,485)
Prior Period Adjustment	23,373	-	-	-	23,373
Fund Balance - Beginning of Year Restated	(11,384)	-	3,272	-	(8,112)
Fund Balance - End of Year	<u>\$ 97,543</u>	<u>\$ -</u>	<u>\$ 8,162</u>	<u>\$ 9,458</u>	<u>\$ 115,163</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, 2013

Net changes in fund balances - total governmental funds	\$	123,275
<p>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 (\$70,345) exceeded depreciation (\$78,505) in the current period.</p>		
		(8,160)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred taxes 12-31-13	17,244	
Deferred taxes 12-31-12	<u>(15,753)</u>	1,491
<p>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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Repayment of Long-Term Debt		51,125
Capital Lease Proceeds		<u>(57,750)</u>
Change in net position of governmental activities	\$	<u><u>109,981</u></u>

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

CITY OF FLOVILLA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes	\$ 208,000	\$ 273,454	\$ 65,454
Licenses and permits	500	2,535	2,035
Intergovernmental	100	25,530	25,430
Interest	-	43	43
Court	65,000	33,863	(31,137)
Miscellaneous	40,000	8,723	(31,277)
Cemetery	2,600	4,700	2,100
Total Revenues	<u>316,200</u>	<u>348,848</u>	<u>32,648</u>
Expenditures:			
Current:			
Governing Body	32,000	19,474	(12,526)
Financial Administration	109,500	110,283	783
Municipal Court	23,050	10,314	(12,736)
Police Department	36,200	7,823	(28,377)
Fire Department	44,650	35,291	(9,359)
Roads and Streets	60,000	45,511	(14,489)
Debt Service			
Principal	9,000	6,680	(2,320)
Interest	1,800	4,545	2,745
Total Expenditures	<u>316,200</u>	<u>239,921</u>	<u>(76,279)</u>
Net Change in Fund Balance	<u>-</u>	<u>108,927</u>	<u>108,927</u>
Fund Balance - Beginning of Year	(34,757)	(34,757)	-
Prior Period Adjustment	-	23,373	23,373
Fund Balance-Beginning of Year Restated	<u>(34,757)</u>	<u>(11,384)</u>	<u>23,373</u>
Fund Balance - End of Year	<u>\$ (34,757)</u>	<u>\$ 97,543</u>	<u>\$ 132,300</u>

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

CITY OF FLOVILLA, GEORGIA
WATER SUPPLY FUND
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

Assets	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash	\$ 40,257	\$ 28,465
Accounts Receivable, net	11,594	10,269
Restricted Cash	<u>18,775</u>	<u>18,377</u>
Total Current Assets	<u>70,626</u>	<u>57,111</u>
Capital Assets		
Non-depreciable capital assets	383,634	383,634
Depreciable capital assets, (net of accumulated depreciation of \$1,122,315 in 2013 and \$1,079,297 in 2012)	<u>258,217</u>	<u>301,235</u>
Total Capital Assets	<u>641,851</u>	<u>684,869</u>
Total Assets	<u><u>\$ 712,477</u></u>	<u><u>\$ 741,980</u></u>
Liabilities and Net Position		
Liabilities:		
Current Liabilities -		
Accounts payable	\$ 42,959	\$ 39,563
Customer deposits	<u>29,467</u>	<u>28,357</u>
Total Current Liabilities	<u>72,426</u>	<u>67,920</u>
Noncurrent liabilities		
Revenue bonds payable	<u>164,840</u>	<u>170,350</u>
Total Noncurrent Liabilities	<u>164,840</u>	<u>170,350</u>
Total Liabilities	<u>237,266</u>	<u>238,270</u>
Net Position:		
Net investment in capital assets	477,011	514,519
Restricted for debt service	18,775	18,377
Unassigned	<u>(20,575)</u>	<u>(29,186)</u>
Total Net Position	<u>475,211</u>	<u>503,710</u>
Total Liabilities and Net Position	<u><u>\$ 712,477</u></u>	<u><u>\$ 741,980</u></u>

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

CITY OF FLOVILLA, GEORGIA
WATER SUPPLY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating Revenues		
Charges for Services	\$ 197,636	\$ 201,856
Connection Fees	786	1,385
Penalties and Late Fees	14,733	11,384
Miscellaneous	483	7,391
Total Operating Revenues	213,638	222,016
Operating Expenses		
Personnel Services and Benefits	90,935	91,239
Water Purchase	429	822
Purchase/Contracted Services	62,848	72,898
Supplies	30,594	46,338
Depreciation	43,019	43,085
Other Expenses	3,937	5,530
Total Operating Expenses	231,762	259,912
Operating Income (loss)	(18,124)	(37,896)
Non-Operating Income (Expense)		
Insurance Reimbursement	-	12,000
Interest Income	46	81
Interest Expense	(10,421)	(10,977)
Total Non-Operating Income (Expense)	(10,375)	1,104
Change in Net Position	(28,499)	(36,792)
Net Position		
Beginning of Year as Originally Reported	503,710	506,102
Prior Period Adjustment	-	34,400
Beginning of Year as Restated	503,710	540,502
End of Year	\$ 475,211	\$ 503,710

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

CITY OF FLOVILLA, GEORGIA
WATER SUPPLY FUND
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from (Used for) Operating Activities:		
Cash received from customers	\$ 212,313	\$ 262,149
Cash paid to suppliers	(107,482)	(184,516)
Cash paid to employees	<u>(76,756)</u>	<u>(71,592)</u>
Net Cash Flows from (Used for) Operating Activities	<u>28,075</u>	<u>6,041</u>
Cash Flows from Investing Activities:		
Interest Income	<u>46</u>	<u>81</u>
Net Cash Flows from Investing Activities	<u>46</u>	<u>81</u>
Cash Flows Used for Capital and Related Financing Activities:		
Principal payments on debt	(5,510)	(10,100)
Interest Paid	<u>(10,421)</u>	<u>(10,977)</u>
Net Cash used for Capital and related Financial Activities	<u>(15,931)</u>	<u>(21,077)</u>
Increase (decrease) in Cash	12,190	(14,955)
Cash and Cash Equivalents, beginning	<u>46,842</u>	<u>61,797</u>
Cash and Cash Equivalents, ending	<u>\$ 59,032</u>	<u>\$ 46,842</u>

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

CITY OF FLOVILLA, GEORGIA
WATER SUPPLY FUND
COMPARATIVE STATEMENT OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Net Operating Income (loss)	\$ (18,124)	\$ (25,896)
Adjustment to reconcile Net Income to Cash		
from operating activities:		
Depreciation	43,019	43,085
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,325)	12,783
Accrued Interest	-	(10,382)
Customer Deposits	1,110	(8,596)
Accounts Payable	3,395	(39,353)
Prior Period Adjustment	-	34,400
Net Cash Flows from Operating Activities	<u>\$ 28,075</u>	<u>\$ 6,041</u>
Unassigned Cash	\$ 40,257	\$ 28,465
Restricted Cash	<u>18,775</u>	<u>18,377</u>
Total Cash	<u>\$ 59,032</u>	<u>\$ 46,842</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, 2013

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CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, fire protection, police services, highways and streets, parks and recreation, sanitation, and water services.

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.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-B. Basis of Presentation (Continued)

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.

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 Grant Fund - The grant fund accounts for specific grants received from various agencies that are required to be accounted for in a separate fund.

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.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-B. Basis of Presentation (Continued)

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.

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.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-D. Basis of Accounting (Continued)

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.

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.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-E-1. Cash, Cash Equivalents, and Investments (Continued)

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, 2013.

1-E-3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

1-E-4. 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, 2013. 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.

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-E-5. *Accrued Liabilities and Long-Term*

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.

1-E-6. *Revenues*

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

1-E-7. *Expenditures*

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

1-E-8. *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, 2013, the amount outstanding for accumulated unpaid vacation was immaterial to the financial statements and was not recorded.

1-E-9. *Inter-fund Activity*

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditure/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces it related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

1-E-10. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-E-11. 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 assets".

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 or 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

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 assets are reported as restricted when there are limitations imposed on their 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 assets are reported as unrestricted.

The City's government-wide statement of net position reports \$45,222 of restricted net assets, 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 assets are available.

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

1-E-12. Contributions of Capital

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

1-E-13. 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.

1-E-14. 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.

Note 2 - Stewardship, Compliance and Accountability

2-A. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all governmental fund types. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of an ordinance. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year end.

2-B. Legal Violation

During the fiscal year ended December 31, 2013 the General Fund's appropriations exceeded expenditures by \$108,927, however, the following department expenditures exceeded their corresponding appropriations which is a violation of state law.

	Budget	Actual	Variance
Financial Administration	\$ 109,500	\$ 110,283	\$ 783

Georgia law requires an annual balanced budget for the general fund, each special revenue fund, and each debt service fund and requires a project-length balanced budget for each capital project fund. An annual budget was not adopted for the grant fund or SPLOST fund.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, all of the City's deposits were covered by Federal Deposit Insurance.

In accordance with state law, the City of Flovilla can invest in: 1) Obligations issued by the U.S. Government, any state, any political subdivision of the State of Georgia, or Local Government Investment Pool established by state law; 2) Prime bankers' acceptances; and 3) Repurchase agreements.

3-B. Receivables

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

Governmental Funds	General
Taxes	\$ 32,875
Accounts	36,700
Gross Receivables	69,575
Less: Allowance for uncollectibles	-
Receivables (Net)	\$ 69,575
Proprietary Funds	Water
Accounts	\$ 11,704
Less: allowance for uncollectibles	(110)
Receivables (Net)	\$ 11,594

3-C. Inter-fund Balances and Transfers

Inter-fund balances at December 31, 2013, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) inter-fund good or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all inter-fund balances within one year.

Payable to:	General Fund	Total
Grant fund	\$ 7,283	\$ 7,283
Total	\$ 7,283	\$ 7,283

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

There are no inter-fund transfers for the year ended December 31, 2013.

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 FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2013

3-D Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
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	758,212	-	-	758,212
Machinery and equipment	192,566	73,018	22,800	242,784
Recreation facilities	26,719	-	-	26,719
Vehicles	543,093	-	-	543,093
Total capital assets being depreciated	<u>1,520,590</u>	<u>73,018</u>	<u>22,800</u>	<u>1,570,808</u>
Less accumulated depreciation for:				
Buildings	337,032	17,679	-	354,711
Machinery and equipment	151,235	20,788	20,127	151,896
Recreational facilities	9,761	260	-	10,021
Vehicles	329,623	39,778	-	369,401
Total accumulated depreciation	<u>827,651</u>	<u>78,505</u>	<u>20,127</u>	<u>886,029</u>
Total capital assets being depreciated, net	<u>692,939</u>	<u>(5,487)</u>	<u>2,673</u>	<u>684,779</u>
Governmental capital assets, net	<u>\$ 763,596</u>	<u>\$ (5,487)</u>	<u>\$ 2,673</u>	<u>\$ 755,436</u>

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

Financial Administration	\$ 17,418
Fire	48,505
Parks and Recreation	260
Roads and Streets	<u>12,322</u>
Total depreciation expense	<u>\$ 78,505</u>

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2013

3-D Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, not being depreciated				
Construction in progress	\$ 72,965	\$ -	\$ -	\$ 72,965
Land	310,669	-	-	310,669
Total capital assets, not being depreciated	383,634	-	-	383,634
Capital assets being depreciated:				
Water system and lines	1,238,638	-	-	1,238,638
Machinery and equipment	115,976	-	-	115,976
Vehicles, including related equipment	25,918	-	-	25,918
Total capital assets being depreciated	1,380,532	-	-	1,380,532
Less accumulated depreciation for:				
Water system and lines	937,402	43,018	-	980,420
Machinery and equipment	115,976	-	-	115,976
Vehicles, including related equipment	25,919	-	-	25,919
Total accumulated depreciation	1,079,297	43,018	-	1,122,315
Business-Type Activities capital assets being depreciated, net	301,235	(43,018)	-	258,217
Business-Type activities capital assets, net	<u>\$ 684,869</u>	<u>\$ (43,018)</u>	<u>\$ -</u>	<u>\$ 641,851</u>

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2013

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, 2013:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities					
Note Payable	\$ 71,829	\$ -	\$ 6,680	\$ 65,149	\$ 6,687
Capital Lease Proceeds	-	57,750	44,445	13,305	13,305
Total Governmental Activities	<u>71,829</u>	<u>57,750</u>	<u>51,125</u>	<u>78,454</u>	<u>19,992</u>
Business-Type Activities					
Water Bonds	170,350	-	5,510	164,840	-
Total Activities	<u>170,350</u>	<u>-</u>	<u>5,510</u>	<u>164,840</u>	<u>-</u>
Total	<u>\$ 242,179</u>	<u>\$ 57,750</u>	<u>\$ 56,635</u>	<u>\$ 243,294</u>	<u>\$ 19,992</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, 2013 consisted of a loan from Hamilton State Bank for land for the new Community Center and a capital lease from Kabota Tractor for a new tractor for the Street Department.

Annual repayment requirements under the capital lease are as follows:

<u>F/Y/E December 31, 2013</u>	<u>Capital Lease Proceeds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 13,305	\$ 1,533
	<u>\$ 13,305</u>	<u>\$ 1,533</u>

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:

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2013

3-E. Long-Term Debt (Continued)

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,687	\$ 3,374	\$ 10,061
2015	7,788	3,083	10,871
2016	8,237	2,634	10,871
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	4,466	63	4,529
	<u>\$ 65,149</u>	<u>\$ 14,667</u>	<u>\$ 79,816</u>

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, 2013, amounted to \$10,421. 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, 2013, amount to \$18,775. 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, 2013 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:

<u>F/Y/E</u> <u>December 31</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 5,840	\$ 9,540	\$ 15,380
2016	6,190	9,168	15,358
2017	6,560	8,775	15,335
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	14,900	-	14,900
	<u>\$ 164,840</u>	<u>\$ 92,758</u>	<u>\$ 257,598</u>

See auditor's report.

CITY OF FLOVILLA, GEORGIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2013

3-F Deferred Revenues

Deferred revenues as of December 31, 2013, 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, 2013 or were not received within 60 days after year end:

Local Option Sales Tax	\$	17,244
Grants-LDF		4,535
Grants-DCA		<u>16,033</u>
 Total	 \$	 <u>37,812</u>

3-G Prior Period Adjustment

A prior period adjustment of \$23,373 was reported in the General Fund's comparative statement of revenues, expenses and changes in fund balance. The adjustment represents a penalty assessed by the Internal Revenue Service for failure to file 2008 W-2 forms. The penalty was forgiven in 2013.

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.

CITY OF FLOVILLA, GEORGIA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2013

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, 2013.

4-D. *Employee Benefit Fund*

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

**CITY OF FLOVILLA, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2013 AND 2012**

Assets	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 98,760	\$ 38,214
Receivables -		
Taxes	32,875	33,774
Accounts (Net)	30,414	26,002
Restricted assets -		
Cash	<u>8,827</u>	<u>8,918</u>
 Total Assets	 <u>\$ 170,876</u>	 <u>\$ 106,908</u>
 Liabilities and Fund Equity		
Liabilities		
Accounts payable	\$ 48,806	\$ 118,629
Due to other funds	7,283	7,283
Deferred revenue	<u>17,244</u>	<u>15,753</u>
 Total Liabilities	 <u>73,333</u>	 <u>141,665</u>
Fund Balance		
Fund balance:		
Restricted for debt service	8,827	-
Unassigned	<u>88,716</u>	<u>(34,757)</u>
 Total Fund Balance	 <u>97,543</u>	 <u>(34,757)</u>
 Total Liabilities and Fund Balance	 <u>\$ 170,876</u>	 <u>\$ 106,908</u>

**CITY OF FLOVILLA, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)**

	2013			2012 Actual
	Final Budget	2013 Actual	Variance	
REVENUES				
Taxes-				
Local option sales	\$ 200,000	\$ 201,432	\$ 1,432	\$ 215,693
Utility franchise	-	28,708	28,708	30,971
Beer and wine	8,000	9,043	1,043	8,773
Insurance premium	-	33,700	33,700	32,532
Real Estate Transfer	-	571	571	88
Total Taxes	208,000	273,454	65,454	288,057
Licenses and permits	500	2,535	2,035	3,820
Intergovernmental	100	25,530	25,430	4,652
Interest	-	43	43	40
Court	65,000	33,863	(31,137)	59,228
Miscellaneous	40,000	8,723	(31,277)	1,885
Sale of Assets	-	-	-	3,065
Cemetery	2,600	4,700	2,100	8,275
Insurance Proceeds	-	-	-	12,000
Total Revenues	\$ 316,200	\$ 348,848	\$ 32,648	\$ 381,022

**CITY OF FLOVILLA, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)**

	2013		Variance	2012 Actual
	Final Budget	2013 Actual		
GOVERNING BODY:				
Personnel services and benefits	\$ 27,000	\$ 16,613	\$ (10,387)	\$ 23,553
Purchased/contracted services	5,000	2,861	(2,139)	1,548
Total Governing Body	32,000	19,474	(12,526)	25,101
FINANCIAL ADMINISTRATION				
Personnel services and benefits	64,900	55,929	(8,971)	74,543
Purchased/contracted services	17,500	24,465	6,965	74,708
Supplies	27,100	29,889	2,789	29,728
Total Financial Administration	109,500	110,283	783	178,979
COURT				
Purchased/contracted services	10,800	6,125	(4,675)	5,600
Supplies	2,250	796	(1,454)	3,922
Payments to others	10,000	3,393	(6,607)	13,946
Total Court	23,050	10,314	(12,736)	23,468
POLICE DEPARTMENT				
Purchased/contracted services	36,200	7,823	(28,377)	29,345
Total Police Department	36,200	7,823	(28,377)	29,345
CEMETERY				
Purchased/contracted services	-	-	-	1,860
Total Cemetery Department	-	-	-	1,860

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, 2013
(With comparative totals for the year ended December 31, 2012)

	2013			2012 Actual
	Final Budget	2013 Actual	Variance	
FIRE DEPARTMENT				
Personnel services and benefits	34,000	27,666	(6,334)	34,518
Purchased/contracted services	8,550	6,361	(2,189)	12,151
Supplies	2,100	1,264	(836)	3,673
Total Operating	44,650	35,291	(9,359)	50,342
Capital Outlay	-	-	-	-
Total Fire Department	44,650	35,291	(9,359)	50,342
ROADS AND STREETS				
Personnel services and benefits	37,000	23,059	(13,941)	28,969
Purchased/contracted services	19,300	21,740	2,440	25,226
Supplies	3,700	712	(2,988)	1,981
Total Operating	60,000	45,511	(14,489)	56,176
Capital Outlay	-	-	-	-
Total Roads and Streets	60,000	45,511	(14,489)	56,176
DEBT SERVICE				
Principal	9,000	6,680	(2,320)	6,198
Interest	1,800	4,545	2,745	4,962
Total Debt Service	10,800	11,225	425	11,160
Total Expenditures	\$ 316,200	\$ 239,921	\$ (76,279)	\$ 376,431

See auditor's report.

**CITY OF FLOVILLA, GEORGIA
GRANT FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2013 AND 2012**

Assets	<u>2013</u>	<u>2012</u>
Cash	\$ 13,285	\$ 13,285
Due from other funds	<u>7,283</u>	<u>7,283</u>
Total Assets	<u><u>\$ 20,568</u></u>	<u><u>\$ 20,568</u></u>
Liabilities and Fund Equity		
LIABILITIES		
Deferred revenue	<u>\$ 20,568</u>	<u>\$ 20,568</u>
Total Liabilities	<u>20,568</u>	<u>20,568</u>
FUND EQUITY:		
Fund Balance	<u>-</u>	<u>-</u>
Total Fund Equity	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u><u>\$ 20,568</u></u>	<u><u>\$ 20,568</u></u>

See auditor's report.

CITY OF FLOVILLA, GEORGIA
GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013			2012 Actual
	Final Budget	2013 Actual	Variance Over/(Under)	
Revenues:				
Grants	\$ -	\$ -	\$ -	\$ 1,965
Total Revenues	-	-	-	1,965
Expenditures				
Architectural Study	-	-	-	1,965
Total Expenditures	-	-	-	1,965
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

**CITY OF FLOVILLA, GEORGIA
SANITATION FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2013 AND 2012**

Assets	<u>2013</u>	<u>2012</u>
Cash	\$ 5,128	\$ 889
Accounts Receivable (net)	<u>6,286</u>	<u>5,630</u>
Total Assets	<u>\$ 11,414</u>	<u>\$ 6,519</u>
Liabilities and Fund Equity		
LIABILITIES:		
Accounts Payable	<u>\$ 3,252</u>	<u>\$ 3,247</u>
Total Liabilities	<u>3,252</u>	<u>3,247</u>
FUND EQUITY:		
Restricted	<u>8,162</u>	<u>3,272</u>
Total Fund Equity	<u>8,162</u>	<u>3,272</u>
Total Liabilities and Fund Equity	<u>\$ 11,414</u>	<u>\$ 6,519</u>

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013			2012 Actual
	Final Budget	2013 Actual	Variance Over (Under)	
Revenues:				
Sanitation fees	\$ 39,644	\$ 44,203	\$ 4,559	\$ 39,301
Interest	100	2	(98)	1
Total Revenues	<u>39,744</u>	<u>44,205</u>	<u>4,461</u>	<u>39,302</u>
Expenditures				
Sanitation	39,744	39,315	(429)	37,490
Total Expenditures	<u>39,744</u>	<u>39,315</u>	<u>(429)</u>	<u>37,490</u>
Excess (Deficiency of) Revenues over Expenditures	-	4,890	4,890	1,812
Other Financing Sources (uses)				
Transfers out	-	-	-	-
Net Change in Fund Balance	-	4,890	4,890	1,812
Fund Balance - Beginning of Year	<u>3,272</u>	<u>3,272</u>	<u>-</u>	<u>1,460</u>
Fund Balance - End of Year	<u>\$ 3,272</u>	<u>\$ 8,162</u>	<u>\$ 4,890</u>	<u>\$ 3,272</u>

See auditor's report.

CITY OF FLOVILLA, GEORGIA
2012 SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2013 AND 2012

Assets	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 17,592	\$ -
Total Assets	<u>\$ 17,592</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	<u>8,134</u>	<u>-</u>
Total Liabilities	<u>8,134</u>	<u>-</u>
Fund Balances		
Restricted for:		
Capital Projects	<u>9,458</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 17,592</u>	<u>\$ -</u>

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, 2013 AND 2012

	2013	2012
Revenues		
Intergovernmental Revenues	\$ 67,391	\$ -
Interest	2	-
Total Revenues	67,393	
Expenditures		
Capital Outlay	70,345	-
Debt Service		
Principal	44,445	-
Interest	895	-
Total Expenditures	115,685	-
Excess of Revenues (Under) Expenditures	(48,292)	-
Other Financing Sources		
Capital Lease Proceeds	57,750	-
Total Other Financing Sources	57,750	-
Change in Fund Balance	9,458	-
Fund Balance Beginning of Year	-	-
Fund Balance End of Year	\$ 9,458	\$ -

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, 2013

	Original/ Final Budget	Actual Year to Date	Over (Under)
Revenues:			
Intergovernmental Revenues	\$ 537,895	\$ 67,391	\$ (470,504)
Interest	-	2	2
	537,895	67,393	(470,502)
Expenditures:			
Capital Outlay			
Administration	-	11,345	11,345
Community Center	175,000	-	(175,000)
Water System	100,000	-	(100,000)
Fire Equipment	35,000	-	(35,000)
Fire Station Expansion	122,895	-	(122,895)
Streets	80,000	59,000	(21,000)
Cemetery	25,000	-	(25,000)
Debt Service			
Principal	-	44,445	44,445
Interest	-	895	895
	537,895	115,685	(422,210)
Excess of Revenues			
Over (Under) Expenditures	-	(48,292)	(48,292)
Other Financing Sources			
Capital Lease Proceeds	-	57,750	57,750
Net Change in Fund Balance	-	9,458	-
Fund Balance - Beginning of Year	-	-	-
Fund Balance - End of Year	\$ -	\$ 9,458	\$ 9,458

See auditor's report.

HAISTEN & JOHNSTON

A Professional Corporation of Certified Public Accountants

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, each major fund, and the aggregate remaining fund information of City of Flovilla, Georgia as of and for the year ended December 31, 2013, 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 September 15, 2014.

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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been

deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. Our findings are identified as items 05.1, 06.3, and 06.4.

Compliance and Other Matters

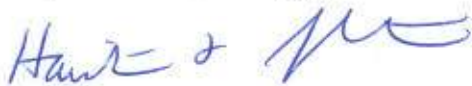
As part of obtaining reasonable assurance about whether City of Flovilla, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 items 05.4, 08.1, 11.1, and 11.2.

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.

September 15, 2014

CITY OF FLOVILLA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSE
FOR THE YEAR ENDED DECEMBER 31, 2013

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 Financial Administration department in the General Fund had expenditures that exceeded their 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, 2013

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, 2013

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

Status: Management has purchased new Black Mountain Software to ensure that proper financial reports can be submitted to management.

08.1 LATE PAYMENT OF PAYROLL TAX LIABILITIES

Condition: The City did not comply with Internal Revenue Service time requirements regarding payroll taxes.

Criteria: IRS sets payment due dates according to the individual taxpayer's tax liabilities and prior year experience.

Effect: The City has been assessed penalties of \$5,568 and interest of \$4,724 for late payment of payroll tax liabilities.

Recommendation: Management should ensure tax payments are made in a timely manner in order to avoid significant penalties.

Response: Management agrees with the finding. Management will review the IRS payment requirements and will emphasize the importance of timely payment of payroll taxes to the appropriate accounting personnel.

Status: The City is currently paying all payroll tax liabilities on time and is also paying the assessed penalties and interest. They expect to be up to date in the first half of fiscal year 2014.

11.1 FAILURE TO PAY PAYROLL TAX LIABILITIES

Condition: The City did not comply with Internal Revenue Service and Georgia Department of Revenue requirements regarding the payment of payroll taxes.

Criteria: The IRS and Georgia Department of Revenue require that amounts withheld from employee payroll checks along with employer payroll taxes be submitted by the payment due date according to the employer's tax liabilities and prior year experience.

CITY OF FLOVILLA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSE (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

11.1 FAILURE TO PAY PAYROLL TAX LIABILITIES (Continued)

Effect: The City has been assessed penalties of \$5,089 for late payment of taxes withheld for June and December of 2010 and September and December of 2011.

Recommendation: Management should pay all payroll taxes when due.

Response: Management agrees with the finding. Management will review the IRS and Georgia Department of Revenue requirements and make the payroll tax payments on a timely basis.

Status: The City plans to pay penalties and interest in the first half of 2014.

11.2 FAILURE TO FILE PAYROLL TAX RETURNS

Condition: The City was late filing Quarterly Payroll Tax Returns for 2011 with the Internal Revenue Service.

Criteria: The Internal Revenue Service requires that employers file quarterly and annual reports on a timely basis.

Effect: The City owes \$14,455 in penalties for failing to file these returns on a timely basis.

Recommendations: Management should file all returns when due.

Response: Management agrees with the finding. All delinquent returns have been filed and controls are in place to make sure this does not happen again.

Status: All payroll tax returns have been filed. The City plans to pay all penalties in the first half of fiscal year 2014.

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

HAISTEN & JOHNSTON

Rae O. Johnston
C.P.A.

A Professional Corporation of Certified Public Accountants

**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, 2013. 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, 2013 in conformity with accounting principles generally accepted in the United States of America.



Haisten & Johnston

September 15, 2014

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Phone: (770) 775-4881 - Fax: (770) 775-3508

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

**CITY OF FLOVILLA, GEORGIA
 SCHEDULE OF PROJECTS CONSTRUCTED
 WITH SPECIAL SALES TAX PROCEEDS
 FROM 2012 ELECTION
 FOR THE YEAR ENDED DECEMBER 31, 2013**

Project	Original Estimated Cost	Expenditures			Estimated Percent Complete
		Beginning Of Year	Current Year	To Date	
Community Center	\$ 175,000	\$ -	\$ -	\$ -	0.00%
Water System	100,000	-	-	-	0.00%
Fire Department	35,000	-	5,673	5,673	16.21%
Fire Station Expansion	122,895	-	-	-	0.00%
Streets	80,000	-	64,672	64,672	80.84%
Cemetery	25,000	-	-	-	0.00%
Total	\$ 537,895	\$ -	\$ 70,345	\$ 70,345	