

**CITY OF FLOVILLA, GEORGIA**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2017**

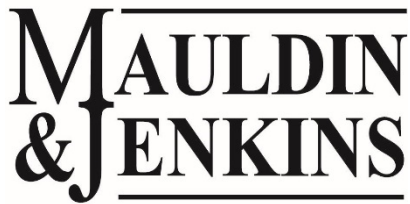
**CITY OF FLOVILLA, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**To the Honorable Mayor and Members  
of the City Council  
Flovilla, Georgia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Flovilla, Georgia** (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, and each major fund of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 9) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements.

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

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the City's internal control over financial reporting and on our tests 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 our 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 City's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
June 25, 2018

# CITY OF FLOVILLA, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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This discussion and analysis of the City of Flovilla's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

### FINANCIAL HIGHLIGHTS

- In the Statement of Net Position, the assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,538,753. Unrestricted net position was approximately \$268,377.
- The City's total net position decreased by \$41,066 for governmental activities and increased by \$28,858 for business-type activities as total expenses of \$708,888 exceeded revenues of \$696,680.
- Total net position is comprised of the following:
  - Net investment in capital assets of \$980,454 includes property and equipment, net of accumulated depreciation, reduced by outstanding debt related to the purchase or construction of capital assets.
  - Net position restricted for capital projects, program purposes, and debt service in the amount of \$289,922.
  - Unrestricted net position of \$268,377.
- The City's governmental funds reported total ending fund balance of \$519,527. This represents an increase of \$15,586 from prior year's balance of \$503,941.
- Unassigned fund balance of the General Fund was \$247,604 as of December 31, 2017.

### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

### Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government- wide statements and fund financial statements.

# CITY OF FLOVILLA, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

**Government-Wide Financial Statements.** The financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include the governing body, financial administration, municipal court, fire department, roads and streets, and sanitation. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities is the City's water operation for which it charges its customers to provide. The government-wide financial statements can be found as listed in the table of contents.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Sanitation Fund, and SPLOST Fund. The governmental fund financial statements can be found as listed in the table of contents.

Proprietary Fund – The City maintains one type of proprietary fund. Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise fund, a component of proprietary funds, is the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow.



# CITY OF FLOVILLA, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

**Other Information** – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found as listed in the table of contents.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position as of December 31, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 530,007	\$ 535,914	\$ 91,853	\$ 105,318	\$ 621,860	\$ 641,232
Capital assets, net	635,703	682,822	524,748	482,080	1,160,451	1,164,902
Total assets	1,165,710	1,218,736	616,601	587,398	1,782,311	1,806,134
Liabilities:						
Current liabilities	19,693	22,428	60,441	52,736	80,134	75,164
Long-term liabilities	24,535	33,760	138,889	146,249	163,424	180,009
Total liabilities	44,228	56,188	199,330	198,985	243,558	255,173
Net Position:						
Net investment						
in capital assets	601,955	640,351	378,499	335,831	980,454	976,182
Restricted	271,923	277,912	17,999	30,436	289,922	308,348
Unrestricted	247,604	244,285	20,773	22,146	268,377	266,431
Total net position	\$ 1,121,482	\$ 1,162,548	\$ 417,271	\$ 388,413	\$ 1,538,753	\$ 1,550,961

The City's total assets of \$1,782,311 decreased approximately \$24,000 from the prior year, while the City's total liabilities decreased approximately \$12,000.

At the end of the current and prior fiscal year, the City was able to report positive balances in all three categories of net position.

**CITY OF FLOVILLA, GEORGIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the City's net position for the years ended December 31, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 79,405	\$ 59,244	\$ 227,219	\$ 273,859	\$ 306,624	\$ 333,103
Operating grants	-	27,843	-	-	-	27,843
Capital grants	107,862	88,380	-	-	107,862	88,380
General revenues:						
Taxes	249,966	289,598	-	-	249,966	289,598
Interest and investment income	116	200	22	32	138	232
Other general revenues	32,090	32,582	-	-	32,090	32,582
Total revenues	<u>469,439</u>	<u>497,847</u>	<u>227,241</u>	<u>273,891</u>	<u>696,680</u>	<u>771,738</u>
Expenses:						
Governing body	41,483	40,784	-	-	41,483	40,784
Financial administration	185,227	172,351	-	-	185,227	172,351
Municipal court	5,562	5,184	-	-	5,562	5,184
Fire department	88,808	78,212	-	-	88,808	78,212
Roads and streets	83,569	71,745	-	-	83,569	71,745
Sanitation	42,854	41,969	-	-	42,854	41,969
Interest on long-term debt	2,148	2,627	-	-	2,148	2,627
Water supply	-	-	259,237	291,166	259,237	291,166
Total expenses	<u>449,651</u>	<u>412,872</u>	<u>259,237</u>	<u>291,166</u>	<u>708,888</u>	<u>704,038</u>
Increase (decrease) in net position before transfers	19,788	84,975	(31,996)	(17,275)	(12,208)	67,700
Transfers	(60,854)	-	60,854	-	-	-
Change in net position	<u>(41,066)</u>	<u>84,975</u>	<u>28,858</u>	<u>(17,275)</u>	<u>(12,208)</u>	<u>67,700</u>
Net position, beginning of year	<u>1,162,548</u>	<u>1,077,573</u>	<u>388,413</u>	<u>405,688</u>	<u>1,550,961</u>	<u>1,483,261</u>
Net position, end of year	<u>\$ 1,121,482</u>	<u>\$ 1,162,548</u>	<u>\$ 417,271</u>	<u>\$ 388,413</u>	<u>\$ 1,538,753</u>	<u>\$ 1,550,961</u>

**Governmental Activities:** Expenses exceeded revenues by approximately \$41,000 in 2017 for its governmental activities. Revenues decreased over the prior year by approximately \$28,000 (6%) to approximately \$469,500, due primarily to a decrease in intergovernmental and miscellaneous revenue. Expenses increased by approximately \$36,800 (9%) to approximately \$450,000 from the prior year. Overall, governmental activities operations decreased the City's net position by approximately \$41,000 in 2017.

**Business-type Activities:** Revenues exceeded expenses by approximately \$29,000 in 2017 for the business-type activities. Revenues decreased by approximately \$46,500 (17%) to approximately \$227,000 from the prior year primarily due to lower charges for services. Expenses decreased by approximately \$32,000 (10%) to approximately \$260,000. In addition, the governmental activities transferred approximately \$61,000 to business-type activities. Overall, business-type activities increased the City's net position by approximately \$29,000.

# CITY OF FLOVILLA, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**Governmental Funds:** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$519,527, an increase of approximately \$15,500 (3%) from the prior year fund balance. The increase in fund balance was the result of revenues of approximately \$488,000 exceeding expenditures of approximately \$472,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

Approximately \$247,600 (48%) of the total governmental fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted for capital projects (\$217,461) and restricted for program purposes (\$54,462).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$247,600. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund of approximately \$247,600 represents approximately 74% of total General Fund expenditures. Highlights for the General Fund were as follows:

- Total fund balance decreased by approximately \$10,000 (4%) due to expenditures of approximately \$335,000 exceeding revenues of approximately \$325,000.
- General Fund revenues decreased approximately \$27,000 (5%), while expenditures remained relatively flat compared to prior year.

In addition, the fund balances of the Sanitation Fund and SPLOST Fund increased approximately \$12,000 and \$13,700, respectively.

**Proprietary Funds:** The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Net position of the Water Supply Fund at the end of the year was approximately \$417,000. This was an increase of approximately \$29,000 (7%) from the prior year. Details of the activity in the Water Supply Fund are provided under Business-type Activities on the previous page.

### Budgetary Highlights

The City's budget is prepared according to Georgia law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the General Fund and the Sanitation Fund. There were no significant budget amendments made during 2017.

# CITY OF FLOVILLA, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets:** The City's investment in capital assets as of December 31, 2017 and 2016 amounted to approximately \$1,160,400 and \$1,165,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, park improvements, vehicles, machinery and equipment, and water systems.

The City's capital assets (net of depreciation) as of December 31, 2017 and 2016 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 70,657	\$ 70,657	\$ -	\$ 37,354	\$ 70,657	\$ 108,011
Construction in progress	6,572	-	310,669	310,669	317,241	310,669
Equipment and buildings	469,659	518,567	566	1,018	470,225	519,585
Infrastructure	88,815	93,598	213,513	133,039	302,328	226,637
<b>Total</b>	<b>\$ 635,703</b>	<b>\$ 682,822</b>	<b>\$ 524,748</b>	<b>\$ 482,080</b>	<b>\$ 1,160,451</b>	<b>\$ 1,164,902</b>

The total decrease in the City's investment in capital assets for the current fiscal year was approximately \$4,500 or less than 1%. Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately \$95,000, which consisted primarily of water system lines and equipment.
- Depreciation expense of approximately \$80,400 for governmental activities and approximately \$18,000 for business-type activities.

Additional information on the City's capital assets can be found in Note 4 of the notes to the financial statements.

### Long-Term Debt

As of December 31, 2017 and 2016, the City had total outstanding debt of approximately \$180,000 and \$195,000, respectively. The City's total debt as of December 31, 2017 and 2016 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 33,748	\$ 42,471	\$ -	\$ -	\$ 33,748	\$ 42,471
Revenue bonds payable	-	-	146,249	152,809	146,249	152,809
<b>Total</b>	<b>\$ 33,748</b>	<b>\$ 42,471</b>	<b>\$ 146,249</b>	<b>\$ 152,809</b>	<b>\$ 179,997</b>	<b>\$ 195,280</b>

Additional information regarding the City's long-term obligations can be found in Note 5 in the notes to the financial statements.

### ECONOMIC FACTORS AFFECTING THE CITY

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

### REQUESTS FOR TOWN INFORMATION

This 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 commitments to public accountability. If you have any questions regarding this report, or you need additional financial information, please contact the City's mayor by writing to 308 Heard Street, Flovilla, Georgia 30216.

# CITY OF FLOVILLA, GEORGIA

## STATEMENT OF NET POSITION DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 502,725	\$ 26,908	\$ 529,633
Taxes receivable	18,449	-	18,449
Accounts receivable	8,833	8,467	17,300
Restricted assets, cash	-	56,478	56,478
Capital assets:			
Nondepreciable	77,229	310,669	387,898
Depreciable, net of accumulated depreciation	558,474	214,079	772,553
Total assets	1,165,710	616,601	1,782,311
<b>LIABILITIES</b>			
Accounts payable	10,480	6,227	16,707
Customer deposits	-	38,479	38,479
Accrued interest	-	8,375	8,375
Revenue bonds payable due within one year	-	7,360	7,360
Revenue bonds payable due in more than one year	-	138,889	138,889
Note payable due within one year	9,213	-	9,213
Note payable due in more than one year	24,535	-	24,535
Total liabilities	44,228	199,330	243,558
<b>NET POSITION</b>			
Net investment in capital assets	601,955	378,499	980,454
Restricted for:			
Capital projects	217,461	-	217,461
Program purposes	54,462	-	54,462
Debt service	-	17,999	17,999
Unrestricted	247,604	20,773	268,377
Total net position	\$ 1,121,482	\$ 417,271	\$ 1,538,753

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

# CITY OF FLOVILLA, GEORGIA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
Governing body	\$ 41,483	\$ 19,238	\$ -	\$ -	\$ (22,245)	\$ -	\$ (22,245)
Financial administration	185,227	-	-	1,767	(183,460)	-	(183,460)
Municipal court	5,562	5,435	-	-	(127)	-	(127)
Fire department	88,808	-	-	23,881	(64,927)	-	(64,927)
Roads and streets	83,569	-	-	82,051	(1,518)	-	(1,518)
Sanitation	42,854	54,732	-	-	11,878	-	11,878
Interest on long-term debt	2,148	-	-	-	(2,148)	-	(2,148)
Total governmental activities	449,651	79,405	-	107,699	(262,547)	-	(262,547)
<b>Business-type activities:</b>							
Water Supply	259,237	227,219	-	-	-	(32,018)	(32,018)
Total business-type activities	259,237	227,219	-	-	-	(32,018)	(32,018)
Total primary government	\$ 708,888	\$ 306,624	\$ -	\$ 107,699	(262,547)	(32,018)	(294,565)
<b>General revenues:</b>							
Local option sales tax					194,992	-	194,992
Alcoholic beverage taxes					8,784	-	8,784
Insurance premium taxes					43,399	-	43,399
Other taxes					2,791	-	2,791
Franchise fees					32,090	-	32,090
Unrestricted investment earnings					279	22	301
Transfers					(60,854)	60,854	-
Total general revenues					221,481	60,876	282,357
Change in net position					(41,066)	28,858	(12,208)
Net position, beginning of year					1,162,548	388,413	1,550,961
Net position, end of year					\$ 1,121,482	\$ 417,271	\$ 1,538,753

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

# CITY OF FLOVILLA, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2017

	General Fund	Sanitation Fund	SPLOST Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 236,004	\$ 49,260	\$ 217,461	\$ 502,725
Receivables				
Taxes	18,449	-	-	18,449
Accounts	-	8,833	-	8,833
Total assets	\$ 254,453	\$ 58,093	\$ 217,461	\$ 530,007
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 6,849	\$ 3,631	\$ -	\$ 10,480
Total liabilities	6,849	3,631	-	10,480
<b>FUND BALANCES</b>				
Restricted for:				
Capital projects	-	-	217,461	217,461
Program purposes	-	54,462	-	54,462
Unassigned	247,604	-	-	247,604
Total fund balances	247,604	54,462	217,461	519,527
Total liabilities and fund balances	\$ 254,453	\$ 58,093	\$ 217,461	\$ 530,007

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

Total fund balances - total governmental funds	\$ 519,527
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	635,703
Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.	(33,748)
Net position of governmental activities	\$ 1,121,482

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

# CITY OF FLOVILLA, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Sanitation Fund	SPLOST Fund	Total Governmental Funds
<b>Revenues</b>				
Sales taxes	\$ 213,248	\$ -	\$ -	\$ 213,248
Alcoholic beverage taxes	8,784	-	-	8,784
Insurance premium taxes	43,399	-	-	43,399
Other taxes	2,791	-	-	2,791
Franchise fees	32,090	-	-	32,090
Licenses and permits	2,595	-	-	2,595
Intergovernmental	-	-	107,699	107,699
Sanitation fees	-	54,732	-	54,732
Fines and forfeitures	5,435	-	-	5,435
Cemetery	650	-	-	650
Interest revenue	116	-	163	279
Other revenues	15,993	-	-	15,993
<b>Total revenues</b>	325,101	54,732	107,862	487,695
<b>Expenditures</b>				
Current:				
Governing body	41,483	-	-	41,483
Financial administration	161,571	-	-	161,571
Municipal court	5,562	-	-	5,562
Fire department	49,589	-	-	49,589
Roads and streets	66,020	-	-	66,020
Sanitation	-	42,854	-	42,854
Capital outlay	-	-	94,159	94,159
Debt service:				
Principal	8,723	-	-	8,723
Interest	2,148	-	-	2,148
<b>Total expenditures</b>	335,096	42,854	94,159	472,109
Net change in fund balances	(9,995)	11,878	13,703	15,586
Fund balances - beginning of year	257,599	42,584	203,758	503,941
Fund balances - end of year	\$ 247,604	\$ 54,462	\$ 217,461	\$ 519,527

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 FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

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

Net change in fund balances - total governmental funds.	\$	15,586
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 depreciation exceeded capital outlay in the current period.		(47,119)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(18,256)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>8,723</u>
	\$	<u><u>(41,066)</u></u>

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

**CITY OF FLOVILLA, GEORGIA  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Sales taxes	\$ 192,000	\$ 192,000	\$ 213,248	\$ 21,248
Alcoholic beverage taxes	9,500	9,500	8,784	(716)
Insurance premium taxes	43,400	43,400	43,399	(1)
Other taxes	7,350	7,350	2,791	(4,559)
Franchise fees	30,000	30,000	32,090	2,090
Licenses and permits	2,500	2,500	2,595	95
Fines and forfeitures	7,265	7,265	5,435	(1,830)
Cemetery	1,000	1,000	650	(350)
Interest revenue	50	50	116	66
Other revenues	8,050	8,050	15,993	7,943
Total revenues	<u>301,115</u>	<u>301,115</u>	<u>325,101</u>	<u>23,986</u>
<b>EXPENDITURES:</b>				
<b>Governing body:</b>				
Personal services/employee benefits	34,500	34,500	37,360	(2,860)
Purchased/contracted services	6,000	6,000	4,123	1,877
Total governing body	<u>40,500</u>	<u>40,500</u>	<u>41,483</u>	<u>(983)</u>
<b>Financial administration:</b>				
Personal services/employee benefits	59,180	59,180	52,304	6,876
Purchased/contracted services	55,940	55,940	77,434	(21,494)
Supplies	27,030	27,030	28,333	(1,303)
Capital outlay	-	-	3,500	(3,500)
Total financial administration	<u>142,150</u>	<u>142,150</u>	<u>161,571</u>	<u>(19,421)</u>
<b>Court:</b>				
Purchased/contracted services	5,210	5,210	4,604	606
Supplies	1,300	1,300	454	846
Payments to others	755	755	504	251
Total court	<u>7,265</u>	<u>7,265</u>	<u>5,562</u>	<u>1,703</u>
<b>Fire department:</b>				
Personal services/employee benefits	8,950	8,950	8,603	347
Purchased/contracted services	30,850	30,850	37,631	(6,781)
Supplies	3,600	3,600	3,355	245
Total fire department	<u>43,400</u>	<u>43,400</u>	<u>49,589</u>	<u>(6,189)</u>
<b>Roads and streets:</b>				
Personal services/employee benefits	34,200	34,200	38,889	(4,689)
Purchased/contracted services	23,600	23,600	27,131	(3,531)
Total roads and streets	<u>57,800</u>	<u>57,800</u>	<u>66,020</u>	<u>(8,220)</u>
<b>Debt service:</b>				
Principal	6,000	6,000	8,723	(2,723)
Interest	4,000	4,000	2,148	1,852
Total debt service	<u>10,000</u>	<u>10,000</u>	<u>10,871</u>	<u>(871)</u>
Total expenditures	<u>301,115</u>	<u>301,115</u>	<u>335,096</u>	<u>(33,981)</u>
Net change in fund balances	-	-	(9,995)	57,967
<b>Fund balances, beginning of year</b>	<u>257,599</u>	<u>257,599</u>	<u>257,599</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 257,599</u>	<u>\$ 257,599</u>	<u>\$ 247,604</u>	<u>\$ 57,967</u>

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

**CITY OF FLOVILLA, GEORGIA  
SANITATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Sanitation fees	\$ 42,000	\$ 42,000	\$ 54,732	\$ 12,732
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>54,732</u>	<u>12,732</u>
<b>EXPENDITURES:</b>				
Purchased/contracted services	42,000	42,000	42,854	(854)
Total expenditures	<u>42,000</u>	<u>42,000</u>	<u>42,854</u>	<u>(854)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	11,878	11,878
<b>Fund balances, beginning of year</b>	<u>42,584</u>	<u>42,584</u>	<u>42,584</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 42,584</u>	<u>\$ 42,584</u>	<u>\$ 54,462</u>	<u>\$ 11,878</u>

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

# CITY OF FLOVILLA, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2017

	<u>Water Supply Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 26,908
Accounts receivable	8,467
Restricted cash	56,478
Total current assets	<u>91,853</u>
<b>NONCURRENT ASSETS</b>	
Capital assets:	
Nondepreciable	310,669
Depreciable, net of accumulated depreciation of \$1,269,221	214,079
Total noncurrent assets	<u>524,748</u>
Total assets	<u>\$ 616,601</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 6,227
Accrued interest	8,375
Customer deposits	38,479
Revenue bonds payable	7,360
Total current liabilities	<u>60,441</u>
<b>NONCURRENT LIABILITIES</b>	
Revenue bonds payable	138,889
Total noncurrent liabilities	<u>138,889</u>
Total liabilities	<u>\$ 199,330</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 378,499
Restricted for debt service	17,999
Unassigned	20,773
Total net position	<u>\$ 417,271</u>

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

**CITY OF FLOVILLA, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Water Supply Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 210,652
Connection fees	960
Penalties and late fees	14,643
Miscellaneous	964
Total operating revenues	227,219
<b>OPERATING EXPENDITURES</b>	
Personnel services and benefits	73,878
Water purchase	7,351
Purchase/contracted services	111,170
Supplies	22,176
Depreciation	18,186
Other expenses	18,101
Total operating expenditures	250,862
Operating loss	(23,643)
<b>NONOPERATING INCOME (EXPENSE)</b>	
Interest income	22
Interest expense	(8,375)
Total nonoperating expense, net	(8,353)
Loss before capital contributions	(31,996)
<b>CAPITAL CONTRIBUTIONS</b>	60,854
Change in net position	28,858
<b>Net position - beginning of year</b>	388,413
<b>Net position - ending of year</b>	\$ 417,271

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

**CITY OF FLOVILLA, GEORGIA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Water Supply Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 248,218
Cash paid to suppliers	(231,679)
Net cash provided by operating activities	16,539
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on bonds	(6,560)
Interest paid	(9,169)
Net cash used in capital and related financing activities	(15,729)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	22
Net cash provided by investing activities	22
Net increase in cash and cash equivalents	832
<b>Cash and cash equivalents:</b>	
Beginning of year	82,554
End of year	\$ 83,386
<b>Classified as:</b>	
Cash and cash equivalents	\$ 26,908
Restricted cash	56,478
	\$ 83,386

**(Continued)**

**CITY OF FLOVILLA, GEORGIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<u>Water Supply Fund</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (23,643)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	18,186
Changes in assets and liabilities:	
Decrease in accounts receivable	14,297
Increase in accounts payable	997
Increase in customer deposits	6,702
Net cash provided by operating activities	<u>\$ 16,539</u>
<b>Noncash investing, capital, and financing activities:</b>	
Transfer of capital assets from other funds	\$ 60,854
Net noncash investing, capital, and financing activities	<u>\$ 60,854</u>

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

**CITY OF FLOVILLA, GEORGIA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Flovilla, Georgia (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City of Flovilla was chartered by an act of the General Assembly of the State of Georgia. The City operates under a mayor-council form of government and provides general and administrative services, highways and streets, parks and recreation, sanitation, water services, and fire protection and police services through shared responsibility with Butts County, Georgia. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus*, the City was determined to have no component units as of December 31, 2017.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another 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** is used to account for monies received from Special Purpose Local Option Sales Taxes and spent on projects approved by the SPLOST referendum.

The City reports the following major proprietary fund:

The **Water Supply Fund** accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Sanitation Fund and SPLOST Fund. An enterprise fund budget is prepared and utilized as a management tool to access the operations of the Water Supply Fund. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and amended as required for the General Fund, Sanitation Fund, and Water Supply Fund. A project length budget is adopted for the SPLOST Fund. All annual appropriations lapse at the end of each year.

The City code provides for the following procedures in establishing the budgetary data reflected in these financial statements:

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

#### E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds".

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

All trade and tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water charges are accrued as receivables and revenue at December 31, 2017.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements.

#### H. Restricted Assets

The Water Supply Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Customer deposits that must be refunded upon the termination of service are also restricted.

#### I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. In accordance with GASB 34, the City has elected not to include infrastructure acquired prior to January 1, 2004.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended December 31, 2017, no amounts were capitalized.

Depreciation is provided on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30-40
Water system and lines	30-40
Machinery and equipment	7-10
Vehicles	5-10
Infrastructure	40-50
Recreational Facilities	10-20

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as deferred charges, are deferred and amortized over the life of the bonds using the straight line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. At December 31, 2017, the amount outstanding for accumulated unpaid vacation was immaterial to the financial statements and was not recorded.

#### L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources at December 31, 2017.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any deferred inflows of resources at December 31, 2017.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Fund Equity

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

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance 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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors 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 adoption of a resolution. 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. The City Council has not authorized anyone to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as 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 balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

**Net Position** – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### O. Tax Abatement Agreements

During the year ended December 31, 2016, the City implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of December 31, 2017, the City did not have any such agreements, either entered into by the City or by other governments that exceeded the quantitative threshold for disclosure.

### NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2017, are as follows:

As reported in the Statement of Net Position:	
Cash and cash equivalents	\$ 529,633
Restricted assets:	
Cash and cash equivalents	56,478
Cash deposited with financial institutions	<u>\$ 586,111</u>

**Credit risk.** State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At December 31, 2017, the City had no investments.

**Interest rate risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2017, all of the City’s bank balances were covered by either federal depository insurance or by collateral held by the City’s agent in the City’s name.

**Custodial Credit Risk – Investments.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

### NOTE 3. RECEIVABLES

Property taxes are levied in October of each year and are due 60 days after the receipt of the tax notice. Property taxes attached 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, 2017.

The net receivables collected during the year ended December 31, 2017, and expected to be collected by February 28, 2018, are recognized as revenues in the year ended December 31, 2017. Net receivables estimated to be collectible subsequent to February 28, 2018 are recorded as revenue when received.

Receivables consisted of the following at December 31, 2017:

	<b>General Fund</b>	<b>Sanitation Fund</b>	<b>Water Supply Fund</b>	<b>Total</b>
Receivables:				
Taxes	\$ 18,449	\$ -	\$ -	\$ 18,449
Accounts	-	8,833	25,181	34,014
Gross receivables:	18,449	8,833	25,181	52,463
Less: allowance for uncollectibles	-	-	(16,714)	(16,714)
Net total receivables:	\$ 18,449	\$ 8,833	\$ 8,467	\$ 35,749



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2017, is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 70,657	\$ -	\$ -	\$ 70,657
Construction in progress	-	6,572	-	6,572
Total	70,657	6,572	-	77,229
Capital assets, being depreciated:				
Buildings	769,314	-	-	769,314
Improvements other than buildings	18,821	-	-	18,821
Infrastructure	95,643	-	-	95,643
Machinery and equipment	271,149	26,733	-	297,882
Recreation facilities	26,719	-	-	26,719
Vehicles	535,793	-	-	535,793
Total	1,717,439	26,733	-	1,744,172
Less accumulated depreciation for:				
Buildings	(409,947)	(18,407)	-	(428,354)
Improvements other than buildings	(3,188)	(1,489)	-	(4,677)
Infrastructure	(2,045)	(4,783)	-	(6,828)
Machinery and equipment	(207,468)	(19,729)	-	(227,197)
Recreation facilities	(10,801)	(260)	-	(11,061)
Vehicles	(471,825)	(35,756)	-	(507,581)
Total	(1,105,274)	(80,424)	-	(1,185,698)
Total capital assets, being depreciated, net	612,165	(53,691)	-	558,474
Total capital assets, net	\$ 682,822	\$ (47,119)	\$ -	\$ 635,703

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

Governmental activities:	
Financial administration	\$ 23,656
Fire department	39,219
Roads and streets	17,549
Total depreciation expense - governmental activities	\$ 80,424

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 37,354	\$ -	\$ -	\$ (37,354)	\$ -
Construction in progress	310,669	-	-	-	310,669
Total	<u>348,023</u>	<u>-</u>	<u>-</u>	<u>(37,354)</u>	<u>310,669</u>
Capital assets, being depreciated:					
Water system and lines	1,240,937	60,854	-	37,354	1,339,145
Machinery and equipment	118,237	-	-	-	118,237
Vehicles and related equipment	25,918	-	-	-	25,918
Total	<u>1,385,092</u>	<u>60,854</u>	<u>-</u>	<u>37,354</u>	<u>1,483,300</u>
Less accumulated depreciation for:					
Water system and lines	(1,107,898)	(17,734)	-	-	(1,125,632)
Machinery and equipment	(117,219)	(452)	-	-	(117,671)
Vehicles and related equipment	(25,918)	-	-	-	(25,918)
Total	<u>(1,251,035)</u>	<u>(18,186)</u>	<u>-</u>	<u>-</u>	<u>(1,269,221)</u>
Total capital assets, being depreciated, net	<u>134,057</u>	<u>42,668</u>	<u>-</u>	<u>37,354</u>	<u>214,079</u>
Total capital assets, net	<u>\$ 482,080</u>	<u>\$ 42,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,748</u>

### NOTE 5. LONG-TERM DEBT

#### Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Note payable	\$ 42,471	\$ -	\$ (8,723)	\$ 33,748	\$ 9,213
Total governmental activities	<u>42,471</u>	<u>-</u>	<u>(8,723)</u>	<u>33,748</u>	<u>9,213</u>
<b>Business-type activities:</b>					
Revenue bonds payable	152,809	-	(6,560)	146,249	7,360
Total Business-type activities	<u>152,809</u>	<u>-</u>	<u>(6,560)</u>	<u>146,249</u>	<u>7,360</u>
Total	<u>\$ 195,280</u>	<u>\$ -</u>	<u>\$ (15,283)</u>	<u>\$ 179,997</u>	<u>\$ 16,573</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT (CONTINUED)

#### Governmental Activities Long-Term Debt

Governmental activities long-term obligations as of December 31, 2017 consisted of a loan from Hamilton State Bank for land for the new Community Center.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,213	\$ 1,658	\$ 10,871
2019	9,732	1,128	10,860
2020	10,303	567	10,870
2021	4,500	63	4,563
	<u>\$ 33,748</u>	<u>\$ 3,416</u>	<u>\$ 37,164</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, 2017, amounted to \$8,375. 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, 2017, amount to \$17,999. 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, 2017, the Water Supply Fund produced a sufficient amount of net revenue to meet the 1.2 times requirement. Annual repayment requirements under the revenue bond agreements in the Water Supply Fund are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,360	\$ 8,375	\$ 15,735
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 - 2027	52,480	23,032	75,512
2028 - 2031	54,159	5,154	59,313
	<u>\$ 146,249</u>	<u>\$ 65,293</u>	<u>\$ 211,542</u>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 6. BUDGET COMPLIANCE

The following General Fund departments and special revenue fund had actual expenditures in excess of appropriations for the year ended December 31, 2017.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
General Fund:			
Governing body	\$ 40,500	\$ 41,483	\$ (983)
Financial administration	142,150	161,571	(19,421)
Fire department	43,400	49,589	(6,189)
Roads and streets	57,800	66,020	(8,220)
Debt service	10,000	10,871	(871)
Sanitation Fund	42,000	42,854	(854)
Total	\$ 335,850	\$ 372,388	\$ (36,538)

These over expenditures were funded by greater than anticipated revenues and available fund balance.

### NOTE 7. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts 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 Interlocal 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 risk 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### **NOTE 7. RISK MANAGEMENT (CONTINUED)**

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.

### **NOTE 8. 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.

### **NOTE 9. COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

The City is involved in various claims and matters of litigation resulting from normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

#### **Grant Contingencies**

The City has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

**CITY OF FLOVILLA, GEORGIA**

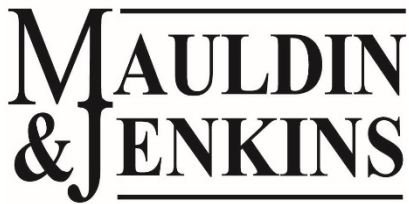
**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Project</b>	<b>Estimated Cost</b>		<b>Expenditures</b>		<b>Cumulative Total</b>
	<b>Original</b>	<b>Revised</b>	<b>Prior Years</b>	<b>Current Year</b>	
Community center	\$ 175,000	\$ 175,000	\$ 60,179	\$ 10,650	\$ 70,829
Water system	100,000	100,000	-	67,426	67,426
Fire department	35,000	35,000	27,932	16,083	44,015
Fire station expansion	122,895	122,895	-	-	-
Streets	80,000	80,000	112,263	-	112,263
Cemetery	25,000	25,000	18,102	-	18,102
<b>Total</b>	<b>\$ 537,895</b>	<b>\$ 537,895</b>	<b>\$ 218,476</b>	<b>\$ 94,159</b>	<b>\$ 312,635</b>

Note: Principal payments of debt service are not included in the above schedule as they relate to approved projects that were recognized in the schedule as the expenditures were originally incurred.

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**To the Honorable Mayor and Members  
of the City Council  
Flovilla, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Flovilla, Georgia (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.



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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Flovilla, Georgia's Responses to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.



Macon, Georgia  
June 25, 2018

**CITY OF FLOVILLA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Federal Awards**

There was not an audit of major federal award programs for the year ended December 31, 2017 due to the total amount expended being less than \$750,000.

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2017-001. Segregation of Duties**

**Criteria:** Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

**Condition:** There is not appropriate segregation of duties among recording, distribution, and reconciliation of cash accounts and other operational functions in the various funds possessed by the City.

**Context:** Several instances of overlapping duties were noted during interviews regarding internal control procedures.

**Effect:** Failure to properly segregate duties among recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

**Cause:** The lack of segregation of duties is due to the lack of a properly developed integrated work plan with appropriate controls and an improper allocation of available resources. In addition, in certain circumstances there are a limited number of trained individuals in each office available to perform all of the duties.

**Recommendation:** We recommend the duties of recording, distributing, and reconciling of accounts be segregated among employees.

**Views of Responsible Officials and Planned Corrective Action:** We concur. The City is in the process of reviewing their respective systems and processes to evaluate and determine the most efficient and effective solution to properly segregate duties among all City functions to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

**CITY OF FLOVILLA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2017-002. Year-end Closeout**

**Criteria:** Generally accepted accounting principles require expenditures to be recorded in the accounting period in which they are incurred and timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows. Additionally, GAAP requires revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Management should have good internal controls in place to record and reconcile these types of accounts and on a periodic basis, or at least annually.

**Condition:** A year-end closeout was not performed, and the City did not properly adjust accounts payable, accounts receivable and capital assets requiring material adjustments to be posted to the unadjusted trial balance.

**Context:** We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended December 31, 2017.

**Effect:** Adjustments to accounts payable in the General Fund, Sanitation Fund and Water Supply Fund were made in the amount of \$6,849, \$3,631, and \$6,227, respectively. Additionally, receivables existing at year-end were not recorded for the General Fund in the amount of \$19,373. An adjustment to the Allowance for Doubtful Accounts was made in the Water Supply Fund totaling \$17,013. Adjustments to capital assets were made in the Water Supply Fund totaling \$116,394.

**Cause:** The City did not perform a closeout at year-end to record payables, receivables and ensure capital asset accounts were reconciled and proper at year-end.

**Recommendation:** We recommend the City establish procedures to review all transactions as noted above timely after year-end to determine proper recording under GAAP.

**Views of Responsible Officials and Planned Corrective Action:** We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate errors and identify deficiencies from both operational and financial perspectives.

**CITY OF FLOVILLA, GEORGIA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not Applicable.

**STATUS OF PRIOR YEAR AUDIT FINDINGS**

**2016-001. Water Loss Rate**

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.

Status: Resolved.

**2016-002. Budget Variances**

The City's Fire Department and Municipal Court expenditures exceeded appropriations. The City has violated a state law.

Status: Unresolved. See Note 6.

**2016-003. Organization Structure**

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

Status: Unresolved. See current year finding 2017-001.

**2016-004. City's Accounting System**

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. 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.

Status: Resolved.