TOWN OF LYERLY, GEORGIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

JIM FERGUSON, MAYOR

COUNCIL
JUANITA BAKER
PHIL BROOKS
SHIRLEY DAVIS
GWEN FISHER

SALLY KERCE, TOWN CLERK

CHRYSAN THOMAS
CERTIFIED PUBLIC ACCOUNTANT
TRION, GEORGIA

TOWN OF LYERLY, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019

TABLE OF CONTENTS

		PAGE
INDEPENDENT AUDITOR'S REPORT		1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3-4
	BASIC FINANCIAL STATEMENTS	
EXHIBIT		
	GOVERNMENT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET POSITION	5
B	STATEMENT OF ACTIVITIES	6
	FUND FINANCIAL STATEMENTS	
	GOVERNMENTAL FUNDS	
C-1	BALANCE SHEET	7
C-2	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	8
C-3	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	9
	WATER AND SEWER FUND	
D-1	STATEMENT OF NET POSITION	10
D-2	STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	11
D-3	STATEMENT OF CASH FLOWS	12
	NOTES TO THE BASIC FINANCIAL STATEMENTS	13-23
	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*	24-25
	SCHEDULE OF FINDINGS AND RESPONSES	26
	SCHEDULE OF EXPENDITURES FOR CONSTRUCTION PROJECTS FUNDED BY SPECIAL PURPOSE LOCAL OPTION SALES AND USE TAX	27

CHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
American Institute of
Certified Public Accountants
Trion, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council
Town of Lyerly, 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 Town of Lyerly, Georgia, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town'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.

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 Town of Lyerly, Georgia as of December 31, 2019, 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.

P.O. Box 1066 Trion, Georgia 30753 (706)734-4377 chrysan@chrysanthomascpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 and 4), 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 Town of Lyerly, Georgia's financial statements. The Schedule of Expenditures For Construction Projects Funded by Special Purpose Local Option Sales And Use Tax is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures for Construction Projects Funded by Special Purpose Local Option Sales and Use Tax is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 for Construction Projects Funded by Special Purpose Local Option Sales and Use Tax is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020 on our consideration of the Town of Lyerly, Georgia'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 Town of Lyerly, Georgia's internal control over financial reporting and compliance.



CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
June 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Town of Lyerly's financial performance provides an overview of the Town's financial activities for the year ended December 31, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 5.

The government-wide financial statements include statements of net position and activities broken down by governmental activities and business-type activities. These statements present all assets, liabilities, revenues, expenses and net position on the accrual basis, as do the Water and Sewer Fund financial statements.

However, the Governmental Fund financial statements, primarily for budgeting purposes, present only current assets, liabilities, revenues, "expenditures", other financing sources, and fund balance on the modified accrual basis. The change in fund balance is reconciled to the change in net position as shown on the government-wide statements under the governmental activities column.

ANALYSIS OF OVERALL FINANCIAL POSITION AND OPERATIONS

Exhibits A and B show that overall net position decreased by $44,844 compared to a prior year overall decrease of $56,477. Governmental activities contributed an increase of $25,132 of this compared to an increase of $69,722 for the prior year. The increase was less than in prior year due to an increase in maintenance to roads and parks and for town holiday decorations. Business-type activities decreased $69,976 compared to a decrease of $126,199 for the prior year. Water revenue increased due to an increase in rates for 2019. Our analysis below focuses on the changes in net position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2019	2018	2019	2018
Revenues				
Program Revenues				
Charge for services	$ 61,966	$ 62,450	$ 382,872	$ 346,878
Capital grants	120,515	105,225	-	-
Operating grants	17,204	25,100	-	-
General Revenues				
Property taxes	60,386	59,492	-	-
Other taxes	107,388	107,493	-	-
Gain on sale of asset	10,728	2,359	8500	-
Interest income	521	1,001	25	22
Total Revenues	378,708	363,120	391,397	346,900
Expenses				
General government	226,762	180,908	441,044	444,659
Public safety	51,461	50,125	-	-
Public health	4,200	4,200	-	-
Sanitation	22,495	21,903	-	-
Culture and Recreation	28,189	22,824	-	-
Interest expense	-	-	40,798	41,878
Total Expenses	333,107	279,960	481,842	486,537
Excess (deficiency) before transfers	45,601	83,160	(90,445)	(139,637)
Transfers	(20,469)	(13,438)	20,469	13,438
Increase/(decrease) in net position	$ 25,132	$ 69,722	$ (69,976)	$ (126,199)

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Exhibits C-1 and C-2 show Governmental Funds financial position and activities. C-3 compares current year actual to both original and final budget and prior year. General Fund revenues decreased by $14,559 from 2018 revenues. Expenditures increased by $55,855 mainly due to capital investments. The General Fund unrestricted balance decreased from $100,253 to $36,600 and will be used for future operations.

Exhibits D-1, D-2 and D-3 show the financial position, results of operations and cash flows compared to prior year for the Water and Sewer Fund (the only business-type fund). Operating revenues increased by $35,994 and operating expenses decreased by $3,615, this resulted in a increase in operating income of $39,609. Net position decreased by $69,976 compared to the prior year decrease of $126,199, the decrease was less due to the increase in water revenues.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2019	2018	2019	2018
ASSETS				
Current assets	$ 103,218	$ 178,768	$ 98,510	$ 73,794
Capital assets	845,869	743,632	4,520,213	4,695,562
Total assets	949,087	922,400	4,618,723	4,769,356
LIABILITIES				
Long-term outstanding	50,000	50,000	1,169,123	1,252,718
Other liabilities	9,503	7,948	71,567	68,629
Total liabilities	59,503	57,948	1,240,690	1,321,347
NET POSITION				
Net investment in capital assets	795,869	693,633	3,351,090	3,442,844
Restricted for capital outlay	41,986	59,199	-	-
Restricted for debt service	-	-	71,482	71,339
Unrestricted	51,729	111,620	(44,539)	(66,174)
TOTAL NET POSITION	$ 889,584	$ 864,452	$ 3,378,033	$ 3,448,009

Additional information on the Town's capital assets and long-term debt can be found in Note 6 of this report.

During 2019 there was no significant variation between the original and the final budget adopted for the general fund except for capital asset additions not included in the original budget. Streets and roads are maintained by the county and state, therefore; the Town of Lyerly has no infrastructure on the books.

In December of 2018 the Town signed a loan with GEFA for $130,000 for upgrades to the sewer pond. The estimated project cost will be $408,079 with part to be funded by a grant of $278,079 from the Appalachian Regional Commission. Construction will begin in 2020.

In 2019 construction was completed on a new concession stand located at the park for a cost of $49,000. Also, completed was a new parking lot and fencing for a total cost of $42,000.

TOWN OF LYERLY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

EXHIBIT A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	PRIOR YEAR
ASSETS				
CASH	$ 73,066	$ 14,140	$ 87,206	$ 160,137
RECEIVABLES-NET	26,468	52,069	78,537	57,002
PREPAID EXPENSE	3,684	-	3,684	3,493
RESTRICTED CASH	-	32,301	32,301	31,930
CONSTRUCTION IN PROGRESS	-	-	-	1,650
LAND	261,970	2,500	264,470	262,159
CAPITAL ASSETS-NET	583,899	4,517,713	5,101,612	5,175,385
TOTAL ASSETS	949,087	4,618,723	5,567,810	5,691,756
LIABILITIES				
ACCOUNTS PAYABLE	9,503	10,688	20,191	16,502
CUSTOMER DEPOSITS	-	45,833	45,833	44,347
ACCRUED INTEREST	-	15,046	15,046	15,728
LONG TERM DEBT				
DUE IN ONE YEAR	8,542	83,931	92,473	85,188
DUE AFTER ONE YEAR	41,458	1,085,192	1,126,650	1,217,530
TOTAL LIABILITIES	59,503	1,240,690	1,300,193	1,379,295
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	795,869	3,351,090	4,146,959	4,136,477
RESTRICTED FOR CAPITAL OUTLAY	41,986	-	41,986	59,199
RESTRICTED FOR DEBT SERVICE	-	71,482	71,482	71,339
UNRESTRICTED	51,729	(44,539)	7,190	45,446
TOTAL NET POSITION	$ 889,584	$ 3,378,033	$ 4,267,617	$ 4,312,461

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT B

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	PRIOR YEAR
GOVERNMENTAL ACTIVITIES:								
GENERAL GOVERNMENT	$ 226,762	$ 9,947	$ -	$ 100,515	$ (116,300)	$ -	$ (116,300)	$ (88,343)
PUBLIC SAFETY	51,461	24,614	9,704	-	(17,143)	-	(17,143)	10,571
PUBLIC HEALTH	4,200	-	-	-	(4,200)	-	(4,200)	(4,200)
SANITATION	22,495	18,415	-	-	(4,080)	-	(4,080)	(3,778)
CULTURE AND RECREATION	28,189	8,990	7,500	20,000	8,301	-	8,301	(1,435)
TOTAL GOVERNMENTAL ACTIVITIES	333,107	61,966	17,204	120,515	(133,422)	-	(133,422)	(87,185)
BUSINESS-TYPE ACTIVITIES:								
WATER & SEWER	481,842	382,872	-	-	-	(98,970)	(98,970)	(139,659)
TOTAL ACTIVITIES	$ 814,949	$ 444,838	$ 17,204	$ 120,515	(133,422)	(98,970)	(232,392)	(226,844)
GENERAL REVENUES:								
PROPERTY TAXES					60,386	-	60,386	59,492
FRANCHISE TAXES					26,681	-	26,681	25,623
INSURANCE PREMIUM TAXES					40,580	-	40,580	38,346
ALCOHOL EXCISE TAXES					40,127	-	40,127	43,524
INTEREST INCOME					521	25	546	1,023
GAIN ON SALE OF ASSET					10,728	8,500	19,228	2,359
TRANSFERS					(20,469)	20,469	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					158,554	28,994	187,548	170,367
CHANGE IN NET POSITION					25,132	(69,976)	(44,844)	(56,477)
BEGINNING NET POSITION					864,452	3,448,009	4,312,461	4,368,938
ENDING NET POSITION					$ 889,584	$ 3,378,033	$ 4,267,617	$ 4,312,461

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

EXHIBIT C-1

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTALS
ASSETS			
CASH	$ 51,080	$ 21,986	$ 73,066
RECEIVABLES-NET	26,468	-	26,468
PREPAID INSURANCE	3,684	-	3,684
TOTAL ASSETS	$ 81,232	$ 21,986	$ 103,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES	$ 9,503	$ -	$ 9,503
TOTAL LIABILITIES	9,503	-	9,503
DEFERRED INFLOWS OF RESOURCES			
UNAVAILABLE REVENUES	11,445	-	11,445
FUND BALANCES:			
NONSPENDABLE:			
PREPAID INSURANCE	3,684	-	3,684
RESTRICTED FOR:			
CAPITAL OUTLAY	20,000	21,986	41,986
UNASSIGNED	36,600	-	36,600
TOTAL FUND BALANCES	60,284	21,986	82,270
TOTAL LIABILITES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 81,232	$ 21,986	$ 103,218
RECONCILIATION OF FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES:			
FUND BALANCES	$ 60,284	$ 21,986	$ 82,270
TAXES NOT COLLECTED WITHIN 60 DAYS OF YEAR-END			11,445
CAPITAL ASSETS-NET			845,869
NOTE PAYABLE			(50,000)
NET POSITION OF GOVERNMENTAL ACTIVITIES ON EXHIBIT A			$ 889,584

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT C-2

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
TAXES	$ 164,203	$ -	$ 164,203
LICENSES AND PERMITS	8,765	-	8,765
CHARGES FOR SERVICES	47,344	-	47,344
INTERGOVERNMENTAL REVENUES	26,323	88,982	115,305
MISCELLANEOUS	26,482	-	26,482
TOTAL REVENUES	273,117	88,982	362,099
EXPENDITURES			
CURRENT			
GENERAL GOVERNMENT	189,614	12,383	201,997
PUBLIC SAFETY	30,944	-	30,944
PUBLIC HEALTH	4,200	-	4,200
SANITATION	22,495	-	22,495
CULTURE AND RECREATION	18,494	-	18,494
CAPITAL OUTLAY	42,663	113,812	156,475
TOTAL EXPENDITURES	308,410	126,195	434,605
EXCESS REVENUE OVER(UNDER) EXPENDITURES	(35,293)	(37,213)	(72,506)
OTHER FINANCING SOURCES			
TRANSFERS OUT	(20,469)	-	(20,469)
SALE OF ASSETS	12,300	-	12,300
TOTAL OTHER FINANCING SOURCES	(8,169)	-	(8,169)
NET CHANGE IN FUND BALANCE	(43,462)	(37,213)	(80,675)
BEGINNING FUND BALANCE	103,746	59,199	162,945
ENDING FUND BALANCE	$ 60,284	$ 21,986	$ 82,270
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES:			
NET CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS			$ (80,675)
TAXES RECEIVABLE NOT COLLECTED WITHIN 60 DAYS AFTER YEAR-END			3,571
CAPITAL OUTLAY NET OF CURRENT DEPRECIATION			103,808
BOOK VALUE OF ASSET SOLD			(1,572)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES ON EXHIBIT B			$ 25,132

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA

EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	BUDGET				
	ORIGINAL	FINAL	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	PRIOR YEAR
REVENUES					
TAXES	$ 171,065	$ 168,160	$ 164,203	$ (3,957)	$ 171,125
LICENSES AND PERMITS	2,438	8,765	8,765	-	14,660
CHARGES FOR SERVICES	49,378	47,359	47,344	(15)	45,036
INTERGOVERNMENTAL REVENUES	9,700	26,423	26,323	(100)	52,600
MISCELLANEOUS	8,454	28,820	26,482	(2,338)	4,255
TOTAL REVENUES	241,035	279,527	273,117	(6,410)	287,676
EXPENDITURES					
CURRENT					
GENERAL GOVERNMENT	104,885	221,470	217,596	3,874	140,010
PUBLIC SAFETY	45,623	54,066	45,625	8,441	72,635
PUBLIC HEALTH	4,200	4,200	4,200	-	4,200
SANITATION	19,411	22,500	22,495	5	21,903
CULTURE AND RECREATION	24,441	23,883	18,494	5,389	13,807
TOTAL EXPENDITURES	198,560	326,119	308,410	17,709	252,555
EXCESS REVENUE OVER(UNDER) EXPENDITURES	42,475	(46,592)	(35,293)	11,299	35,121
OTHER FINANCING SOURCES					
SALE OF ASSETS	-	-	12,300	12,300	12,000
LOAN PROCEEDS	-	-	-	-	50,000
TRANSFERS	-	-	(20,469)	(20,469)	(13,520)
NET CHANGE IN FUND BALANCE	$ 42,475	$ (46,592)	(43,462)	$ 3,130	83,601
BEGINNING FUND BALANCE			103,746		20,145
ENDING FUND BALANCE			$ 60,284		$ 103,746

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER FUND
DECEMBER 31, 2019

EXHIBIT D-1

		PRIOR YEAR
ASSETS		
CURRENT ASSETS:		
CASH	$ 14,140	$ 8,617
RECEIVABLES-NET	52,069	33,247
TOTAL CURRENT ASSETS	66,209	41,864
NONCURRENT ASSETS:		
RESTRICTED CASH	32,301	31,930
LAND	2,500	2,500
CAPITAL ASSETS-NET	4,517,713	4,693,062
TOTAL NON CURRENT ASSETS	4,552,514	4,727,492
TOTAL ASSETS	4,618,723	4,769,356
LIABILITIES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	10,688	8,554
CUSTOMER DEPOSITS	45,833	44,347
INTEREST PAYABLE	15,046	15,728
BONDS AND NOTES PAYABLE IN ONE YEAR	83,931	80,998
TOTAL CURRENT LIABILITIES	155,498	149,627
NONCURRENT LIABILITIES:		
BONDS AND NOTES PAYABLE AFTER ONE YEAR	1,085,192	1,171,720
TOTAL LIABILITIES	1,240,690	1,321,347
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	3,351,090	3,442,844
RESTRICTED FOR DEBT SERVICE	71,482	71,339
UNRESTRICTED	(44,539)	(66,174)
TOTAL NET POSITION	$ 3,378,033	$ 3,448,009

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT D-2

		PRIOR YEAR
OPERATING REVENUES:		
WATER REVENUE	$ 299,799	$ 263,153
SEWER REVENUE	61,282	63,877
TAP FEES	19,652	17,748
OTHER REVENUES	2,139	2,100
TOTAL OPERATING REVENUES	382,872	346,878
OPERATING EXPENSES:		
PERSONAL SERVICES	137,989	119,699
CONTRACTUAL SERVICES	29,078	42,928
UTILITIES	28,579	28,360
REPAIRS AND MAINTENANCE	27,636	37,849
OTHER SUPPLIES AND EXPENSES	22,682	22,767
DEPRECIATION	195,080	193,056
TOTAL OPERATING EXPENSES	441,044	444,659
OPERATING LOSS	(58,172)	(97,781)
NONOPERATING REVENUES(EXPENSES):		
INTEREST INCOME	25	22
INTEREST EXPENSE	(40,798)	(41,878)
SALE OF ASSET	8,500	-
NET NONOPERATING REVENUES(EXPENSES)	(32,273)	(41,856)
NET INCOME BEFORE TRANSFERS	(90,445)	(139,637)
CAPITAL CONTRIBUTIONS	-	-
TRANSFER (TO) FROM GOVERNMENTAL FUNDS	20,469	13,438
CHANGE IN NET POSITION	(69,976)	(126,199)
BEGINNING NET POSITION	3,448,009	3,574,208
ENDING NET POSITION	$ 3,378,033	$ 3,448,009

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

TOWN OF LYERLY, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT D-3

		PRIOR YEAR
CASH FLOWS FROM OPERATIONS:		
RECEIPTS FROM CUSTOMERS	$ 365,536	$ 368,398
PAYMENTS TO SUPPLIERS	(105,841)	(136,144)
PAYMENTS TO/FOR EMPLOYEES	(137,989)	(119,699)
NET CASH PROVIDED BY OPERATING ACTIVITIES	121,706	112,555
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
CASH (TO) FROM GENERAL FUND	20,469	13,438
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
LOAN PROCEEDS	-	44,204
BOND AND LOAN PRINCIPAL PAID	(83,594)	(75,779)
INTEREST PAID	(41,480)	(42,519)
PURCHASE OF CAPITAL ASSETS	(19,732)	-
SALE OF CAPITAL ASSET	8,500	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(136,306)	(118,298)
CASH FLOWS FROM INVESTING ACTIVITIES:		
INTEREST EARNED	25	22
NET CASH PROVIDED BY INVESTING ACTIVITIES	25	22
NET DECREASE IN CASH	5,894	7,717
BEGINNING CASH	40,547	32,830
ENDING CASH	$ 46,441	$ 40,547

RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATIONS:		
OPERATING LOSS	$ (58,172)	$ (97,781)
ADJUSTMENTS TO RECONCILE:		
DEPRECIATION	195,080	193,056
DECREASE (INCREASE) IN RECEIVABLES - NET	(18,822)	20,755
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	2,134	(4,240)
INCREASE IN CUSTOMER DEPOSITS	1,486	765
CASH FLOWS FROM OPERATIONS	$ 121,706	$ 112,555

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Town of Lyerly, Georgia was incorporated in 1891 under the laws of the State of Georgia and adopted its first charter September 29, 1891. It operates under a Mayor and Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity would include those of the Town (the primary government) and its component units. Certain potential component units are considered for inclusion in the financial report because of the significance of the Town's influence over their operation or finances. Significant influence or accountability is based primarily on operational or financial relationships with the Town (as distinct from legal relationships). In accordance with the above criteria, the Town does not include any component units in its financial report.

B. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two broad fund categories for financial statement presentation purposes. The Governmental Fund includes the general fund and the Proprietary Fund includes the enterprise fund.

The government reports the following major governmental funds:

The general fund is the government'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 capital projects fund accounts for the sales tax collections associated with capital projects.

The government reports the following major proprietary fund:

The water and sewer fund accounts for the activities, which operates the sewage treatment plant, sewage pumping station and collection systems, and the water distribution system.

As a rule, the effect of inter-fund 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 government's water and sewer function and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

C. Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. There are no non-major funds.

GOVERNMENTAL FUNDS

The governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

D. Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within two months of year-end and available to pay obligations of the current period). Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

E. Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

The proprietary fund is accounted for using the accrual basis of accounting. The fund accounts for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. The Town applies those Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Lyerly does not have any fiduciary funds, nor does it use the encumbrance method to account for open purchase orders.

Lyerly is a member of the Northwest Georgia Regional Commission. The commission was created under the laws of the State of Georgia and cities and counties in the area served by the commission are required to be members. The membership of the NGRC includes 15 counties and 495 municipalities. The Town has no equity interest in the NGRC, nor does the Town materially contribute to the continued existence of the NGRC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the NGRC ceases operation, the members can be assessed for any debt or obligation of the NGRC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, 503 W. Waugh Street, Dalton, Georgia 30720.

The Town does not provide a pension plan for its employees other than social security old age benefits.

F. Assets, Liabilities and Equity

1. Cash and Investments

Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, are limited by law and bond ordinances to federal and state securities. Investments are stated at cost which approximates market. For purposes of the statement of cash flows, the Town's proprietary fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles, if applicable. Property taxes are based on the assessed value of property as of January 1. Assessed value is considered to be 40% of the estimated or appraised market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 20, and are due and payable on or before December 20. Taxes become delinquent after December 31. For 2019, property taxes were levied on October 31st and were due and payable on or before December 20, 2019. Property taxes are recognized as revenue when they are considered both measurable and available.

3. Restricted Cash

Demand and time deposits set-aside for repayment of water revenue bonds are classified as restricted on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond debt service" accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond debt service reserve" accounts are used to report resources set aside to make up potential future deficiencies in the revenue bond debt service accounts. The Town of Lyerly's policy is to pay debt service from these accounts before using any unrestricted resources.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The expense or expenditure is recognized during the benefiting period.

5. Capital Assets

Capital assets except for land are depreciated using the straight-line method over estimated useful lives ranging from 4 to 50 years. Construction interest is capitalized and included in the cost of any constructed capital assets. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Town maintains no infrastructure assets that would be capitalized with other capital assets in the general fund. This includes roads, bridges, curbs and gutters that are maintained by the County.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The capitalization threshold for capital assets is $500.

6. Program Revenues and Non-operating Revenues

Program revenues are those revenues earned by or restricted to a specific function or program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of contractual services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues of the water and sewer fund are those revenues such as interest income that do not directly relate to the distribution and sales of water and sewer services.

7. 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."

GOVERNMENTAL FUND BALANCES

Generally, governmental fund balances represent the difference between the current assets and current liabilities. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (the Town council). The Council commits revenue streams through adopted motions.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Assignments are made by the mayor based on Council direction.

Unassigned – all other spendable amounts.

NET POSITION

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

The Council applies restricted resources first when an expense is incurred for purposes for both restricted and unrestricted net position is available. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order 1) committed, 2) assigned, 3) unassigned.

8. Deferred Outflows/Inflows of Resources –

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The Town of Lyerly does not have any items that qualify for reporting in this category.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section of 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Town of Lyerly reports one of these items. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

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

10. Capitalized Interest

Interest costs are capitalized when incurred by the proprietary fund on debt where proceeds are used to finance the construction of assets. During 2019 there was no interest capitalized.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by the Town charter, an annual appropriated budget is adopted for the general fund. The legal level of budgetary control is at the activity or line item level. The budget is prepared by function (department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. All annual appropriations lapse at year-end.

The proposed budget is presented to the Mayor and Town Council for review. The Town Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The Mayor may make transfers within and among departments, but expenditures may not legally exceed budgeted appropriations at the function level. Changes that alter total revenues/expenditures must be approved by an affirmative vote of a majority of the Town council. Prior to year-end, the Town Council may make amendments to the budget by approving additional expenditures or revenues.

NOTE 3. Cash Deposits with Banks

The Town's governing authority may invest any money subject to its control in obligations of the State of Georgia or any other state, 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, 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.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. At December 31, 2019, all of the Town's deposits were insured by FDIC.

NOTE 4. Receivables

Receivables at December 31, 2019 consisted of the following:

	General Fund	Water Fund	Total
Receivables:			
Property Taxes	$ 18,456	$ --	$ 18,456
Estimated Uncollectible	(500)	--	(500)
Accounts	8,512	52,069	60,581
Net Total Receivables	$ 26,468	$ 52,069	$ 78,537

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are assessed by the county and state as of January 1. The Town bills and collects its own property tax. Taxes become past due after December 31. Property tax revenue is recognized when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

Year of Levy	
2019	$ 14,386
2018	2,472
2017	1,035
2016	89
2015	2
2014	180
2013	2
2012	290
Property Taxes Receivable	18,456
Estimated Uncollectible	(500)
	$ 17,956

NOTE 5. Restricted Cash

The Town is required, by the 1993 Series A & B Water Revenue Bond agreement, to deposit monthly an amount equal to 1/12th of the principal and interest payment, due on March 1st, into the water and sewer sinking fund account. The Town is also required to deposit $339 each month into a reserve account until the accumulated balance totals $40,693, after which no further deposits are required. Lyerly had $32,301 in the sinking and reserve accounts at year-end.

After payments to the sinking fund and the reserve accounts, and accumulating a working capital reserve equal to one month's estimated cost of operating and maintaining the system, all monies remaining in the revenue account will be deposited in the renewal and extension fund until such time as there is accumulated the sum of $5,000. Due to insufficient revenue, the Town has not established the renewal and extension account.

NOTE 6. Capital Assets and Long-Term Debt

Governmental Activities – Net Position Invested in Capital Assets:

	Balance January 1	Additions	Retirements	Balance December 31
Cost:				
Buildings	$ 273,122	$ 48,607	$ --	$ 321,729
Improvements	243,978	42,355	--	286,333
Fixtures and Equipment	458,922	67,163	(73,471)	452,614
Total Cost	976,022	158,125	(73,471)	1,060,676
Accumulated Depreciation:				
Buildings	(84,529)	(11,053)	--	(95,582)
Improvements	(53,970)	(11,130)	--	(65,100)
Fixtures and Equipment	(355,199)	(32,794)	71,899	(316,094)
Total Accumulated Depreciation	(493,698)	(54,977)	71,899	(476,776)
Net Value	482,324	103,148	(1,572)	583,900
Construction in Progress	1,650	--	(1,650)	--
Land	259,659	2,310	--	261,969
Capital Assets -Net	743,633	105,458	(3,222)	845,869
Note Payable	(50,000)	--	--	(50,000)
Net Position Invested in Capital Assets	**$ 693,633**	**$ 105,458**	**$ (3,222)**	**$ 795,869**

Depreciation of $24,765 was charged to the general government function, $20,517 was charged to the public safety function and $9,695 was charged to culture and recreation.

Business-Type Activities – Net Investment in Capital Assets:

	Balance January 1	Additions	Retirements	Balance December 31
Cost:				
Water Plant	$ 6,876,811	$ --	$ --	$ 6,876,811
System Improvements	300,336	--	--	300,336
Equipment	298,415	19,732	(18,142)	300,005
Total Cost	7,475,562	19,732	(18,142)	7,477,152
Accumulated Depreciation:				
Water Plant	(2,282,098)	(171,361)	--	(2,453,459)
System Improvements	(258,078)	(5,962)	--	(264,040)
Equipment	(242,324)	(17,757)	18,142	(241,939)
Total Accumulated Depreciation	(2,782,500)	(195,080)	18,142	(2,959,438)
Net Value	4,693,062	(175,348)	--	4,517,714
Land	2,500	--	--	2,500
Capital Assets - Net	4,695,562	(175,348)	--	4,520,214
Note Payable	(38,241)	--	11,073	(27,168)
GEFA Loan	(510,466)	--	30,305	(480,161)
Bonds Payable	(392,070)	--	16,560	(375,510)
USDA Loan	(311,941)	--	25,656	(286,285)
Net Investment in Capital Assets	**$ 3,442,844**	**$ (175,348)**	**$ 83,594**	**$ 3,351,090**

In 2003 the Town of Lyerly's project to provide a municipal sewer system was funded by a USDA Rural Development grant and loan, a Community Block Development Grant, 1% special local option sales tax proceeds and local funds. The USDA loan was in the amount of $962,200 at 4.5%. Funds used to service the debt will be generated from the operating revenues of the sewer system. During 2005, an extra principal payment of $100,000 was made.

On March 28, 1994, the Town issued $582,848 Town of Lyerly, Georgia, Water Revenue Bonds, Series 1993 A and Series 1993 B for the construction of the water system. The Town issued the remaining $17,152 of the bonds during 1995. Interest is payable at 5.125% and annual payments are due on March 1. The bonds were directly funded by the United States Department of Agriculture, Farmers Home Administration. The bonds are secured by income derived from the operation of the water system.

On August 20, 2012, the Town signed a loan agreement with the Georgia Environmental Finance Authority to finance the replacement of existing water pipes within the town. The obligation drawn at 12/31/14 was for $891,041 and includes a principal forgiveness of $248,355. The unpaid principal balance will be repaid in 239 monthly payments at 1.13% with payments of $2,993 beginning 7/1/14.

On May 10, 2018, the Town signed a loan agreement with United Community Bank to finance a truck. The total amount of the loan was for $44,204. The note will be repaid in monthly installments of $803 including interest of 3.4%. The loan is secured by the vehicle.

On December 17, 2018, the Town signed a loan agreement with the Georgia Environmental Finance Authority to finance sewer pond upgrades. The total amount of the loan approved was for $130,000. The note will be repaid in monthly installments over 15 years at 1.56%. At December 31, 2019 there was no outstanding balance as no draws had been made. The loan will be secured by income derived from the operation of the water system.

On December 13, 2018, the Town received from the USDA a grant of $25,000 and loan proceeds of $50,000 to purchase a fire vehicle and equipment. The loan will be repaid in ten annual installments of $6,127 including interest of 3.875%. The loan is secured by the vehicle.

Additionally, bond and loan agreements require the Town to establish and maintain a sinking fund account, a renewal and extension account and certain working capital ratios.

Included in the direct expenses of the government-wide statement of activities is interest expense of $40,798 in the Water and Sewer Fund.

Debt service requirements to maturity are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Governmental Activities:					
USDA Loan	$ 50,000	$ --	$ --	$ 50,000	$ 8,542
Business-Type Activities:					
Revenue Bonds	$ 392,070	$ --	$ 16 560	$ 375 510	$ 17,580
USDA Loans	311,941	--	25 656	286,285	26,833
GEFA Loan	510,466	--	30,305	480,161	30,650
Note Payable	38,241	--	11,073	27,168	8,868
Total Business-Type Activities	$ 1,252,718	$ --	$ 83,594	$ 1,169,124	$ 83,931

The annual requirements to amortize all Governmental activities loans outstanding at December 31, are as follows:

Governmental Activities

Year ending December 31	**USDA Loans**	
	Principal	Interest
2020	8,542	3,713
2021	4,520	1,607
2022	4,696	1,431
2023	4,878	1,249
2024	5,067	1,060
2025-2028	22,297	2,200

The annual requirements to amortize all Business-Type activities bonds and loans outstanding at December 31, are as follows:

Business-Type Activities

Year ending December 31	Note Payable		Revenue Bonds		USDA Loans		GEFA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	8,868	1,162	17,580	19,245	26,833	12,335	30,650	5,267
2021	9,158	869	18,680	18,344	28,067	11,102	30,998	4,919
2022	9,142	566	17,840	17,387	29,355	9,813	31,350	4,567
2023	--	253	21,070	16,472	30,704	8,464	31,706	4,211
2024	--	13	22,430	15,392	32,115	7,053	32,066	3,851
2025-2029	--	--	134,620	58,250	139,211	12,772	165,877	13,708
2030-2034	--	--	143,290	19,068	--	--	157,514	4,114

NOTE 7. Special Purpose Local Option Sales Tax

In 2013, the Citizens of Chattooga County approved a referendum to impose a 1% Special Purpose Local Option Sales and Use Tax for a period of six years or collections not to exceed $15.6 million was approved. Collections of this tax began January 1, 2014. The Town of Lyerly's distributive share of this sales tax is estimated to be $592,800. The sales tax proceeds are to be used for the continued improvement and modernization of the water distribution system and for capital acquisitions for general government and recreation.

NOTE 8. Risk Management

The Town 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 Town has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Town is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys to follow loss reduction procedures established by the funds and to report as promptly as possible, and in accordance with any coverage descriptions issued all incidents which could result in the funds being required to pay any claim of loss. The Town is also to allow the pool's agents and attorneys to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the funds.
The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverage.

NOTE 9. Contingencies and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Town has no suits pending.

On December 17, 2018, the Town signed a loan agreement with the Georgia Environmental Finance Authority to finance sewer pond upgrades. The loan was approved for $130,000. Estimated cost of the project is $408,079 with the remaining funds to finance the project coming from an Appalachian Regional Commission grant in the amount to of $278,079. Construction did not begin until 2020.

NOTE 10. Accrued Vacation and Sick Pay

The Town's employees are granted vacation and sick leave in varying amounts. At year-end, accumulated vacation and leave amounts were insignificant.

NOTE 11. Interfund Transfers

During 2019 transfers were made between the funds. The general fund transferred to the water and sewer fund $20,469 for operating purposes net of revenues for fire protection and garbage fees collected for the general fund.

CHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
American Institute of
Certified Public Accountants
Trion, Georgia

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 Honorable Mayor and Members of the Town Council
Town of Lyerly, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Lyerly, Georgia, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Lyerly, Georgia's basic financial statements and have issued our report thereon dated June 10, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency described as 19-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lyerly, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Lyerly, Georgia's Response to Findings

The Town of Lyerly, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Lyerly, Georgia's response was not subjected to the auditing 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 describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chrysan Thomas

CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
June 10, 2020

TOWN OF LYERLY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2019

Findings-

FS19-01-

Condition – Internal controls should be in place which provides reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Criteria - Proper segregation of duties applies the principle that no single employee should be placed in a position that allows that employee both to commit and conceal an irregularity in the ordinary course of the employee's duties.

Effect - Without the implementation of internal controls there is an increased risk of the misappropriation of funds. The size of the Town's staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation – When duties cannot be separated, compensating controls should be in place. Compensating controls are internal controls that are intended to reduce the risk of an existing control weakness. We recommend oversight of the office staff by the Mayor and close review of accounting records.

Responses – We agree with the finding. We have implemented procedures to provide oversight of the accounting function and review accounting data on a regular basis.

Town of Lyerly, Georgia
Schedule of Expenditures for Construction Projects
Funded By Special Purpose Local Option Sales and Use Tax Proceeds
For the Year Ended December 31, 2019

Project	Original Estimated Cost	Revised Cost	Expenditures			Estimated Percentage of Completion
			Prior Year	Current Year	Total	
2014 SPLOST Projects						
Water/Sewer			$ 150,719	$ -	$ 150,719	
Capital			133,349	36,883	170,232	
Recreation			28,692	89,312	118,004	
	$ 592,800	$ 592,800	$ 312,760	$ 126,195	$ 438,955	74%