CITY OF LYONS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the City Council
Lyons, Georgia 30436

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Lyons, Georgia, as of December 31, 2012, 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 risks 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, each major fund, and the remaining fund information of the City of Lyons, Georgia, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 budgetary comparison information on pages 35 through 40 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lyons, Georgia's basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of the City of Lyons, 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 the 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 City of Lyons, Georgia's internal control over financial reporting and compliance.

McLain Calhoun McCullough Clark & Co., P.C.

June 21, 2013

BASIC FINANCIAL STATEMENTS

CITY OF LYONS, GEORGIA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,292,204	$ 582,147	$ 1,874,351
Certificates of deposit	4,000,000	-	4,000,000
Receivables:			
Accounts	-	126,527	126,527
Property tax	53,445	-	53,445
Fees for services	26,346	-	26,346
Other receivables	198,313	-	198,313
Due from other governments	297,622	-	297,622
Prepaid expenditures	5,058	-	5,058
Capital Assets:			
Land and construction in progress	1,321,719	15,270	1,336,989
Machinery and equipment	839,441	2,041,204	2,880,645
Buildings and improvements	2,137,896	1,432,351	3,570,247
Vehicles	890,306	146,494	1,036,800
Infrastructure	6,295,346	5,242,860	11,538,206
Accumulated depreciation	(2,535,384)	(4,546,012)	(7,081,396)
Capital assets, net of depreciation	8,949,324	4,332,167	13,281,491
Net pension obligation	205,450	-	205,450
Total Assets	15,027,762	5,040,841	20,068,603
Liabilities			
Accounts payable	110,034	77,242	187,276
Customer deposits	-	127,315	127,315
Internal balances	122,659	(122,659)	-
Total Liabilities	232,693	81,898	314,591
Net Position			
Net Investment in capital assets	8,949,324	4,332,167	13,281,491
Restricted for:			
Recreation	101,544	-	101,544
Capital Projects	3,228,049	-	3,228,049
Unrestricted	2,516,152	626,775	3,142,927
Total Net Position	$ 14,795,069	4,958,942	19,754,011

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
GOVERNMENT – WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions	Program Revenues: Capital Grants, Contributions
Governmental Activities				
General Government				
Legislative and Executive	$ 495,135	$ 183,622	$ -	$ -
Judicial	34,257	185,998	-	-
Public Safety	1,019,788	31,097	-	-
Public Works	427,645	-	-	814,676
Community Development	81,066	-	-	444,983
Recreation and Culture	448,336	231,642	67,050	-
Total Governmental Activities	2,506,227	632,359	67,050	1,259,659
Business-Type Activities				
Water and Sewer	1,233,237	1,065,317	-	-
Sanitation	451,906	406,794	-	-
Total Business-Type Activities	1,685,143	1,472,111	-	-
Total Primary Government	$ 4,191,370	$ 2,104,470	$ 67,050	$ 1,259,659
General Revenues				
Property Taxes				
Motor Vehicle Taxes				
Sales Tax				
Insurance Premium Taxes				
Alcoholic Beverage Taxes				
Real Estate Transfer Taxes				
Franchise Tax				
Interest				
Gain on Sale of Assets				
Other Revenues				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position, Beginning				
Net Position, Ending				

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (311,513)	$ -	$ (311,513)
151,741	-	151,741
(988,691)	-	(988,691)
387,031	-	387,031
363,917	-	363,917
(149,644)	-	(149,644)
(547,159)	-	(547,159)
	(167,919)	(167,919)
-	(45,112)	(45,112)
-	(213,031)	(213,031)
$ (547,159)	$ (213,031)	$ (760,190)
$ 166,746	$ -	$ 166,746
20,416	-	20,416
702,460	-	702,460
217,564	-	217,564
89,555	-	89,555
6,567	-	6,567
238,841	-	238,841
27,421	1,638	29,059
46,633	-	46,633
20,192	8,602	28,794
1,536,395	10,240	1,546,635
110,277	(110,277)	-
1,099,513	(313,068)	786,445
13,695,556	5,272,010	18,967,566
$ 14,795,069	$ 4,958,942	$ 19,754,011

CITY OF LYONS, GEORGIA
FUND FINANCIAL STATEMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Special Local Option Sales Tax Fund	Recreation Department	Community Development Block Grant	Non-Major Hotel Motel Tourism	Total
Assets						
Cash	$ 553,912	$ 586,748	$ 151,544	$ -	$ -	$ 1,292,204
Certificates of deposit	1,521,869	2,478,131	-	-	-	4,000,000
Receivables:						
Property taxes	53,445	-	-	-	-	53,445
Fees for services	26,346	-	-	-	-	26,346
Other receivables	197,422	891	-	-	-	198,313
Interfund receivables	62,990	-	-	-	-	62,990
Due from other governments	112,144	185,478	-	-	-	297,622
Prepaid expenditures	5,058	-	-	-	-	5,058
Total assets	$ 2,533,186	$ 3,251,248	$ 151,544	$ -	$ -	$ 5,935,978
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 110,034	$ -	$ -	$ -	$ -	$ 110,034
Interfund payable	112,450	23,199	50,000	-	-	185,649
Deferred taxes	40,790	-	-	-	-	40,790
Total liabilities	263,274	23,199	50,000	-	-	336,473
Fund Balances						
Fund balance:						
Restricted	-	3,228,049	101,544	-	-	3,329,593
Unassigned	2,269,912	-	-	-	-	2,269,912
Total fund balances	2,269,912	3,228,049	101,544	-	-	5,599,505
Total liabilities and fund balanes	$ 2,533,186	$ 3,251,248	$ 151,544	$ -	$ -	$ 5,935,978

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
RECONCILIATION OF NET POSITION – GOVERNMENTAL FUNDS IN THE STATEMENT OF NET POSITION TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2012

Total Governmental Fund Balances	$	5,599,505
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Net pension obligation		205,450
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		8,949,324
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds		
Property tax revenue		40,790
Net Position of Governmental Activities	$	14,795,069

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Special Local Option Sales Tax Fund	Recreation Department	Community Development Block Grant	Non-Major Hotel Motel Tourism	Total
Revenues:						
Taxes	$ 1,449,213	$ -	$ -	$ -	$ 4,635	$ 1,453,848
Grants	-	-	-	444,983	-	444,983
Licenses and permits	57,242	-	-	-	-	57,242
Intergovernmental	-	768,569	65,450	-	-	834,019
Charges for services	81,989	-	226,216	-	-	308,205
Fines and court costs	185,998	-	-	-	-	185,998
Miscellaneous	75,720	-	5,426	-	-	81,146
Donations	-	-	1,600	-	-	1,600
Interest	27,058	46,107	363	-	-	73,528
Total revenues	1,877,220	814,676	299,055	444,983	4,635	3,440,569
Expenditures:						
Current operating:						
General government	462,331	-	-	-	-	462,331
Public safety	989,208	-	-	-	-	989,208
Public works	39,956	-	-	-	-	39,956
Street department	268,352	-	-	-	-	268,352
Culture and recreation	171,876	-	240,708	-	-	412,584
Community development	81,066	-	-	-	5,004	86,070
Capital outlay	-	788,184	19,531	446,294	-	1,254,009
Total expenditures	2,012,789	788,184	260,239	446,294	5,004	3,512,510
Excess revenues(expenditures):	(135,569)	26,492	38,816	(1,311)	(369)	(71,941)
Other financing sources(uses):						
Transfers	176,025	(66,117)	-	-	369	110,277
Sale of capital assets	46,633	-	-	-	-	46,633
Total other financing sources(uses)	222,658	(66,117)	-	-	369	156,910
Net change in fund balances	87,089	(39,625)	38,816	(1,311)	-	84,969
Fund balance - beginning of year	2,182,823	3,267,674	62,728	1,311	-	5,514,536
Fund balance - end of year	$ 2,269,912	$ 3,228,049	$ 101,544	$ -	$ -	$ 5,599,505

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds			$ 84,969
Amounts reported for governmental activities on the statement of activities are different because of the following:			
Net pension obligation - to recognize pension assets resulting from contributions in excess of the annual contribution			39,833
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:			
Recreation department		$ 19,531	
Capital projects - SPLOST		854,301	
Capital projects - CDBG		446,294	
Capital outlay transferred from capital projects to sanitation proprietary fund		(10,993)	
Capital outlay transferred from capital projects to water/sewer proprietary fund		(55,124)	
Total		1,254,009	
Depreciation expense		(287,558)	
		966,451	966,451
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:			
Property taxes	8,260		8,260
Change in Net Position of Governmental Activities			$ 1,099,513

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
PROPRIETARY FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2012

	Water and Sewer	Sanitation	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 350,273	$ 231,874	$ 582,147
Accounts receivable-net	65,811	60,716	126,527
Due from other funds	12,850	109,809	122,659
Total current assets	428,934	402,399	831,333
Noncurrent Assets			
Capital Assets:			
Nondepreciable	10,265	-	10,265
Machinery and equipment	1,497,974	543,230	2,041,204
Water system	5,242,860	-	5,242,860
Buildings and improvements	1,432,351	-	1,432,351
Vehicles	146,494	-	146,494
Construction in progress	5,005	-	5,005
Accumulated depreciation	(4,042,522)	(503,490)	(4,546,012)
Total non-current assets	4,292,427	39,740	4,332,167
Total Assets	4,721,361	442,139	5,163,500
Liabilities			
Current Liabilities			
Accounts payable	47,552	29,690	77,242
Customer deposits	127,315	-	127,315
Total Current Liabilities	174,867	29,690	204,557
Net Position			
Net Investment in capital assets	4,292,427	39,740	4,332,167
Unrestricted	254,067	372,708	626,775
Total Net Position	$ 4,546,494	$ 412,448	$ 4,958,942

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
PROPRIETARY FUND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer	Sanitation	Total
Operating Revenues			
Current use charges	$ 1,064,736	$ 406,544	$ 1,471,280
Other charges	581	250	831
Total operating revenues	1,065,317	406,794	1,472,111
Operating Expenses			
Personal Services	622,781	121,526	744,307
Repairs and maintenance	84,030	73,932	157,962
Bad debts	-	19,413	19,413
Utilities	195,634	-	195,634
Materials and supplies	66,200	6,680	72,880
Drinking water fees	9,470	-	9,470
Landfill fees	-	88,839	88,839
Recycling fees	-	13,200	13,200
Other	65,169	56,536	121,705
Depreciation	189,952	71,780	261,732
Total Operating Expenses	1,233,236	451,906	1,685,142
Operating Income (Loss)	(167,919)	(45,112)	(213,031)
Non-Operating Revenue (Expenses)			
Gain on sale of fixed assets	-	8,602	8,602
Interest revenue	1,027	611	1,638
Total Non-Operating Revenues (Expenses)	1,027	9,213	10,240
Loss before transfers	(166,892)	(35,899)	(202,791)
Transfers	28,558	(138,835)	(110,277)
Change in Net Position	(138,334)	(174,734)	(313,068)
Net Position Beginning of Year	4,684,828	587,182	5,272,010
Net Position End of Year	$ 4,546,494	$ 412,448	$ 4,958,942

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
PROPRIETARY FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer	Sanitation	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	$ 1,079,124	$ 395,847	$ 1,474,971
Cash received from others	581	250	831
Cash payments for personal services	(622,781)	(121,526)	(744,307)
Cash payments for repairs and maintenance	(84,030)	(73,932)	(157,962)
Cash payments for other operating expenses	(270,274)	(177,988)	(448,262)
Cash payments for materials and supplies	(60,375)	(6,253)	(66,628)
Net Cash Provided by(Used for) Operating Activities	42,245	16,398	58,643
Cash Flows from Noncapital Financing Activities			
Loan to other funds	(105)	2,170	2,065
Transfers out	(26,565)	(162,469)	(189,034)
Transfers in	-	12,641	12,641
Net Cash Provided by Noncapital Financing Activities	(26,670)	(147,658)	(174,328)
Cash Flows from Capital and Related Financing Activities			
Transfers in - Special Local Option Sales Tax Fund	55,124	10,993	66,117
Cash payments to purchase capital assets	(55,124)	(10,993)	(66,117)
Sale of Fixed Assets	-	175,000	175,000
Net Cash Provided by Capital and Related Financing Activities	-	175,000	175,000
Cash Flows from Investing Activities			
Cash received from interest	1,027	611	1,638
Net Cash Flows Provided by Investing Activities	1,027	611	1,638
Net Increase in Cash and Cash Equivalents	16,602	44,351	60,953
Cash and Cash Equivalents at Beginning of Year	333,671	187,523	521,194
Cash and Cash Equivalents at End of Year	$ 350,273	$ 231,874	$ 582,147

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
PROPRIETARY FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating loss	$ (167,919)	$ (45,112)	$ (213,031)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	189,952	71,780	261,732
Changes in Assets and Liabilities:			
(Increase) / Decrease in accounts receivable	8,236	(10,697)	(2,461)
Increase in accounts payable	5,825	427	6,252
Increase in customer deposits	6,151	-	6,151
Net cash provided by operating activities	$ 42,245	$ 16,398	$ 58,643

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City of Lyons, Georgia operates a Mayor and Council form of government. The City provides the following services: public safety (police, fire and animal control), streets, culture and recreation, public improvements, and general administrative services. Other services include the sanitation system and water distribution and sewer retrieval systems.

These financial statements present all fund types and account groups of the City and its component units. In conformity with generally accepted accounting principles, as set forth in GASB Statement No. 14, The Financial Reporting Entity, the financial statements of component units have been included either as blended or discretely presented component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations. The Downtown Development Authority meets the requirements of being reported as a discretely presented component unit but is immaterial to the financial statements and is therefore, not presented. There are no other discretely presented component units.

Although the Lyons Housing Authority is not a discretely presented component unit, it is a related organization to the City. There is no financial relationship between the Lyons Housing Authority and the City. The City council approves appointments to the Lyons Housing Authority's Board.

Blended Component Units

The Lyons Recreation Department is governed by a committee of six people appointed by the mayor and approved by the City Council and includes one Council member. The City provides funding to the Recreation Department. The Director and the Assistant Director are employees of the City of Lyons. The Recreation Department operates under the legal authority of the City. The Lyons Recreation Department is reported as a special revenue fund in accordance with GASB. Separate financial statements can be obtained from the Lyons Recreation Department, 1 South Washington Street, Lyons, Georgia, 30436.

Expenditures to the Ohoopee Regional Library, the Toombs County Chamber of Commerce, the Vidalia Tourism Council, Lyons Boys and Girls Club, the Lyons Merchant Association, Southeastern Technical College, and the Family Intervention Center are by contractual agreement and are expended as a part of the regular operations of the City.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except the fiduciary funds or component units that are fiduciary in nature. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds used by the City: governmental and proprietary.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental funds are those through which most functions of the government are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows/outflows of resources are reported as fund balance. The following are the City's fund types:

General Fund

The General Fund is the general operating fund of City of Lyons, Georgia. It is used to account for all revenues and expenditures of the general Government, which are not required to be accounted for in other funds. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia. The General Fund is considered a major fund.

Special Revenue Funds

Special Revenue Funds are generally used to account for certain specific revenue sources, including special services districts, grants, and similar funds that are legally restricted to expenditures for specified purposes.

Recreation Department – The fund accounts for recreation fees, tournament fees and other specific grants and donations to be used specifically for recreation purposes. Recreation Department is considered a major fund.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds, special assessment funds, and trust funds.

Special Purpose Local Option Sales Tax – The fund accounts for special purpose local option sales tax collected and used for street improvements, water/sewer construction and improvements, recreation construction, public facility construction and capital outlay projects. Special Purpose Local Option Sales Tax is considered a major fund.

Community Development Block Grant – This fund accounts for financial resources to be used for specific construction projects as designated by the grant agreement. Community Development Block Grant is considered a major fund.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net position, financial position, and cash flows. The City's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's enterprise funds:

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund (cont)

Water/Sewer Fund - The fund accounts for fees collected in connection with the furnishing of water and sewerage service to the citizens. The Water/Sewer Fund is considered a major fund.

Sanitation Fund – The fund accounts for the operations of the citywide garbage collection system. The Sanitation Fund is considered a major fund.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Proprietary Funds. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions. Operating expenses consist of services, supplies and maintenance required to operate the system.

Fund Equity

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

Fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund 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:

Non-spendable – Fund balances are reported as non-spendable 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 whether through 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 approval of a motion. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned 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.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. 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 not spent) for the acquisition, construction or improvement of those assets. Net position is 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. All other net position is reported as unrestricted.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities, deferred inflows/outflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e. revenues) & decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprises and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which the party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within one year of the balance sheet date.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales tax is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, property taxes, franchise taxes, insurance premium taxes, charges for services, fines and forfeitures, grants, interest and rent.

Modified Accrual Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are generally recognized when they become measurable and available as net, current assets. Revenues, which are susceptible to accrual, are property taxes, sales taxes, and grants from other governments. Property tax revenues are considered measurable and available to the extent they are collected within the current period or collected within sixty days after the end of the period. Property taxes not collected within sixty days after the end of the period are recorded as deferred revenues and recognized when collected.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) inventory type items, which are, expensed when purchased; (2) principal and interest on general long-term debt which is recognized when due; and (3) prepaid items which are expensed when purchased.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual Basis of Accounting

The proprietary fund and fiduciary funds are accounted for on an economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Budgetary Process

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund and Enterprise Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by the fund. The budget for the Enterprise Funds is prepared under the basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and certain non-operating expense items are not considered. Any revisions that alter the total expenditures/expenses must be approved by the City Council. The legal level of control is at the department level. All annual appropriations lapse at fiscal year-end. The City budgets for Capital Project Funds on a project basis since budgetary control is maintained on an individual project basis. Since project periods may differ from the City's fiscal year, a comparison of budgetary information for the combined Capital Project Funds would not be meaningful and has not been presented in the accompanying financial statement.

The Lyons Recreation Department ordinance requires an annual budget be adopted and submitted to the City Council for approval on an annual basis. The Recreation Department did not adopt a budget for 2012; therefore, this budget is not available and not presented in the accompanying financial statements as supplementary information.

Cash and Investments

Cash includes amounts in demand deposits and short-term certificates of deposit. Statutes authorize the city to invest in U.S. Government obligations, U.S. Government Agency obligations, State of Georgia obligations, obligations fully insured or guaranteed by the U.S. Government, obligations of any U.S. Government corporation, obligations of other political subdivisions of the State of Georgia and certificates of deposit issued by banks.

Eliminations

GASB 34 eliminated the presentation of Account Groups, but provides for these records to be maintained and used to account for capital assets and long-term liabilities that are not reflected on the balance sheet of Governmental-type funds due to the current financial resources measurement focus that they use.

The effect of interfund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as transfers between funds.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables and Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

Inventories

Inventory consists of expendable supplies held for consumption. The costs of these supplies on hand are considered immaterial to the balance sheets of the various funds and are not shown as assets of the funds nor is any portion of the fund balance reported as reserved for inventories. Inventory type items are recorded as expenditure when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are reported as prepaid expenses using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

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 columns in the governmental-wide financial statements. All purchased capital assets are valued at historical cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. General infrastructure assets acquired prior to January 1, 2004 are not reported in the governmental-wide financial statements.

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 fixed assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB statement 34 prohibits the capitalization of interest for assets constructed for use in governmental activities. However, interest from debt not considered to be a general long-term debt may be included as part of the cost of assets constructed for business – type activities. In 2012, there were no interest expenses incurred by the City included as part of the cost of capital assets under construction in connection with public building construction projects.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Property, plant, equipment and infrastructure of the primary government as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40-50 years
Vehicles	5 years
Machinery and equipment	5-20 years
Roads, Bridges, and Sidewalks	40-50 years

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed. Accordingly, encumbrances outstanding at year-end are not reported as reservations of fund balances, nor do they constitute expenditures or liabilities. Generally accepted accounting principles do not require encumbrance accounting.

Compensated Absences and Other Employee Benefits

Accumulated unpaid vacation, sick pay and other fringe benefits are not accrued since the amounts do not exceed a normal year's accumulation. These expenses are recorded as incurred.

Application of FASB Pronouncements

Proprietary activities apply all FASB statements and interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources

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

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

Change in Accounting Principles

As of January 1, 2012, the City implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* These statements required changes in account captions in the statements of net position

NOTE 2- CONTINGENCIES

Litigation

City management believes that potential claims from pending litigation would not materially affect the financial position of the City.

Grants

The City participates in both federal-assisted and state-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 3- PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are generally levied by October 20, due by December 20 and considered delinquent with interest accruing after January 20 of the following year. Tax liens are recorded in the sixth year. Property tax revenues are recognized when levied to the extent they result in current receivables. Taxes not collected within sixty days after the year end, are reported as deferred revenues. The deferred revenue is combined with property tax revenue on the statement of activities and the deferred revenue account on the statement of net assets is eliminated.

NOTE 4- DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental entities at December 31, 2012 are As follows:

	General Fund	Capital Projects	Total
State of Georgia Sales Tax	$ 112,144	$ 185,478	$ 297,622

NOTE 5- CHANGES IN CAPITAL ASSETS

Primary government

Capital asset activity for the year ended December 31, 2012 was as follows:

	Primary Government			
	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Governmental activities				
Capital assets:				
Non-depreciable:				
Land	$ 1,037,011	$ 129,296	$ -	$ 1,166,307
Construction in progress	182,493	620,478	(647,559)	155,412
Depreciable:				
Buildings	2,023,267	152,612	(37,983)	2,137,896
Machinery, equipment and vehicles	1,594,813	219,214	(84,281)	1,729,747
Infrastructure	5,515,381	779,966	-	6,295,346
Total capital assets	10,352,965	1,901,566	(769,823)	11,484,708
Less: accumulated depreciation				
Buildings	(498,183)	(57,718)	37,983	(517,918)
Machinery, equipment, and vehicles	(1,142,816)	(107,622)	84,281	(1,166,157)
Infrastructure	(729,092)	(122,217)	-	(851,309)
Total accumulated depreciation	(2,370,091)	(287,557)	122,264	(2,535,384)
Governmental activites capital assets, net	$ 7,982,874	$ 1,614,009	$ (647,559)	$ 8,949,324

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

Governmental Activities:	
General Government	$ 62,054
Public Safety	70,414
Public Works	119,337
Recreation and Culture	35,752
Total governmental activities depreciation expense	$ 287,557

NOTE 5- CHANGES IN CAPITAL ASSETS (CONTINUED)

Business –Type Activity

A summary of proprietary fund type capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Water/Sewer Enterprise Fund				
Capital assets:				
Non-depreciable:				
Land	$ 10,265	$ -	$ -	$ 10,265
Construction in progress	5,005	-	-	5,005
Depreciable:				
Buildings	1,432,351			1,432,351
Water and sewer system in service	5,187,736	55,124		5,242,860
Machinery, equipment and vehicles	1,644,468	-	-	1,644,468
Less accumulated depreciation:				
Buildings	(298,411)	(35,809)	-	(334,220)
Water and sewer system in service	(2,048,986)	(142,941)		(2,191,927)
Machinery, equipment and vehicles	(1,505,173)	(11,202)	-	(1,516,375)
Total accumulated depreciation	(3,852,570)	(189,952)	-	(4,042,522)
Total water/sewer capital assets, net	4,427,255	(134,828)	-	4,292,427
Sanitation Enterprise Fund				
Machinery and equipment	740,234	10,993	(207,997)	543,230
Less accumulated depreciation:				
Machinery and equipment	(473,309)	(71,780)	41,599	(503,490)
Total accumulated depreciation	(473,309)	(71,780)	41,599	(503,490)
Total sanitation capital assets, net	266,925	(60,787)	(166,398)	39,740
Total	$ 4,694,180	$ (195,615)	$ (166,398)	$ 4,332,167

NOTE 6- DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION, CONTRIBUTION INFORMATION AND FUNDING POLICIES

The City contributes to the Georgia Municipal Employees Benefit System Defined Plan (GMEBS Plan), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating cities in Georgia. This pension plan does not issue a stand-alone financial report, but is included in the GMEBS Plan report and can be obtained from the GMEBS. The City's payroll as of July 1, 2012 (the most recent actuarial evaluation date) was $1,435,239 on W-2 earnings for the preceding year including $934,499 payroll covered by the plan.

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. All full-time city employees are eligible to participate in the Plan after completing one year of service. City officials are eligible to participate immediately with no waiting period. Upon eligibility to retire, participants are entitled to a monthly benefit which is 1/12 of the sum of: 1 percent of the final average earnings up to covered compensation plus 1.75 percent of final average earnings up to covered compensation, multiplied by the years of total credited service. This benefit is payable as a life annuity. Compensation is averaged over a five-year period prior to retirement or termination. All amendments to the plan must be approved by the City Council. There were no amendments to the defined benefit pension plan during the current plan year. The plan is also subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

Plan Membership	
Non-vested active members	17
Fully vested active members	19
Retirees and beneficiaries currently receiving benefits	27
Terminated plan members entitled to but not yet receiving benefits	10
Total	73

NOTE 6- DEFINED BENEFIT PENSION PLAN (CONTINUED)

GMEBS Plan funding policy provides for contributions to be made in an amount equal to the pension expense in each year. This cost method utilizes a funding "target" consistent with the standardized measure of pension obligation described by Statement No. 5 of the Government Accounting Standards Board (GASB 5). This measure, the Actuarial Accrued Liability (AAL), can be described as the value of benefits attributable to service as of the valuation date but calculated based on salaries projected to assumed retirement age. Any excess of the AAL over the Plan's assets is amortized over closed periods on a two-tier basis as follows: (a) if the value of benefits accumulated as of the valuation date (based on current salary history, not projected) exceeds the Plan's assets that excess is amortized over ten years; plus (b) the additional unfunded AAL is amortized over 30 years. The amortization period for the unfunded actuarial accrued liability is closed for this plan year.

The City's contributions to GMEBS were all made in accordance with actuarially determined requirements.

Additional information and ten year historical trend information can be obtained from the separately issued GMEBS Financial Report.

The following is a summary of funding policies, contribution methods, and benefit provisions:

Year established and governing authority		1978, Lyons City Council
Determination of contribution requirements		Actuarially Determined
Employer		3% of covered payroll
Plan members		No contribution required
Funding of administrative costs		Investment earnings
Period requred to vest		10 years - Employees Immediate vesting - Officials
Post-retirement benefit increases		None
Eligibility for distribution		Officials: Age 62 with no minimum years Employees: Age 65 with 5 years Early: Age 55 with 10 years Department Heads: Age 62 with 5 years
Provisions for:	Disability benefits	Yes
	Death benefits	Yes

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan asset matters and accounting policies

The Plan's financial statements are prepared on a cash basis, modified to include contributions receivable, unrealized gains or losses on marketable securities owned by the Plan, and increments in the cash value of death benefits. Investments in securities are valued at current market prices. Plan assets do not include any loans, notes, bonds, or other instruments or securities of the City or related parties.

Significant actuarial assumptions are as follows:

1. Rate of return on investments - 7.75% per year
2. Projected salary increases - 3.50% per year plus age and service based merit increase.
3. Post retirement benefit increase - Not applicable
4. Inflation - 0.00%

Annual Pension Cost and Net Pension Obligation

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The minimum annual contribution under these standards for 2012 is $94,980. This minimum contribution has been determined as a sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The annual pension cost (APC) for 2012 is equal to the minimum annual required contribution (ARC) of $94,980.

The components of the City's annual pension cost that reconcile the beginning net pension obligation (asset) to the ending net pension obligation (asset) is as follows:

Annual required contribution	$	55,654
Interest on net pension obligation (asset)		(2,115)
Adjustments to annual required contribution		41,441
Annual pension cost		94,980
Contributions made		(134,813)
Change in net pension obligation (asset)		(39,833)
Net pension obligation (asset), beginning of year		(165,617)
Net pension obligation (asset), end of year	$	(205,450)

Three year trend information for annual pension cost is as follows:

Fiscal Year	Pension Cost	Percentage Contributed	Employer Contributions	of Covered Payroll	Obligation (Asset)
2010	121,188	117%	141,763	13.0%	(118,965)
2011	88,263	153%	134,915	11.0%	(165,617)
2012	94,980	142%	134,813	14.0%	(205,450)

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Schedule of Funding Current Year

Actuarial Valuation Date		*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) -projected unit credit (b)*	*Unfunded (Excess) AAL (UAAL) (b-a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as a Percentage of Covered Payroll ((b-a)/c)*
7/1/2012	$	1,717,251	2,056,046	338,795	84%	934,499	36%

II. Notes

Valuation date	07/01/12
Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar amount
Amortization period	Varies for the bases
Actuarial asset valuation method	Fair market value
	Sum of the actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.5% plus age and service based merit increases
Post retirement benefit increases	Not applicable
Inflation	0.00%

The required schedule of funding progress immediately following the notes to the financial statements in the required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE 7- CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the City's policy for deposits to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at December 31, 2012.

The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized

		Category			
Description	Bank Balance	1	2	3	Carrying Amount
Total Deposits	$ 5,905,080	$ 2,270,000	3,635,080	$ -	$ 5,873,901

NOTE 8 - 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 of Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and Workers' Compensation Self-Insurance 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 findings being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the city in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of the state of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the other members, all interest accruing after entry of judgment, and all expenses for investigations, negotiation or defense.

NOTE 9-EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The individual funds, which had expenditures in excess of appropriates are as follows:

General Fund	Expenditures	Appropriations	Expenditures Over Appropriations
Current Operating Expenditures:			
General Administration	$ 292,806	$ 212,152	$ (80,654)
Police Department	899,271	851,411	(47,860)
Street Department	268,352	244,205	(24,147)
Culture and Recreation	171,876	163,712	(8,164)
Economic Development	81,066	76,365	(4,701)
Total Current Operating Expenditures	$ 1,713,371	$ 1,547,845	$ (165,526)

The General Fund had excess expenditures over appropriations for the year ended December 31, 2012. All expenditures were approved by City Council. The excess was funded by the prior year's fund balance.

NOTE 10-OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the Combined Statements, certain information concerning individual funds including:

A. Summary disclosure of changes in general capital assets by major asset class. This requirement has been met by Note 5.

B. Summary of disclosure of debt service requirements to maturity for all types of outstanding debt. The City has no outstanding debt.

C. Summary disclosure of changes in general long-term debt. The City has no outstanding debt.

D. Excess of expenditures over appropriations in individual funds. This requirement has been met by Note 9.

E. Deficit fund balances of individual funds. At December 31, 2012 there are no funds with deficit balances.

F. Segment information for certain individual Enterprise Funds. The Enterprise Fund combining statements can be found on pages 9, 10, 11, and 12. The City maintains two Enterprise Funds.

G. At December 31, 2012 the following amounts were due between funds:

Due to	Due from	Amount	Purpose
General Fund	SPLOST	$ 12,990	Deposit error
General Fund	Recreation Department	$ 50,000	Capital project
Sanitation Fund	General Fund	$ 109,809	Operating expenses
Water/Sewer	General Fund	$ 2,641	Operating expenses
Water/Sewer	SPLOST	$ 10,209	Deposit error

NOTE 11-CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows for proprietary funds, demand deposits and certificates of deposit are considered cash. All certificates of deposit maturing within a three month period are considered cash.

NOTE 12-EXCISE TAX ON LODGING

The City levies an excise tax on lodging at the rate of five percent. The City is required to spend at least $5,000 of this amount promoting tourism. In 2012 the City collected $4,635 and expended $5,004.

NOTE 13-RESTRICTED NET POSITION

Restricted net position is used to indicate that a portion of the net position is not appropriable for expenditure or is legally segregated for a specific future use. The following restricted net position is used by the City of Lyons.

Primary Government:

General, Special Revenue and Capital Projects Funds:		
Restricted by ordinance - Recreation	$	101,544
Restricted for Capital Projects		3,228,049
Total Restricted Net Position	$	3,329,593

NOTE 14-JOINT VENTURE

The City, in conjunction with cities and counties in the fifteen (15) county Southeast Georgia area are members of the Heart of Georgia Altamaha Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDC's. Each municipality and county in the state is required by law to pay minimum annual dues to the RDC. The City paid annual dues in the amount of $4,467 to the RDC for the year ended December 31, 2012. The RDC Board membership includes the chief elected official of each municipality and the chief elected official of each county. The City Council members and the county board members from the same county elect one member of the Board, who is a resident (but not elected or appointed official or employee of the City or county) to serve as the non-public Board member from a City.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDC's as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements can be obtained from Heart of Georgia Altamaha Regional Development Center, 5405 Oak Street, Eastman, Georgia, 31023.

NOTE 15-INTERFUND TRANSFERS

Transferred from:	Amount	Transferred to:	Purpose
Sanitation Proprietary Fund	162,469	General Fund	Operations
Spec. Local Op. Sales Tax	10,993	Sanitation Proprietary Fund	Capital Outlay
Spec. Local Op. Sales Tax	55,124	Water/Sewer Prop. Fund	Capital Outlay
Water/Sewer Prop. Fund	13,925	General Fund	Operations
Water/Sewer Prop. Fund	12,641	Sanitation Proprietary Fund	Operations
General Fund	369	Hotel/Motel Spl. Rev. Fund	Operations
Total Transferred	$ 255,521		

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYONS, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original and Final Budget	Actual	Variance Over(Under)
Taxes:			
Property taxes	$ 186,438	$ 158,486	$ (27,952)
Prior taxes & penalties	13,000	3,974	(9,026)
Vehicle tags & taxes	3,200	18,764	15,564
Mobile home taxes	1,100	1,652	552
Intangible tax	500	-	(500)
Transfer tax	1,000	6,567	5,567
Timber tax	-	-	-
GPC franchise tax	205,000	183,208	(21,792)
Atlanta Gas franchise tax	13,000	11,114	(1,886)
Northland Cable franchise tax	31,000	27,589	(3,411)
Bell South franchise tax	13,000	16,930	3,930
Housing Authority tax	11,350	11,350	-
Local option sales tax	701,000	702,460	1,460
Alcoholic beverage tax	94,150	89,555	(4,595)
Insurance premium tax	225,000	217,564	(7,436)
Total	1,498,738	1,449,213	(49,525)
Licenses and Permits:			
Business licenses	60,000	56,677	(3,323)
Building & wiring permits	300	565	265
Total	60,300	57,242	(3,058)
Charges for Services:			
City payment - fire protection	24,000	25,097	1,097
County payment - fire protection	-	6,000	6,000
Debris charge	26,000	25,763	(237)
Animal control revenue	200	25,129	24,929
Election fees	-	-	-
Total	50,200	81,989	31,789
Subtotal	$ 1,609,238	$ 1,588,444	$ (20,794)

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original and Final Budget	Actual	Variance Over(Under)
Subtotal carryforward	$ 1,609,238	$ 1,588,444	$ (20,794)
Fines and forfeits:			
Fees & court costs	190,000	185,998	(4,002)
Total	190,000	185,998	(4,002)
Miscellaneous:			
Interest earned	-	27,058	27,058
Rent - miscellaneous	36,000	38,853	2,853
Bellsouth	6,000	2,961	(3,039)
Hargray	16,500	2,928	(13,572)
Southern Linc	6,000	6,900	900
Georgia Power Company	3,600	3,600	-
Fireman Fund	24,000	232	(23,768)
Miscellaneous	4,500	20,246	15,746
Total	96,600	102,778	6,178
Total General Fund Revenues	$ 1,895,838	$ 1,877,220	$ (18,618)

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original and Final Budget	Actual	Variance (Over)Under
General Government:			
Legislative and Executive:			
Personal services	$ 139,378	$ 116,419	$ 22,959
Operating expenditures	21,500	18,852	2,648
Total	160,878	135,271	25,607
Judicial:			
Personal services	4,200	-	4,200
Operating expenditures	50,000	34,254	15,746
Total	54,200	34,254	19,946
General Administration:			
Personal services	56,352	44,457	11,895
Operating expenditures	155,800	248,349	(92,549)
Total	212,152	292,806	(80,654)
Total General Government	427,230	462,331	(35,101)
Public Safety:			
Police Department:			
Personal services	665,987	703,688	(37,701)
Operating expenditures	185,424	195,583	(10,159)
Total	851,411	899,271	(47,860)
Fire Department:			
Personal services	68,237	42,398	25,839
Operating expenditures	28,440	22,732	5,708
Total	96,677	65,130	31,547
Total Public Safety	948,088	964,401	(16,313)
Public Works:			
Personal services	29,051	31,313	(2,262)
Operating expenditures	16,962	8,643	8,319
Total	46,013	39,956	6,057
Animal Control Facility:			
Personal services	20,024	17,696	2,328
Operating expenditures	7,490	7,111	379
Total	$ 27,514	$ 24,807	$ 2,707

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF LYONS, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Original and Final Budget	Actual	Variance (Over)Under
Street Department:			
Personal services	$ 52,215	$ 46,370	$ 5,845
Operating expenditures	191,990	221,982	(29,992)
Total	244,205	268,352	(24,147)
Culture & Recreation:			
Personal services	162,310	167,884	(5,574)
Operating expenditures	1,402	3,992	(2,590)
Total	163,712	171,876	(8,164)
Economic Development:			
Personal services	64,015	69,045	(5,030)
Operating expenditures	12,350	12,021	329
Total	76,365	81,066	(4,701)
Total General Fund Expenditures before Other financing sources/uses:	1,933,127	2,012,789	(79,662)
Other financing (sources)uses:			
Transfer to recreation	-	-	-
Transfer from sanitation	-	(162,469)	162,469
Transfer from water/sewer	-	(13,925)	13,925
Transfer from hotel/motel	-	369	(369)
Sale of capital assets	-	(46,633)	46,633
Total	-	(222,658)	222,658
Total General Fund Expenditures	$ 1,933,127	$ 1,790,131	$ 142,996

The accompanying notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Budget for the General Fund was adopted on a basis consistent with generally accepted accounting principles.

NOTE 2 -EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The individual funds, which had expenditures in excess of appropriates are as follows:

General Fund	Expenditures	Appropriations	Expenditures Over Appropriations
Current Operating Expenditures:			
General Administration	$ 292,806	$ 212,152	$ (80,654)
Police Department	899,271	851,411	(47,860)
Street Department	268,352	244,205	(24,147)
Culture and Recreation	171,876	163,712	(8,164)
Economic Development	81,066	76,365	(4,701)
Total Current Operating Expenditures	$ 1,713,371	$ 1,547,845	$ (165,526)

The General Fund had excess expenditures over appropriations for the year ended December 31, 2012. All expenditures were approved by City Council. The excess was funded by the prior year's fund balance.

CITY OF LYONS, GEORGIA
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

Actuarial Valuation Date		*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) -projected unit credit (b)*	*Unfunded (Excess) AAL (UAAL) (b-a)*	*Funded Ratio (a/b)*	*Covered Payroll (c)*	*UAAL as a Percentage of Covered Payroll ((b-a)/c)*
7/1/2007	$	1,422,163	1,626,444	204,281	87%	906,861	23%
7/1/2008	$	1,500,167	1,716,620	216,453	87%	1,013,153	21%
7/1/2009	$	1,108,459	1,855,201	746,742	60%	1,068,680	70%
7/1/2010	$	1,480,576	2,015,315	534,739	73%	1,053,147	51%
7/1/2011	$	1,605,470	2,065,331	459,861	78%	1,210,524	38%
7/1/2012	$	1,717,251	2,056,046	338,795	84%	934,499	36%

II. Notes

Valuation date	07/01/12
Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar amount
Amortization period	Varies for the bases
Actuarial asset valuation method	Fair market value
	Sum of the actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of the market value.

Actuarial assumptions:

Investment rate of return	7.75%
Projected salary increases	3.5% plus age and service based merit increases
Post retirement benefit increases	Not applicable
Inflation	0.00%

The accompanying notes to financial statements are an integral part of this statement.

McLain, Calhoun, McCullough, Clark & Co., P.C.
Certified Public Accountants
Business Consultants

William H. McLain, C.P.A.
Michael R. Calhoun, C.P.A.
Robin L. McCullough, C.P.A.
Tracy C. Clark, C.P.A.
Nicole A. Eason, C.P.A.

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

To the City Council
Lyons, Georgia

We have audited the accompanying Schedule of Special Local Option Sales Tax for the City of Lyons, Georgia, for the year ended December 31, 2012. This schedule is the responsibility of the City of Lyon's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

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

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

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Lyons' resolution or ordinance calling for the tax for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

McLain Calhoun McCullough Clark & Co., P.C.

June 21, 2013

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CITY OF LYONS, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE ONE (1) PERCENT LOCAL OPTION SALES AND USE TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Project Years	Projects	Original Estimated Cost	Amended Estimated Cost	Expenditures: Prior Years	Expenditures: Current Year	Total	Percentage of Completion
1998-2003	Public buildings	$ 100,000	100,000	131,546	-	$ 131,546	
1998-2003	Roads and streets: Drainage	150,532	150,532	201,832	-	201,832	
1998-2003	Roads and streets: Paving	650,000	650,000	650,000	-	650,000	
1998-2003	Water and Sewer	1,000,000	1,000,000	599,151	89,358	688,509	
1998-2003	Industrial Park	750,000	750,000	611,325	-	611,325	
1998-2003	Recreation: Paving	20,000	20,000	20,000	-	20,000	
Total		2,670,532	2,670,532	2,213,854	89,358	2,303,212	86.25%
2004-2008	Public buildings	650,000	1,350,000	1,350,000	-	1,350,000	
2004-2008	Roads and streets	1,000,000	800,000	801,646	-	801,646	
2004-2008	Water and Sewer	1,430,000	672,019	129,409	-	129,409	
2004-2008	Equipment acq: Public Safety	200,000	300,000	300,000	-	300,000	
2004-2008	Equipment acq: Sanitation	300,000	400,000	385,469	10,993	396,462	
2004-2008	Equipment acq: Streets	100,000	100,000	86,777	700	87,477	
Total		3,680,000	3,622,019	3,053,301	11,693	3,064,994	83.29%
2009-2014	Public buildings	313,000	313,000	122,572	285,985	408,557	
2009-2014	Roads and streets	2,304,667	2,304,667	181,964	269,508	451,472	
2009-2014	Water and Sewer	2,416,000	2,416,000	-	-	-	
2009-2014	Equipment acq: Public Safety	368,333	368,333	55,766	194,906	250,672	
2009-2014	Equipment acq: Sanitation	483,000	483,000	260,008	-	260,008	
2009-2014	Recreation	195,000	195,000	25,000	2,851	27,851	
Total		$ 6,080,000	6,080,000	645,310	753,250	$ 1,398,560	23.00%

The accompanying notes to financial statements are an integral part of this statement.

McLain, Calhoun, McCullough, Clark & Co., P.C.
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
Lyons, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Lyons as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Lyons' basic financial statements and have issued our report thereon dated June 21, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the 06-02 deficiency described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lyons, Georgia'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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses on page 45 as items 06-01 and 12-01.

We also noted certain other matters involving the internal control over financial reporting that we have reported to the management of City of Lyons, Georgia in a separate letter dated June 21, 2013.

City of Lyons' Response to Findings

City of Lyons, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Lyons, 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.

McLain Calhoun McCullough Clark & Co., P.C.

June 21, 2013

CURRENT YEAR FINDINGS AND RESPONSES – FINANCIAL STATEMENT AUDIT

06-01 EXPENDITURES OVER APPROPRIATIONS:

Condition: The City was in violation of State budget statutes for the year ended December 31, 2012 because certain departmental expenditures exceeded their budget at the legal level of control. The Georgia Statutes define the legal level of control at a minimum to be at the department level.

Criteria: O.C.G.A. 36-81 establishes the budgetary requirements.

Recommendation: Emphasize to management excess expenditures and importance of periodic comparison to enacted budget and amend budget if deemed necessary.

Response: Concur

06-02 SEGREGATION OF DUTIES

Condition: There is a lack of segregation of duties in the clerk's office and the recreation department offices.

Criteria: There should be segregation of duties in financial functions to reduce the risk of asset misappropriation and to ensure fiduciary responsibility to the public.

Recommendation: Close supervision by management and reduction of incompatible duties by the same personnel.

Response: Concur

12-01 SPECIAL REVENUE FUND BUDGETS

Condition: For the year ended December 31, 2012, no budget was adopted for the Lyons Recreation Department. Budgets should be adopted for this fund in accordance with the Official Code of Georgia (OCGA).

Criteria: O.C.G.A. 36-81 establishes the budgetary requirements.

Recommendation: Place more emphasis on the budget process and adopt budgets as required by State law.

Response: Concur