CITY OF LYONS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2013

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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 aggregate remaining fund information of the City of Lyons, Georgia, as of December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 aggregate remaining fund information of the City of Lyons, Georgia, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 20, 2014, 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.

Vidalia, Georgia

June 20, 2014

BASIC FINACIAL STATEMENTS

CITY OF LYONS, GEORGIA
GOVERNMENT – WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,491,682	$ 477,869	$ 1,969,551
Certificates of deposit	4,002,618	139,632	4,142,250
Receivables:			
Accounts	-	-	-
Property tax	66,200	-	66,200
Fees for services	31,978	-	31,978
Other receivables	201,284	-	201,284
Internal balances	-	-	-
Due from other governments	300,868	-	300,868
Prepaid expenditures	8,977	-	8,977
Capital Assets:			
Nondepreciable	1,401,154	15,270	1,416,424
Machinery and equipment	961,439	2,006,715	2,968,154
Buildings and improvements	2,223,890	5,438,297	7,662,187
Vehicles	997,005	150,843	1,147,848
Infrastructure	6,339,527	1,432,351	7,771,878
Accumulated depreciation	(2,852,790)	(4,765,681)	(7,618,471)
Capital assets, net of depreciation	9,070,225	4,277,795	13,348,020
Net pension obligation	237,096	-	237,096
Total Assets	15,410,928	4,895,296	20,306,224
Liabilities			
Accounts payable	124,138	84,242	208,380
Customer deposits	-	128,297	128,297
Internal balances	81,886	(81,886)	-
Notes payable:			
Due within one year	20,191	-	20,191
Due in more than one year	29,809	-	29,809
Total Liabilities	256,024	130,653	386,677
			-
Deferred Inflows of Resources			
Unearned revenue - LMIG grant	44,139	-	44,139
Unearned revenue - USDA grant	50,000	-	50,000
Total Deferred Inflows	94,139	-	94,139
Net Position			-
Net investment in capital assets	9,020,225	4,277,795	13,298,020
Restricted for:		-	-
Recreation	30,977	-	30,977
Capital projects	3,597,892	-	3,597,892
TSPLOST	42,215	-	42,215
Unrestricted	2,369,456	486,848	2,856,304
Total Net Position	$ 15,060,765	$ 4,764,643	$ 19,825,408

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, 2013

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions, and Interest	Program Revenues: Capital Grants, Contributions, and Interest
Governmental Activities				
General Government				
Legislative and Executive	$ 527,720	$ 143,298	$ -	$ -
Judicial	59,576	283,044	-	-
Public Safety	1,183,773	27,196	-	30,000
Public Works	399,192	-	-	760,204
Community Development	89,615	-	-	44,208
Recreation and Culture	520,269	268,203	69,117	-
Total Governmental Activities	2,780,145	721,741	69,117	834,412
Business-Type Activities				
Water and Sewer	1,319,348	1,067,371	-	-
Sanitation	522,253	413,910	-	-
Total Business-Type Activities	1,841,601	1,481,281	-	-
Total Primary Government	$ 4,621,746	$ 2,203,022	$ 69,117	$ 834,412

General Revenues
Property Taxes
Motor Vehicle Taxes
TSPLOST Tax
Sales Tax
Insurance Premium Taxes
Alcoholic Beverage Taxes
Real Estate Transfer Taxes
Franchise Tax
Interest
Other Revenues

Total General Revenues

Transfers

Change in Net Position

Net Position, Beginning - Restated

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
$ (384,422)	$ -	$ (384,422)
223,468	-	223,468
(1,126,577)	-	(1,126,577)
361,012	-	361,012
(45,407)	-	(45,407)
(182,949)	-	(182,949)
(1,154,875)	-	(1,154,875)
-	(251,977)	(251,977)
-	(108,343)	(108,343)
-	(360,320)	(360,320)
$ (1,154,875)	$ (360,320)	$ (1,515,195)
$ 190,055	$ -	$ 190,055
86,832	-	86,832
42,312	-	42,312
687,657	-	687,657
225,267	-	225,267
77,479	-	77,479
5,537	-	5,537
238,181	-	238,181
6,277	1,362	7,639
20,610	-	20,610
1,580,207	1,362	1,581,569
(164,659)	164,659	-
260,673	(194,299)	66,374
14,800,092	4,958,942	19,759,034
$ 15,060,765	$ 4,764,643	$ 19,825,408

CITY OF LYONS, GEORGIA
FUND FINANCIAL STATEMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Special Local Option Sales Tax Fund	Recreation Department	Other Governmental Funds	Total
Assets					
Cash	$ 319,589	$ 1,045,390	$ 86,574	$ 40,129	$ 1,491,682
Certificates of deposit	1,521,869	2,480,749	-	-	4,002,618
Receivables:					-
Property taxes	66,200	-	-	-	66,200
Fees for services	31,978	-	-	-	31,978
Other receivables	197,075	-	-	-	197,075
Interfund receivables	198,721	32,018	-	-	230,739
Due from other governments	114,535	186,333	-	4,209	305,077
Prepaid expenditures	8,977	-	-	-	8,977
Total assets	$ 2,458,944	$ 3,744,490	$ 86,574	$ 44,338	$ 6,334,346
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 118,544	$ -	$ 5,594	$ -	$ 124,138
Interfund payable	113,904	148,721	50,000	-	312,625
Total liabilities	232,448	148,721	55,594	-	436,763
Deferred Inflows of Resources					
Unavailable Revenue:					
Property Taxes	52,174				52,174
Grant - USDA	50,000	-	-	-	50,000
Grant - LMIG	44,139	-	-	-	44,139
Total Deferred Inflows of Resources	146,313	-	-	-	146,313
Fund Balances					
Nonspendable	8,977	-	-	-	8,977
Restricted	-	3,595,769	30,980	44,338	3,671,087
Unassigned	2,071,206	-	-	-	2,071,206
Total fund balance:	2,080,183	3,595,769	30,980	44,338	5,751,270
Total Liabilities, Deferred Inflows of Resources & Fund Balances	$ 2,458,944	$ 3,744,490	$ 86,574	$ 44,338	$ 6,334,346

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, 2013

Total Governmental Fund Balances	$	5,751,270
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Net pension obligation		237,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		9,070,225
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		52,174
Some liablities are not due and payable in the current period and, therefore, are not reported in the funds:		
Loans payable		(50,000)
Net Position of Governmental Activities	$	15,060,765

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, 2013

	General	Special Local Option Sales Tax Fund	Recreation Department	Other Governmental Funds	Total
Revenues:					
Taxes	$ 1,514,649	$ -	-	$ 47,724	$ 1,562,373
Grants	-	-	-	44,208	44,208
Licenses and permits	55,014	-	-	-	55,014
Intergovernmental	-	750,454	52,917	-	803,371
Charges for services	64,066	-	261,694	-	325,760
Fines and court costs	283,044	-	-	-	283,044
Miscellaneous	51,586	-	6,509	-	58,095
Donations	-	-	16,200	-	16,200
Interest	6,007	9,750	270	-	16,027
Total revenues	1,974,366	760,204	337,590	91,932	3,164,092
Expenditures:					
Current operating:					
General government	524,594	-	-	97	524,691
Public safety	1,135,413	-	-	-	1,135,413
Public works	-	-	-	-	-
Street department	267,882	-	-	-	267,882
Culture and recreation	201,338	-	275,444	-	476,782
Community development	84,203	-	-	5,412	89,615
Capital outlay	-	227,187	134,013	44,608	405,808
Total expenditures	2,213,430	227,187	409,457	50,117	2,900,191
Excess revenues(expenditures):	(239,064)	533,017	(71,867)	41,815	263,901
Other financing sources(uses):					
Debt proceeds	50,000	-	-	-	50,000
Transfers	(665)	(165,297)	1,303	-	(164,659)
Total other financing sources(uses)	49,335	(165,297)	1,303	-	(114,659)
Net change in fund balances	(189,729)	367,720	(70,564)	41,815	149,242
Fund balance, beginning - restated	2,269,912	3,228,049	101,544	2,523	5,602,028
Fund balance, end of year	$ 2,080,183	$ 3,595,769	30,980	$ 44,338	$ 5,751,270

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, 2013

Net change in fund balances - total governmental funds			$ 149,242
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			31,646
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	$ 134,013		
Capital projects - SPLOST	392,484		
Other government funds	44,608		
Capital outlay transferred from capital projects to water sewer proprietary fund	(165,297)		
Total	405,808		
Depreciation expense	(317,408)		
	88,400		88,400
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:			
Property taxes	11,385		11,385
Long-term debt issued is a revenue in the governmental fund, but the debt increases the liabilities on the statement of activities:			
Long-term debt issued	(50,000)		(50,000)
Capital contribution of vehicle not reported as revenue in governmental funds			30,000
Change in Net Position of Governmental Activities			$ 260,673

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, 2013

	Water and Sewer	Sanitation	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 330,485	$ 147,384	$ 477,869
Accounts receivable-net	63,371	76,261	139,632
Due from other funds	4,095	109,809	113,904
Total current assets	397,951	333,454	731,405
Noncurrent Assets			
Capital Assets:			
Nondepreciable	10,265	-	10,265
Machinery and equipment	1,463,485	543,230	2,006,715
Water system	5,438,297	-	5,438,297
Buildings and improvements	1,432,351	-	1,432,351
Vehicles	150,843	-	150,843
Construction in progress	5,005	-	5,005
Accumulated depreciation	(4,240,662)	(525,019)	(4,765,681)
Total non-current assets	4,259,584	18,211	4,277,795
Total Assets	4,657,535	351,665	5,009,200
Liabilities			
Current Liabilities			
Accounts payable	37,564	46,678	84,242
Due to other funds	32,018	-	32,018
Customer deposits	128,297	-	128,297
Total Current Liabilities	197,879	46,678	244,557
Net Position			
Net Investment in capital assets	4,259,584	18,211	4,277,795
Unrestricted	200,072	286,776	486,848
Total Net Position	$ 4,459,656	$ 304,987	$ 4,764,643

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
DECEMBER 31, 2013

	Water and Sewer	Sanitation	Total
Operating Revenues			
Current use charges	$ 1,066,756	$ 413,513	$ 1,480,269
Other charges	615	397	1,012
Total operating revenues	1,067,371	413,910	1,481,281
Operating Expenses			
Personal Services	675,255	131,806	807,061
Repairs and maintenance	107,219	39,935	147,154
Bad debts	-	16,193	16,193
Utilities	209,392	-	209,392
Materials and supplies	82,607	16,979	99,586
Drinking water fees	2,448	-	2,448
Landfill fees	-	59,641	59,641
Recycling fees	-	15,787	15,787
Other	44,287	220,383	264,670
Depreciation	198,140	21,529	219,669
Total Operating Expenses	1,319,348	522,253	1,841,601
Operating Income (Loss)	(251,977)	(108,343)	(360,320)
Non-Operating Revenue (Expenses)			
Interest revenue	858	504	1,362
Total Non-Operating Revenues (Expenses)	858	504	1,362
Loss before transfers	(251,119)	(107,839)	(358,958)
Transfers	164,281	378	164,659
Change in Net Position	(86,838)	(107,461)	(194,299)
Net Position Beginning of Year	4,546,494	412,448	4,958,942
Net Position End of Year	$ 4,459,656	$ 304,987	$ 4,764,643

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 FUNDS
DECEMBER 31, 2013

	Water and Sewer	Sanitation	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	$ 1,070,178	$ 397,968	$ 1,468,146
Cash received from others	615	397	1,012
Cash payments for personal services	(675,255)	(131,806)	(807,061)
Cash payments for repairs and maintenance	(107,219)	(39,935)	(147,154)
Cash payments for other operating expenses	(256,127)	(312,003)	(568,130)
Cash payments for materials and supplies	(92,596)	7	(92,589)
Net Cash Provided by(Used for) Operating Activities	(60,404)	(85,372)	(145,776)
Cash Flows from Noncapital Financing Activities			
Loan to other funds	(1,454)	-	(1,454)
Loan from other funds	42,228	-	42,228
Transfers out	(6,739)	(6,361)	(13,100)
Transfers in	5,723	6,739	12,462
Net Cash Provided by Noncapital Financing Activities	39,758	378	40,136
Cash Flows from Capital and Related Financing Activities			
Transfers in - Special Local Option Sales Tax Fund	165,297	-	165,297
Cash payments to purchase capital assest	(165,297)	-	(165,297)
Net Cash Provided by Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities			
Cash received from interest	858	504	1,362
Net Cash Flows Provided by Investing Activities	858	504	1,362
Net Increase(Decrease) in Cash and Cash Equivalents	(19,788)	(84,490)	(104,278)
Cash and Cash Equivalents at Beginning of Year	350,273	231,874	582,147
Cash and Cash Equivalents at End of Year	$ 330,485	$ 147,384	$ 477,869

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 FUNDS
DECEMBER 31, 2013

	Water and Sewer	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income(loss)	$ (251,977)	$ (108,343)	$ (360,320)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	198,140	21,529	219,669
Changes in Assets and Liabilities:			
(Increase)decrease in accounts receivable	2,440	(15,545)	(13,105)
Increase(decrease) in accounts payable	(9,989)	16,987	6,998
Increase in customer deposits	982	-	982
Net cash provided by operating activities	$ (60,404)	$ (85,372)	$ (145,776)

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.

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.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

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.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund (cont)

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

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

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)

Deferred Outflows / Inflows of Resources

During the year ended December 31, 2012 the City implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. During the year ended December 31, 2013 the City implemented GASB 65, Items Previously Reported as Assets and Liabilities. As a result of these standards, certain items previously reported as assets and liabilities are now reported as deferred outflows and deferred inflows of resources.

Deferred outflows of resources represent 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 items that qualify for reporting in this category.

Deferred inflows of resources represent 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.

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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2013; therefore, this budget is not available and not presented in the accompanying financial statements as supplementary information.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 position.

The only interfund balances which remain on the government-wide statement of net position 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, 2013, 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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 2013, 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.

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
Infrastructure, Water/Sewer System and Sanitation	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.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 inflows of resources. The deferred inflows of resources are combined with property tax revenue on the statement of activities and the deferred inflows of resources on the statement of net position are eliminated.

NOTE 4- DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental entities at December 31, 2013 are As follows:

	General Fund	Capital Projects	Special Revenue TSPLOST	Total
State of Georgia Sales Tax	$ 114,535	$ 186,333	$ 4,209	$ 305,077

NOTE 5- CHANGES IN CAPITAL ASSETS

Primary government

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

	Primary Government			
	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2014
Governmental activities				
Capital assets:				
Non-depreciable:				
Land	$ 1,166,307	$ -	$ -	$ 1,166,307
Construction in progress, restated	157,912	76,934	-	234,846
Depreciable:				
Buildings	2,137,896	85,995	-	2,223,891
Machinery, equipment and vehicles	1,729,747	228,698	-	1,958,445
Infrastructure	6,295,346	44,180	-	6,339,526
Total capital assets	11,487,208	435,807	-	11,923,015
Less: accumulated depreciation				
Buildings	(517,918)	(56,686)	-	(574,604)
Machinery & equipment	(1,166,157)	(123,935)	-	(1,290,092)
Infrastructure	(851,309)	(136,785)	-	(988,094)
Total accumulated depreciation	(2,535,384)	(317,406)	-	(2,852,790)
Governmental activites capital assets, net	$ 8,951,824	$ 118,401	$ -	$ 9,070,225

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

Governmental Activities:	
General Government	$ 62,606
Public Safety	80,005
Public Works	131,310
Recreation and Culture	43,487
Total governmental activities depreciation exp	$ 317,408

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, 2013 was as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
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	5,242,860	97,560	-	5,340,420
Machinery, equipment and vehicles	1,644,468	67,737	-	1,712,205
Less accumulated depreciation:				
Buildings	(334,220)	(35,809)	-	(370,029)
Water and sewer system in service	(2,191,927)	(145,648)	-	(2,337,575)
Machinery, equipment and vehicles	(1,516,375)	(16,683)	-	(1,533,058)
Total accumulated depreciation	(4,042,522)	(198,140)	-	(4,240,662)
Total water/sewer capital assets, net	4,292,427	(32,843)	-	4,259,584
Sanitation Enterprise Fund				
Machinery and equipment	543,230	-	-	543,230
Less accumulated depreciation:				
Machinery and equipment	(503,490)	(21,529)	-	(525,019)
Total accumulated depreciation	(503,490)	(21,529)	-	(525,019)
Total sanitation capital assets, net	39,740	(21,529)	-	18,211
Total	$ 4,332,167	$ (54,372)	-	4,277,795

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, 2013 (the most recent actuarial evaluation date) was $1,462,599 on W-2 earnings for the preceding year including $1,160,520 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	27
Fully vested active members	19
Retirees and beneficiaries currently receiving benefits	29
Terminated plan members entitled to but not yet receiving benefits	9
Total	84

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 2013 is $78,311. 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 2013 is equal to the minimum annual required contribution (ARC) of $78,311.

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	$	66,355
Interest on net pension obligation (asset)		(2,422)
Adjustments to annual required contribution		14,378
Annual pension cost		78,311
Contributions made		(109,957)
Change in net pension obligation (asset)		(31,646)
Net pension obligation (asset), beginning of year		(205,450)
Net pension obligation (asset), end of year	$	(237,096)

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

Fiscal Year	Pension Cost	Percentage Contributed	Employer Contributions	of Covered Payroll	Obligation (Asset)
2011	88,263	153%	134,915	11.0%	(165,617)
2012	94,980	142%	134,813	14.0%	(205,450)
2013	78,311	140%	109,957	9.5%	(237,096)

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)*
7/1/2013	$ 1,820,581	2,077,969	257,388	88%	1,160,520	22%

II. Notes

Valuation date	7/1/2013
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, 2013.

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	$ 5,987,047	$ 2,310,129	3,676,918	$ -	$ 5,971,220

NOTE 8- CHANGES IN LONG-TERM DEBT

The General Fund has one 36 month installment note obligation with the United States Department of Agriculture (USDA) dated September 26, 2013 for $50,000 at 3.54% interest. The promissory note, in conjunction with matching grant are for the purpose of purchasing computer equipment for the City. The note is to be repaid by general fund revenues.

Transactions for 2013 related to this note were as follows:

	Amount at 12/31/2012	Additions	Payments	Amount at 12/31/2013	Amount Due In One Year
Principal	$ -	50,000	-	50,000	20,191
Interest	-	2,776	-	2,776	1,799
	$ -	52,776	-	52,776	21,990

Amounts due in the succeeding years are as follows:

	USDA Loan	
Year	Interest	Principal
2014	$ 1,799	20,191
2015	784	16,808
2016	193	13,001
	$ 2,776	50,000

NOTE 9 - 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 10-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:			
Judicial	$ 59,576	$ 54,200	$ (5,376)
General Administration	342,541	185,326	(157,215)
Police Department	1,030,735	984,792	(45,943)
Fire Department	73,956	71,183	(2,773)
Animal Control Facility	30,722	25,514	(5,208)
Street Department	267,882	234,987	(32,895)
Culture and Recreation	201,338	164,571	(36,767)
Economic Development	84,203	70,913	(13,290)
Total Current Operating Expenditures	$ 2,090,953	$ 1,791,486	$ (299,467)

The General Fund had excess expenditures over appropriations for the year ended December 31, 2013. All expenditures were approved by City Council. The excess was funded by the prior year's fund balance.

NOTE 11-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 requirement has been met in Note 8.

C. Summary disclosure of changes in general long-term debt. The requirement has been met in Note 8.

D. Excess of expenditures over appropriations in individual funds. This requirement has been met by Note 10.

E. Deficit fund balances of individual funds. At December 31, 2013 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, 2013 the following amounts were due between funds:

Due to	Due from	Amount	Purpose
General Fund	SPLOST	$ 148,721	Operating expenses
General Fund	Recreation Department	$ 50,000	Capital project
Sanitation Fund	General Fund	$ 109,809	Operating expenses
Water/Sewer	General Fund	$ 4,095	Operating expenses
SPLOST	Water/Sewer	$ 32,018	Deposit error

NOTE 12-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 13-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, or 100% of the amount collected, promoting tourism. In 2013 the City collected $5,412 and expended $5,412.

NOTE 14-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 and TSPLOST	$	73,195
Restricted for Capital Projects		3,597,892
Total Restricted Net Postiton	$	3,671,087

NOTE 15-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, 2013. 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 16-INTERFUND TRANSFERS

Transferred from:	Amount	Transferred to:	Purpose
General Fund	5,723	Water/Sewer Prop. Fund	Operations
General Fund	1,303	Recreation Department Fund	Operations
Sanitation Prop. Fund	6,361	General Fund	Operations
Spec. Local Op. Sales Tax	165,297	Water/Sewer Prop. Fund	Capital Outlay
Water/Sewer Prop. Fund	6,739	Sanitation Prop. Fund	Operations
Total Transferred	$ 185,423		

NOTE 17-PRIOR PERIOD ADJUSTMENT

In 2012, the 2012 CDBG Fund balance of $2,523, including $2,500 of capital outlay, was inadvertently not reported in 2012. The omission resulted in an understatement of the governmental fund balance by $2,523 and government- wide governmental net position by $5,023. This was corrected in the 2013 financial statements by including a prior period adjustment.

	Governmental Funds 2012 CDBG Fund Balance	Government-Wide Governmental Net-Position
As previously reported	$ 5,599,505	$ 14,795,069
2012 CDBG Fund	2,523.00	5,023
December 31, 2012 restated	$ 5,602,028	$ 14,800,092

NOTE 18-SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2013, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYONS, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original and Final Budget	Actual	Variance Over(Under)
Taxes:			
Property taxes	$ 186,438	$ 178,670	$ (7,768)
Prior taxes & penalties	-	3,676	3,676
Vehicle tags & taxes	3,200	85,079	81,879
Mobile home taxes	1,000	1,753	753
Transfer tax	-	5,537	5,537
GPC franchise tax	201,151	183,420	(17,731)
Atlanta Gas franchise tax	13,000	11,180	(1,820)
Northland Cable franchise tax	31,000	26,719	(4,281)
Bell South franchise tax	13,000	16,862	3,862
Housing Authority tax	11,350	11,350	-
Local option sales tax	701,000	687,657	(13,343)
Alcoholic beverage tax	94,150	77,479	(16,671)
Insurance premium tax	225,000	225,267	267
Total	1,480,289	1,514,649	34,360
Licenses and Permits:			
Business licenses	60,000	54,614	(5,386)
Building & wiring permits	300	400	100
Total	60,300	55,014	(5,286)
Charges for Services			
City payment - fire protection	-	24,696	24,696
County payment - fire protection	-	2,500	2,500
Debris charge	26,000	25,231	(769)
Animal control revenue	200	11,153	10,953
Election qualifying fees	-	486	486
Total	26,200	64,066	37,866
Subtotal	$ 1,566,789	$ 1,633,729	$ 66,940

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, 2013

	Original and Final Budget	Actual	Variance Over(Under)
Subtotal carryforward	$ 1,566,789	$ 1,633,729	$ 66,940
Fines and forfeits:			
Fees & court costs	190,000	283,044	93,044
Total	190,000	283,044	93,044
Miscellaneous:			
Interest earned	35,542	6,007	(29,535)
Rent - miscellaneous	36,000	27,041	(8,959)
AT&T	6,000	3,087	(2,913)
Hargray	16,500	-	(16,500)
Southern Linc	6,000	7,935	1,935
Georgia Power Company	3,600	3,600	-
Fireman Fund	24,000	172	(23,828)
Beautification	-	1,200	1,200
Miscellaneous	2,500	8,551	6,051
Total	130,142	57,593	(72,549)
Total General Fund Revenues	$ 1,886,931	$ 1,974,366	$ 87,435

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, 2013

	Original and Final Budget	Actual	Variance (Over)Under
General Government			
Legislative and Executive:			
Personal services	$ 110,022	$ 97,980	$ 12,042
Operating expenditures	14,300	24,497	(10,197)
Total	124,322	122,477	1,845
Judicial:			
Personal services	4,200	5,800	(1,600)
Operating expenditures	50,000	53,776	(3,776)
Total	54,200	59,576	(5,376)
General Administration:			
Personal services	21,222	23,293	(2,071)
Operating expenditures	164,104	319,248	(155,144)
Total	185,326	342,541	(157,215)
Total General Government	363,848	524,594	(160,746)
Public Safety			
Police Department:			
Personal services	782,147	778,926	3,221
Operating expenditures	202,645	251,809	(49,164)
Total	984,792	1,030,735	(45,943)
Fire Department:			
Personal services	44,689	42,298	2,391
Operating expenditures	26,494	31,658	(5,164)
Total	71,183	73,956	(2,773)
Total Public Safety	1,055,975	1,104,691	(48,716)
Animal Control Facility:			
Personal services	19,770	21,329	(1,559)
Operating expenditures	5,744	9,393	(3,649)
Total	$ 25,514	$ 30,722	$ (5,208)

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, 2013

	Original and Final Budget	Actual	Variance (Over)Under
Street Department:			
Personal services	$ 34,591	$ 37,536	$ (2,945)
Operating expenditures	200,396	230,346	(29,950)
Total	234,987	267,882	(32,895)
Culture & Recreation:			
Personal services	162,569	189,384	(26,815)
Operating expenditures	2,002	11,954	(9,952)
Total	164,571	201,338	(36,767)
Economic Development:			
Personal services	62,063	65,004	(2,941)
Operating expenditures	8,850	19,199	(10,349)
Total	70,913	84,203	(13,290)
Total General Fund Expenditures before Other financing sources/uses:	1,915,808	2,213,430	(297,622)
Other financing (sources)uses:			
Long-term debt issued	-	(50,000)	50,000
Transfer to recreation	-	1,303	(1,303)
Transfer from sanitation	-	(6,361)	6,361
Transfer from water/sewer	-	5,723	(5,723)
Total	-	(49,335)	49,335
Total General Fund Expenditures	$ 1,915,808	$ 2,164,095	$ (248,287)

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

CITY OF LYONS, GEORGIA
NOTE TO BUDGETARY COMPARISON SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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:			
Judicial	$ 59,576	$ 54,200	$ (5,376)
General Administration	342,541	185,326	(157,215)
Police Department	1,030,735	984,792	(45,943)
Fire Department	73,956	71,183	(2,773)
Animal Control Facility	30,722	25,514	(5,208)
Street Department	267,882	234,987	(32,895)
Culture and Recreation	201,338	164,571	(36,767)
Economic Development	84,203	70,913	(13,290)
Total Current Operating Expenditures	$ 2,090,953	$ 1,791,486	$ (299,467)

The General Fund had excess expenditures over appropriations for the year ended December 31, 2013. All expenditures were approved by City Council. The excess was funded by the prior year's fund balance

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

CITY OF LYONS, GEORGIA
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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)*
7/1/2008	$ 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%
7/1/2013	$ 1,820,581	2,077,969	257,388	88%	1,160,520	22%

II. Notes

Valuation date	7/1/2013
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.

SUPPLEMENTARY INFORMATION

CITY OF LYONS, GEORGIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Hotel Motel Tourism	TSPLOST	CDBG 2012	Total Nonmajor Governmental Funds
Assets				
Cash	$ -	$ 38,006	$ 2,123	$ 40,129
Due from other government	-	4,209	-	4,209
Total assets	-	42,215	2,123	44,338
Liabilities and Fund Balances				
Liabilities				
Fund Balances				
Fund balance:				
Total Restricted	-	42,215	2,123	44,338
Total fund balances	-	42,215	2,123	44,338
Total Liabilities and Fund Balanc	$ -	$ 42,215	$ 2,123	$ 44,338

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

CITY OF LYONS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Hotel Motel Tourism	TSPLOST	CDBG 2012	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 5,412	$ 42,312	$ -	$ 47,724
Grants	-	-	44,208	44,208
				-
Total revenues	5,412	42,312	44,208	91,932
Expenditures:				
Current operating:	-	97		$ 97
Capital outlay	-	-	44,608	44,608
Culture and recreation	5,412	-	-	5,412
				-
Total expenditures	5,412	97	44,608	50,117
				-
Excess revenues(expenditures):	-	42,215	(400)	41,815
				-
Net change in fund balances	-	42,215	(400)	41,815
Fund balance - beginning of year	-	-	2,523	2,523
Fund balance - end of year	$ -	$ 42,215	$ 2,123	$ 44,338

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

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

Vidalia, Georgia

June 20, 2014

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, 2013

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	688,509	165,297	853,806	
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	2,303,212	165,297	2,468,509	92.44%
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	397,462	-	397,462	
2004-2008	Equipment acq: Streets	100,000	100,000	87,477	12,523	100,000	
Total		3,680,000	3,622,019	3,065,994	12,523	3,078,517	83.66%
2009-2014	Public buildings	313,000	313,000	408,557	36,186	444,743	
2009-2014	Roads and streets	2,304,667	2,304,667	451,472	84,088	535,560	
2009-2014	Water and Sewer	2,416,000	2,416,000	-	-	-	
2009-2014	Equipment acq: Public Safety	368,333	368,333	250,672	94,390	345,062	
2009-2014	Equipment acq: Sanitation	483,000	483,000	260,008	-	260,008	
2009-2014	Recreation	195,000	195,000	27,851	-	27,851	
Total		$ 6,080,000	6,080,000	1,398,560	214,664	$ 1,613,224	26.53%

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

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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 aggregate remaining fund information of the City of Lyons as of and for the year ended December 31, 2013, 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 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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 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. However, as described in the accompanying schedule of findings and responses, we identified 06-02 as a certain deficiency in internal control that we consider 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 47 as items 06-01, 12-01, and 13-01.

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 20, 2014.

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.

Vidalia, Georgia

June 20, 2014

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, 2013 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, 2013, 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

13-01 SPECIAL LOCAL OPTION SALES TAX

Condition: The City was in violation of State statutes for the year ended December 31, 2013 because a proprietary fund owed SPLOST money. The Georgia statutes prohibit SPLOST money from being used for any other purpose than required by law.

Criteria: O.C.G.A. 48-8-21 establishes the requirements.

Recommendation: Emphasize to management the importance of not co-mingling SPLOST money owed.

Response: Concur, and SPLOST was reimbursed as soon as the City became aware of the error.