CITY OF LYONS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the City Council
Lyons, Georgia 30436

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lyons, Georgia, as of December 31, 2014, 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, 2014, 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 41 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 Government Auditing Standards, we have also issued our report dated June 12, 2015, 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 12, 2015

BASIC FINANCIAL STATEMENTS

CITY OF LYONS, GEORGIA
GOVERNMENT – WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 949,126	$ 265,067	$ 1,214,193
Certificates of deposit	4,206,671	-	4,206,671
Receivables:			
Accounts	213,547	140,845	354,392
Property tax	68,310	-	68,310
Fees for services	29,812	-	29,812
Other receivables		-	-
Due from other governments	323,831	-	323,831
Prepaid expenditures	14,212	-	14,212
Capital Assets:			
Nondepreciable	1,838,734	15,270	1,854,004
Machinery and equipment	2,296,210	2,054,038	4,350,248
Buildings and improvements	2,241,457	1,432,351	3,673,808
Vehicles	-	159,343	159,343
Infrastructure	6,572,302	5,735,034	12,307,336
Accumulated depreciation	(3,223,198)	(4,977,207)	(8,200,405)
Capital assets, net of depreciation	9,725,505	4,418,829	14,144,334
Net pension obligation	259,493	-	259,493
Total Assets	15,790,507	4,824,741	20,615,248
Liabilities			
Accounts payable	222,751	76,051	298,802
Customer deposits	-	132,736	132,736
Internal balances	69,849	(69,849)	-
Notes payable:			
Due within one year	16,808	-	16,808
Due in more than one year	13,001	-	13,001
Total Liabilities	322,409	138,938	461,347
			-
Deferred Inflows of Resources			
Unearned revenue - LMIG grant	55,231	-	55,231
Total Deferred Inflows	55,231	-	55,231
Net Position			
Net investment in capital assets	9,695,696	4,418,829	14,114,525
Restricted for:			
Recreation	42,555	-	42,555
Capital projects	3,555,132	-	3,555,132
TSPLOST	44,747	-	44,747
General fund (debt repayment)	2,235	-	2,235
Unrestricted	2,072,502	266,974	2,339,476
Total Net Position	$ 15,412,867	$ 4,685,803	$ 20,098,670

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, 2014

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	$ 553,865	$ 152,230	$ -	$ 50,000
Judicial	39,717	188,176	-	-
Public Safety	1,268,413	22,580	12,000	-
Public Works	453,859	-	-	892,171
Community Development	97,730	-	-	282,999
Recreation and Culture	538,715	247,848	100,301	-
Total Governmental Activities	2,952,299	610,834	112,301	1,225,170
Business-Type Activities				
Water and Sewer	1,445,272	1,100,839	-	-
Sanitation	466,106	407,489	-	-
Total Business-Type Activities	1,911,378	1,508,328	-	-
Total Primary Government	$ 4,863,677	$ 2,119,162	$ 112,301	$ 1,225,170

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
$ (351,635)	$ -	$ (351,635)
148,459	-	148,459
(1,233,833)	-	(1,233,833)
438,312	-	438,312
185,269	-	185,269
(190,566)	-	(190,566)
(1,003,994)	-	(1,003,994)
-	(344,433)	(344,433)
-	(58,617)	(58,617)
-	(403,050)	(403,050)
$ (1,003,994)	$ (403,050)	$ (1,407,044)
$ 197,268	$ -	$ 197,268
98,730	-	98,730
49,156	-	49,156
707,216	-	707,216
235,533	-	235,533
76,319	-	76,319
5,651	-	5,651
275,476	-	275,476
5,062	1,033	6,095
23,862	-	23,862
1,674,273	1,033	1,675,306
(323,177)	323,177	-
347,102	(78,840)	268,262
15,065,765	4,764,643	19,830,408
$ 15,412,867	$ 4,685,803	$ 20,098,670

CITY OF LYONS, GEORGIA
FUND FINANCIAL STATEMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Special Local Option Sales Tax Fund	Recreation Department	Community Development Block Grant	Other Governmental Funds	Total
Assets						
Cash	$ 316,452	$ 484,859	$ 89,247	$ 24	$ 56,309	$ 946,891
Certificates of deposit	1,221,894	2,984,777	-	-	-	4,206,671
Receivables:						-
Property taxes	68,310	-	-	-	-	68,310
Fees for services	29,812	-	745	-	-	30,557
Other receivables	212,802	-	-	-	-	212,802
Interfund receivables	117,683	32,018	1,605	-	-	151,306
Due from other governments	121,267	196,472	-	-	6,092	323,831
Prepaid expenditures	14,212	-	-	-	-	14,212
Restricted assets:						
Cash and cash equivalents	2,235	-	-	-	-	2,235
Total assets	$ 2,104,667	$ 3,698,126	$ 91,597	$ 24	$ 62,401	$ 5,956,815
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	$ 127,053	$ 79,271	$ 16,427	$ -	$ -	$ 222,751
Interfund payable	107,139	63,747	50,269	-	-	221,155
Total liabilities	234,192	143,018	66,696	-	-	443,906
Deferred Inflows of Resources						
Unavailable Revenue:						
Property Taxes	66,389	-	-	-	-	66,389
Grant - LMIG	55,231	-	-	-	-	55,231
Total Deferred Inflows of Resources	121,620	-	-	-	-	121,620
Fund Balances						
Nonspendable	14,212	-	-	-	-	14,212
Restricted	2,235	3,555,108	24,901	24	62,401	3,644,669
Unassigned	1,732,408	-	-	-	-	1,732,408
Total fund balance:	1,748,855	3,555,108	24,901	24	62,401	5,391,289
Total Liabilities, Deferred Inflows of Resources & Fund Balances	$ 2,104,667	$ 3,698,126	$ 91,597	$ 24	$ 62,401	$ 5,956,815

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, 2014

Total Governmental Fund Balances	$	5,391,289
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Net pension obligation		259,493
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		9,725,505
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		66,389
Some liablities are not due and payable in the current period and, therefore, are not reported in the funds:		
Loans payable		(29,809)
Net Position of Governmental Activities	$	15,412,867

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, 2014

	General	Special Local Option Sales Tax Fund	Recreation Department	Community Development Block Grant	Other Governmental Funds	Total
Revenues:						
Taxes	$ 1,597,413	$ -	$ -	$ -	$ 56,389	$ 1,653,802
Grants	161,638	-	-	282,999		444,637
Licenses and permits	57,133	-	-	-	-	57,133
Intergovernmental	-	780,801	63,500	-	-	844,301
Charges for services	59,842	-	219,504	-	24,478	303,824
Fines and court costs	188,176	-	-	-	-	188,176
Miscellaneous	59,027	-	3,867	-	-	62,894
Donations	-	-	36,801	-	-	36,801
Interest	4,826	11,732	236	-	-	16,794
Total revenues	2,128,055	792,533	323,908	282,999	80,867	3,608,362
Expenditures:						
Current operating:						
General government	497,387	-	-	-		497,387
Public safety	1,201,894	-	-	-	-	1,201,894
Public works	-	-	-	-	-	-
Street department	272,448	-	-	-	46,624	319,072
Culture and recreation	195,063	-	279,517	-	11,824	486,404
Community development	91,841	-	-	-	5,890	97,731
Capital outlay	208,572	480,634	51,384	285,098	-	1,025,688
Debt service:						
Principal retirement	20,191	-	-	-	-	20,191
Interest	1,799	-	-	-	-	1,799
Total expenditures	2,489,195	480,634	330,901	285,098	64,338	3,650,166
Excess revenues(expenditures):	(361,140)	311,899	(6,993)	(2,099)	16,529	(41,804)
Other financing sources(uses):						
Transfers	29,812	(352,560)	914	-	(1,343)	(323,177)
Total other financing sources(uses)	29,812	(352,560)	914	-	(1,343)	(323,177)
Net change in fund balances	(331,328)	(40,661)	(6,079)	(2,099)	15,186	(364,981)
Fund balance, beginning - restated	2,080,183	3,595,769	30,980	2,123	47,215	5,756,270
Fund balance, end of year	$ 1,748,855	$ 3,555,108	$ 24,901	$ 24	$ 62,401	$ 5,391,289

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 ACTIVITITES
DECEMBER 31, 2014

Net change in fund balances - total governmental funds		$ (364,981)
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		22,397
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:		
General fund	$ 208,572	
Recreation department	51,384	
Capital projects - SPLOST	833,194	
CDBG 2012	285,098	
Other government funds		
Capital outlay transferred from capital projects to sanitation proprietary fund	(10,735)	
Capital outlay transferred from capital projects to water sewer proprietary fund	(341,825)	
Total	1,025,688	
Depreciation expense	(370,408)	
	655,280	655,280
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property taxes	14,215	14,215
Repayment of principal is an expenditure in the governmental funds, but the repayement reduces long-term liabilities on the statement of net position		
Principal retirement	20,191	20,191
Change in Net Position of Governmental Activities		$ 347,102

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, 2014

	Water and Sewer	Sanitation	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 162,622	$ 102,445	$ 265,067
Accounts receivable-net	55,456	85,389	140,845
Due from other funds	-	107,231	107,231
Total current assets	218,078	295,065	513,143
Noncurrent Assets			
Capital Assets:			
Nondepreciable	10,265	-	10,265
Machinery and equipment	1,500,073	553,965	2,054,038
Water system	5,735,034	-	5,735,034
Buildings and improvements	1,432,351	-	1,432,351
Vehicles	159,343	-	159,343
Construction in progress	5,005	-	5,005
Accumulated depreciation	(4,443,760)	(533,447)	(4,977,207)
Total non-current assets	4,398,311	20,518	4,418,829
Total Assets	4,616,389	315,583	4,931,972
Liabilities			
Current Liabilities			
Accounts payable	36,305	39,746	76,051
Due to other funds	37,382	-	37,382
Customer deposits	132,736	-	132,736
Total Current Liabilities	206,423	39,746	246,169
Net Position			
Net Investment in capital assets	4,398,311	20,518	4,418,829
Unrestricted	11,656	255,318	266,974
Total Net Position	$ 4,409,967	$ 275,836	$ 4,685,803

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, 2014

	Water and Sewer	Sanitation	Total
Operating Revenues			
Current use charges	$ 1,094,496	$ 407,489	$ 1,501,985
Other charges	6,343	-	6,343
Total operating revenues	1,100,839	407,489	1,508,328
Operating Expenses			
Personal Services	690,938	106,417	797,355
Repairs and maintenance	129,001	40,964	169,965
Bad debts	-	19,469	19,469
Utilities	229,477	-	229,477
Materials and supplies	129,577	3,655	133,232
Drinking water fees	19,350	-	19,350
Landfill fees	-	64,278	64,278
Recycling fees	-	1,067	1,067
Other	43,831	221,828	265,659
Depreciation	203,098	8,428	211,526
Total Operating Expenses	1,445,272	466,106	1,911,378
Operating Income (Loss)	(344,433)	(58,617)	(403,050)
Non-Operating Revenue (Expenses)			
Interest revenue	741	292	1,033
Total Non-Operating Revenues (Expenses)	741	292	1,033
Loss before transfers	(343,692)	(58,325)	(402,017)
Transfers	294,003	29,174	323,177
Change in Net Position	(49,689)	(29,151)	(78,840)
Net Position Beginning of Year	4,459,656	304,987	4,764,643
Net Position End of Year	$ 4,409,967	$ 275,836	$ 4,685,803

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, 2014

	Water and Sewer	Sanitation	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	$ 1,106,848	$ 398,361	$ 1,505,209
Cash received from others	6,343	-	6,343
Cash payments for personal services	(690,938)	(106,417)	(797,355)
Cash payments for repairs and maintenance	(129,001)	(40,964)	(169,965)
Cash payments for other operating expenses	(292,658)	(306,642)	(599,300)
Cash payments for materials and supplies	(130,835)	(10,586)	(141,421)
Net Cash Provided by (Used for) Operating Activities	(130,241)	(66,248)	(196,489)
Cash Flows from Noncapital Financing Activities			
Loan to other funds	(6,114)	2,578	(3,536)
Loan from other funds	15,573	-	15,573
Transfers out	(47,822)	-	(47,822)
Transfers in	-	18,439	18,439
Net Cash Provided by (Used for) Noncapital Financing Activities	(38,363)	21,017	(17,346)
Cash Flows from Capital and Related Financing Activities			
Transfers in - Special Local Option Sales Tax Fund	341,825	10,735	352,560
Cash payments to purchase capital assets	(341,825)	(10,735)	(352,560)
Net Cash Provided by Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities			
Cash received from interest	741	292	1,033
Net Cash Flows Provided by Investing Activities	741	292	1,033
Net Increase(Decrease) in Cash and Cash Equivalents	(167,863)	(44,939)	(212,802)
Cash and Cash Equivalents at Beginning of Year	330,485	147,384	477,869
Cash and Cash Equivalents at End of Year	$ 162,622	$ 102,445	$ 265,067

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, 2014

	Water and Sewer	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income(loss)	$ (344,433)	$ (58,617)	$ (403,050)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	203,098	8,428	211,526
Changes in Assets and Liabilities:			
(Increase)decrease in accounts receivable	7,915	(9,128)	(1,213)
Increase(decrease) in accounts payable	(1,258)	(6,931)	(8,189)
Increase in customer deposits	4,437	-	4,437
Net cash provided by operating activities	$ (130,241)	$ (66,248)	$ (196,489)

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.

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:

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 generally represents the difference between the assets and deferred outflows and liabilities and deferred inflows under the current financial resources measurement focus of accounting. 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 deferred outflows and liabilities and deferred inflo ws in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has 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 prese nts 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 inflows of resources 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 adopt a budget for 2014 and it is presented in the accompanying financial statements as required 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, 2014, 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 estimated fair market value on the date received. General infrastructure assets acquired prior to January 1, 2004 are not reported in the government-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 2014, 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, 2014 are as follows:

	General Fund	Capital Projects	Special Revenue TSPLOST	Total
State of Georgia				
Sales Tax	$ 121,267	$ 196,472	$ 6,092	$ 323,831

NOTE 5- CHANGES IN CAPITAL ASSETS

Primary government

Capital asset activity for the year ended December 31, 2014 was as follows:

	Primary Government			
	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Governmental activities				
Capital assets:				
Non-depreciable:				
Land	$ 1,166,307	$ -	$ -	$ 1,166,307
Construction in progress	234,846	437,581	-	672,427
Depreciable:				
Buildings	2,223,891	17,566	-	2,241,457
Machinery, equipment and vehicles	1,958,445	337,765	-	2,296,210
Infrastructure	6,339,526	232,776	-	6,572,302
Total capital assets	11,923,015	1,025,688	-	12,948,703
Less: accumulated depreciation				
Buildings	(574,604)	(60,043)	-	(634,647)
Machinery & equipment	(1,290,092)	(169,633)	-	(1,459,725)
Infrastructure	(988,094)	(140,732)	-	(1,128,826)
Total accumulated depreciation	(2,852,790)	(370,408)	-	(3,223,198)
Governmental activites capital assets, net	$ 9,070,225	$ 655,280	$ -	$ 9,725,505

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

Governmental Activities:	
General Government	$ 94,394
Public Safety	88,916
Public Works	134,787
Recreation and Culture	52,311
Total governmental activities depreciation expense	$ 370,408

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, 2014 was as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
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	5,340,420	296,737	-	5,637,157
Machinery, equipment and vehicles	1,712,205	45,088	-	1,757,293
Less accumulated depreciation:				
Buildings	(370,029)	(35,809)	-	(405,838)
Water and sewer system in service	(2,337,575)	(144,397)	-	(2,481,972)
Machinery, equipment and vehicles	(1,533,058)	(22,892)	-	(1,555,950)
Total accumulated depreciation	(4,240,662)	(203,098)	-	(4,443,760)
Total water/sewer capital assets, net	4,259,584	138,727	-	4,398,311
Sanitation Enterprise Fund				
Machinery and equipment	543,230	10,735	-	553,965
Less accumulated depreciation:				
Machinery and equipment	(525,019)	(8,428)	-	(533,447)
Total accumulated depreciation	(525,019)	(8,428)	-	(533,447)
Total sanitation capital assets, net	18,211	2,307	-	20,518
Total	$ 4,277,795	$ 141,034	$ -	$ 4,418,829

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, 2014 (the most recent actuarial evaluation date) was $1,548,254 on W-2 earnings for the preceding year including $1,337,891 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	31
Fully vested active members	20
Retirees and beneficiaries currently receiving benefits	27
Terminated plan members entiltled to but not yet receiving benefits	10
Total	88

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 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

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 2014 is $84,483. 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 2014 is equal to the minimum annual required contribution (ARC) of $84,483.

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	$	75,351
Interest on net pension obligation (asset)		(2,087)
Adjustments to annual required contribution		11,219
Annual pension cost		84,483
Contributions made		(106,880)
Change in net pension obligation (asset)		(22,397)
Net pension obligation (asset), beginning of year		(237,096)
Net pension obligation (asset), end of year	$	(259,493)

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

Fiscal Year	Annual Pension Cost	Percentage Contributed	Employer Contributions	Percentage of Covered Payroll	Obligation (Asset)
2012	94,980	142%	134,813	14.0%	(205,450)
2013	78,311	140%	109,957	9.5%	(237,096)
2014	84,483	127%	106,880	8.0%	(259,493)

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)*
7/1/2014	$	1,906,209	2,093,860	187,651	91%	1,337,891	14%

II. Notes

Valuation date	7/1/2014
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, 2014.

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	$ 5,521,060	$ 2,278,679	3,242,381	$ -	$ 5,417,347

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, is for the purpose of purchasing computer equipment for the City. The note is to be repaid by general fund revenues.

Transactions for 2014 related to this note were as follows:

	Amount at 12/31/2013	Additions	Payments	Amount at 12/31/2014	Amount Due In One Year
Principal	$ 50,000	-	20,191	29,809	16,808
Interest	2,776	-	1,799	977	784
	$ 52,776	-	21,990	30,786	17,592

Amounts due in the succeeding years are as follows:

	USDA Loan	
Year	Interest	Principal
2015	$ 784	$ 16,808
2016	193	13,001
	$ 977	$ 29,809

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:			
Legislative and Executive	$ 152,206	$ 145,340	$ (6,866)
General Administration	405,464	214,675	(190,789)
Police Department	1,079,154	984,290	(94,864)
Fire Department	72,598	62,550	(10,048)
Animal Control Facility	50,142	28,900	(21,242)
Street Department	381,020	275,800	(105,220)
Culture and Recreation	195,063	155,572	(39,491)
Economic Development	91,841	77,550	(14,291)
Debt Service	21,990	-	(21,990)
Total Current Operating Expenditures	$ 2,449,478	$ 1,944,677	$ (504,801)
Recreation Department			
Culture and Recreation	$ 330,901	$ 60,116	$ (270,785)

The General Fund and Recreation Department had excess expenditures over appropriations for the year ended December 31, 2014. All expenditures were approved either by City Council or the Recreation Department Board. 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, 2014 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, 2014 the following amounts were due between funds:

Due to	Due From	Amount	Purpose
General Fund	SPLOST	$ 63,747	Operating expenses
General Fund	Recreation Department	$ 50,000	Capital project
General Fund	Recreation Department	$ 177	Operating expenses
General Fund	Water/Sewer	$ 3,759	Operating expenses
Sanitation Fund	General Fund	$ 107,139	Operating expenses
Sanitation Fund	Recreation Department	$ 92	Operating expenses
SPLOST	Water/Sewer	$ 32,018	Depost error
Recreation Department	Water/Sewer	$ 1,605	Operating expenses

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 the lesser of $5,000, or 100% of the amount collected, promoting tourism. In 2014 the City collected $7,233 and expended $5,890.

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, TSPLOST, and Soapbox Derby	$	87,302
Restricted by creditors - General government		2,235
Restricted for Capital Projects		3,555,132
Total Restricted Net Postiton	$	3,644,669

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 $4,367 to the RDC for the year ended December 31, 2014. 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	$ 4,084	Sanitation Prop. Fund	Operations
General Fund	914	Recreation Department Fund	Operations
Spec. Local Op. Sales Tax	10,735	Sanitation Prop. Fund	Capital Outlay
Spec. Local Op. Sales Tax	341,825	Water/Sewer Prop. Fund	Capital Outlay
Water/Sewer Prop. Fund	33,467	General Fund	Operations
Water/Sewer Prop. Fund	14,355	Sanitation Prop. Fund	Operations
Hotel/Motel Spl. Rev Fund	1,343	General Fund	Operations
Total Transferred	$ 406,723		

NOTE 17-PRIOR PERIOD ADJUSTMENT

In 2014, the City of Lyons added an additional special revenue fund, the Soap Box Derby. If the City had not taken over this community event/fund, the event would have been moved to another municipality. Because the event brings needed revenue to the area, the City felt is was imperative to keep the event local. In 2014, the Soap Box Derby fund moved over a bank account into the City in the amount of $5,000. This was booked as fund balance, resulting in the need for a prior period adjustment to increase both Governmental Fund Balance and the Government-Wide Net Assets by $5,000.

	Governmental Funds Other Governmental Funds Fund Balance	Government-Wide Governmental Net-Assets
As previously reported	$ 44,338	$ 15,060,765
Soap Box Derby Fund	5,000	5,000
December 31, 2013 restated	$ 49,338	$ 15,065,765

NOTE 18-SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 12, 2015, 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, 2014

	Original and Final Budget	Actual	Variance Over(Under)
Taxes			
Property taxes	$ 217,000	$ 183,053	$ (33,947)
Prior taxes & penalties	4,000	4,085	85
Vehicle tags & taxes	66,300	96,022	29,722
Mobile home taxes	3,100	2,708	(392)
Transfer tax	7,600	5,651	(1,949)
GPC franchise tax	245,000	215,672	(29,328)
Atlanta Gas franchise tax	10,700	18,457	7,757
Northland Cable franchise tax	26,800	27,102	302
Bell South franchise tax	17,000	14,245	(2,755)
Housing Authority tax	11,350	11,350	-
Local option sales tax	710,800	707,216	(3,584)
Alcoholic beverage tax	76,900	76,319	(581)
Insurance premium tax	225,000	235,533	10,533
Total	1,621,550	1,597,413	(24,137)
Intergovernmental			
DOT Funds - LMIG	-	99,638	99,638
Fire grant	-	12,000	12,000
USDA grant	-	50,000	50,000
Total	-	161,638	161,638
Licenses and Permits			
Business licenses	53,000	57,133	4,133
Total	53,000	57,133	4,133
Charges for Services			
Zoning application fees	500	350	(150)
City payment - fire protection	24,700	22,580	(2,120)
County payment - fire protection	9,000	-	(9,000)
Debris charge	25,300	23,665	(1,635)
Animal control revenue	16,200	13,247	(2,953)
Election qualifying fees	-	-	-
Total	75,700	59,842	(15,858)
Subtotal	$ 1,750,250	$ 1,876,026	$ 125,776

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, 2014

	Original and Final Budget	Actual	Variance Over(Under)
Subtotal carryforward	$ 1,750,250	$ 1,876,026	$ 125,776
Fines and forfeits:			
Fees & court costs	279,000	184,773	(94,227)
Other police reciepts	2,400	3,403	1,003
Total	281,400	188,176	(93,224)
Miscellaneous:			
Interest earned	12,000	4,826	(7,174)
Rent - miscellaneous	26,700	31,900	5,200
AT&T	3,200	2,234	(966)
Southern Linc	8,000	7,935	(65)
Georgia Power Company	3,600	1,500	(2,100)
Fireman Fund	-	1,192	1,192
Beautification	1,000	-	(1,000)
Miscellaneous	4,150	14,266	10,116
Total	58,650	63,853	5,203
Total General Fund Revenues	$ 2,090,300	$ 2,128,055	$ 37,755

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, 2014

	Original and Final Budget	Actual	Variance (Over)Under
General Government			
Legislative and Executive:			
Personal services	$ 119,440	$ 119,120	$ 320
Operating expenditures	25,900	33,086	(7,186)
Total	145,340	152,206	(6,866)
Judicial:			
Personal services	7,800	7,800	-
Operating expenditures	49,600	31,917	17,683
Total	57,400	39,717	17,683
General Administration:			
Personal services	23,400	27,555	(4,155)
Operating expenditures	191,275	277,909	(86,634)
Capital Outlay	-	100,000	(100,000)
Total	214,675	405,464	(190,789)
Total General Government	417,415	597,387	(179,972)
Public Safety			
Police Department:			
Personal services	753,200	850,840	(97,640)
Operating expenditures	231,090	228,314	2,776
Total	984,290	1,079,154	(94,864)
Fire Department:			
Personal services	37,150	32,366	4,784
Operating expenditures	25,400	40,232	(14,832)
Total	62,550	72,598	(10,048)
Total Public Safety	1,046,840	1,151,752	(104,912)
Animal Control Facility:			
Personal services	19,000	39,315	(20,315)
Operating expenditures	9,900	10,827	(927)
Total	$ 28,900	$ 50,142	$ (21,242)

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, 2014

	Original and Final Budget	Actual	Variance (Over)Under
Street Department:			
Personal services	$ 40,800	$ 51,946	$ (11,146)
Operating expenditures	235,000	220,502	14,498
Capital outlay	-	108,572	(108,572)
Total	275,800	381,020	(105,220)
Culture & Recreation:			
Personal services	143,912	191,337	(47,425)
Operating expenditures	11,660	3,726	7,934
Total	155,572	195,063	(39,491)
Economic Development:			
Personal services	65,750	69,994	(4,244)
Operating expenditures	11,800	21,847	(10,047)
Total	77,550	91,841	(14,291)
Debt Service:			
Principal retirement	-	20,191	(20,191)
Interest expense	-	1,799	(1,799)
Total	-	21,990	(21,990)
Total General Fund Expenditures before Other financing sources/uses:	1,924,527	2,489,195	(472,827)
Other financing (sources)uses:			
Transfer to hotel/motel	-	(1,343)	1,343
Transfer to recreation	-	914	(914)
Transfer to sanitation	-	4,084	(4,084)
Transfer from water/sewer	-	(33,467)	33,467
Total	-	(29,812)	28,469
Total General Fund Expenditures	$ 1,924,527	$ 2,459,383	$ (444,358)

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

CITY OF LYONS, GEORGIA
BUDGETARY COMPARISON SCHEDULE
RECREATION DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original and Final Budget	Actual	Variance Over(Under)
Intergovernmental:			
Toombs County	$ -	$ 63,500	$ 63,500
Total	-	63,500	63,500
Charges for Services:			
Sports and tournament fees	-	75,074	75,074
Concessions	30,000	72,038	42,038
Insurance fees	146,000	-	(146,000)
Picture fees	-	1,125	1,125
Building fee income	-	72,392	72,392
Total	176,000	220,629	44,629
Miscellaneous:			
Interest earned	-	236	236
Donations	-	36,801	36,801
Miscellaneous	-	2,742	2,742
Total	-	39,779	39,779
Total Recreation Dept Revenues	$ 176,000	$ 323,908	$ 147,908

	Original and Final Budget	Actual	Variance (Over)Under
Culture and Recreation:			
Operating expenditures	$ 60,116	$ 277,755	$ (217,639)
Personal Services	-	1,762	(1,762)
Capital outlay	-	51,384	(51,384)
Total	60,116	330,901	(270,785)
Total Recreation Dept Expenditures before Other financing sources/uses	60,116	330,901	(270,785)
Other financing (sources)uses:			
Transfer from General Fund	-	(914)	914
Total	-	(914)	914
Total Recreation Dept Expenditures	$ 60,116	$ 329,987	$ (269,871)

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 and Recreation Department are 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:			
Legislative and Executive	$ 152,206	$ 145,340	$ (6,866)
General Administration	405,464	214,675	(190,789)
Police Department	1,079,154	984,290	(94,864)
Fire Department	72,598	62,550	(10,048)
Animal Control Facility	50,142	28,900	(21,242)
Street Department	381,020	275,800	(105,220)
Culture and Recreation	195,063	155,572	(39,491)
Economic Development	91,841	77,550	(14,291)
Debt Service	21,990	-	(21,990)
Total Current Operating Expenditures	$ 2,449,478	$ 1,944,677	$ (504,801)
Recreation Department			
Culture and Recreation	$ 330,901	$ 60,116	$ (270,785)

The General Fund and Recreation Department had excess expenditures over appropriations for the year ended December 31, 2014. All expenditures were approved by either City Council or the Recreation Department Board. 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, 2014

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)*
7/1/2009	$	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%
7/1/2014	$	1,906,209	2,093,860	187,651	91%	1,337,891	14%

II. Notes

Valuation date	7/1/2014
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, 2014

	Hotel Motel Tourism	TSPLOST	Soap Box Derby	Total Nonmajor Governmental Funds
Assets				
Cash	$ -	$ 38,655	$ 17,654	$ 56,309
Due from other government	-	6,092	-	6,092
Total assets	-	44,747	17,654	62,401
Liabilities and Fund Balances				
Liabilities				
Fund Balances				
Fund balance:				
Total Restricted	-	44,747	17,654	62,401
Total fund balances	-	44,747	17,654	62,401
Total Liabilities and Fund Balances	$ -	$ 44,747	$ 17,654	$ 62,401

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, 2014

	Hotel Motel Tourism	TSPLOST	Soap Box Derby	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 7,233	$ 49,156	$ -	$ 56,389
Charges for services	-	-	24,478	24,478
Grants	-	-	-	-
				-
Total revenues	7,233	49,156	24,478	80,867
Expenditures:				
Current operating:				
Street department	-	46,624	-	46,624
Culture and recreation	-	-	11,824	11,824
Community development	5,890	-	-	5,890
Total expenditures	5,890	46,624	11,824	64,338
Other financing sources (uses):				
Transfers	(1,343)	-	-	(1,343)
Total other financing sources (uses)	(1,343)	-	-	(1,343)
				-
Excess revenues(expenditures):	-	2,532	12,654	15,186
				-
Net change in fund balances	-	2,532	- 12,654	- 15,186
Fund balance - beginning - restated	-	42,215	5,000	47,215
Fund balance - end of year	$ -	$ 44,747	$ 17,654	$ 62,401

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, 2014. 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, 2014, in conformity with accounting principles generally accepted in the United States of America.

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

Vidalia, Georgia

June 12, 2015

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, 2014

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	853,806	146,194	1,000,000	
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	2,468,509	146,194	2,614,703	97.91%
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	195,631	325,040	
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	2,538	400,000	
2004-2008	Equipment acq: Streets	100,000	100,000	100,000	-	100,000	
Total		3,680,000	3,622,019	3,078,517	198,169	3,276,686	89.04%
2009-2014	Public buildings	313,000	313,000	444,743	43,001	487,744	
2009-2014	Roads and streets	2,304,667	2,304,667	535,560	266,736	802,296	
2009-2014	Water and Sewer	2,416,000	2,416,000	-	-	-	
2009-2014	Equipment acq: Public Safety	368,333	368,333	345,062	170,897	515,959	
2009-2014	Equipment acq: Sanitation	483,000	483,000	260,008	8,197	268,205	
2009-2014	Recreation	195,000	195,000	27,851	-	27,851	
Total		$ 6,080,000	6,080,000	1,613,224	488,831	$ 2,102,055	34.57%

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 aggregate remaining fund information of the City of Lyons as of and for the year ended December 31, 2014, 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 12, 2015.

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 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 12, 2015.

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 12, 2015

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, 2014 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

13-01 SPECIAL LOCAL OPTION SALES TAX

Condition: The City was in violation of State statutes for the year ended December 31, 2014 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.