CITY OF LYONS, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2017

Prepared by:
Lyons Finance Department

CITY OF LYONS, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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CITY OF LYONS, GEORGIA

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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FINANCIAL SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
Lyons, Georgia

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** (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Multiple Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 42), and the Schedule of City Contributions (on page 43) 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 the 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's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of special purpose local option sales tax proceeds 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 combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of special purpose local option sales tax proceeds 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 19, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
June 19, 2018

CITY OF LYONS, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 704,861	$ 637,769	$ 1,342,630
Investments	2,496,238	-	2,496,238
Receivables, net			
Accounts	-	172,669	172,669
Property tax	56,753	-	56,753
Other receivables	194,955	-	194,955
Due from other governments	256,740	-	256,740
Internal balances	(107,934)	107,934	-
Inventory	-	41,020	41,020
Prepaid expenses	2,403	7,592	9,995
Capital assets:			
Non-depreciable	2,513,311	10,265	2,523,576
Depreciable, net of accumulated depreciation	9,258,008	4,603,733	13,861,741
Total assets	15,375,335	5,580,982	20,956,317
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	143,971	59,119	203,090
Total deferred outflows of resources	143,971	59,119	203,090
LIABILITIES			
Accounts payable	59,731	58,995	118,726
Accrued salaries and related liabilities	15,837	3,647	19,484
Customer deposits	-	116,819	116,819
Net pension liability	342,278	140,551	482,829
Total liabilities	417,846	320,012	737,858
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	136,903	56,217	193,120
Total deferred inflows of resources	136,903	56,217	193,120
NET POSITION			
Investment in capital assets	11,771,319	4,613,998	16,385,317
Restricted for:			
Tourism	364	-	364
Capital projects	2,442,527	-	2,442,527
Unrestricted	750,347	649,874	1,400,221
Total net position	$ 14,964,557	$ 5,263,872	$ 20,228,429

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

CITY OF LYONS, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 874,388	$ 69,588	$ -	$ -
Public safety	1,419,415	405,628	11,579	1,200
Public works	626,835	-	-	-
Community development	571,728	-	97,837	-
Recreation and culture	154,270	250,674	398,170	10,461
Total governmental activities	3,646,636	725,890	507,586	11,661
Business-type activities:				
Water and sewer	1,599,558	1,744,255	-	-
Sanitation	486,842	511,042	-	-
Total business-type activities	$ 2,086,400	$ 2,255,297	$ -	$ -
General revenues:				
Taxes				
Property taxes				
Motor vehicle taxes				
TSPLOST taxes				
Sales taxes				
Insurance premium taxes				
Alcoholic beverage taxes				
Real estate transfer taxes				
Franchise taxes				
Other taxes				
Interest				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year as restated				
Net position, end of year				

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	**Business-type Activities**	**Total**
$ (804,800)	$ -	$ (804,800)
(1,001,008)	-	(1,001,008)
(626,835)	-	(626,835)
(473,891)	-	(473,891)
505,035	-	505,035
(2,401,499)	-	(2,401,499)
-	144,697	144,697
-	24,200	24,200
$ -	$ 168,897	$ 168,897
248,120	-	248,120
98,063	-	98,063
48,152	-	48,152
1,374,635	-	1,374,635
290,235	-	290,235
79,764	-	79,764
4,082	-	4,082
313,166	-	313,166
33,910	-	33,910
13,539	-	13,539
66,759	1,423	68,182
(245,981)	245,981	-
2,324,444	247,404	2,571,848
(77,055)	416,301	339,246
15,041,612	4,847,571	19,889,183
$ 14,964,557	$ 5,263,872	$ 20,228,429

CITY OF LYONS, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	General Fund	Special Local Option Sales Tax Fund	Multiple Grants Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 189,496	$ 413,747	$ -	$ 101,618	$ 704,861
Investments	691,854	1,804,384	-	-	2,496,238
Receivables, net					
Property taxes	56,753	-	-	-	56,753
Other receivables	194,591	-	-	364	194,955
Due from governments	118,715	132,004	-	6,021	256,740
Due from other funds	11,969	-	73,264	-	85,233
Prepaid expenditures	2,266	-	-	137	2,403
Total assets	$ 1,265,644	$ 2,350,135	$ 73,264	$ 108,140	$ 3,797,183
LIABILITIES					
Accounts payable	$ 45,164	$ 93	$ -	$ 14,474	$ 59,731
Accrued salaries and related liabilities	15,837	-	-	-	15,837
Due to other funds	107,934	85,233	-	-	193,167
Total liabilities	168,935	85,326	-	14,474	268,735
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	40,261	-	-	-	40,261
Total deferred inflows of resources	40,261	-	-	-	40,261
FUND BALANCES					
Nonspendable:					
Prepaids	2,266	-	-	137	2,403
Restricted for:					
Capital projects	-	2,264,809	73,264	104,454	2,442,527
Tourism	-	-	-	364	364
Unassigned	1,054,182	-	-	(11,289)	1,042,893
Total fund balances	1,056,448	2,264,809	73,264	93,666	3,488,187
Total liabilities, deferred inflows of resources, and fund balances	$ 1,265,644	$ 2,350,135	$ 73,264	$ 108,140	$ 3,797,183

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

CITY OF LYONS, GEORGIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances - total governmental funds		$ 3,488,187
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of assets	$ 16,263,287	
Accumulated depreciation	(4,491,968)	
		11,771,319
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		40,261
The net pension liability and related deferred inflows and outflows of resources are not financial resources, and therefore, are not reported in the governmental funds.		(335,210)
Net position of governmental activities		$ 14,964,557

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

CITY OF LYONS, GEORGIA

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

	General Fund	Special Local Option Sales Tax Fund	Multiple Grants Fund	Nonmajor Governmental Funds	Total
Revenues:					
Taxes	$ 1,733,346	$ -	$ -	$ 50,937	$ 1,784,283
Charges for services	111,026	-	-	250,674	361,700
Licenses and permits	69,588	-	-	-	69,588
Intergovernmental	11,579	707,794	398,170	97,837	1,215,380
Fines and forfeitures	294,602	-	-	-	294,602
Contributions and donations	1,200	-	-	10,461	11,661
Interest revenues	12,596	900	-	43	13,539
Other revenues	60,214	-	-	6,545	66,759
Total revenues	2,294,151	708,694	398,170	416,497	3,817,512
Expenditures:					
Current:					
General government	559,995	23,849	-	-	583,844
Public safety	1,350,902	7,295	-	-	1,358,197
Public works	399,624	15,818	-	23,401	438,843
Culture and recreation	193,593	-	-	322,826	516,419
Community development	108,512	-	-	45,729	154,241
Capital outlay	-	1,658,806	324,906	-	1,983,712
Total expenditures	2,612,626	1,705,768	324,906	391,956	5,035,256
Excess (deficiency) of revenues over (under) expenditures	(318,475)	(997,074)	73,264	24,541	(1,217,744)
Other financing sources (uses):					
Transfers in	1,321	-	-	-	1,321
Transfers out	-	-	-	(1,321)	(1,321)
Total other financing sources (uses)	1,321	-	-	(1,321)	-
Net change in fund balances	(317,154)	(997,074)	73,264	23,220	(1,217,744)
Fund balances, beginning of year as restated	1,373,602	3,261,883	-	70,446	4,705,931
Fund balances, end of year	$ 1,056,448	$ 2,264,809	$ 73,264	$ 93,666	$ 3,488,187

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

CITY OF LYONS, GEORGIA

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

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (1,217,744)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital outlay	$ 1,543,797	
Depreciation expense	(400,609)	
		1,143,188
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,950)
Pension expense related to the net pension liability as recorded in the statement of activities is based on the City's proportionate share of pension expense of the retirement system as a whole, whereas pension expenditures recorded in the funds are based on the use of financial resource (e.g., required contributions). Thus, the change in net position differs from the change in fund balance by the amount in which the City's proportionate share of pension expense exceeds actual contributions.		(549)
Change in net position of governmental activities		$ (77,055)

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

CITY OF LYONS, GEORGIA

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

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ 1,840,350	$ 1,823,150	$ 1,733,346	$ (89,804)
Charges for services	57,800	117,500	111,026	(6,474)
Licenses and permits	61,700	63,600	69,588	5,988
Intergovernmental	45,000	11,500	11,579	79
Fines and forfeitures	216,000	330,000	294,602	(35,398)
Contributions and donations	2,000	2,000	1,200	(800)
Interest revenue	1,000	1,000	12,596	11,596
Other revenues	64,162	41,176	60,214	19,038
Total revenues	2,288,012	2,389,926	2,294,151	(95,775)
Expenditures:				
Current:				
General government:				
Legislative and executive	147,500	150,255	159,504	(9,249)
Judicial	62,800	85,660	67,039	18,621
General administration	303,000	261,450	333,452	(72,002)
Total general government	513,300	497,365	559,995	(62,630)
Public safety:				
Police department	1,109,317	1,177,980	1,214,085	(36,105)
Fire department	65,900	75,320	78,150	(2,830)
Animal control	51,700	59,100	58,667	433
Total public safety	1,226,917	1,312,400	1,350,902	(38,502)
Public works	330,200	395,100	399,624	(4,524)
Culture and recreation	189,050	184,250	193,593	(9,343)
Community development	92,400	109,010	108,512	498
Total expenditures	2,351,867	2,498,125	2,612,626	(114,501)
Deficiency of revenues over expenditures	(63,855)	(108,199)	(318,475)	(210,276)
Other financing sources:				
Transfers in	-	-	1,321	1,321
Total other financing sources	-	-	1,321	1,321
Net change in fund balances	(63,855)	(108,199)	(317,154)	(208,955)
Fund balances, beginning of year as restated	1,373,602	1,373,602	1,373,602	-
Fund balances, end of year	$ 1,309,747	$ 1,265,403	$ 1,056,448	$ (208,955)

CITY OF LYONS, GEORGIA

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

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 321,000	$ 398,170	$ 398,170	$ -
Total revenues	321,000	398,170	398,170	-
Expenditures:				
Capital outlay	324,906	324,906	324,906	-
Total expenditures	324,906	324,906	324,906	-
Net change in fund balances	(3,906)	73,264	73,264	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ (3,906)	$ 73,264	$ 73,264	$ -

CITY OF LYONS, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE

DECEMBER 31, 2017

	Water and Sewer	Sanitation	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 609,121	$ 28,648	$ 637,769
Accounts receivable, net	129,935	42,734	172,669
Inventory	41,020	-	41,020
Prepaid expenses	6,448	1,144	7,592
Due from other funds	-	107,934	107,934
Total current assets	786,524	180,460	966,984
NONCURRENT ASSETS			
Capital assets:			
Non-depreciable	10,265	-	10,265
Depreciable, net of accumulated deprecation	4,592,842	10,891	4,603,733
Total noncurrent assets	4,603,107	10,891	4,613,998
Total assets	5,389,631	191,351	5,580,982
DEFERRED OUTFLOWS OF RESOURCES			
Pension	56,459	2,660	59,119
Total deferred outflows of resources	56,459	2,660	59,119
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	22,625	36,370	58,995
Accrued salaries and related liabilities	3,489	158	3,647
Customer deposits	116,819	-	116,819
Total current liabilities	142,933	36,528	179,461
LONG-TERM LIABILITIES			
Net pension liability	134,226	6,325	140,551
Total long-term liabilities	134,226	6,325	140,551
Total liabilities	277,159	42,853	320,012
DEFERRED INFLOWS OF RESOURCES			
Pension	53,687	2,530	56,217
Total deferred inflows of resources	53,687	2,530	56,217
NET POSITION			
Investment in capital assets	4,603,107	10,891	4,613,998
Unrestricted	512,137	137,737	649,874
Total net position	$ 5,115,244	$ 148,628	$ 5,263,872

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

CITY OF LYONS, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer	Sanitation	Total
OPERATING REVENUES			
Current use charges	$ 1,727,312	$ 511,042	$ 2,238,354
Other charges	16,943	-	16,943
Total operating revenues	1,744,255	511,042	2,255,297
OPERATING EXPENSES			
Personal services	709,997	29,989	739,986
Repairs and maintenance	239,709	24,395	264,104
Bad debts	18,730	4,035	22,765
Utilities	227,319	-	227,319
Materials and supplies	121,760	11,615	133,375
Drinking water fees	11,493	-	11,493
Landfill fees	-	32,462	32,462
Outside contractor fees	-	381,713	381,713
Other	64,257	-	64,257
Depreciation	206,293	2,633	208,926
Total operating expenses	1,599,558	486,842	2,086,400
Operating income	144,697	24,200	168,897
NON-OPERATING REVENUES			
Interest income	1,335	88	1,423
Total non-operating revenues	1,335	88	1,423
Income before capital contributions	146,032	24,288	170,320
Capital contributions	245,981	-	245,981
Change in net position	392,013	24,288	416,301
Net position, beginning of year as restated	4,723,231	124,340	4,847,571
Net position, end of year	$ 5,115,244	$ 148,628	$ 5,263,872

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

CITY OF LYONS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 1,751,564	$ 516,102	$ 2,267,666
Cash paid to suppliers	(681,284)	(462,877)	(1,144,161)
Cash paid to employees	(706,508)	(29,831)	(736,339)
Cash received from others	325	91	416
Net cash provided by operating activities	364,097	23,485	387,582
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	1,335	88	1,423
Net cash provided by investing activities	1,335	88	1,423
Increase in cash and cash equivalents	365,432	23,573	389,005
Cash and cash equivalents at beginning of year	243,689	5,075	248,764
Cash and cash equivalents at end of year	$ 609,121	$ 28,648	$ 637,769

CITY OF LYONS, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water and Sewer	Sanitation	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 144,697	$ 24,200	$ 168,897
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	206,293	2,633	208,926
(Increase) decrease in:			
Accounts receivable	7,309	5,060	12,369
Inventory	(2,527)	-	(2,527)
Prepaid items	12,415	(1,144)	11,271
Deferred outflows	20,069	6,788	26,857
Increase (decrease) in:			
Accounts payable	(20,076)	973	(19,103)
Customer deposits	(382)	-	(382)
Due to/from other funds	325	91	416
Accrued liabilities	3,489	158	3,647
Net pension liability	(56,295)	(17,198)	(73,493)
Deferred inflows	48,780	1,924	50,704
Net cash provided by operating activities	$ 364,097	$ 23,485	$ 387,582
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributed capital assets	$ 245,981	$ -	$ 245,981

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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, amended by GASB 39 and 61, *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 of 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund 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 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.

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. Nonmajor funds are aggregated and presented in a single column.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 revenues, expenses, and changes in fund net position presents increases (i.e. revenues) and 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.

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 .

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the 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. Fund balance of the General Fund is available to the City for any purpose provided it is expended or transferred according to the genera l laws of Georgia. The General Fund is considered a major fund.

The ***Special Purpose Local Option Sales Tax 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.

The ***Multiple Grants Fund*** was established to account for various grant proceeds as well as the expenditures associated with grants.

The City reports the following major proprietary funds:

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

The ***Sanitation Fund*** accounts for the activities of the City's solid waste management operations. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The ***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.

The ***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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

D. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund and the Multiple Grants Fund. The annual budgets for the General Fund and the Multiple Grants Fund are prepared in accordance with the basis of accounting utilized by the fund. Any revisions that alter the total expenditures 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 Special Purpose Local Option Sales Tax Fund (SPLOST) would not be meaningful and has not been presented in the accompanying financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

The Lyons Recreation Department ordinance requires an annual budget be adopted and submitted to the City Council for approval on an annual basis. The Lyons Recreation Department adopted a budget for 2017 and it is presented in the accompanying financial statements as supplementary information.

E. Cash and Cash Equivalents

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

F. Deposits and Investments

State 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.

G. Inventory and Prepaid Items

Inventory in the governmental funds are valued at the average cost using the first in/first out (FIFO) method. Inventory in the proprietary funds is valued at the lower of cost or market using the weighted average method. Prepaid expenses are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure is made for goods or services that were purchased for consumption, but not consumed as of December 31.

H. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements. Short-term interfund loans are classified as “interfund receivables/payables”. Long-term interfund loans are classified as “advances”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, land easement or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

J. 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 acquisition 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 capital 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. During the fiscal year ended December 31, 2017, no interest expenses incurred by the City were included as part of the cost of capital assets under construction in connection with public building construction projects .

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

Buildings	40 - 50 years
Machinery, equipment and vehicles	5 - 20 years
Infrastructure, water/sewer and sanitation system	40 - 50 years

K. Compensated Absences

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.

L. 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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.

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 inflows 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.

M. Use of Estimates

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the financial statement will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The City also has deferred inflows of resources and deferred outflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains and losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experiences for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members . These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members.

The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. This amount will reduce the net pension liability in the next fiscal year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Lyons Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Tax Abatement Agreements

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

NOTE 2. DEPOSITS AND INVESTMENTS

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

As reported in the Statement of Net Position:		
Cash and cash equivalents	$	1,342,630
Investments		2,496,238
	$	3,838,868
Cash deposited with financial institutions	$	1,322,581
Certificates of deposit		2,516,287
	$	3,838,868

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by state law.

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

At December 31, 2017, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	Less than 12 months	$ 2,516,287
		$ 2,516,287

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The certificates of deposit is an investment which does not meet the criteria of GASB No. 72. As a result, the City does not disclose the certificates of deposits within the fair value hierarchy.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2017, the City did not have any deposits which were uninsured or under collateralized as defined by GASB pronouncements.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3. RECEIVABLES

Accounts Receivable

Receivables as of December 31, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Activities
Receivables:				
Taxes	$ 63,775	$ -	$ -	$ 63,775
Fees for services	-	-	-	-
Accounts	194,591	-	364	194,955
Intergovernmental	118,715	132,004	6,021	256,740
Gross receivables	377,081	132,004	6,385	515,470
Less: allowance for uncollectibles	(7,022)	-	-	(7,022)
Net total receivables	$ 370,059	$ 132,004	$ 6,385	$ 508,448

	Water and Sewer	Sanitation	Total Business-type Activities
Receivables:			
Accounts	$ 187,896	$ 62,227	$ 250,123
Gross receivables	187,896	62,227	250,123
Less: allowance for uncollectibles	(57,961)	(19,493)	(77,454)
Net total receivables	$ 129,935	$ 42,734	$ 172,669

NOTE 3. RECEIVABLES (CONTINUED)

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 26, 2017, and due by December 31, 2017 and considered delinquent with interest accruing after January 31st of the following year. Tax liens are recorded in the second year. Property tax revenues are recognized when levied to the extent they result in current receivables. Taxes not collected within 60 days after the year end are reported as deferred inflows of resources.

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 1,166,307	$ -	$ -	$ -	$ 1,166,307
Construction in progress	429,545	1,406,481	-	(489,022)	1,347,004
Total capital assets, not being depreciated	1,595,852	1,406,481	-	(489,022)	2,513,311
Capital assets, being depreciated:					
Buildings	2,538,429	-	-	-	2,538,429
Machinery, equipment, and vehicles	2,580,034	101,506	(20,569)	-	2,660,971
Infrastructure	8,025,744	35,810	-	489,022	8,550,576
Total capital assets, being depreciated	13,144,207	137,316	(20,569)	489,022	13,749,976
Less accumulated depreciation for:					
Buildings	(775,558)	(77,735)	-	-	(853,293)
Machinery, equipment, and vehicles	(1,879,101)	(154,100)	20,569	-	(2,012,632)
Infrastructure	(1,457,269)	(168,774)	-	-	(1,626,043)
Total accumulated depreciation	(4,111,928)	(400,609)	20,569	-	(4,491,968)
Total capital assets, being depreciated, net	9,032,279	(263,293)	-	489,022	9,258,008
Governmental activities capital assets, net	$ 10,628,131	$ 1,143,188	$ -	$ -	$ 11,771,319

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Water and Sewer Fund:					
Capital assets, not being depreciated:					
Land	$ 10,265	$ -	$ -	$ -	$ 10,265
Construction in progress	199,840	191,436	-	(391,276)	-
Total capital assets, not being depreciated	210,105	191,436	-	(391,276)	10,265
Capital assets, being depreciated:					
Building	1,439,259	-	-	-	1,439,259
Water and sewer system in service	6,005,621	-	-	391,276	6,396,897
Machinery, equipment, and vehicles	1,769,793	54,545	-	-	1,824,338
Total capital assets, being depreciated	9,214,673	54,545	-	391,276	9,660,494
Less accumulated depreciation for:					
Water and sewer system in service	(477,948)	(36,302)	-	-	(514,250)
Infrastructure	(2,777,831)	(151,528)	-	-	(2,929,359)
Machinery, equipment, and vehicles	(1,605,580)	(18,463)	-	-	(1,624,043)
Total accumulated depreciation	(4,861,359)	(206,293)	-	-	(5,067,652)
Total capital assets, being depreciated, net	4,353,314	(151,748)	-	391,276	4,592,842
Water and Sewer Fund capital assets, net	$ 4,563,419	$ 39,688	$ -	$ -	$ 4,603,107

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Sanitation Fund:					
Capital assets, being depreciated:					
Machinery, equipment, and vehicles	$ 553,965	$ -	$ -	$ -	$ 553,965
Total capital assets, being depreciated	553,965	-	-	-	553,965
Less accumulated depreciation for:					
Machinery, equipment, and vehicles	(540,441)	(2,633)	-	-	(543,074)
Total accumulated depreciation	(540,441)	(2,633)	-	-	(543,074)
Total capital assets, being depreciated, net	13,524	(2,633)	-	-	10,891
Sanitation Fund capital assets, net	$ 13,524	$ (2,633)	$ -	$ -	$ 10,891

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

Governmental activities:	
General government	$ 96,552
Public safety	60,863
Public works	187,941
Culture and recreation	55,253
Total depreciation expense - governmental activities	$ 400,609
Business-type activities:	
Water and sewer	$ 206,293
Solid waste	2,633
Total depreciation expense - business-type activities	$ 208,926

NOTE 5. LEGAL COMPLIANCE – BUDGETS

Excess Expenditures over Appropriations

For the year ended December 31, 2017, expenditures exceeded budget in the following department or function as follows:

Department	Excess
General Fund - legislative and executive	$ 9,249
General Fund - general administration	72,002
General Fund - police department	36,105
General Fund - fire department	2,830
General Fund - public works	4,524
General Fund - culture and recreation	9,343
Recreation Department Fund - culture and recreation	23,856

These over expenditures were funded by additional unanticipated revenues.

NOTE 6. PENSION PLAN

A. Plan Description

The City's defined benefit pension plan, the City of Lyons Retirement Plan (the Plan), provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia.

The City is assigned the authority to establish and amend benefit provisions of the Plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information.

The report can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303, or by calling (404) 688-0472.

NOTE 6. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

Plan membership. As of January 1, 2017, pension plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	24
Terminated plan members entitled to, but not receiving, benefits	15
Active plan members	57
Total	96

Contributions. Employees are not required to contribute to the Plan. The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code section 47-20-10). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards. The City contributed $130,303 to the Plan for the year ended December 31, 2017.

B. Net Pension Liability

The City's net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2017.

Actuarial assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25%, plus service based merit increases
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

NOTE 6. PENSION PLAN (CONTINUED)

B. Net Pension Liability (Continued)

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Cash	- %	
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTE 6. PENSION PLAN (CONTINUED)

B. Net Pension Liability (Continued)

Changes in the Net Pension Liability. The changes in the components of the net pension liability of the City for the year ended December 31, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	$ 2,661,894	$ 1,911,605	$ 750,289
Changes for the year:			
Service cost	82,622	-	82,622
Interest	200,156	-	200,156
Differences between expected and actual experience	(216,282)	-	(216,282)
Contributions-employer	-	108,568	(108,568)
Net investment income	-	235,785	(235,785)
Benefit payments, including refunds of employee contributions	(158,481)	(158,481)	-
Administrative expense	-	(10,397)	10,397
Net changes	(91,985)	175,475	(267,460)
Ending Balance	$ 2,569,909	$ 2,087,080	$ 482,829

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
$ 779,159	$ 482,829	$ 229,816

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2017, and the current sharing pattern of costs between employer and employee.

NOTE 6. PENSION PLAN (CONTINUED)

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense of $134,922. At December 31, 2017, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 739	$ -
Changes in actuarial assumptions	-	5,204
Differences between expected and actual experience	104,624	187,915
Contributions subsequent to the measurement date	97,728	-
Total	$ 203,091	$ 193,119

City contributions subsequent to the measurement date of $97,728 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	
2018	$ (12,443)
2019	(12,443)
2020	1,063
2021	(27,886)
2022	(36,047)
Total	$ (87,756)

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2017, are as follows:

Receivable Fund	Payable Fund	Amount
Sanitation Fund	General Fund	$ 107,934
Multiple Grants Fund	SPLOST Fund	73,264
General Fund	SPLOST Fund	11,969
		$ 193,167

Interfund receivables and payables result from timing differences related to payroll and other year-end transactions which normally clear within one to two months.

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer To	Transfer From	Amount
General Fund	Nonmajor Governmental Funds	$ 1,321
		$ 1,321

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. HOTEL/MOTEL LODGING TAX

The City has imposed a 5% tax on hotel/motel accommodations as defined by Georgia statute, which requires that 40% of the tax collected for this purpose, less any administrative costs incurred by the City, will be used for the promotion of the tourism in the local area. During the year ended December 31, 2017, the City collected $2,785 and expended $1,100.

NOTE 9. JOINT VENTURES

The City, in conjunction with cities and counties in the 15 county Southeast Georgia area are members of the Heart of Georgia Altamaha Regional Commission (RC). Membership in an RC 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 RCs. Each municipality and county in the state is required by law to pay minimum annual dues to the RC. The City paid annual dues in the amount of $4,367 to the RC for the year ended December 31, 2017. The RC 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 RCs 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 RC beyond its resources. (O.C.G.A. 50-8-39. 1)

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Grants from Governments

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 11. 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 lnterlocal 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 12. RESTATEMENT FOR ERRORS IN PRIOR YEAR REPORTING

The City has determined that a restatement to beginning net position of governmental activities, business - type activities, and beginning fund balance of the General Fund, and the SPLOST fund is required to reflect corrections of errors in the December 31, 2016 financial report. These restatements are as follows:

	Governmental Activities	Business - Type Activities
Net position, as previously reported	$ 14,885,507	$ 4,981,152
Adjustments to beginning net position to reflect corrections of errors, net	156,105	(133,581)
Net position, as restated	$ 15,041,612	$ 4,847,571

	General Fund	Special Purpose Local Option Sales Tax Fund
Fund balance, as previously reported	$ 1,298,696	$ 3,314,265
Adjustments to beginning fund balance to reflect corrections of errors, net	74,906	(52,382)
Fund balance, as restated	$ 1,373,602	$ 3,261,883

	Water and Sewer Fund	Sanitation Fund
Net position, as previously reported	$ 4,842,131	$ 139,021
Adjustments to beginning net position to reflect corrections of errors, net	(118,900)	(14,681)
Net position, as restated	$ 4,723,231	$ 124,340

NOTE 12. RESTATEMENT FOR ERRORS IN PRIOR YEAR REPORTING (CONTINUED)

To further explain the above restatements, the following thoughts are provided:

Restatement No. 1. – Allocation of net pension liability, deferred inflows of resources, and deferred outflows of resources between the governmental activities and the business - type activities. The City has determined that a restatement to the beginning net position for its governmental activities and business - type activities, and to beginning fund balance for the Water and Sewer Fund and Sanitation Fund is required to properly allocate the net pension liability, deferred inflows of resources and deferred outflows of resources to the business - type activities. In prior years, the City has recorded all pension related items as governmental activities. Adjustments to increase the City's net position for governmental activities and decrease the City's net position for business - type activities by $133,581 was required as of January 1, 2017. Adjustments to decrease net position for the Water and Sewer Fund and the Sanitation Fund by $118, 900 and $14,681, respectively, was required as of January 1, 2017.

Restatement No. 2. – Recording of accounts receivable. The City has determined that a restatement to the beginning fund balance of the SPLOST Fund is required to properly recognize accounts receivables. This adjustment decreased accounts receivable and fund balance by $52,382 as of January 1, 2017.

Restatement No. 3. – Recording of unearned revenue. The City has determined that a restatement to the beginning fund balance for the General Fund is required to increase fund balance in the amount of $74,906 and properly recognize revenue, previously reported as unearned, as of January 1, 2017.

NOTE 13. SUBSEQUENT EVENTS

On April 9, 2018, the City adopted a resolution to obtain a Clean Water State Revolving Loan in the amount of $14,800,000 from the Georgia Environmental Finance Authority.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYONS, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31

	2017	2016	2015
Total pension liability			
Service cost	**$ 82,622**	$ 68,328	$ 68,103
Interest on total pension liability	**200,156**	180,941	176,009
Changes of benefit terms	**-**	-	-
Differences between expected and actual experience	**(216,282)**	156,937	(19,199)
Changes of assumptions	**-**	-	(13,010)
Benefit payments, including refunds of employee contributions	**(158,481)**	(158,061)	(138,479)
Net change in total pension liability	**(91,985)**	248,145	73,424
Total pension liability - beginning	**2,661,894**	2,413,749	2,340,325
Total pension liability - ending (a)	**$ 2,569,909**	$ 2,661,894	$ 2,413,749
Plan fiduciary net position			
Contributions - employer	**$ 108,568**	$ 113,475	$ 106,728
Differences between expected and actual differences	**-**	-	-
Net investment income	**235,785**	5,019	175,007
Benefit payments, including refunds of employee contributions	**(158,481)**	(158,061)	(138,479)
Administrative expenses	**(10,397)**	(7,145)	(6,435)
Net change in fiduciary net position	**175,475**	(46,712)	136,821
Plan fiduciary net position - beginning	**1,911,605**	1,958,317	1,821,496
Plan fiduciary net position - ending (b)	**$ 2,087,080**	$ 1,911,605	$ 1,958,317
City's net pension liability - ending (a) - (b)	**$ 482,829**	$ 750,289	$ 455,432
Plan fiduciary net position as a percentage of total pension liability	**81.2%**	71.8%	81.1%
Covered employee payroll	**$ 1,599,399**	$ 1,537,315	$ 1,362,415
CIty's net pension liability as a percentage of covered employee payroll	**30.2%**	48.8%	33.4%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

CITY OF LYONS, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31

	2017	2016	2015
Actuarially determined contribution	**$ 130,303**	$ 101,323	$ 105,867
Contributions in relation to the actuarially determined contribution	**130,303**	101,323	105,867
Contribution deficiency (excess)	**$ -**	$ -	$ -
Covered employee payroll	**$ 1,599,399**	$ 1,537,315	$ 1,362,415
Contributions as a percentage of covered employee payroll	**8.1%**	6.6%	7.8%

Notes to the Schedule

Valuation Date	July 1, 2017
Cost Method	Projected unit credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return On Investments	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	10 years

COMBINING STATEMENTS AND SCHEDULES

CITY OF LYONS, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Hotel Motel Tourism Fund** was established to account for the tax revenues collected from the hotels/motels in the City and to track the expenditures associated with those revenues.

The **T-SPLOST Fund** was established to account for the receipts and disbursements of projects funded by the transportation special district local option options sales and use tax (T - SPLOST).

The **Community Development Block Grant Fund** is used to account for the financing and construction of various community development projects. Financing is provided by grants received from the U.S. Department of Housing and Urban Development.

The **Recreation Department Fund** is used to account for recreation fees, tournament fees, and other specific grants and donations to be used specifically for recreation purposes.

CITY OF LYONS, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	Special Revenue Funds				
	Hotel/ Motel Tourism	T-SPLOST	Community Development Block Grant	Recreation Department	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ -	$ 98,547	$ 23	$ 3,048	$ 101,618
Other receivable	364	-	-	-	364
Prepaid expenditures	-	-	-	137	137
Due from other governments	-	6,021	-	-	6,021
Total assets	$ 364	$ 104,568	$ 23	$ 3,185	$ 108,140
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ 14,474	$ 14,474
Total liabilities	-	-	-	14,474	14,474
FUND BALANCES					
Restricted:	364	104,568	23	-	104,955
Unrestricted:	-	-	-	(11,289)	(11,289)
Total fund balances	364	104,568	23	(11,289)	93,666
Total liabilities and fund balances	$ 364	$ 104,568	$ 23	$ 3,185	$ 108,140

CITY OF LYONS, GEORGIA

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

	Special Revenue Funds				
	Hotel/ Motel Tourism	T-SPLOST	Community Development Block Grant	Recreation Department	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$ 2,785	$ 48,152	$ -	$ -	$ 50,937
Intergovernmental	-	-	39,629	58,208	97,837
Charges for services	-	-	-	250,674	250,674
Contributions and donations	-	-	-	10,461	10,461
Interest revenues	-	-	-	43	43
Other revenues	-	-	-	6,545	6,545
Total revenues	2,785	48,152	39,629	325,931	416,497
Expenditures:					
Current:					
Public works	-	23,401	-	-	23,401
Community development	1,100	-	44,629	-	45,729
Culture and recreation	-	-	-	322,826	322,826
Total expenditures	1,100	23,401	44,629	322,826	391,956
Excess (deficiency) of revenues over (under) expenditures	1,685	24,751	(5,000)	3,105	24,541
Other financing uses					
Transfers out	(1,321)	-	-	-	(1,321)
Total other financing uses	(1,321)	-	-	-	(1,321)
Net change in fund balances	364	24,751	(5,000)	3,105	23,220
Fund balances, beginning of year	-	79,817	5,023	(14,394)	70,446
Fund balances, end of year	$ 364	$ 104,568	$ 23	$ (11,289)	$ 93,666

CITY OF LYONS, GEORGIA

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

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 68,000	$ 68,000	$ 58,208	$ (9,792)
Charges for services	242,900	232,400	250,674	18,274
Contributions and donations	3,500	3,500	10,461	6,961
Interest revenues	450	155	43	(112)
Other revenues	2,450	2,450	6,545	4,095
Total revenues	317,300	306,505	325,931	19,426
Expenditures:				
Current:				
Culture and recreation	331,750	298,970	322,826	(23,856)
Total expenditures	331,750	298,970	322,826	(23,856)
Net change in fund balances	(14,450)	7,535	3,105	(4,430)
Fund balances, beginning of year	(14,394)	(14,394)	(14,394)	-
Fund balances, end of year	$ (28,844)	$ (6,859)	$ (11,289)	$ (4,430)

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CITY OF LYONS, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Project Years	Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures			Percentage of Completion
				Prior Years	Current Year	Total	
2004-2008	Public buildings	$ 650,000	$ 1,350,000	$ 1,350,000	$ -	$ 1,350,000	
2004-2008	Roads and streets	1,000,000	801,646	801,646	-	801,646	
2004-2008	Water and sewer	1,430,000	670,373	646,296	24,077	670,373	
2004-2008	Equipment acquisition: public safety	200,000	300,000	300,000	-	300,000	
2004-2008	Equipment acquisition: sanitation	300,000	400,000	400,000	-	400,000	
2004-2008	Equipment acquisition: streets	100,000	100,000	100,000	-	100,000	
		$ 3,680,000	$ 3,622,019	$ 3,597,942	$ 24,077	$ 3,622,019	100.00%
2009-2014	Public buildings	$ 313,000	$ 500,000	$ 499,999	$ -	$ 499,999	
2009-2014	Roads and streets	2,304,667	1,200,000	926,953	273,047	1,200,000	
2009-2014	Water and sewer	2,416,000	1,739,315	411,781	986,787	1,398,568	
2009-2014	Equipment acquisition: public safety	368,333	650,700	650,699	-	650,699	
2009-2014	Equipment acquisition: sanitation	483,000	290,000	273,445	16,555	290,000	
2009-2014	Recreation	195,000	50,000	50,001	-	50,001	
		$ 6,080,000	$ 4,430,015	2,812,878	1,276,389	$ 4,089,267	92.31%
2015-2020	Public facilities	$ 600,000	$ 600,000	$ 193,005	$ 11,199	$ 204,204	
2015-2020	Roads, bridges, and streets	1,200,000	1,200,000	129,024	110,071	239,095	
2015-2020	Water and sewer	3,000,000	3,000,000	-	15,453	15,453	
2015-2020	Other capital outlay	600,000	600,000	129,677	139,871	269,548	
2015-2020	Recreation and equipment	680,000	680,000	86,426	128,708	215,134	
		$ 6,080,000	$ 6,080,000	$ 538,132	$ 405,302	$ 943,434	15.52%
	Total	$ 15,840,000	$ 14,132,034	$ 6,948,952	$ 1,705,768	$ 8,654,720	

MAULDIN & JENKINS

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

To the Honorable Mayor and Members
of the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lyons, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Lyons, Georgia's basic financial statements and have issued our report thereon dated June 19, 2018.

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 the City of Lyons, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lyons, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 through 2017-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 as item 2017-02

City of Lyons, Georgia's 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.

Mauldin & Jenkins, LLC

Macon, Georgia
June 19, 2018

CITY OF LYONS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ Yes ____ No
Significant deficiencies identified not considered to be material weaknesses?	___Yes _X_ None Reported
Noncompliance material to financial statements noted?	_X_ Yes ____ No

Federal Awards

A single audit was not performed for the fiscal year ended December 31, 2017 due to the City not expending $750,000 in federal funds.

CITY OF LYONS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017-01 – Segregation of Duties

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

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

Further, we noted a general lack of segregation of duties at the Clerk's office and the Lyons Recreation Department office. We noted bank statements were being reconciled by employees of the City with no consistent review of the reconciled statements being performed.

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

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

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

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

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

2017-02 – Expenditures over Appropriations

Criteria: The Georgia Statutes (O.C.G.A. 36-81) establish budgetary requirements for governmental entities that there be a legal level of control at a minimum to be at the department level.

Condition: The City was in violation of State budget statutes for the year ended December 31, 2017 as certain departmental expenditures exceeded budgeted amounts at the legal level of control.

Context: The City expended more than the budgeted amounts at the departmental level in the General Fund and the Recreation Department Fund as of December 31, 2017.

Effects: The City's expenditures for several departments exceeded the budgeted amounts for the year ended December 31, 2017.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-02 – Expenditures over Appropriations (Continued)

Cause: The above condition was caused by the City expending more than the budgeted amounts at certain departmental levels.

Recommendation: We recommend City management to closely monitor expenditures and the importance of periodic comparison to the enacted budget and amend the budget if deemed necessary.

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

2017-003 – Recording of Revenues and Accounts Receivable

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: During fiscal year 2016, the City did not properly record revenues and receivables of and for the year ended December 31, 2016. Consequently, the respective revenues and receivables of various funds were not properly stated and reflected as of and for the year ended December 31, 2016, and prior period adjustments were required to correct such amounts and balances.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended December 31, 2016.

Effect: A prior period adjustment was required to decrease accounts receivables and fund balance for the Special Purpose Local Option Sales Tax Fund in the amount of $52,382 as of January 1, 2017. Additionally, a prior period adjustment was required to decrease unearned revenue and increase fund balance for the General Fund in the amount of $74,906 as of January 1, 2017.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure that accounts receivable, revenue, and unavailable revenue balances were properly reconciled and recorded.

Recommendation: We recommend the City review all income statement and balance sheet accounts throughout the fiscal year, and ensure all respective revenues, receivables, and unavailable revenues are properly identified and stated at the end of each accounting period.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will implement the necessary controls and procedures to ensure that revenues, receivables, and unavailable revenues are properly identified, recorded, and reconciled in a timely manner and ensure that all transactions are being properly recognized during the correct period.

CITY OF LYONS, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2017-004 – Management of Long-term Obligations

Criteria: Generally accepted accounting principles require long-term obligations to be recorded in the accounting period in which they are incurred.

Condition: The City did not properly allocate net pension liability, deferred inflows of resources, and deferred outflows of resources between the governmental activities and business-type activities as of December 31, 2016.

Context: We have addressed this matter with the City officials and they were able to determine the appropriate amounts to be recorded for the net pension liability, deferred inflows of resources and deferred outflows of resources to be reported at the business-type level as of December 31, 2016.

Effects: A prior period adjustment to increase the City's net position for governmental activities and to decrease the City's net position for business - type activities in the amount of $133,581, and an adjustment to decrease fund balance in the Water and Sewer and Sanitation Fund in the amounts of $118,900 and $14,681, respectively, was required as of January 1, 2017.

Cause: The City did not establish the necessary procedures that all long-term obligations were properly recorded in the accounting period in which they were incurred.

Recommendation: We recommend the City implement controls and procedures to ensure that all long-term obligations of the City are properly recorded in the appropriate accounting period and implement the controls to ensure that all long-term debt activity reported in its business-type funds were recorded.

View of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures and implement controls to ensure that long-term obligations are properly recorded in the appropriate accounting period and are properly recognized in accordance with the measurement focus of the individual funds.

CITY OF LYONS, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

STATUS OF PRIOR YEAR AUDIT FINDINGS

2016-01 – Expenditures over Appropriations

Criteria: The Georgia Statutes (O.C.G.A. 36-81) establish budgetary requirements for governmental entities that there be a legal level of control at a minimum to be at the department level.

Condition: The City was in violation of State budget statutes for the year ended December 31, 2016 as certain departmental expenditures exceeded budgeted amounts at the legal level of control.

Context: The City expended more than the budgeted amounts at the departmental level in the General Fund and the Recreation Department Fund as of December 31, 2016.

Effects: The City's expenditures for several departments exceeded the budgeted amounts for the year ended December 31, 2016.

Cause: The above condition was caused by the City expending more than the budgeted amounts at certain departmental levels.

Status: Unresolved. See current year finding 2017-02.

2016-02 – Segregation of Duties

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

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

Further, we noted a general lack of segregation of duties at the Clerk's office and the Lyons Recreation Department office. We noted bank statements were being reconciled by employees of the City with no consistent review of the reconciled statements being performed.

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

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

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

Status: Unresolved. See current year finding 2017-01.