

CITY OF LYONS, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

Prepared by:
Lyons Finance Department

CITY OF LYONS, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

FINANCIAL SECTION

Page

Independent Auditor's Report	1 – 3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5 and 6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – GAAP Basis – General Fund	11
Statement of Revenues, Expenditures and Changes in Fund Deficit – Budget and Actual – GAAP Basis – Recreation Department Fund	12
Statement of Net Position – Proprietary Fund Type.....	13
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund Type.....	14
Statement of Cash Flows – Proprietary Fund Type.....	15 and 16
Notes to Financial Statements.....	17 – 39
Required Supplementary Information:	
Schedule of Changes in the City’s Net Pension Liability and Related Ratios.....	40
Schedule of City Contributions	41
Combining Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	43

CITY OF LYONS, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

Page

Compliance Section:

Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds.....	44
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 <i>Government Auditing Standards</i>	45 and 46
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	47 and 48
Schedule of Expenditures of Federal Awards.....	49
Schedule of Findings and Questioned Costs	50 – 52
Summary Schedule of Prior Year Findings.....	53 – 55
Management’s Corrective Action Plan	56

FINANCIAL SECTION



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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Recreation Department 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 40), and the Schedule of City Contributions (on page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 (OCGA) Section 48-8-121, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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 May 23, 2019, 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 solely 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
May 23, 2019

CITY OF LYONS, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 614,743	\$ 1,469,979	\$ 2,084,722
Investments	1,798,171	-	1,798,171
Receivables, net			
Accounts	-	303,723	303,723
Property tax	137,083	-	137,083
Other receivables	202,177	-	202,177
Due from other governments	284,097	-	284,097
Inventory	-	41,020	41,020
Prepaid expenses	22,339	7,592	29,931
Restricted cash	-	700,000	700,000
Capital assets:			
Non-depreciable	824,449	1,467,650	2,292,099
Depreciable, net of accumulated depreciation	9,026,893	4,537,733	13,564,626
Total assets	<u>12,909,952</u>	<u>8,527,697</u>	<u>21,437,649</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	177,184	77,934	255,118
Total deferred outflows of resources	<u>177,184</u>	<u>77,934</u>	<u>255,118</u>
LIABILITIES			
Accounts payable	369,364	84,626	453,990
Accrued salaries and related liabilities	13,191	6,944	20,135
Customer deposits	-	116,334	116,334
Noncurrent liabilities			
Due in more than one year	-	1,215,428	1,215,428
Net pension liability	350,680	153,604	504,284
Total liabilities	<u>733,235</u>	<u>1,576,936</u>	<u>2,310,171</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	160,953	70,824	231,777
Total deferred inflows of resources	<u>160,953</u>	<u>70,824</u>	<u>231,777</u>
NET POSITION			
Net investment in capital assets	9,851,342	5,489,955	15,341,297
Restricted for:			
Tourism	784	-	784
Capital projects	1,505,957	-	1,505,957
Unrestricted	834,865	1,467,916	2,302,781
Total net position	<u>\$ 12,192,948</u>	<u>\$ 6,957,871</u>	<u>\$ 19,150,819</u>

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

CITY OF LYONS, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,660,914	\$ 75,090	\$ -	\$ 73,864
Public safety	1,476,102	365,544	-	76,519
Public works	676,096	-	23	516,971
Community development	704,710	-	227,600	-
Recreation and culture	330,637	257,918	68,792	93,185
Total governmental activities	<u>4,848,459</u>	<u>698,552</u>	<u>296,415</u>	<u>760,539</u>
Business-type activities:				
Water and sewer	1,912,861	1,437,004	-	236,905
Sanitation	572,590	547,648	-	-
Total business-type activities	<u>\$ 2,485,451</u>	<u>\$ 1,984,652</u>	<u>\$ -</u>	<u>\$ 236,905</u>
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				
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
\$ (1,511,960)	\$ -	\$ (1,511,960)
(1,034,039)	-	(1,034,039)
(159,102)	-	(159,102)
(477,110)	-	(477,110)
89,258	-	89,258
<u>(3,092,953)</u>	<u>-</u>	<u>(3,092,953)</u>
-	(238,952)	(238,952)
-	(24,942)	(24,942)
<u>\$ -</u>	<u>\$ (263,894)</u>	<u>\$ (263,894)</u>

\$ 286,457	\$ -	\$ 286,457
141,231	-	141,231
48,893	-	48,893
707,150	-	707,150
313,076	-	313,076
87,563	-	87,563
5,275	-	5,275
314,138	-	314,138
11,646	-	11,646
601	1,697	2,298
361,509	-	361,509
(1,956,196)	1,956,196	-
<u>321,343</u>	<u>1,957,893</u>	<u>2,279,236</u>
(2,771,610)	1,693,999	(1,077,611)
14,964,558	5,263,872	20,228,430
<u>\$ 12,192,948</u>	<u>\$ 6,957,871</u>	<u>\$ 19,150,819</u>

CITY OF LYONS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

DECEMBER 31, 2018

	<u>General Fund</u>	<u>Special Local Option Sales Tax Fund</u>	<u>Recreation Department Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 156,225	\$ 121,547	\$ 119,897	\$ 217,074	\$ 614,743
Investments	691,854	1,106,317	-	-	1,798,171
Receivables, net					
Property taxes	137,083	-	-	-	137,083
Fees for services, net					
Other receivables	201,393	-	-	784	202,177
Due from governments	125,046	132,004	-	27,047	284,097
Due from other funds	-	71,324	-	-	71,324
Prepaid expenditures	22,202	-	137	-	22,339
Total assets	\$ 1,333,803	\$ 1,431,192	\$ 120,034	\$ 244,905	\$ 3,129,934
LIABILITIES					
Accounts payable	\$ 47,481	\$ 77,006	\$ 223,851	\$ 21,026	\$ 369,364
Accrued salaries and related liabilities	13,191	-	-	-	13,191
Due to other funds	-	-	-	71,324	71,324
Total liabilities	60,672	77,006	223,851	92,350	453,879
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	106,302	-	-	-	106,302
Total deferred inflows of resources	106,302	-	-	-	106,302
FUND BALANCES					
Nonspendable:					
Prepays	22,202	-	137	-	22,339
Restricted for:					
Capital projects	-	1,354,186	-	151,771	1,505,957
Tourism	-	-	-	784	784
Unassigned	1,144,627	-	(103,954)	-	1,040,673
Total fund balances (deficit)	1,166,829	1,354,186	(103,817)	152,555	2,569,753
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 1,333,803	\$ 1,431,192	\$ 120,034	\$ 244,905	\$ 3,129,934

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, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds \$ 2,569,753

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of assets	\$ 13,475,233	
Accumulated depreciation	<u>(3,623,891)</u>	
		9,851,342

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 106,302

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. (334,449)

Net position of governmental activities \$ 12,192,948

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, 2018**

	<u>General Fund</u>	<u>Special Local Option Sales Tax Fund</u>	<u>Recreation Department Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Taxes	\$ 1,795,775	\$ -	\$ -	\$ 53,613	\$ 1,849,388
Charges for services	115,533	-	257,918	-	373,451
Licenses and permits	75,090	-	-	-	75,090
Intergovernmental	-	723,858	68,792	227,623	1,020,273
Fines and forfeitures	250,011	-	-	-	250,011
Contributions and donations	2,655	-	9,518	-	12,173
Interest revenues	361	24,508	-	240	25,109
Other revenues	354,649	-	6,860	-	361,509
Total revenues	<u>2,594,074</u>	<u>748,366</u>	<u>343,088</u>	<u>281,476</u>	<u>3,967,004</u>
Expenditures:					
Current:					
General government	470,353	5,123	-	-	475,476
Public safety	1,351,735	13,112	-	-	1,364,847
Public works	372,646	77,635	-	3,916	454,197
Culture and recreation	190,184	-	435,616	-	625,800
Community development	101,187	-	-	229,488	330,675
Capital outlay	-	863,119	-	71,324	934,443
Total expenditures	<u>2,486,105</u>	<u>958,989</u>	<u>435,616</u>	<u>304,728</u>	<u>4,185,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,969</u>	<u>(210,623)</u>	<u>(92,528)</u>	<u>(23,252)</u>	<u>(218,434)</u>
Other financing sources (uses):					
Transfers in	2,412	-	-	-	2,412
Transfers out	-	(700,000)	-	(2,412)	(702,412)
Total other financing sources (uses)	<u>2,412</u>	<u>(700,000)</u>	<u>-</u>	<u>(2,412)</u>	<u>(700,000)</u>
Net change in fund balances	110,381	(910,623)	(92,528)	(25,664)	(918,434)
Fund balances (deficit), beginning of year	<u>1,056,448</u>	<u>2,264,809</u>	<u>(11,289)</u>	<u>178,219</u>	<u>3,488,187</u>
Fund balances (deficit), end of year	<u>\$ 1,166,829</u>	<u>\$ 1,354,186</u>	<u>\$ (103,817)</u>	<u>\$ 152,555</u>	<u>\$ 2,569,753</u>

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, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (918,434)

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	\$ 670,710	
Depreciation expense	<u>(467,590)</u>	203,120

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (2,123,096)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 66,041

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. 759

Change in net position of governmental activities \$ (2,771,610)

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, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 1,823,150	\$ 1,823,150	\$ 1,795,775	\$ (27,375)
Charges for services	117,500	117,500	115,533	(1,967)
Licenses and permits	63,600	63,600	75,090	11,490
Intergovernmental	38,000	38,000	-	(38,000)
Fines and forfeitures	274,000	274,000	250,011	(23,989)
Contributions and donations	2,000	2,000	2,655	655
Interest revenue	1,000	1,000	361	(639)
Other revenues	41,176	41,176	354,649	313,473
Total revenues	<u>2,360,426</u>	<u>2,360,426</u>	<u>2,594,074</u>	<u>233,648</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	171,125	171,125	175,555	(4,430)
Judicial	85,700	85,700	63,328	22,372
General administration	233,700	233,700	231,470	2,230
Total general government	<u>490,525</u>	<u>490,525</u>	<u>470,353</u>	<u>20,172</u>
Public safety:				
Police department	1,187,150	1,187,150	1,226,311	(39,161)
Fire department	84,670	84,670	68,990	15,680
Animal control	58,600	58,600	56,434	2,166
Total public safety	<u>1,330,420</u>	<u>1,330,420</u>	<u>1,351,735</u>	<u>(21,315)</u>
Public works	<u>375,400</u>	<u>375,400</u>	<u>372,646</u>	<u>2,754</u>
Culture and recreation	<u>183,650</u>	<u>183,650</u>	<u>190,184</u>	<u>(6,534)</u>
Community development	<u>105,010</u>	<u>105,010</u>	<u>101,187</u>	<u>3,823</u>
Total expenditures	<u>2,485,005</u>	<u>2,485,005</u>	<u>2,486,105</u>	<u>(1,100)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(124,579)</u>	<u>(124,579)</u>	<u>107,969</u>	<u>232,548</u>
Other financing sources:				
Transfers in	-	-	2,412	2,412
Total other financing sources	<u>-</u>	<u>-</u>	<u>2,412</u>	<u>2,412</u>
Net change in fund balances	<u>(124,579)</u>	<u>(124,579)</u>	<u>110,381</u>	<u>234,960</u>
Fund balances, beginning of year	<u>1,056,448</u>	<u>1,056,448</u>	<u>1,056,448</u>	<u>-</u>
Fund balances, end of year	<u>\$ 931,869</u>	<u>\$ 931,869</u>	<u>\$ 1,166,829</u>	<u>\$ 234,960</u>

CITY OF LYONS, GEORGIA

**RECREATION DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND DEFICIT - BUDGET AND ACTUAL - GAAP BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 34,000	\$ 34,000	\$ 68,792	\$ 34,792
Charges for services	176,900	176,900	257,918	81,018
Contributions and donations	90,500	90,500	9,518	(80,982)
Interest revenues	160	160	-	(160)
Other revenues	2,050	2,050	6,860	4,810
Total revenues	<u>303,610</u>	<u>303,610</u>	<u>343,088</u>	<u>39,478</u>
Expenditures:				
Current:				
Culture and recreation	327,000	327,000	435,616	(108,616)
Total expenditures	<u>327,000</u>	<u>327,000</u>	<u>435,616</u>	<u>(108,616)</u>
Net change in fund balances	<u>(23,390)</u>	<u>(23,390)</u>	<u>(92,528)</u>	<u>(69,138)</u>
Fund deficit, beginning of year	<u>(11,289)</u>	<u>(11,289)</u>	<u>(11,289)</u>	<u>-</u>
Fund deficit, end of year	<u>\$ (34,679)</u>	<u>\$ (34,679)</u>	<u>\$ (103,817)</u>	<u>\$ (69,138)</u>

CITY OF LYONS, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE**

DECEMBER 31, 2018

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,380,885	\$ 89,094	\$ 1,469,979
Accounts receivable, net	220,885	82,838	303,723
Inventory	41,020	-	41,020
Prepaid expenses	6,448	1,144	7,592
Restricted cash	700,000	-	700,000
Total current assets	<u>2,349,238</u>	<u>173,076</u>	<u>2,522,314</u>
NONCURRENT ASSETS			
Capital assets:			
Non-depreciable	1,467,650	-	1,467,650
Depreciable, net of accumulated depreciation	4,533,871	3,862	4,537,733
Total noncurrent assets	<u>6,001,521</u>	<u>3,862</u>	<u>6,005,383</u>
Total assets	<u>8,350,759</u>	<u>176,938</u>	<u>8,527,697</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	74,685	3,249	77,934
Total deferred outflows of resources	<u>74,685</u>	<u>3,249</u>	<u>77,934</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	37,894	46,732	84,626
Accrued salaries and related liabilities	6,664	280	6,944
Customer deposits	116,334	-	116,334
Total current liabilities	<u>160,892</u>	<u>47,012</u>	<u>207,904</u>
LONG-TERM LIABILITIES			
Net pension liability	147,200	6,404	153,604
Long-term portion of notes payable	1,215,428	-	1,215,428
Total long-term liabilities	<u>1,362,628</u>	<u>6,404</u>	<u>1,369,032</u>
Total liabilities	<u>1,523,520</u>	<u>53,416</u>	<u>1,576,936</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	67,871	2,953	70,824
Total deferred inflows of resources	<u>67,871</u>	<u>2,953</u>	<u>70,824</u>
NET POSITION			
Net investment in capital assets	5,486,093	3,862	5,489,955
Unrestricted	1,347,960	119,956	1,467,916
Total net position	<u>\$ 6,834,053</u>	<u>\$ 123,818</u>	<u>\$ 6,957,871</u>

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, 2018

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES			
Current use charges	\$ 1,435,707	\$ 547,648	\$ 1,983,355
Other charges	1,297	-	1,297
Total operating revenues	<u>1,437,004</u>	<u>547,648</u>	<u>1,984,652</u>
OPERATING EXPENSES			
Personal services	693,936	36,106	730,042
Repairs and maintenance	251,787	38,653	290,440
Bad debts	12,900	303	13,203
Utilities	235,054	-	235,054
Materials and supplies	146,720	12,793	159,513
Drinking water fees	9,050	-	9,050
Landfill fees	-	22,135	22,135
Outside contractor fees	-	331,101	331,101
Other	153,736	129,301	283,037
Depreciation	252,402	2,198	254,600
Total operating expenses	<u>1,755,585</u>	<u>572,590</u>	<u>2,328,175</u>
Operating loss	<u>(318,581)</u>	<u>(24,942)</u>	<u>(343,523)</u>
NON-OPERATING REVENUES AND EXPENSES			
Interest income	1,565	132	1,697
Interest expense	(157,276)	-	(157,276)
Total non-operating revenues and expenses	<u>(155,711)</u>	<u>132</u>	<u>(155,579)</u>
Loss before capital contributions and transfers	(474,292)	(24,810)	(499,102)
CAPITAL CONTRIBUTIONS	1,493,101	-	1,493,101
TRANSFERS IN	700,000	-	700,000
Change in net position	1,718,809	(24,810)	1,693,999
Net position, beginning of year	<u>5,115,244</u>	<u>148,628</u>	<u>5,263,872</u>
Net position, end of year	<u>\$ 6,834,053</u>	<u>\$ 123,818</u>	<u>\$ 6,957,871</u>

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, 2018

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,346,054	\$ 507,544	\$ 1,853,598
Cash paid to suppliers	(785,531)	(524,011)	(1,309,542)
Cash paid to employees	(690,761)	(35,984)	(726,745)
Cash received from others	-	107,934	107,934
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(130,238)	55,483	(74,755)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	700,000	-	700,000
	<hr/>	<hr/>	<hr/>
Net cash provided by noncapital financing activities	700,000	-	700,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of notes payable	1,257,925	-	1,257,925
Payment of interest expense	(157,276)	-	(157,276)
Proceeds from sale of capital assets	977	4,831	5,808
Acquisition and construction of capital assets	(201,189)	-	(201,189)
	<hr/>	<hr/>	<hr/>
Net cash provided by capital and related financing activities	900,437	4,831	905,268
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	1,565	132	1,697
	<hr/>	<hr/>	<hr/>
Net cash provided by investing activities	1,565	132	1,697
Increase in cash and cash equivalents	1,471,764	60,446	1,532,210
Cash and cash equivalents at beginning of year	609,121	28,648	637,769
Cash and cash equivalents at end of year (which include \$700,000 in restricted cash)	<u>\$ 2,080,885</u>	<u>\$ 89,094</u>	<u>\$ 2,169,979</u>

(Continued)

CITY OF LYONS, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE**

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS			
TO NET CASH PROVIDED BY (USED IN) OPERATING			
ACTIVITIES			
Operating loss	\$ (318,581)	\$ (24,942)	\$ (343,523)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	252,402	2,198	254,600
(Increase) in:			
Accounts receivable	(90,950)	(40,104)	(131,054)
Deferred outflows	(18,226)	(589)	(18,815)
Increase (decrease) in:			
Accounts payable	15,269	10,362	25,631
Customer deposits	(485)	-	(485)
Due to/from other funds	-	107,934	107,934
Accrued liabilities	3,175	122	3,297
Net pension liability	12,974	79	13,053
Deferred inflows	14,184	423	14,607
Net cash provided by (used in) operating activities	<u>\$ (130,238)</u>	<u>\$ 55,483</u>	<u>\$ (74,755)</u>
NONCASH INVESTING, CAPITAL AND			
FINANCING ACTIVITIES			
Georgia Environmental Finance Authority loan forgiveness	\$ (42,497)	\$ -	\$ (42,497)
Contributed capital assets	1,450,604	-	1,450,604
Net noncash investing, capital, and financing activities	<u>\$ 1,408,107</u>	<u>\$ -</u>	<u>\$ 1,408,107</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LYONS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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 general 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 **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.

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO 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 2018 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".

NOTES TO FINANCIAL STATEMENTS

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, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2018, are summarized as follows:

As reported in the Statement of Net Position:

Cash and cash equivalents	\$ 2,084,722
Investments	1,798,171
Restricted assets:	
Cash and cash equivalents	700,000
	<u>\$ 4,582,893</u>
Cash deposited with financial institutions	\$ 2,784,722
Certificates of deposit	1,798,171
	<u>\$ 4,582,893</u>

NOTES TO FINANCIAL STATEMENTS

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, 2018, the City had the following investments:

Investment	Maturities	Fair Value
Certificates of deposit	Less than 12 months	\$ 1,798,171
		\$ 1,798,171

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, 2018, the City did not have any deposits which were uninsured or under collateralized as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

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, 2018, 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	\$ 153,217	\$ -	\$ -	\$ 153,217
Accounts	201,393	-	784	202,177
Intergovernmental	125,046	132,004	27,047	284,097
Gross receivables	479,656	132,004	27,831	639,491
Less: allowance for uncollectibles	(16,134)	-	-	(16,134)
Net total receivables	\$ 463,522	\$ 132,004	\$ 27,831	\$ 623,357
	Water and Sewer	Sanitation	Total Business-type Activities	
Receivables:				
Accounts	\$ 291,746	\$ 106,669	\$ 398,415	
Gross receivables	291,746	106,669	398,415	
Less: allowance for uncollectibles	(70,861)	(23,831)	(94,692)	
Net total receivables	\$ 220,885	\$ 82,838	\$ 303,723	

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES (CONTINUED)

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes were levied on October 5, 2018, and due by December 31, 2018, 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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,166,307	\$ -	\$ (785,692)	\$ -	\$ 380,615
Construction in progress	1,347,004	353,026	-	(1,256,196)	443,834
Total capital assets, not being depreciated	<u>2,513,311</u>	<u>353,026</u>	<u>(785,692)</u>	<u>(1,256,196)</u>	<u>824,449</u>
Capital assets, being depreciated:					
Buildings	2,538,429	35,500	(294,951)	-	2,278,978
Machinery, equipment, and vehicles	2,660,970	199,923	(1,114,395)	-	1,746,498
Infrastructure	8,550,576	82,261	(7,529)	-	8,625,308
Total capital assets, being depreciated	<u>13,749,975</u>	<u>317,684</u>	<u>(1,416,875)</u>	<u>-</u>	<u>12,650,784</u>
Less accumulated depreciation for:					
Buildings	(853,293)	(79,222)	274,363	-	(658,152)
Machinery, equipment, and vehicles	(2,012,632)	(191,466)	1,059,869	-	(1,144,229)
Infrastructure	(1,626,043)	(196,902)	1,435	-	(1,821,510)
Total accumulated depreciation	<u>(4,491,968)</u>	<u>(467,590)</u>	<u>1,335,667</u>	<u>-</u>	<u>(3,623,891)</u>
Total capital assets, being depreciated, net	<u>9,258,007</u>	<u>(149,906)</u>	<u>(81,208)</u>	<u>-</u>	<u>9,026,893</u>
Governmental activities capital assets, net	<u>\$ 11,771,318</u>	<u>\$ 203,120</u>	<u>\$ (866,900)</u>	<u>\$ (1,256,196)</u>	<u>\$ 9,851,342</u>

NOTES TO FINANCIAL STATEMENTS

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	-	201,189	-	1,256,196	1,457,385
Total capital assets, not being depreciated	<u>10,265</u>	<u>201,189</u>	<u>-</u>	<u>1,256,196</u>	<u>1,467,650</u>
Capital assets, being depreciated:					
Building	1,439,259	-	-	-	1,439,259
Water and sewer system in service	6,396,897	62,778	-	97,875	6,557,550
Machinery, equipment, and vehicles	1,824,338	131,630	(145,286)	(97,875)	1,712,807
Total capital assets, being depreciated	<u>9,660,494</u>	<u>194,408</u>	<u>(145,286)</u>	<u>-</u>	<u>9,709,616</u>
Less accumulated depreciation for:					
Water and sewer system in service	(514,250)	(37,299)	-	-	(551,549)
Infrastructure	(2,929,359)	(164,413)	-	-	(3,093,772)
Machinery, equipment, and vehicles	(1,624,043)	(50,690)	144,309	-	(1,530,424)
Total accumulated depreciation	<u>(5,067,652)</u>	<u>(252,402)</u>	<u>144,309</u>	<u>-</u>	<u>(5,175,745)</u>
Total capital assets, being depreciated, net	<u>4,592,842</u>	<u>(57,994)</u>	<u>(977)</u>	<u>-</u>	<u>4,533,871</u>
Water and Sewer Fund capital assets, net	<u>\$ 4,603,107</u>	<u>\$ 143,195</u>	<u>\$ (977)</u>	<u>\$ 1,256,196</u>	<u>\$ 6,001,521</u>
Sanitation Fund:					
Capital assets, being depreciated:					
Machinery, equipment, and vehicles	\$ 553,965	\$ -	\$ (412,330)	\$ -	\$ 141,635
Total capital assets, being depreciated	<u>553,965</u>	<u>-</u>	<u>(412,330)</u>	<u>-</u>	<u>141,635</u>
Less accumulated depreciation for:					
Machinery, equipment, and vehicles	(543,074)	(2,198)	407,499	-	(137,773)
Total accumulated depreciation	<u>(543,074)</u>	<u>(2,198)</u>	<u>407,499</u>	<u>-</u>	<u>(137,773)</u>
Total capital assets, being depreciated, net	<u>10,891</u>	<u>(2,198)</u>	<u>(4,831)</u>	<u>-</u>	<u>3,862</u>
Sanitation Fund capital assets, net	<u>\$ 10,891</u>	<u>\$ (2,198)</u>	<u>\$ (4,831)</u>	<u>\$ -</u>	<u>\$ 3,862</u>

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

Governmental activities:	
General government	\$ 113,139
Public safety	85,024
Public works	201,834
Culture and recreation	67,593
Total depreciation expense - governmental activities	<u>\$ 467,590</u>
Business-type activities:	
Water and sewer	\$ 252,402
Solid waste	2,198
Total depreciation expense - business-type activities	<u>\$ 254,600</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LEGAL COMPLIANCE – BUDGETS

Excess Expenditures over Appropriations

For the year ended December 31, 2018, expenditures exceeded budget in the following department or function as follows:

<u>Department</u>	<u>Excess</u>
General Fund - legislative and executive	\$ 4,430
General Fund - police department	39,161
General Fund - culture and recreation	6,534
Recreation Department Fund - culture and recreation	108,616

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

Plan membership. As of January 1, 2018, pension plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	29
Terminated plan members entitled to, but not receiving, benefits	17
Active plan members	54
Total	100

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 \$112,628 to the Plan for the year ended December 31, 2018.

B. Net Pension Liability

The City's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, with update procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2018.

Actuarial assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus service based merit increases
Investment rate of return	7.50%

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. PENSION PLAN (CONTINUED)

B. Net Pension Liability (Continued)

The actuarial assumptions used in the July 1, 2017, 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. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. 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, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
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	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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.

NOTES TO FINANCIAL STATEMENTS

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, 2018, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	\$ 2,569,909	\$ 2,087,080	\$ 482,829
<i>Changes for the year:</i>			
Service cost	86,476	-	86,476
Interest	192,821	-	192,821
Differences between expected and actual experience	80,325	-	80,325
Contributions-employer	-	125,885	(125,885)
Net investment income	-	257,378	(257,378)
Benefit payments, including refunds of employee contributions	(163,797)	(163,797)	-
Administrative expense	-	(10,194)	10,194
Other	34,902	-	34,902
<i>Net changes</i>	<u>230,727</u>	<u>209,272</u>	<u>21,455</u>
Ending Balance	<u>\$ 2,800,636</u>	<u>\$ 2,296,352</u>	<u>\$ 504,284</u>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multi-year 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 817,857	\$ 504,284	\$ 236,863

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, 2018, and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

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, 2018, the City recognized pension expense of \$120,713. At December 31, 2018, 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	\$ -	\$ 81,147
Changes in actuarial assumptions	27,920	2,602
Differences between expected and actual experience	142,727	148,028
Contributions subsequent to the measurement date	84,471	-
Total	\$ 255,118	\$ 231,777

City contributions subsequent to the measurement date of \$84,471 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, 2019. 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:	
2019	\$ (8,897)
2020	4,609
2021	(24,340)
2022	(32,502)
Total	\$ (61,130)

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

The Water and Sewer Fund incurred debt to the Georgia Environmental Finance Authority for water system infrastructure improvements during the year ended December 31, 2018. The construction line of credit agreement is for \$14,800,000, of which \$1,215,428 has been drawn down as of December 31, 2018. Repayment will be determined when construction is complete and all draws have been made.

NOTE 8. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2018, are as follows:

Receivable Fund	Payable Fund	Amount
SPLOST Fund	Nonmajor Governmental Funds	\$ 71,324
		\$ 71,324

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, 2018, consisted of the following:

Transfer To	Transfer From	Amount
General Fund	Nonmajor Governmental Funds	\$ 2,412
SPLOST Fund	Water and Sewer Fund	700,000
		\$ 702,412

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 9. 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, 2018, the City collected \$4,720 and expended \$1,888.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 (OCGA) 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, 2018. 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 (OCGA Section 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. (OCGA Section 50-8-39. 1)

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

NOTE 11. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The City has joined together with other municipalities in the state of Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the findings being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 86,476	\$ 82,622	\$ 68,328	\$ 68,103
Interest on total pension liability	192,821	200,156	180,941	176,009
Differences between expected and actual experience	80,325	(216,282)	156,937	(19,199)
Changes of assumptions	34,902	-	-	(13,010)
Benefit payments, including refunds of employee contributions	<u>(163,797)</u>	<u>(158,481)</u>	<u>(158,061)</u>	<u>(138,479)</u>
Net change in total pension liability	230,727	(91,985)	248,145	73,424
Total pension liability - beginning	2,569,909	2,661,894	2,413,749	2,340,325
Total pension liability - ending (a)	<u>\$ 2,800,636</u>	<u>\$ 2,569,909</u>	<u>\$ 2,661,894</u>	<u>\$ 2,413,749</u>
Plan fiduciary net position				
Contributions - employer	\$ 125,885	\$ 108,568	\$ 113,475	\$ 106,728
Net investment income	257,378	235,785	5,019	175,007
Benefit payments, including refunds of employee contributions	(163,797)	(158,481)	(158,061)	(138,479)
Administrative expenses	<u>(10,194)</u>	<u>(10,397)</u>	<u>(7,145)</u>	<u>(6,435)</u>
Net change in fiduciary net position	209,272	175,475	(46,712)	136,821
Plan fiduciary net position - beginning	2,087,080	1,911,605	1,958,317	1,821,496
Plan fiduciary net position - ending (b)	<u>\$ 2,296,352</u>	<u>\$ 2,087,080</u>	<u>\$ 1,911,605</u>	<u>\$ 1,958,317</u>
City's net pension liability - ending (a) - (b)	<u>\$ 504,284</u>	<u>\$ 482,829</u>	<u>\$ 750,289</u>	<u>\$ 455,432</u>
Plan fiduciary net position as a percentage of total pension liability	82.0%	81.2%	71.8%	81.1%
Covered payroll	\$ 1,612,440	\$ 1,599,399	\$ 1,537,315	\$ 1,362,415
City's net pension liability as a percentage of covered payroll	31.3%	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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 112,628	\$ 130,303	\$ 101,323	\$ 105,867
Contributions in relation to the actuarially determined contribution	<u>112,628</u>	<u>130,303</u>	<u>101,323</u>	<u>105,867</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,613,623	\$ 1,599,399	\$ 1,537,315	\$ 1,362,415
Contributions as a percentage of covered payroll	7.0%	8.1%	6.6%	7.8%

Notes to the Schedule

Valuation Date	July 1, 2018
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	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	13 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 **Multiple Grants Fund** was established to account for various grant proceeds as well as the expenditures associated with grants.

CITY OF LYONS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Hotel/ Motel Tourism	T-SPLOST	Community Development Block Grant	Multiple Grants	
ASSETS					
Cash	\$ -	\$ 143,764	\$ 23	\$ 73,287	\$ 217,074
Other receivable	784	-	-	-	784
Due from other governments	-	6,021	21,026	-	27,047
Total assets	<u>\$ 784</u>	<u>\$ 149,785</u>	<u>\$ 21,049</u>	<u>\$ 73,287</u>	<u>\$ 244,905</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 21,026	\$ -	\$ 21,026
Due to other funds	-	-	-	71,324	71,324
Total liabilities	<u>-</u>	<u>-</u>	<u>21,026</u>	<u>71,324</u>	<u>92,350</u>
FUND BALANCES					
Restricted:	<u>784</u>	<u>149,785</u>	<u>23</u>	<u>1,963</u>	<u>152,555</u>
Total fund balances	<u>784</u>	<u>149,785</u>	<u>23</u>	<u>1,963</u>	<u>152,555</u>
Total liabilities and fund balances	<u>\$ 784</u>	<u>\$ 149,785</u>	<u>\$ 21,049</u>	<u>\$ 73,287</u>	<u>\$ 244,905</u>

CITY OF LYONS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

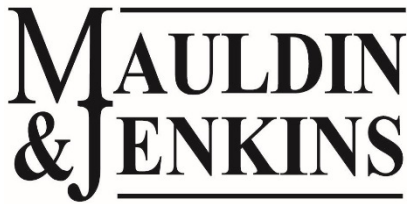
	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	Hotel/ Motel Tourism	T-SPLOST	Community Development Block Grant	Multiple Grants	
Revenues:					
Taxes	\$ 4,720	\$ 48,893	\$ -	\$ -	\$ 53,613
Intergovernmental	-	-	227,600	23	227,623
Interest revenues	-	240	-	-	240
Total revenues	<u>4,720</u>	<u>49,133</u>	<u>227,600</u>	<u>23</u>	<u>281,476</u>
Expenditures:					
Current:					
Public works	-	3,916	-	-	3,916
Community development	1,888	-	227,600	-	229,488
Capital outlay	-	-	-	71,324	71,324
Total expenditures	<u>1,888</u>	<u>3,916</u>	<u>227,600</u>	<u>71,324</u>	<u>304,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,832</u>	<u>45,217</u>	<u>-</u>	<u>(71,301)</u>	<u>(23,252)</u>
Other financing uses					
Transfers out	<u>(2,412)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,412)</u>
Total other financing uses	<u>(2,412)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,412)</u>
Net change in fund balances	420	45,217	-	(71,301)	(25,664)
Fund balances, beginning of year	<u>364</u>	<u>104,568</u>	<u>23</u>	<u>73,264</u>	<u>178,219</u>
Fund balances, end of year	<u>\$ 784</u>	<u>\$ 149,785</u>	<u>\$ 23</u>	<u>\$ 1,963</u>	<u>\$ 152,555</u>

CITY OF LYONS, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**

FOR THE YEAR ENDED DECEMBER 31, 2018

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	670,373	-	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	
		<u>\$ 3,680,000</u>	<u>\$ 3,622,019</u>	<u>\$ 3,622,019</u>	<u>\$ -</u>	<u>\$ 3,622,019</u>	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	1,200,000	-	1,200,000	
2009-2014	Water and sewer	2,416,000	1,739,315	1,398,568	329,752	1,728,320	
2009-2014	Equipment acquisition: public safety	368,333	650,700	650,699	-	650,699	
2009-2014	Equipment acquisition: sanitation	483,000	290,000	290,000	-	290,000	
2009-2014	Recreation	195,000	50,000	50,001	-	50,001	
		<u>\$ 6,080,000</u>	<u>\$ 4,430,015</u>	<u>\$ 4,089,267</u>	<u>\$ 329,752</u>	<u>\$ 4,419,019</u>	99.75%
2015-2020	Public facilities	\$ 600,000	\$ 600,000	\$ 204,204	\$ 24,414	\$ 228,618	
2015-2020	Roads, bridges, and streets	1,200,000	1,200,000	239,095	211,903	450,998	
2015-2020	Water and sewer	3,000,000	3,000,000	15,453	-	15,453	
2015-2020	Other capital outlay	600,000	600,000	269,548	236,433	505,981	
2015-2020	Recreation and equipment	680,000	680,000	215,134	156,487	371,621	
		<u>\$ 6,080,000</u>	<u>\$ 6,080,000</u>	<u>\$ 943,434</u>	<u>\$ 629,237</u>	<u>\$ 1,572,671</u>	25.87%
	Total	<u>\$ 15,840,000</u>	<u>\$ 14,132,034</u>	<u>\$ 8,654,720</u>	<u>\$ 958,989</u>	<u>\$ 9,613,709</u>	



**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, each major fund, and the aggregate remaining fund information of the City of Lyons, Georgia, as of and for the year ended December 31, 2018, 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 May 23, 2019.

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-02.

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 questioned costs. 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.



Macon, Georgia
May 23, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lyons, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

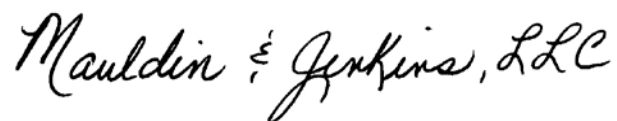
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macon, Georgia
May 23, 2019



CITY OF LYONS, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Grant Program</u>	<u>CFDA #</u>	<u>Grant I.D.</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through Georgia Department of Community Affairs Community Development Block Grant	14.228	16p-x-138-2-5863	\$ 227,600
Total U.S. Department of Housing and Urban Development			<u>227,600</u>
U.S. Environmental Protection Agency			
Passed through Georgia Environmental Facilities Authority Capitalization Grants for Clean Water State Revolving Funds Total Clean Water State Revolving Fund Cluster	66.458	GEFA-CW2016019	<u>1,257,925</u> <u>1,257,925</u>
Total U.S. Environmental Protection Agency			<u>1,257,925</u>
Total Expenditures of Federal Awards			<u>\$ 1,485,525</u>

Note 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: There were no federal awards expended in the form of noncash assistance during the year. There were also no loans or loan guarantees at year-end.

Note 3: The City did not use the 10% de minimis indirect cost rate.

Note 4: The City did not pass through any funds to subrecipients during the year ended December 31, 2018.

CITY OF LYONS, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance? Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	U.S. Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF LYONS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-01 – 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.

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.

2018-02 – 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.

CITY OF LYONS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-02 – Expenditures over Appropriations (Continued)

Condition: The City was in violation of State budget statutes for the year ended December 31, 2018, 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, 2018.

Effects: The City's expenditures for several departments exceeded the budgeted amounts for the year ended December 31, 2018.

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.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

CITY OF LYONS, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

STATUS OF PRIOR YEAR AUDIT FINDINGS

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 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: Partially resolved. See current year finding 2018-01.

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.

CITY OF LYONS, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

2017-02 – Expenditures over Appropriations (Continued)

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

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 2018-02.

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.

Status: Resolved.

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.

CITY OF LYONS, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

2017-004 – Management of Long-term Obligations (Continued)

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.

Status: Resolved.

CITY OF LYONS, GEORGIA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

2018-01 – Segregation of Duties

Name of Contact Person Responsible for the Corrective Action Plan: Jason Hall, City Manager.

Corrective Action Plan: 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.

Anticipated Completion Date: Future fiscal years.

2018-02 – Expenditures over Appropriations

Name of Contact Person Responsible for the Corrective Action Plan: Jason Hall, City Manager.

Corrective Action Plan: The City will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

Anticipated Completion Date: Future fiscal years.