ANNUAL FINANCIAL REPORT

CITY OF LENOX, GEORGIA

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2016

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City of Lenox
Lenox, Georgia

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Lenox, Georgia

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lenox, Georgia, as of and for the year ended December 31, 2016, 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, and each major fund of the City of Lenox, Georgia, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios on page 32, the schedule of contributions on page 33, and the budgetary comparison information on pages 34 and 35, 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenox's basic financial statements. The schedule of projects constructed with special purpose local option sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of projects constructed with special purpose local option sales tax proceeds is the responsibility of management and was derived from and relates 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 schedule of projects constructed with special purpose local option sales tax proceeds is 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 July 28, 2017, on our consideration of the City of Lenox, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lenox, Georgia's internal control over financial reporting and compliance.

Herring CPA Group, P. C.
Tifton, Georgia
July 28, 2017

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	$1,057,893	$ 134,413	$ 1,192,306
Restricted Cash	0	116,677	116,677
Receivables - Net	81,384	25,974	107,358
Internal Balances	537	(537)	0
Prepaid Expenses	32,340	15,343	47,683
Total Current Assets	1,172,154	291,870	1,464,024
Non-Current Assets:			
Capital Assets Nondepreciable	514,675	51,400	566,075
Capital Assets Depreciable - Net	2,159,809	4,976,295	7,136,104
Total Non-Current Assets	2,674,484	5,027,695	7,702,179
Total Assets	3,846,638	5,319,565	9,166,203
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	27,472	6,575	34,047

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	96,793	17,196	113,989
Accrued Expenses	24,183	1,395	25,578
Payable from Restricted Assets:			
Accrued Interest on Bonds	0	2,944	2,944
Revenue Bonds Payable	0	16,997	16,997
Notes Payable	0	3,348	3,348
Customer Deposits	0	52,741	52,741
Total Current Liabilities	120,976	94,621	215,597
Long-Term Liabilities:			
Notes Payable (Net of Current Portion)	0	14,235	14,235
Revenue Bonds Payable (Net of Current Portion)	0	901,329	901,329
Net Pension Liability	83,795	14,787	98,582
Total Long-Term Liabilities	83,795	930,351	1,014,146
Total Liabilities	204,771	1,024,972	1,229,743

(Continued on next page)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred Grant Revenue	$ 4,000	$ 0	$ 4,000
Deferred Inflows Related to Pensions	2,675	472	3,147
Total Deferred Inflows of Resources	6,675	472	7,147
NET POSITION			
Net Investment in Capital Assets	2,674,484	4,091,786	6,766,270
Restricted For:			
Capital Projects	145,994	0	145,994
Drug Intervention	135,662	0	135,662
Revenue Bonds	0	96,736	96,736
Unrestricted	706,524	112,174	818,698
TOTAL NET POSITION	$3,662,664	$ 4,300,696	$ 7,963,360

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Government-Wide
Lenox, Georgia

Functions/Programs	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	$ 261,348	$ 28,516	$ 0
Public Safety	945,805	1,506,343	0
Public Works	285,381	41,859	12,744
Recreation	7,025	0	0
Total Governmental Activities	1,499,559	1,576,718	12,744
Business-Type Activities:			
Water and Sewer	513,942	403,574	0
Total Primary Government	$2,013,501	$1,980,292	$ 12,744
General Revenues:			
Sales Taxes			
Title Advalorem Tax			
Insurance Premium Tax			
Business Taxes			
Franchise Fees			
Miscellaneous Revenue			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - January 1, 2016			
NET POSITION - DECEMBER 31, 2016			

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended
December 31, 2016

Program Revenues		Net (Expenses) Revenues and Changes in Net Position Primary Government		
Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
$ 0	$ 28,516	$ (232,832)	$ 0	$ (232,832)
8,860	1,515,203	569,398	0	569,398
51,595	106,198	(179,183)	0	(179,183)
0	0	(7,025)	0	(7,025)
60,455	1,649,917	150,358	0	150,358
0	403,574	0	(110,368)	(110,368)
$ 60,455	$2,053,491	150,358	(110,368)	39,990
		61,506	0	61,506
		5,421	0	5,421
		54,488	0	54,488
		19,814	0	19,814
		46,507	0	46,507
		30,715	1,241	31,956
		218,451	1,241	219,692
		368,809	(109,127)	259,682
		3,293,855	4,409,823	7,703,678
		$3,662,664	$4,300,696	$7,963,360

The accompanying notes are an integral part of these statements.

COMBINING BALANCE SHEET

Governmental Funds
Lenox, Georgia

December 31, 2016

	General Fund	Special Purpose Local Option Sales Tax Fund	CDBG Fund	Total
ASSETS				
Cash	$1,010,136	$ 43,757	$4,000	$1,057,893
Accounts Receivable - Net	74,256	7,128	0	81,384
Prepaid Expense	32,340	0	0	32,340
Due from Other Funds	537	0	0	537
TOTAL ASSETS	$1,117,269	$ 50,885	$4,000	$1,172,154
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts Payable	$ 96,793	$ 0	$ 0	$ 96,793
Accrued Expenses	24,183	0	0	24,183
Total Liabilities	120,976	0	0	120,976
Deferred Inflows of Resources	16,717	0	4,000	20,717
Fund Balance:				
Nonspendable:				
Prepaid Items	32,340	0	0	32,340
Restricted:				
Capital Projects	95,109	50,885	0	145,994
Drug Intervention	135,662	0	0	135,662
Assigned:				
Fire Protection	23,995	0	0	23,995
Unassigned:				
General Fund	692,470	0	0	692,470
Total Fund Balance	979,576	50,885	0	1,030,461
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$1,117,269	$ 50,885	$4,000	$1,172,154

The accompanying notes are an integral part of these statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

City of Lenox
Lenox, Georgia

December 31, 2016

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 1,030,461
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	2,674,484
Deferred inflows of resources for delinquent property taxes are deferred in the governmental funds because they will not be received within sixty days of the consolidated government's year end.	16,717
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:	
Deferred outflows of resources	27,472
Deferred inflows of resources	(2,675)
Long-term pension liability is not due and payable in the current period; therefore, is not reported in the governmental funds balance sheet.	(83,795)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 3,662,664

The accompanying notes are an integral part of these statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

Governmental Funds
Lenox, Georgia

Year Ended
December 31, 2016

	General Fund	Special Purpose Local Option Sales Tax Fund	CDBG Fund	Total
Revenues:				
Taxes	$ 141,230	$ 0	$ 0	$ 141,230
Licenses and Permits	10,890	0	0	10,890
Franchise Fees	46,507	0	0	46,507
Charges for Services	59,484	0	0	59,484
Fines and Forfeitures	1,506,343	0	0	1,506,343
Intergovernmental	21,604	39,595	12,000	73,199
Miscellaneous	30,715	0	0	30,715
Total Revenues	1,816,773	39,595	12,000	1,868,368
Expenditures:				
Current:				
General Government	219,575	0	0	219,575
Public Safety	878,424	0	0	878,424
Public Works	225,914	0	12,000	237,914
Culture and Recreation	5,697	0	0	5,697
Capital Outlay	160,473	45,735	0	206,208
Total Expenditures	1,490,083	45,735	12,000	1,547,818
Excess of Revenues Over (Under) Expenditures	326,690	(6,140)	0	320,550
Net Change in Fund Balance	326,690	(6,140)	0	320,550
Fund Balance - January 1, 2016	652,886	57,025	0	709,911
FUND BALANCE - DECEMBER 31, 2016	$ 979,576	$ 50,885	$ 0	$1,030,461

The accompanying notes are an integral part of these statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

City of Lenox
Lenox, Georgia

Year Ended
December 31, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 320,550
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	206,208
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, this amount of depreciation expense is not reported as an expenditure in the governmental funds.	(150,996)
Because some property taxes will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues, and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.	0
Changes in the City's net pension asset, deferred outflows of resources, and deferred inflows of resources and net pension liability related to the City Pension Plan for the current year are not reported in the governmental funds but are reported in the Government-Wide Statement of Activities and Changes in Net Position.	(6,953)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 368,809

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Proprietary Fund
Lenox, Georgia

December 31, 2016

		Water and Sewer Fund
ASSETS		
Current Assets:		
Cash		$ 134,413
Accounts Receivable - Net		25,974
Prepaid Expenses		15,343
Restricted Assets:		
Cash		116,677
Total Current Assets		292,407
Non-Current Assets:		
Capital Assets Nondepreciable		51,400
Capital Assets Depreciable - Net		4,976,295
Total Non-Current Assets		5,027,695
Total Assets		5,320,102
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		6,575
LIABILITIES		
Current Liabilities:		
Payable from Current Assets:		
Accounts Payable	$ 17,196	
Accrued Expenses	1,395	
Due to Other Funds	537	
Customer Deposits	52,741	
Notes Payable	3,348	75,217
Payable from Restricted Assets:		
Accrued Interest	2,944	
Revenue Bonds Payable	16,997	19,941
Total Current Liabilities		95,158

(Continued on next page)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Proprietary Fund
Lenox, Georgia

December 31, 2016

	Water and Sewer Fund
Long-Term Liabilities:	
Notes Payable (Net of Current Portion)	$ 14,235
Revenue Bonds Payable (Net of Current Portion)	901,329
Net Pension Liability	14,787
Total Long-Term Liabilities	930,351
Total Liabilities	1,025,509
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	472
NET POSITION	
Net Position:	
Net Investment in Capital Assets	4,091,786
Restricted for Debt Service	96,736
Unrestricted	112,174
TOTAL NET POSITION	$ 4,300,696

The accompanying notes are an integral part of these statements.

STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN NET POSITION

Proprietary Fund
Lenox, Georgia

Year Ended
December 31, 2016

	Water and Sewer Fund
Operating Revenues:	
Water and Sewer Sales	$ 392,584
Penalties and Fees	9,196
Other	1,794
Total Operating Revenues	403,574
Operating Expenses:	
Personnel Services	89,162
Depreciation	153,665
Utilities	52,612
Repairs and Maintenance	58,355
Insurance	41,405
Supplies	31,522
Professional Fees	13,564
Gas and Oil	5,753
Travel and Training	16,427
Office Expense	8,318
Advertising	1,317
Miscellaneous	172
Total Operating Expenses	472,272
Operating Loss	(68,698)
Non-Operating Revenues (Expenses):	
Interest Income	1,241
Interest Expense	(41,670)
Net Non-Operating Revenues (Expenses)	(40,429)
Change in Net Position	(109,127)
Net Position - January 1, 2016	4,409,823
NET POSITION - DECEMBER 31, 2016	$4,300,696

The accompanying notes are an integral part of these statements.

STATEMENT OF CASH FLOWS

Proprietary Fund
Lenox, Georgia

Year Ended
December 31, 2016

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 407,916
Cash Payments for Personnel Services	(89,663)
Cash Payments to Other Suppliers of Goods and Services	(222,709)
Cash Received from Other Funds, Net	3,594
Net Cash Provided by Operating Activities	99,138
Cash Flows from Noncapital Financing Activities	0
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(96,827)
Principal Paid on Revenue Bonds	(16,250)
Interest Paid on Revenue Bonds	(41,722)
Principal Paid on Long-Term Debt	(3,351)
Net Cash Used by Capital and Related Financing Activities	(158,150)
Cash Flows from Investing Activities:	
Interest Received	1,241
Net Decrease in Cash	(57,771)
Cash and Restricted Cash - January 1, 2016	308,861
CASH AND RESTRICTED CASH - DECEMBER 31, 2016	$ 251,090
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	$ (68,698)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	153,665
Changes in Assets and Liabilities:	
Operating Receivables, Net	3,461
Prepaid Expense	2,213
Interfund Receivable/Payable	3,594
Accounts Payable	4,523
Accrued Operating Expenses	211
Customer Deposits	881
Deferred Outflows/Inflows	(2,273)
Net Pension Liability	1,561
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 99,138

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lenox, Georgia, was incorporated December 12, 1901. The City operates under a Mayor-Council form of government and provides the following services to its citizens: streets, sanitation, public improvements, water, sewer, police, fire, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB, in which case, GASB prevails. Listed below is a summary of the more significant policies:

A. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

There are no organizations that are potential component units of the City of Lenox, Georgia.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATMENTS

The government-wide financial statements, which are the statement of net position and the statement of activities and changes in net position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial position of the governmental and business-type activities of the City. The statement of activities and changes in net position demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The City's government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues are reported in three categories: (1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, (2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and (3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, transactions between governmental and business-type activities have not been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Governmental Fund Financial Statements
Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, franchise fees, interest revenue, and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. A 60 day availability period is also used for revenue recognition for all governmental fund revenues.

The City reports the general fund, the special purpose local option sales tax fund and the CDBG fund as its major governmental funds.

The general fund is the principal fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund.

The special purpose local option sales tax fund is used to account for projects supported by the special purpose local option sales tax. These projects consist of construction of water and sewer system improvements and street improvements. This fund is a capital projects type fund.

The CDBG fund accounts for community development block grant funds used for capital projects.

Proprietary Fund Financial Statements
Proprietary fund financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The City's proprietary fund is classified as an enterprise fund and is considered a major fund. The water and sewer fund is used to account for the City's water services and its collection and treatment of waste water.

D. BUDGETS AND BUDGETARY ACCOUNTING

The City's established budgetary process is as follows:

a. Each year the city clerk prepares and compiles a tentative worksheet with estimated expenditures for the next calendar year of all funds of the City based on the prior year's expenditures.

b. After review and revisions in December by the mayor and council the proposed budgets are compiled.

c. The budgets are usually formally adopted in December and notice of the budget's availability for inspection is published.

d. During the year, as the need arises, the mayor and council make any necessary budget amendments.

e. Formal budgetary integration is the management tool used as a control device during the year for the general and proprietary funds.

The budgets for the capital projects funds are adopted on a project basis with the term of the project being longer than the City's fiscal year.

The City's budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end. The City's legal level of budgetary control is at the departmental level.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting involves the reserving of applicable appropriations for purchase orders, contracts, and other commitments for the expenditure of resources. Encumbrance accounting is not used by the City of Lenox.

E. INVENTORIES

The inventory of the water and sewer fund is recorded at cost using the first in first out method. At December 31, 2016, there was no material inventory on hand.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items at both reporting levels.

G. CAPITAL ASSETS

Capital assets, which include property, plant, buildings, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy has set the capitalization threshold for reporting capital assets at $5,000 for machinery and equipment; $25,000 for buildings, land, sidewalks, roads, bridges, and drainage systems. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City's infrastructure assets for its governmental activities consist of roads, bridges, sidewalks, and drainage systems and only include those items acquired after January 1, 2004.

The costs 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.

Depreciation is computed over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Distribution Systems	25-50 years
Buildings and Improvements	15-50 years
Machinery and Equipment	5-15 years
Infrastructure Assets	30-50 years

H. COMPENSATED ABSENCES

Employees of the City are not allowed to carry over vacation leave from one year to the next. Sick leave is allowed to accumulate to sixty days. Unused vacation leave nor sick leave are compensated upon employment termination. Therefore, no liability is reflected in the financial statements.

I. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. DEFERRED OUTFLOWS /INFLOWS OF RESOURCES

As defined by GASB Concept Statement No. 4, "Elements of Financial Statements", deferred outflows/inflows of resources are the consumption/acquisition of net assets/position by the government that are applicable to a future reporting period.

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred pension charges in its Statement of Net Position in connection with the City Pension Plan and their participation in the State Retirement Plan. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports unavailable revenue for property taxes only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The City also reports deferred pension credits in its Statements of Net Position in connection with the City Pension Plan and their participation in the State Retirement Plan. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

K. CASH AND CASH EQUIVALENTS

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term certificates of deposit with a maturity date of three months or less.

L. CAPITALIZED INTEREST

The City capitalizes net interest cost and interest earned as part of the cost of constructing various projects when material.

M. PROPERTY TAX

Property taxes attach as an enforceable lien to all taxable real, public utilities, and personal property located in the City on January 1. For the calendar year 2016, the City did not levy any property taxes. Receivables for prior year tax levies that are determinable in amount and collectability have been recognized at December 31, 2016, in the general fund.

N. ESTIMATES

The preparation of the financial statements in conformity with generally accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. FUND EQUITY

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

Fund Balance
Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form 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 through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they are subject to limitations the government imposes upon itself by formal action of the City's governing body (City Council). Removal of such limitations requires subsequent action by city council.

Assigned - Fund balances are reported as assigned for a specific purpose when amounts are constrained by action of the City Council and can be expended through appropriation in the City's budget, but are neither restricted nor committed.

Unassigned - Fund balances are reported as unassigned as the residual amounts which cannot be properly classified in one of the other four categories.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position
Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, plus any outstanding balances of borrowings not yet expended, but restricted for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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 positions are reported as unrestricted.

P. 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 Lenox Retirement 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 benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS

It is the investment policy of the City of Lenox to invest its cash reserves in checking accounts and interest bearing certificates of deposit. These accounts are reported at cost, which equals market value.

The breakdown between deposits and investments for the City is as follows:

Primary Government:	
Cash on Hand	$ 450
Bank Deposits (checking accounts and saving accounts)	1,308,533
Total Primary Government	$1,308,983

Credit Risk:
The City limits the credit risk of the primary government by investing its cash with bank deposits, which are covered by federal depository insurance or collateralized with collateral pledged by the financial institution.

Interest Rate Risk:
The investments of the primary government are invested in highly liquid investments to limit the risk of interest rate fluctuations. All bank certificates of deposit have varying maturity dates of one year or less.

3. RECEIVABLES

Receivables of the primary government at December 31, 2016, consist of the following:

	General Fund	Special Purpose Local Option Sales Tax Fund	Water and Sewer Fund
Property Taxes	$16,717	$ 0	$ 0
Accounts	50,602	0	57,731
Due from Other Governments	11,529	7,128	0
Less Allowances for Uncollectables	(4,592)	0	(31,757)
Net Receivables	$74,256	$ 7,128	$ 25,974

4. CAPITAL ASSETS

The schedule below represents the changes in capital assets of the City for the year ending December 31, 2016.

	Balance January 1, 2016	Additions	Transfers/ Deletions	Balance December 31, 2016
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 514,675	$ 0	$ 0	$ 514,675
Construction in Process	30,372	66,796	(97,168)	0
Total Capital Assets not being Depreciated	545,047	66,796	(97,168)	514,675
Capital Assets being Depreciated:				
Buildings and Improvements	1,623,685	123,318	(38,600)	1,708,403
Machinery and Equipment	949,540	50,830	(10,700)	989,670
Infrastructure	525,827	62,432	0	588,259
Total Capital Assets being Depreciated	3,099,052	236,580	(49,300)	3,286,332

	Balance January 1, 2016	Additions	Transfers/ Deletions	Balance December 31, 2016
Less Accumulated Depreciation:				
Buildings and Improvements	(558,121)	(30,825)	38,600	(550,346)
Machinery and Equipment	(456,882)	(105,724)	10,700	(551,906)
Infrastructure	(9,824)	(14,447)	0	(24,271)
Total Accumulated Depreciation	(1,024,827)	(150,996)	49,300	(1,126,523)
Net Capital Assets being Depreciated	2,074,225	85,584	0	2,159,809
Total Capital Assets, Net	$2,619,272	$ 152,380	$ (97,168)	$2,674,484

Depreciation expense of the general fund was charged to governmental functions as follows:

General Government	$ 40,243
Public Safety	63,071
Public Works	46,354
Recreation	1,328
Total	$150,996

	Balance January 1, 2016	Additions	Transfers/ Deletions	Balance December 31, 2016
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	$ 51,400	$ 0	$ 0	$ 51,400
Capital Assets being Depreciated:				
Distribution System	6,844,981	82,132	0	6,927,113
Buildings and Improvements	71,758	0	0	71,758
Machinery and Equipment	73,147	14,695	(16,647)	71,195
Total Capital Assets being Depreciated	6,989,886	96,827	(16,647)	7,070,066
Less Accumulated Depreciation:				
Distribution System	(1,871,726)	(149,190)	0	(2,020,916)
Buildings and Improvements	(21,120)	(2,102)	0	(23,222)
Machinery and Equipment	(63,907)	(2,373)	16,647	(49,633)
Total Accumulated Depreciation	(1,956,753)	(153,665)	16,647	(2,093,771)
Net Capital Assets being Depreciated	5,033,133	(56,838)	0	4,976,295
Total Capital Assets, Net	$5,084,533	$ (56,838)	$ 0	$5,027,695

5. LONG-TERM DEBT

A. CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in long-term debt of the City, including obligations under capital leases, for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Business-Type Activities:					
Revenue Bonds	$ 934,576	$ 0	$ (16,250)	$ 918,326	$ 16,997
Notes Payable	20,934	0	(3,351)	17,583	3,348
Total Business-Type Activities	$ 955,510	$ 0	$ (19,601)	$ 935,909	$ 20,345

B. REVENUE BONDS

The water and sewer fund issued $1,073,340 in revenue bonds on November 5, 2004, "2004 Series", for the purpose of extending its water and sewer system. They were issued through the U.S. Department of Agriculture and contain a number of limitations and restrictions. The City was in compliance with all significant limitations and restrictions. The bonds call for monthly payments of $4,831, beginning December 4, 2004. The schedule below summarizes the annual maturities and interest amounts due for these bonds.

Fiscal Year	Interest Rate	Principal Due	Interest Due	Total Requirements
2017	4.50%	$ 16,997	$ 40,975	$ 57,972
2018	4.50%	17,770	40,202	57,972
2019	4.50%	18,592	39,380	57,972
2020	4.50%	19,446	38,526	57,972
2021	4.50%	20,340	37,632	57,972
2022-2026	4.50%	116,604	173,256	289,860
2027-2031	4.50%	145,965	143,895	289,860
2032-2036	4.50%	182,718	107,142	289,860
2037-2041	4.50%	228,726	61,134	289,860
2042-2044	4.50%	151,168	9,927	161,095
		$918,326	$692,069	$1,610,395

C. NOTES PAYABLE

The following is the outstanding note payable of the City of Lenox as of December 31, 2016, and the annual requirements to amortize this note.

Georgia Drinking Water Revolving Loan Fund dated June 1, 2002, for $65,310 and payable in quarterly installments of $837 beginning December 1, 2002. The interest rate on this loan is 0%. The proceeds of this loan were used for the extension of the City's water system.

	Water and Sewer Fund	
Year Ending December 31	Principal	Interest
2017	$3,348	$0
2018	3,348	0
2019	3,348	0
2020	3,348	0
2021	3,348	0
2022	843	0
	$17,583	$ 0

6. INTERNAL BALANCES

During the year various transactions occurred between the various funds of the City, which give rise to interfund receivable and payable balances. These transactions include charges for services, the purchase of goods and services, and short-term cash advances. At December 31, 2016, the general fund had advanced the water and sewer fund $537.

7. CONTINGENT LIABILITIES AND LITIGATION

The City of Lenox is subject to various claims and legal disputes which arise in the normal course of its operation. In the opinion of management and legal counsel, the outcome of any of these items would not have a material effect on the City's financial condition.

8. PENSION PLAN

The City of Lenox contributes to the Georgia Municipal Employees Benefit System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Georgia cities. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements. The report may be obtained by writing to GMA, 201 Pryor Street S.W., Atlanta, Georgia 30303. The information below is obtained from the report dated January 1, 2017. For the current year, there are 3 inactive employees (0 beneficiaries) receiving benefits. There is 1 inactive employee that is entitled to but not yet receiving benefits. There are 9 active employees.

The City's payroll for employees covered by the system for the year ended December 31, 2016 was $330,540.

All full-time (over 32 hours) City employees are eligible to participate in the System. Eligible employees must be scheduled to work 5 months out of the year to remain "eligible employees" under the plan. Regular employees shall be required to complete (1) year of continuous, uninterrupted service with the City of Lenox before they qualify for participation in the plan. Participation in the plan is considered mandatory for all eligible employees who satisfy the eligibility conditions in the adoption agreement. With respect to eligible employees who are employed by the City of Lenox on the original effective date of the employer's GMEBS Plan, service with the City of Lenox prior to the date the eligible employee becomes a participant shall be credited. If an eligible employee is not employed on the original effective date of the employer's GMEBS plan, but he returns to service with the City of Lenox sometime after the effective date, his service prior to the date he becomes a participant shall be credited provided that after his return to employment, the eligible employee performs service equal to the period of the break in service or one (1) year, whichever is less. Any limitations imposed with respect to eligible employees employed on the effective date shall also apply.

The City makes monthly contributions to the plan based on employee salaries and the amortization of past service cost. For the plan year beginning January 1, 2016, the minimum funding requirement is $20,641, or 6.24% of covered payroll. This amount consists of (a) normal cost of $12,767, (b) amortization of the unfunded actuarial accrued liability of $4,772, (c) interest of $0, (d) administrative expense of $3,102, and (e) full funding credit of $0. The amounts were developed by the plan administrators.

A. SIGNIFICANT ACTUARIAL ASSUMPTIONS

The estimates on which the cost of the plan and any liability thereof is calculated including:

1) Investment return-the rate of investment yield which the plan will earn over the long-term future.
2) Mortality rates-the death rates of employees and pensioners; life expectancy is based on these rates.
3) Retirement rates-the rate of probability of retirement at a given age.
4) Turnover rates-the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

The net investment return is estimated to be 7.75% on-going basis. 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.75%
International Equity	20%	7.45%
Global Fixed Income	5%	3.30%
Domestic Fixed Income	20%	1.75%
Real Estate	10%	4.55%
Total	100%	

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

Three mortality rates were used:

1) Healthy: RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.
2) Disabled: RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.
3) Plan Termination Basis (all lives): 1994 Group Annuity Reserving Unisex Table.

The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

Additional, significant actuarial assumptions used in the current valuation are:

Net Investment Return	7.75% ongoing basis
Projected Salary Increases	3.25% plus service based merit increases
Inflation	3.25%
Cost of Living Adjustment	Not Applicable

B. FUNDING POLICY AND ANNUAL CONTRIBUTIONS

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are open for this plan year.

C. NET PENSION LIABILITY

The table below details the changes in net pension liability:

	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)	Net Pension Liability
Service Cost	$14,365	$ 0	$14,365
Interest	18,881	0	18,881
Differences between Expected and Actual Experience	12,424	0	12,424
Contributions-Employer	0	18,873	(18,873)
Net Investment Income	0	18,268	(18,268)
Benefit Payments, Including Refunds of Employee Contributions	(15,142)	(15,142)	0
Administrative Expense	0	(1,881)	1,881
Net Change	30,528	20,118	10,410
Balance at September 30, 2015	251,192	163,020	88,172
Balance at September 30, 2016	$281,720	$183,138	$98,582

D. SENSITIVITY OF NET PENSION LIABILITY

The table below displays the sensitivity of the net pension liability to changes in the discount rate.

1% Decrease	Current Discount Rate	1% Increase
(6.75%)	(7.75%)	(8.75%)
$133,535	$98,582	$69,015

E. PENSION EXPENSE

The table below illustrates pension expense as determined by the actuarial statement.

Service Cost	$ 14,365
Interest on TPL	18,881
Administrative Expenses	1,881
Expected Return on Assets	(12,706)
Expensed Portion of Current Year Period Differences between Expected and Actual Experience in TPL	1,774
Expensed Portion of Current Year Period Differences between Projected and Actual Investment Earnings	(1,114)
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	3,576
Total Expenses	$26,657

F. DEFERRED OUTLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Based on the measurement date of September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$21,786	$(2,700)
Changes of Assumptions	1,548	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(447)
Contributions after Measurement Date	10,713	0
Total	$34,047	$(3,147)

The City of Lenox's contributions of $10,713, subsequent to the measurement date, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in 2017. 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 Ended	Outflows	Inflows
2017	$7,056	$(2,820)
2018	7,057	(2,818)
2019	7,057	(2,818)
2020	7,057	(2,818)
2021	4,946	(1,652)
2022	1,775	(1,652)
Thereafter	1,775	(540)

G. EFFECT OF PLAN CHANGES ON THE ACTUARIAL ACCRUED LIABILITY

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is:

The plan provisions valued and the actuarial assumptions are the same as those used to determine the funded status.

H. EFFECT OF PLAN CHANGES ON RECOMMENDED CONTRIBUTIONS

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial method is:

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

9. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, public entity risk pools currently operating as common risk management and insurance program for member local governments.

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 pool's agents and attorneys, to follow loss reduction procedures established by the pools, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the pools being required to pay any claim of loss. The City is also to allow the pool's 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 pools.

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

The City continues to carry commercial insurance for all other risk of loss, including employee health and accident insurance. Settled claims have not exceeded the commercial insurance coverage.

10. JOINT VENTURES

The City of Lenox, in conjunction with cities and counties in the ten county South Georgia area, participates in the Southern Georgia Regional Commission (SGRC). Membership in an SGRC is required by Code of Georgia Section 50-8-34 that provides for the organizational structure of the SGRC. The SGRC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission.

Information concerning the financial statements may be obtained from the Southern Georgia Regional Commission Center, P.O. Box 1223, Valdosta, Georgia 31603.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 28, 2017, the date when the financial statements were available to be issued.

12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The sanitation department expenditures exceeded its appropriated budget amount by $3,135. These excess expenditures are primarily the result of an increase in garbage disposal cost.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

City of Lenox
Lenox, Georgia

December 31, 2016

	2016	2015	2014
Total Pension Liability:			
Service Cost	$ 14,365	$ 11,891	$ 7,267
Interest on Total Pension Liability	18,881	18,179	16,155
Differences Between Expected and Actual Experience	12,424	(3,780)	19,491
Change in Assumptions	0	0	2,706
Benefit Payments	(15,142)	(19,323)	(19,703)
Net Change in Total Pension Liability	30,528	6,967	25,916
Total Pension Liability-Beginning	251,192	244,225	218,309
Total Pension Liability-Ending	$ 281,720	$ 251,192	$ 244,225
Plan Fiduciary Net Position:			
Contributions-Employer	$ 18,873	$ 14,227	$ 14,975
Net Investment Income	18,268	2,183	17,713
Benefit Payments	(15,142)	(19,323)	(19,703)
Administrative Expenses	(1,881)	(1,967)	(1,610)
Net Change in Plan Fiduciary Net Position	20,118	(4,880)	11,375
Plan Fiduciary Net Position-Beginning	163,020	167,900	156,525
Plan Fiduciary Net Position-Ending	$ 183,138	$ 163,020	$ 167,900
Net Pension Liability-Ending	$ 98,582	$ 88,172	$ 76,325
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.01%	64.90%	68.75%
Covered Employee Payroll	$ 392,316	$ 330,540	$ 292,898
Net Pension Liability as a Percentage of Covered Employee Payroll	25.13%	26.68%	26.06%

Note to the Schedule:
The schedule will present 10 years of information once it is accumulated.

SCHEDULE OF CONTRIBUTIONS

City of Lenox
Lenox, Georgia

December 31, 2016

	2016	2015
Actually Determined Contribution	$ 18,022	$ 12,962
Contribution in Relation to the Actuarially Determined Contribution	(18,022)	(12,962)
Contribution Deficiency (Excess)	$ 0	$ 0
Covered Employee Payroll	$ 330,540	$ 292,898
Contribution as a Percentage of Covered Employee Payroll	5.45%	4.43%

Notes to the Schedule:

Valuation Date-January 1, 2017-The actuarially determined contribution was determined as of January 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending June 30, 2018.

Methods and assumptions used to determine contribution rates:

- Actuarial Cost Method-Projected Unit Credit
- Amortization Method-Closed level dollar for remaining unfunded liability
- Remaining Amortization Period-Remaining amoritzation period varies for the bases, with a net effective amortization period of 10 years.
- Asset Valuation Method-Sum of actuarial value at beginning of year and the cash flow during the year plus investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of the market value.
- Net Investment Rate of Return-7.75%
- Projected Salary Increases-3.25% plus service based merit increases
- Cost of Living Adjustments-0.00%
- Retirement Age-65 plus 5
- Mortality-RP2000 combined healthy mortality table with sex-distinct rates.

Covered employee payroll is based on data collected as of August 31 of the prior year.

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

SCHEDULE OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund
Lenox, Georgia

Year Ended
December 31, 2016

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Taxes	$ 132,100	$ 132,100	$ 141,230	$ 9,130
Licenses and Permits	8,000	8,000	10,890	2,890
Franchise Fees	47,000	47,000	46,507	(493)
Charges for Services	57,300	57,300	59,484	2,184
Fines and Forfeitures	1,400,000	1,400,000	1,506,343	106,343
Intergovernmental	0	0	21,604	21,604
Miscellaneous	30,600	30,600	30,715	115
Total Revenues	1,675,000	1,675,000	1,816,773	141,773
Expenditures:				
General Government	395,700	326,850	245,725	81,125
Police Department	879,300	914,300	872,070	42,230
Fire Department	34,550	34,550	20,465	14,085
Street Department	274,100	274,100	236,196	37,904
Sanitation Department	40,000	40,000	43,135	(3,135)
Culture and Recreation	51,350	85,200	72,492	12,708
Total Expenditures	1,675,000	1,675,000	1,490,083	184,917
Excess of Revenues Over (Under) Expenditures	0	0	326,690	326,690
Net Change in Fund Balance	0	0	326,690	326,690
Fund Balance - January 1, 2016	652,886	652,886	652,886	0
FUND BALANCE - DECEMBER 31, 2016	$ 652,886	$ 652,886	$ 979,576	$326,690

1. BUDGETARY BASIS

The City of Lenox adopts its budget on the modified accrual basis of accounting and is in compliance with generally accepted accounting principles.

SCHEDULE OF PROJECTS CONSTRUCTED WITH

SPECIAL SALES TAX PROCEEDS

City of Lenox
Lenox, Georgia

Year Ended
December 31, 2016

Project	Original Estimated Cost	Expenditures			Estimated Percentage Completion
		Prior Years	Current Year	Total	
2005 REFERENDUM					
Roads, Streets, and Bridges	$ 137,000	$124,417	$ 7,012	$ 131,429	98%
City Hall Debt Retirement	88,000	81,537	0	81,537	100%
Water and Sewer System Improvements	14,850	56,045	0	56,045	100%
TOTAL	$ 239,850	$261,999	$ 7,012	$ 269,011	
2011 REFERENDUM					
Public Works Projects	$ 200,000	$101,024	$ 38,723	$ 139,747	70%
Recreation Facilities	25,000	0	0	0	0%
TOTAL	$ 225,000	$101,024	$ 38,723	$ 139,747	

HERRING
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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

The Honorable Mayor and City Council
Lenox, 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, and each major fund of the City of Lenox, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Lenox, Georgia's basic financial statements and have issued our report thereon dated July 28, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the City of Lenox, Georgia's internal control over financial reporting 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 Lenox, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lenox, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 16-1 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 16-2 and 16-3 to be significant deficiencies.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City of Lenox, Georgia's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Lenox, Georgia's Response to Findings
The City of Lenox, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Lenox, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinions on them.

Purpose of 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.



Herring CPA Group, P.C.
Tifton, Georgia
July 28, 2017

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the City of Lenox, Georgia.

2. Three reportable conditions were disclosed during the audit of the basic financial statements and are reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards".

3. No instances of noncompliance, material to the basic financial statements of the City of Lenox, Georgia, were disclosed during the audit.

4. The City of Lenox, Georgia, was not required to undergo a single audit for the fiscal year ending December 31, 2016.

FINDINGS-FINANCIAL STATEMENTS AUDIT

16-1 Segregation of Duties (Repeat)

The City of Lenox, Georgia, does not employ sufficient qualified personnel to provide for the adequate segregation of duties and the preparation of annual financial reports.
Criteria-A sufficient number of personnel should be in place to provide for the segregation of conflicting duties and to provide for the preparation of annual financial reports.
Effect-Improper segregation of duties can allow for the misappropriation of funds.
Recommendation-Additional personnel should be hired, any conflicting duties segregated, and an annual financial report should be prepared.
Management's Response-Management agrees with the finding; however, it is not economically feasible to hire additional personnel. Management has put in place procedures to help alleviate this problem.

16-2 Reconciliation of Accounts Receivable Ledgers (Repeat)

The City of Lenox, Georgia, did not reconcile the accounts receivable ledgers to the general ledger or to daily cash receipts.
Criteria-The accounts receivable ledgers need to be reconciled to the general ledger on a monthly basis by personnel independent of the cash receipts and billing functions.
Effect-Failure to reconcile the accounts receivable ledgers to the general ledger can result in misappropriation of funds and the failure to detect such misappropriation.
Recommendation-All accounts receivable ledgers need to be reconciled to the general ledger on a monthly basis.
Management's Response-Management agrees with this finding and will put in place procedures to reconcile the accounts receivable ledgers to the general ledger.

16-3 Financial Statement Preparation (Repeat)

The management of the City of Lenox, Georgia, does not have the skills needed to prepare its financial statements in accordance with generally accepted accounting principles.

Criteria-Weakness in internal control.

Effect-Governing board is provided generally accepted accounting principles basis financial statements on an annual basis only.

Management's Response-Hiring additional personnel with adequate professional training is not economically feasible. The city clerk prepares a monthly financial report for the governing board.