

ANNUAL FINANCIAL REPORT
CITY OF LENOX, GEORGIA
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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City of Lenox
Lenox, Georgia

December 31, 2019

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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, 2019, 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, 2019, 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.

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 pages 34 and 35, the schedule of contributions on page 36, and the budgetary comparison information on pages 37 and 38, 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.

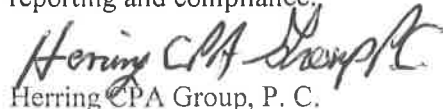
Other Information

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 on page 39 and the community development block grant schedules on pages 40 and 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of projects constructed with special purpose local option sales tax proceeds and the community development block grant schedules are 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 and the community development block grant schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2021, 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
June 14, 2021

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash on Hand and in Banks	\$ 424,686	\$ 99,413	\$ 524,099
Restricted Cash	0	50,435	50,435
Receivables - Net	81,020	32,275	113,295
Internal Balances	5,777	(5,777)	0
Prepaid Expenses	12,874	11,696	24,570
<u>Total Current Assets</u>	<u>524,357</u>	<u>188,042</u>	<u>712,399</u>
Non-Current Assets:			
Capital Assets Nondepreciable	686,459	51,400	737,859
Capital Assets Depreciable - Net	<u>2,699,571</u>	<u>4,595,407</u>	<u>7,294,978</u>
<u>Total Non-Current Assets</u>	<u>3,386,030</u>	<u>4,646,807</u>	<u>8,032,837</u>
<u>Total Assets</u>	<u>3,910,387</u>	<u>4,834,849</u>	<u>8,745,236</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
<u>Deferred Outflows Related to Pensions</u>	<u>52,102</u>	<u>7,680</u>	<u>59,782</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	105,050	18,500	123,550
Accrued Expenses	52,679	4,211	56,890
Payable from Restricted Assets:			
Accrued Interest on Bonds	0	2,773	2,773
Revenue Bonds Payable	0	19,446	19,446
Notes Payable	0	3,349	3,349
Customer Deposits	0	64,891	64,891
Total Current Liabilities	157,729	113,170	270,899
Long-Term Liabilities:			
Notes Payable (Net of Current Portion)	0	4,187	4,187
Revenue Bonds Payable (Net of Current Portion)	0	845,511	845,511
Net Pension Liability	291,009	44,705	335,714
Total Long-Term Liabilities	291,009	894,403	1,185,412
Total Liabilities	448,738	1,007,573	1,456,311

(Continued on next page)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	<u>\$ 3,260</u>	<u>\$ 488</u>	<u>\$ 3,748</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	3,386,030	3,774,314	7,160,344
Restricted For:			
Capital Projects	61,015	0	61,015
Drug Intervention	3,597	0	3,597
Revenue Bonds	0	28,216	28,216
Unrestricted	<u>59,849</u>	<u>31,938</u>	<u>91,787</u>
TOTAL NET POSITION	<u>\$3,510,491</u>	<u>\$ 3,834,468</u>	<u>\$ 7,344,959</u>

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	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 456,122	\$ 60,404	\$ 0
Public Safety	1,350,556	1,522,327	0
Public Works	363,307	40,898	0
Recreation	<u>7,656</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	2,177,641	1,623,629	0
Business-Type Activities:			
Water and Sewer	<u>573,815</u>	<u>384,756</u>	<u>0</u>
Total Primary Government	<u>\$2,751,456</u>	<u>\$2,008,385</u>	<u>\$ 0</u>
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, 2019			
NET POSITION - DECEMBER 31, 2019			

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended
December 31, 2019

Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Primary Government		
Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
\$ 0	\$ 60,404	\$ (395,718)	\$ 0	\$ (395,718)
0	1,522,327	171,771	0	171,771
88,227	129,125	(234,182)	0	(234,182)
<u>0</u>	<u>0</u>	<u>(7,656)</u>	<u>0</u>	<u>(7,656)</u>
88,227	1,711,856	(465,785)	0	(465,785)
<u>0</u>	<u>384,756</u>	<u>0</u>	<u>(189,059)</u>	<u>(189,059)</u>
<u>\$ 88,227</u>	<u>\$2,096,612</u>	<u>(465,785)</u>	<u>(189,059)</u>	<u>(654,844)</u>
		31,959	0	31,959
		9,067	0	9,067
		60,466	0	60,466
		18,136	0	18,136
		48,700	0	48,700
		<u>23,481</u>	<u>1,356</u>	<u>24,837</u>
		<u>191,809</u>	<u>1,356</u>	<u>193,165</u>
		(273,976)	(187,703)	(461,679)
		<u>3,784,467</u>	<u>4,022,171</u>	<u>7,806,638</u>
		<u>\$3,510,491</u>	<u>\$3,834,468</u>	<u>\$7,344,959</u>

The accompanying notes are an integral part of these statements.

COMBINING BALANCE SHEET

Governmental Funds
Lenox, Georgia

December 31, 2019

	General Fund	Special Purpose Local Option Sales Tax Fund	Transportation SPLOST Fund	CDBG Fund	Total
<u>ASSETS</u>					
Cash	\$333,536	\$ 67,836	\$ 23,314	\$ 0	\$424,686
Accounts Receivable - Net	69,559	8,116	3,345	0	81,020
Prepaid Expense	12,874	0	0	0	12,874
Due from Other Funds	<u>5,777</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,777</u>
TOTAL ASSETS	<u>\$421,746</u>	<u>\$ 75,952</u>	<u>\$ 26,659</u>	<u>\$ 0</u>	<u>\$524,357</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 58,088	\$ 46,962	\$ 0	\$ 0	\$105,050
Accrued Expenses	<u>52,682</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,682</u>
Total Liabilities	<u>110,770</u>	<u>46,962</u>	<u>0</u>	<u>0</u>	<u>157,732</u>
Deferred Inflows of Resources	<u>16,717</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,717</u>
Fund Balance:					
Nonspendable:					
Prepaid Items	12,874	0	0	0	12,874
Restricted:					
Capital Projects	5,366	28,990	26,659	0	61,015
Drug Intervention	3,597	0	0	0	3,597
Unassigned:					
General Fund	<u>272,422</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>272,422</u>
Total Fund Balance	<u>294,259</u>	<u>28,990</u>	<u>26,659</u>	<u>0</u>	<u>349,908</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$421,746</u>	<u>\$ 75,952</u>	<u>\$ 26,659</u>	<u>\$ 0</u>	<u>\$524,357</u>

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, 2019

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 349,908
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.	3,386,030
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.	16,719
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	52,103
Deferred inflows of resources	(3,260)
Long-term pension liability is not due and payable in the current period; therefore, is not reported in the governmental funds balance sheet.	<u>(291,009)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,510,491</u>

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, 2019

	Special Purpose				Total
	General Fund	Local Option Sales Tax Fund	Transportation SPLOST Fund	CDBG Fund	
Revenues:					
Taxes	\$ 119,627	\$ 0	\$ 0	\$ 0	\$ 119,627
Licenses and Permits	17,254	0	0	0	17,254
Franchise Fees	48,700	0	0	0	48,700
Charges for Services	84,048	0	0	0	84,048
Fines and Forfeitures	1,522,327	0	0	0	1,522,327
Intergovernmental	19,502	48,597	20,128	0	88,227
Miscellaneous	<u>23,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,481</u>
Total Revenues	<u>1,834,939</u>	<u>48,597</u>	<u>20,128</u>	<u>0</u>	<u>1,903,664</u>
Expenditures:					
Current:					
General Government	376,188	0	0	0	376,188
Public Safety	1,089,558	0	0	0	1,089,558
Public Works	272,886	2,027	0	0	274,913
Culture and Recreation	6,330	0	0	0	6,330
Capital Outlay	<u>290,976</u>	<u>46,962</u>	<u>0</u>	<u>0</u>	<u>337,938</u>
Total Expenditures	<u>2,035,938</u>	<u>48,989</u>	<u>0</u>	<u>0</u>	<u>2,084,927</u>
Excess of Revenues Over (Under) Expenditures	(200,999)	(392)	20,128	0	(181,263)
Other Financial Sources (Uses):					
Transfer Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(200,999)	(392)	20,128	0	(181,263)
Fund Balance - January 1, 2019	<u>495,258</u>	<u>29,382</u>	<u>6,531</u>	<u>0</u>	<u>531,171</u>
FUND BALANCE - DECEMBER 31, 2019	<u>\$ 294,259</u>	<u>\$ 28,990</u>	<u>\$ 26,659</u>	<u>\$ 0</u>	<u>\$ 349,908</u>

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, 2019
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$(181,263)
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.	337,938
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.	(264,844)
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.	<u>(165,807)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$(273,976)</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Proprietary Fund
Lenox, Georgia

December 31, 2019

Water and Sewer
Fund

ASSETS

Current Assets:

Cash	\$ 99,413	
Accounts Receivable - Net	32,275	
Prepaid Expenses	11,696	
Restricted Assets:		
Cash	50,435	<u>50,435</u>
Total Current Assets		<u>193,819</u>

Non-Current Assets:

Capital Assets Nondepreciable	51,400	
Capital Assets Depreciable - Net	4,595,407	<u>4,595,407</u>
Total Non-Current Assets		<u>4,646,807</u>

Total Assets		<u>4,840,626</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions		<u>7,680</u>
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LIABILITIES

Current Liabilities:

Payable from Current Assets:		
Accounts Payable	\$ 18,500	
Accrued Expenses	4,211	
Due to Other Funds	5,777	
Customer Deposits	64,891	
Notes Payable	3,349	<u>96,728</u>
Payable from Restricted Assets:		
Accrued Interest	2,773	
Revenue Bonds Payable	19,446	<u>22,219</u>
Total Current Liabilities		<u>118,947</u>

(Continued on next page)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Proprietary Fund
Lenox, Georgia

December 31, 2019

Water and Sewer
Fund

Long-Term Liabilities:

Notes Payable (Net of Current Portion)	\$ 4,187
Revenue Bonds Payable (Net of Current Portion)	845,511
Net Pension Liability	<u>44,705</u>

Total Long-Term Liabilities	<u>894,403</u>
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Total Liabilities	<u>1,013,350</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>488</u>
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NET POSITION

Net Position:

Net Investment in Capital Assets	3,774,314
Restricted for Debt Service	28,216
Unrestricted	<u>31,938</u>

TOTAL NET POSITION	<u>\$ 3,834,468</u>
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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, 2019
	Water and Sewer Fund
<hr/>	
Operating Revenues:	
Water and Sewer Sales	\$ 374,406
Penalties and Fees	10,110
Other	<u>240</u>
Total Operating Revenues	<u>384,756</u>
Operating Expenses:	
Personnel Services	169,136
Depreciation	169,198
Utilities	57,620
Repairs and Maintenance	58,580
Insurance	20,042
Supplies	32,944
Professional Fees	7,126
Gas and Oil	2,384
Travel and Training	6,113
Office Expense	7,636
Postage	<u>3,718</u>
Total Operating Expenses	<u>534,497</u>
Operating Loss	<u>(149,741)</u>
Non-Operating Revenues (Expenses):	
Interest Income	1,356
Interest Expense	<u>(39,318)</u>
Net Non-Operating Revenues (Expenses)	<u>(37,962)</u>
Change in Net Position	(187,703)
Net Position - January 1, 2019	<u>4,022,171</u>
NET POSITION - DECEMBER 31, 2019	<u>\$3,834,468</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF CASH FLOWS

Proprietary Fund
Lenox, Georgia

Year Ended
December 31, 2019

Water and Sewer
Fund

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Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 379,172
Cash Payments for Personnel Services	(143,168)
Cash Payments to Other Suppliers of Goods and Services	(189,560)
Cash Payments from Other Funds, Net	<u>(1,312)</u>
Net Cash Provided by Operating Activities	<u>45,132</u>
Cash Flows from Noncapital Financing Activities	<u>0</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(4,225)
Principal Paid on Revenue Bonds	(18,594)
Interest Paid on Revenue Bonds	(39,377)
Principal Paid on Long-Term Debt	<u>(3,349)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(65,545)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>1,356</u>
Net Decrease in Cash	(19,057)
Cash and Restricted Cash - January 1, 2019	<u>168,905</u>
CASH AND RESTRICTED CASH - DECEMBER 31, 2019	<u>\$ 149,848</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	\$(149,741)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	169,198
Changes in Assets and Liabilities:	
Operating Receivables, Net	(5,086)
Prepaid Expense	1,852
Interfund Receivable/Payable	(1,312)
Accounts Payable	4,751
Accrued Operating Expenses	2,659
Customer Deposits	(498)
Deferred Outflows/Inflows	(4,120)
Net Pension Liability	<u>27,429</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 45,132</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

City of Lenox
Lenox, Georgia

December 31, 2019

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 STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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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, the transportation SPLOST fund and the CDBG fund as its major governmental funds.

NOTES TO FINANCIAL STATEMENTS

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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 Transportation SPLOST fund is used to account for projects funded with transportation special purpose local option sales tax proceeds. 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.

NOTES TO FINANCIAL STATEMENTS

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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, 2019, there was no material inventory on hand.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2019, 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

NOTES TO FINANCIAL STATEMENTS

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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 statement 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.

NOTES TO FINANCIAL STATEMENTS

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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 2019, 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, 2019, 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.

NOTES TO FINANCIAL STATEMENTS

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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)	<u>574,084</u>
Total Primary Government	<u>\$574,534</u>

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.

NOTES TO FINANCIAL STATEMENTS

City of Lenox
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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, 2019, consist of the following:

	General Fund	Special Purpose Local Option Sales Tax Fund	Transportation SPLOST Fund	CDBG Fund	Water and Sewer Fund
Property Taxes	\$16,717	\$ 0	\$ 0	\$ 0	\$ 0
Accounts	52,548	0	0	0	72,986
Due from Other Governments	5,412	8,116	3,345	0	0
Less Allowances for Uncollectables	<u>(5,118)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(40,711)</u>
Net Receivables	<u>\$69,559</u>	<u>\$8,116</u>	<u>\$3,345</u>	<u>\$ 0</u>	<u>\$ 32,275</u>

4. CAPITAL ASSETS

The schedule below represents the changes in capital assets of the City for the year ending December 31, 2019.

	Balance January 1, 2019	Additions	Transfers/ Deletions	Balance December 31, 2019
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 514,675	\$ 0	\$ 0	\$ 514,675
Construction in Process	<u>215,532</u>	<u>19,021</u>	<u>(62,769)</u>	<u>171,784</u>
Total Capital Assets not being Depreciated	<u>730,207</u>	<u>19,021</u>	<u>(62,769)</u>	<u>686,459</u>
Capital Assets being Depreciated:				
Buildings and Improvements	2,032,613	62,769	0	2,095,382
Machinery and Equipment	1,234,015	202,747	(132,948)	1,303,814
Infrastructure	<u>758,338</u>	<u>116,170</u>	<u>0</u>	<u>874,508</u>
Total Capital Assets being Depreciated	<u>4,024,966</u>	<u>381,686</u>	<u>(132,948)</u>	<u>4,273,704</u>

NOTES TO FINANCIAL STATEMENTS

City of Lenox
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	<u>Balance</u> <u>January</u> <u>1, 2019</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>December</u> <u>31, 2019</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(621,934)	(46,025)	0	(667,959)
Machinery and Equipment	(761,700)	(196,956)	132,948	(825,708)
Infrastructure	<u>(58,603)</u>	<u>(21,863)</u>	<u>0</u>	<u>(80,466)</u>
Total Accumulated Depreciation	<u>(1,442,237)</u>	<u>(264,844)</u>	<u>132,948</u>	<u>(1,574,133)</u>
Net Capital Assets being Depreciated	<u>2,582,729</u>	<u>116,842</u>	<u>0</u>	<u>2,699,571</u>
Total Capital Assets, Net	<u>\$3,312,936</u>	<u>\$ 135,863</u>	<u>\$ (62,769)</u>	<u>\$3,386,030</u>

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

General Government	\$ 50,085
Public Safety	153,222
Public Works	60,209
Recreation	<u>1,328</u>
Total	<u>\$264,844</u>

	<u>Balance</u> <u>January</u> <u>1, 2019</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>December</u> <u>31, 2019</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	<u>\$ 51,400</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,400</u>
Capital Assets being Depreciated:				
Distribution System	6,968,413	0	0	6,968,413
Buildings and Improvements	102,749	4,225	0	106,974
Machinery and Equipment	<u>116,195</u>	<u>0</u>	<u>(18,000)</u>	<u>98,195</u>
Total Capital Assets being Depreciated	<u>7,187,357</u>	<u>4,225</u>	<u>(18,000)</u>	<u>7,173,582</u>
Less Accumulated Depreciation:				
Distribution System	(2,324,827)	(151,698)	0	(2,476,525)
Buildings and Improvements	(27,736)	(3,342)	0	(31,078)
Machinery and Equipment	<u>(74,414)</u>	<u>(14,158)</u>	<u>18,000</u>	<u>(70,572)</u>
Total Accumulated Depreciation	<u>(2,426,977)</u>	<u>(169,198)</u>	<u>18,000</u>	<u>(2,578,175)</u>
Net Capital Assets being Depreciated	<u>4,760,380</u>	<u>(164,973)</u>	<u>0</u>	<u>4,595,407</u>
Total Capital Assets, Net	<u>\$4,811,780</u>	<u>\$ (164,973)</u>	<u>\$ 0</u>	<u>\$4,646,807</u>

NOTES TO FINANCIAL STATEMENTS

City of Lenox
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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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Business-Type Activities:					
Revenue Bonds	\$ 883,551	\$ 0	\$ (18,594)	\$ 864,957	\$ 19,446
Notes Payable	<u>10,885</u>	<u>0</u>	<u>(3,349)</u>	<u>7,536</u>	<u>3,348</u>
Total Business-Type Activities	<u>\$ 894,436</u>	<u>\$ 0</u>	<u>\$ (21,943)</u>	<u>\$ 872,493</u>	<u>\$ 22,794</u>

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.

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Requirements</u>
2020	4.50%	\$ 19,446	\$ 38,526	\$ 57,972
2021	4.50%	20,340	37,632	57,972
2022	4.50%	21,274	36,698	57,972
2023	4.50%	22,252	35,720	57,972
2024	4.50%	23,274	34,698	57,972
2025-2029	4.50%	133,426	156,434	289,860
2030-2034	4.50%	167,022	122,838	289,860
2035-2039	4.50%	209,077	80,783	289,860
2040-2044	4.50%	<u>248,846</u>	<u>28,173</u>	<u>277,019</u>
		<u>\$864,957</u>	<u>\$571,502</u>	<u>\$1,436,459</u>

NOTES TO FINANCIAL STATEMENTS

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C. NOTES PAYABLE

The following is the outstanding note payable of the City of Lenox as of December 31, 2019, 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.

<u>Year Ending December 31</u>	<u>Water and Sewer Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 3,348	\$0
2021	3,348	0
2022	<u>840</u>	<u>0</u>
	<u>\$ 7,536</u>	<u>\$ 0</u>

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, 2019, the general fund had advanced the water and sewer fund \$5,777.

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, 2020. 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 16 active employees and elected officials.

Effective July 1, 2019 by action of city council, the City's retirement plan was amended to allow for elected officials to participate in the plan and the benefit multiples for employee participants was increased from 1.25% to 2.5%.

All full time City employees and elected officials are eligible to participate in the plan upon employment. Employee participants are eligible for retirement benefits upon attainment of age 65 and 5 years of credited service and elected official participants are eligible at age 65.

NOTES TO FINANCIAL STATEMENTS

City of Lenox
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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 7.375% 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 March 31, 2019 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%	6.41%
International Equity	20%	6.96%
Global Fixed Income	5%	3.06%
Domestic Fixed Income	20%	1.96%
Real Estate	10%	4.76%
Total	100%	

The mortality actuarial and economic assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019.

The mortality rates used were:

- 1) Healthy retirees and beneficiaries: Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- 2) Disabled participants: Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25
- 3) Active participants, terminated vested participants, and deferred beneficiaries: Sex-distinct Pri-2012 head count weighted Employee Mortality Table.
- 4) Plan Termination Basis (all lives): 1994 Group Annuity Reserving Unisex Table.

The mortality tables (other than the one used for the plan termination basis) are adjusted from 2012 to future years using sex-distinct generational projection under scale SSA2019-2D to reflect expected mortality improvement.

NOTES TO FINANCIAL STATEMENTS

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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	7.375% ongoing basis
Projected Salary Increases	2.25% plus service based merit increases
Inflation	2.25%
Cost of Living Adjustment	Not Applicable

Changes of Assumptions: Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on the actuarial study conducted in November and December of 2019.

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously, future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after the age of 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63 or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

NOTES TO FINANCIAL STATEMENTS

City of Lenox
Lenox, Georgia

December 31, 2019

- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

Benefit changes: Amounts reported for fiscal years ending in 2020 and later reflect that effective July 1, 2019, officials became eligible for the Plan and the benefit multiplier for employees was increased from 1.25% to 2.50%.

B. FUNDING POLICY AND ANNUAL CONTRIBUTIONS

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$63,404. This minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). 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 employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards.

NOTES TO FINANCIAL STATEMENTS

City of Lenox
Lenox, Georgia

December 31, 2019

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	\$ 17,185	\$ 0	\$17,185
Interest	28,173	0	28,173
Differences between Expected and Actual Experience	25,856	0	25,856
Contributions-Employer	0	306,938	(306,938)
Net Investment Income	0	20,076	(20,076)
Benefit Payments, Including Refunds of Employee Contributions	(15,142)	(15,142)	0
Administrative Expense	0	(3,077)	3,077
Other	<u>463,430</u>	<u>0</u>	<u>463,430</u>
 Net Change	 519,502	 308,795	 210,707
 Balance at September 30, 2018*	 <u>366,025</u>	 <u>241,018</u>	 <u>125,007</u>
 Balance at September 30, 2019**	 <u>\$885,527</u>	 <u>\$549,813</u>	 <u>\$335,714</u>

* Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2019 are used to measure TPL as of September 30, 2018. The balances as of September 30, 2018 constitute measurements of the NPL for the fiscal year ending June 30, 2019.

** Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2020 are used to measure TPL as of September 30, 2019. The balances as of September 30, 2019 constitute measurements of the NPL for the fiscal year ending June 30, 2020.

D. SENSITIVITY OF NET PENSION LIABILITY

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

<u>1% Decrease</u> (6.375%)	<u>Current Discount Rate</u> (7.35%)	<u>1% Increase</u> (8.375%)
\$460,621	\$335,714	\$232,001

NOTES TO FINANCIAL STATEMENTS

City of Lenox
Lenox, Georgia

December 31, 2019

E. PENSION EXPENSE

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

Service Cost	\$17,185
Interest on TPL	28,173
Administrative Expenses	3,077
Expected Return on Assets	(28,903)
Expensed Portion of Current Year Period Differences between Expected and Actual Experience in TPL	5,172
Expensed Portion of Current Year Period Assumption Changes	(2)
Current Year Plan Changes	463,444
Expensed Portion of Current Year Period Differences between Projected and Actual Investment Earnings	1,767
Current Year Recognition of Deferred Inflows and Outflows Established in Prior Years	<u>6,449</u>
 Total Expenses	 <u>\$496,362</u>

F. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$49,289	\$ (1,080)
Changes of Assumptions	2,327	(12)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(2,656)
Contributions after Measurement Date	<u>8,166</u>	<u>0</u>
 Total	 <u>\$59,782</u>	 <u>\$ (3,748)</u>

The City of Lenox's contributions of \$8,166, 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Outflows</u>	<u>Inflows</u>
2020	\$18,806	\$(5,420)
2021	16,692	(5,418)
2022	13,521	(2,101)
2023	10,763	0
2024	0	0

NOTES TO FINANCIAL STATEMENTS

City of Lenox
Lenox, Georgia

December 31, 2019

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 costs 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. RESTATED FUND BALANCE

The beginning fund balance of the special purpose local option sales tax fund has been decreased by \$6,531 and the fund balance of the transportation SPLOST fund has been increased by \$6,531.

This represents the transfer of transportation SPLOST funds reported in the special purpose local option sales tax fund in the prior year.

NOTES TO FINANCIAL STATEMENTS

City of Lenox
Lenox, Georgia

December 31, 2019

12. SUBSEQUENT EVENTS

The COVID-19 pandemic developed rapidly in 2020 and measures to contain the virus have had significant impacts on economic activity across the country. The City of Lenox has taken and continues to take measures to monitor and mitigate the effects of the virus. These measures include but are not limited to the acquisition of personal protective equipment, the implementation of social distancing, and temporarily limiting access to City facilities. The City will continue to follow CDC guidance to safeguard the wellbeing of its citizens and employees.

While the current pandemic has impacted certain revenues, most notably fines, the City has received assistance from the state of Georgia in the form of Cares funding and has not seen a significant impact to its overall fiscal condition.

In preparing these financial statements, the City has also evaluated events and transactions for potential recognition or disclosure through June 14, 2021, the date when the financial statements were available to be issued.

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Three departments of the general fund expended more than their appropriated budgeted amounts. They are general government-\$10,427, the street department-\$16,098 and the sanitation department-\$1,575. These excess expenditures are primarily the result of nonbudgeted capital outlay expenditures.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Lenox						
Lenox, Georgia						December 31, 2019
Total Pension Liability:						
Service Cost	\$ 17,185	\$ 17,902	\$ 17,263	\$ 14,365	\$ 11,891	\$ 7,267
Interest on Total Pension Liability	28,173	24,504	21,247	18,881	18,179	16,155
Differences Between Expected and Actual Experience	25,856	22,371	7,906	12,424	(3,780)	19,491
Change in Assumptions	(14)	0	3,395	0	0	2,706
Change in Benefit Terms	463,444	0	0	0	0	0
Benefit Payments	<u>(15,142)</u>	<u>(15,142)</u>	<u>(15,141)</u>	<u>(15,142)</u>	<u>(19,323)</u>	<u>(19,703)</u>
Net Change in Total Pension Liability	519,502	49,635	34,670	30,528	6,967	25,916
Total Pension Liability-Beginning	<u>366,025</u>	<u>316,390</u>	<u>281,720</u>	<u>251,192</u>	<u>244,225</u>	<u>218,309</u>
Total Pension Liability-Ending	<u>\$885,527</u>	<u>\$366,025</u>	<u>\$ 316,390</u>	<u>\$281,720</u>	<u>\$251,192</u>	<u>\$244,225</u>
Plan Fiduciary Net Position:						
Contributions-Employer	\$306,938	\$ 26,623	\$ 20,379	\$ 18,873	\$ 14,227	\$ 14,975
Net Investment Income	20,076	21,557	27,724	18,268	2,183	17,713
Benefit Payments	(15,142)	(15,142)	(15,141)	(15,142)	(19,323)	(19,703)
Administrative Expenses	<u>(3,077)</u>	<u>(4,472)</u>	<u>(3,648)</u>	<u>(1,881)</u>	<u>(1,967)</u>	<u>(1,610)</u>
Net Change in Plan Fiduciary Net Position	308,795	28,566	29,314	20,118	(4,880)	11,375
Plan Fiduciary Net Position-Beginning	<u>241,018</u>	<u>212,452</u>	<u>183,138</u>	<u>163,020</u>	<u>167,900</u>	<u>156,525</u>
Plan Fiduciary Net Position-Ending	<u>\$549,813</u>	<u>\$241,018</u>	<u>\$212,452</u>	<u>\$183,138</u>	<u>\$163,020</u>	<u>\$167,900</u>
Net Pension Liability-Ending	<u>\$335,714</u>	<u>\$125,007</u>	<u>\$103,938</u>	<u>\$ 98,582</u>	<u>\$ 88,172</u>	<u>\$ 76,325</u>

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

City of Lenox
Lenox, Georgia

December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.09%	65.85%	67.15%	65.01%	64.90%	68.75%
Covered Employee Payroll	\$475,941	\$471,329	\$422,857	\$392,316	\$330,540	\$292,898
Net Pension Liability as a Percentage of Covered Employee Payroll	70.54%	26.52%	24.58%	25.13%	26.68%	26.06%

Note to the Schedule:

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

SCHEDULE OF CONTRIBUTIONS

City of Lenox
Lenox, Georgia

December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 30,431	\$ 25,861	\$ 21,426	\$ 18,022	\$ 12,962
Contribution in Relation to the Actuarially Determined Contribution	<u>303,844</u>	<u>(25,861)</u>	<u>(21,426)</u>	<u>(18,022)</u>	<u>(12,962)</u>
Contribution Deficiency (Excess)	<u>\$(273,413)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 471,329	\$ 422,857	\$ 392,316	\$ 330,540	\$ 292,898
Contribution as a Percentage of Covered Employee Payroll	64.47%	6.12%	5.46%	5.45%	4.43%

Notes to the Schedule:

Valuation Date-January 1, 2019-The actuarially determined contribution was determined as of January 1, 2020, 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, 2021.

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 amortization period varies for the bases, with a net effective amortization period of 22 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-7.35%
- Projected Salary Increases-2.25% plus service based merit increases
- Cost of Living Adjustments-0.00%
- Retirement Age-65 plus 5
- Mortality-Sex-distinct Pri-2012 head-count weighted healthy retiree mortality table with rates multiplied by 1.25.

Covered employee payroll is based on data collected as of September 30 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, 2019

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 145,500	\$ 145,500	\$ 119,627	\$ (25,873)
Licenses and Permits	8,000	8,000	17,254	9,254
Franchise Fees	63,000	63,000	48,700	(14,300)
Charges for Services	76,500	76,500	84,048	7,548
Fines and Forfeitures	1,401,400	1,401,400	1,522,327	120,927
Intergovernmental	0	0	19,502	19,502
Miscellaneous	132,500	132,500	23,481	(109,019)
Total Revenues	<u>1,826,900</u>	<u>1,826,900</u>	<u>1,834,939</u>	<u>8,039</u>
Expenditures:				
General Government	263,650	384,782	395,209	(10,427)
Police Department	1,172,100	1,258,168	1,227,082	31,086
Fire Department	43,800	43,800	35,466	8,334
Street Department	279,750	314,178	330,276	(16,098)
Sanitation Department	40,000	40,000	41,575	(1,575)
Culture and Recreation	27,600	27,600	6,330	21,270
Total Expenditures	<u>1,826,900</u>	<u>2,068,528</u>	<u>2,035,938</u>	<u>32,590</u>
Excess of Revenues Over (Under) Expenditures	<u>0</u>	<u>(241,628)</u>	<u>(200,999)</u>	<u>40,629</u>
Net Change in Fund Balance	0	(241,628)	(200,999)	40,629
Fund Balance - January 1, 2019	<u>495,258</u>	<u>495,258</u>	<u>495,258</u>	<u>0</u>
FUND BALANCE - DECEMBER 31, 2019	<u>\$ 495,258</u>	<u>\$ 253,630</u>	<u>\$ 294,259</u>	<u>\$ 40,629</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

City of Lenox
Lenox, Georgia

December 31, 2019

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, 2019

Project	Original Estimated Cost	Expenditures			Estimated Percentage Completion
		Prior Years	Current Year	Total	

2017 REFERENDUM

Capital Outlay Items	<u>\$ 247,500</u>	<u>\$ 18,373</u>	<u>\$ 48,989</u>	<u>\$ 67,362</u>	27%
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COMMUNITY DEVELOPMENT BLOCK GRANT

BUDGET TO ACTUAL FUNDS SCHEDULE

GRANT #14P-X-037-2-5759

City of Lenox
Lenox, Georgia

December 31, 2019

<u>Program Activity</u>	<u>Activity Number</u>	<u>Latest Approved Budget CDBG Funds</u>	<u>Period Expenditures</u>	<u>Prior Period Expenditures</u>	<u>Grant Total Expenditures to Date</u>	<u>Questioned Costs</u>
Contingencies	C-022-00	\$ 28,449	\$ 0	\$ 0	\$ 0	\$ 0
Engineering	T-03K-00	2,666	0	0	0	0
Street Improvements	P-03K-01	291,685	0	34,975	34,975	0
Flood and Drainage Facilities	P-03K-02	147,200	0	121,824	121,824	0
Administration	A-21A-00	30,000	0	27,000	27,000	0
Total		\$ 500,000	\$ 0	\$ 183,799	\$ 183,799	\$ 0

COMMUNITY DEVELOPMENT BLOCK GRANT

SOURCE AND APPLICATION OF FUNDS SCHEDULE

GRANT #14P-X-037-2-5759

City of Lenox
Lenox, Georgia

December 31, 2019

Total Program Funds Allocated to Recipient	\$ 500,000
Less: Total Current Year Funds Drawn Down by Recipient	0
Less: Total Prior Year Funds Drawn Down by Recipient	<u>(183,799)</u>
Funds Still Available	<u>\$ 316,201</u>
Total Program Funds Held at Year Beginning January 1, 2019	\$ 0
Total Program Funds Drawn Down and Received by Recipient	0
Less: Funds Applied and Expended to Program Year 2019 Costs	<u>0</u>
Total Program Funds Held at Year Ending December 31, 2019	<u>\$ 0</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

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, 2019, 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 June 14, 2021.

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 19-1 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 19-2, 19-3 and 19-4 to be significant deficiencies.

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

June 14, 2021

SCHEDULE OF FINDINGS AND RESPONSES

City of Lenox
Lenox, Georgia

Year Ended
December 31, 2019

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. Four 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, 2019.

FINDINGS-FINANCIAL STATEMENTS AUDIT

19-1 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.

19-2 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.

SCHEDULE OF FINDINGS AND RESPONSES

City of Lenox
Lenox, Georgia

Year Ended
December 31, 2019

19-3 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.

19-4 Budget Compliance (Repeat)

Several departments of the City of Lenox, Georgia, exceeded budgeted expenditure amounts.

Criteria-Departments are to only spend their budgeted amounts of appropriated funds. Any excess expenditures should be approved by city council with appropriate budget amendments.

Effect-Overspending of budgeted amounts can result in a deterioration of the City's financial condition and misuse of City funds.

Recommendation-Timely budget reports need to be prepared and presented to management and council to monitor each department's spending and its compliance with approved budgets.

Management's Response-Management agrees with this finding and will put in place procedures to prepare timely budget reports and monitor departmental spending.