ANNUAL FINANCIAL REPORT

CITY OF LENOX, GEORGIA

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2014

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Lenox, Georgia — December 31, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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, 2014, 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 budgetary comparison information on pages 29 and 30 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 14, 2015, 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 14, 2015

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash on Hand and in Banks	$ 580,295	$ 49,366	$ 629,661
Restricted Cash	0	230,904	230,904
Receivables - Net	75,293	26,628	101,921
Internal Balances	(3,093)	3,093	0
Prepaid Expenses	12,705	12,729	25,434
Total Current Assets	665,200	322,720	987,920
Non-Current Assets:			
Capital Assets Nondepreciable	603,635	51,400	655,035
Capital Assets Depreciable - Net	1,531,843	5,185,578	6,717,421
Bond/Loan Cost - Net	0	18,201	18,201
Total Non-Current Assets	2,135,478	5,255,179	7,390,657
Total Assets	2,800,678	5,577,899	8,378,577

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	61,367	16,412	77,779
Accrued Expenses	793	116	909
Payable from Restricted Assets:			
Accrued Interest on Bonds	0	3,046	3,046
Revenue Bonds Payable	0	15,530	15,530
Notes Payable	0	3,348	3,348
Customer Deposits	0	47,787	47,787
Total Current Liabilities	62,160	86,239	148,399
Long-Term Liabilities:			
Notes Payable (Net of Current Portion)	0	20,934	20,934
Revenue Bonds Payable (Net of Current Portion)	0	934,582	934,582
Total Long-Term Liabilities	0	955,516	955,516
Total Liabilities	62,160	1,041,755	1,103,915

(Continued on next page)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Government-Wide
Lenox, Georgia

December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net Investment in Capital Assets	$2,135,478	$ 4,262,584	$ 6,398,062
Restricted For:			
Capital Projects	88,694	0	88,694
Drug Intervention	70,923	0	70,923
Revenue Bonds	0	227,858	227,858
Unrestricted	443,423	45,702	489,125
TOTAL NET POSITION	$2,738,518	$ 4,536,144	$ 7,274,662

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	$ 232,402	$ 28,061	$ 0
Public Safety	778,629	1,196,416	0
Public Works	163,800	35,795	13,733
Recreation	17,348	0	0
Total Governmental Activities	1,192,179	1,260,272	13,733
Business-Type Activities:			
Water and Sewer	539,003	374,701	0
Total Primary Government	$1,731,182	$1,634,973	$ 13,733
General Revenues:			
Sales Taxes			
Title Advalorem Tax			
Insurance Premium Tax			
Business Taxes			
Franchise Fees			
Miscellaneous Revenue			
Transfers-Internal Activities			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - January 1, 2014			
NET POSITION - DECEMBER 31, 2014			

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Year Ended
December 31, 2014

Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government		
Capital Grants and Contributions	Total		Governmental Activities	Business-Type Activities	Total
$ 0	$ 28,061		$ (204,341)	$ 0	$ (204,341)
0	1,196,416		417,787	0	417,787
51,648	101,176		(62,624)	0	(62,624)
0	0		(17,348)	0	(17,348)
51,648	1,325,653		133,474	0	133,474
0	374,701		0	(164,302)	(164,302)
$ 51,648	$1,700,354		133,474	(164,302)	(30,828)
			50,733	0	50,733
			6,558	0	6,558
			47,085	0	47,085
			26,587	0	26,587
			47,827	0	47,827
			19,809	756	20,565
			(30,945)	30,945	0
			167,654	31,701	199,355
			301,128	(132,601)	168,527
			2,437,390	4,668,745	7,106,135
			$2,738,518	$4,536,144	$7,274,662

The accompanying notes are an integral part of these statements.

COMBINING BALANCE SHEET

Governmental Funds
Lenox, Georgia — December 31, 2014

	General Fund	Special Purpose Local Option Sales Tax Fund	CDBG Fund	Total
ASSETS				
Cash	$509,561	$ 70,734	$ 0	$580,295
Accounts Receivable - Net	68,796	6,497	0	75,293
Prepaid Expense	12,705	0	0	12,705
TOTAL ASSETS	$591,062	$ 77,231	$ 0	$668,293
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts Payable	$ 60,211	$ 1,156	$ 0	$ 61,367
Accrued Expenses	793	0	0	793
Due to Other Funds	3,093	0	0	3,093
Total Liabilities	64,097	1,156	0	65,253
Deferred Inflows of Resources	16,717	0	0	16,717
Fund Balance:				
Nonspendable:				
Prepaid Items	12,705	0	0	12,705
Restricted:				
Capital Projects	12,619	76,075	0	88,694
Drug Intervention	70,923	0	0	70,923
Assigned:				
Fire Protection	21,433	0	0	21,433
Unassigned:				
General Fund	392,568	0	0	392,568
Total Fund Balance	510,248	76,075	0	586,323
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$591,062	$ 77,231	$ 0	$668,293

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, 2014

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 586,323
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.	2,135,478
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
NET POSITION OF GOVERNMENTAL ACTIVITIES	$2,738,518

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, 2014

	General Fund	Special Purpose Local Option Sales Tax Fund	CDBG Fund	Total
Revenues:				
Taxes	$ 137,360	$ 0	$ 0	$ 137,360
Licenses and Permits	10,766	0	0	10,766
Franchise Fees	47,827	0	0	47,827
Charges for Services	53,090	0	0	53,090
Fines and Forfeitures	1,196,416	0	0	1,196,416
Intergovernmental	13,733	36,648	15,000	65,381
Miscellaneous	19,807	2	0	19,809
Total Revenues	1,478,999	36,650	15,000	1,530,649
Expenditures:				
Current:				
General Government	236,879	145	0	237,024
Public Safety	866,950	0	0	866,950
Public Works	212,176	0	0	212,176
Culture and Recreation	13,032	0	0	13,032
Capital Outlay	0	17,760	15,000	32,760
Total Expenditures	1,329,037	17,905	15,000	1,361,942
Excess of Revenues Over (Under) Expenditures	149,962	18,745	0	168,707
Other Financing Uses:				
Transfer In (Out)	0	(30,945)	0	(30,945)
Net Change in Fund Balance	149,962	(12,200)	0	137,762
Fund Balance - January 1, 2014	360,286	88,275	0	448,561
FUND BALANCE - DECEMBER 31, 2014	$ 510,248	$ 76,075	$ 0	$ 586,323

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, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 137,762
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.	289,245
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.	(119,482)
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.	(6,397)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 301,128

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Proprietary Fund
Lenox, Georgia — December 31, 2014

		Water and Sewer Fund
ASSETS		
Current Assets:		
Cash		$ 49,366
Accounts Receivable - Net		26,628
Prepaid Expenses		12,729
Due from Other Funds		3,093
Restricted Assets:		
Cash		230,904
Total Current Assets		322,720
Non-Current Assets:		
Capital Assets Nondepreciable		51,400
Capital Assets Depreciable - Net		5,185,578
Bond/Loan Cost - Net		18,201
Total Non-Current Assets		5,255,179
Total Assets		5,577,899
LIABILITIES		
Current Liabilities:		
Payable from Current Assets:		
Accounts Payable	$ 16,412	
Accrued Expenses	116	
Customer Deposits	47,787	
Notes Payable	3,348	67,663
Payable from Restricted Assets:		
Accrued Interest	3,046	
Revenue Bonds Payable	15,530	18,576
Total Current Liabilities		86,239
Long-Term Liabilities:		
Notes Payable (Net of Current Portion)		20,934
Revenue Bonds Payable (Net of Current Portion)		934,582
Total Long-Term Liabilities		955,516
Total Liabilities		1,041,755

(Continued on next page)

The accompanying notes are an integral part of these statements.

STATEMENT OF NET POSITION

Proprietary Fund
Lenox, Georgia — December 31, 2014

	Water and Sewer Fund
NET POSITION	
Net Position:	
Net Investment in Capital Assets	$ 4,262,584
Restricted for Debt Service	227,858
Unrestricted	45,702
TOTAL NET POSITION	$ 4,536,144

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, 2014

	Water and Sewer Fund
Operating Revenues:	
Water and Sewer Sales	$ 364,964
Penalties and Fees	9,737
Total Operating Revenues	374,701
Operating Expenses:	
Personnel Services	128,221
Depreciation	151,232
Utilities	45,829
Repairs and Maintenance	54,726
Insurance	54,327
Supplies	30,651
Professional Fees	8,681
Gas and Oil	8,555
Travel and Training	9,835
Advertising	1,120
Miscellaneous	2,756
Total Operating Expenses	495,933
Operating Loss	(121,232)
Non-Operating Revenues (Expenses):	
Interest Income	756
Interest Expense	(43,070)
Net Non-Operating Revenues (Expenses)	(42,314)
Net Loss Before Transfers	(163,546)
Transfers	30,945
Change in Net Position	(132,601)
Net Position - January 1, 2014	4,668,745
NET POSITION - DECEMBER 31, 2014	$4,536,144

The accompanying notes are an integral part of these statements.

STATEMENT OF CASH FLOWS

Proprietary Fund Lenox, Georgia	Year Ended December 31, 2014
	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 377,114
Cash Payments for Personnel Services	(129,921)
Cash Payments to Other Suppliers of Goods and Services	(208,009)
Cash Received from Other Funds, Net	(12,162)
Net Cash Provided by Operating Activities	27,022
Cash Flows from Noncapital Financing Activities	0
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(71,677)
Principal Paid on Revenue Bonds	(14,854)
Interest Paid on Revenue Bonds	(43,117)
Principal Paid on Long-Term Debt	(3,349)
Transfers In	30,945
Net Cash Used by Capital and Related Financing Activities	(102,052)
Cash Flows from Investing Activities:	
Interest Received	756
Net Decrease in Cash	(74,274)
Cash and Restricted Cash - January 1, 2014	354,544
CASH AND RESTRICTED CASH - DECEMBER 31, 2014	$ 280,270
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	$(121,232)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation/Amortization	151,840
Changes in Assets and Liabilities:	
Operating Receivables, Net	(2,462)
Prepaid Expense	5,694
Interfund Receivable/Payable	(12,162)
Accounts Payable	2,169
Accrued Operating Expenses	(1,700)
Customer Deposits	4,875
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 27,022

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, 2014, there was no material inventory on hand.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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	7-15 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the issue is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

J. DEFERRED INFLOWS /OUTFLOWS

In addition to liabilities, the statement of financial position 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 has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 2014, 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, 2014, 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.

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	$ 500
Bank Deposits (checking accounts and saving accounts)	860,065
Total Primary Government	$860,565

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, 2014, consist of the following:

	General Fund	Special Purpose Local Option Sales Tax Fund	Water and Sewer Fund
Property Taxes	$16,717	$ 0	$ 0
Accounts	47,047	0	56,362
Due from Other Governments	9,342	6,497	0
Less Allowances for Uncollectables	(4,310)	0	(29,734)
Net Receivables	$68,796	$ 6,497	$ 26,628

4. CAPITAL ASSETS

The schedule below represents the changes in the capital assets of the City for the year ending December 31, 2014.

	Balance January 1, 2014	Additions	Transfers/ Deletions	Balance December 31, 2014
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 502,675	$ 12,000	$ 0	$ 514,675
Construction in Process	0	88,960	0	88,960
Total Capital Assets not being Depreciated	502,675	100,960	0	603,635
Capital Assets being Depreciated:				
Buildings and Improvements	1,567,485	0	0	1,567,485
Machinery and Equipment	690,141	188,285	0	878,426
Infrastructure	28,880	0	0	28,880
Total Capital Assets being Depreciated	2,286,506	188,285	0	2,474,791
Less Accumulated Depreciation:				
Buildings and Improvements	(492,058)	(35,038)	0	(527,096)
Machinery and Equipment	(325,271)	(83,722)	0	(408,993)
Infrastructure	(6,137)	(722)	0	(6,859)
Total Accumulated Depreciation	(823,466)	(119,482)	0	(942,948)
Net Capital Assets being Depreciated	1,463,040	68,803	0	1,531,843
Total Capital Assets, Net	$1,965,715	$ 169,763	$ 0	$2,135,478

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

General Government	$ 30,352
Public Safety	55,990
Public Works	28,824
Recreation	4,316
Total	$119,482

	Balance January 1, 2014	Additions	Transfers/ Deletions	Balance December 31, 2014
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	$ 51,400	$ 0	$ 0	$ 51,400
Capital Assets being Depreciated:				
Distribution System	6,786,064	58,917	0	6,844,981
Buildings and Improvements	66,787	4,971	0	71,758
Machinery and Equipment	65,358	7,789	0	73,147
Total Capital Assets being Depreciated	6,918,209	71,677	0	6,989,886
Less Accumulated Depreciation:				
Distribution System	(1,576,996)	(146,393)	0	(1,723,389)
Buildings and Improvements	(17,164)	(1,854)	0	(19,018)
Machinery and Equipment	(58,916)	(2,985)	0	(61,901)
Total Accumulated Depreciation	(1,653,076)	(151,232)	0	(1,804,308)
Net Capital Assets being Depreciated	5,265,133	(79,555)	0	5,185,578
Total Capital Assets, Net	$5,316,533	$ (79,555)	$ 0	$5,236,978

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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Business-Type Activities:					
Revenue Bonds	$ 964,966	$ 0	$ (14,854)	$ 950,112	$ 15,530
Notes Payable	27,631	0	(3,349)	24,282	3,348
Total Business-Type Activities	$ 992,597	$ 0	$ (18,203)	$ 974,394	$ 18,878

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
2015	4.50%	$ 15,530	$ 42,442	$ 57,972
2016	4.50%	16,243	41,729	57,972
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
2020-2024	4.50%	106,585	183,275	289,860
2025-2029	4.50%	133,423	156,437	289,860
2030-2034	4.50%	167,019	122,841	289,860
2035-2039	4.50%	209,073	80,787	289,860
2040-2044	4.50%	248,880	28,165	277,045
		$950,112	$776,233	$1,726,345

C. NOTES PAYABLE

The following is the outstanding note payable of the City of Lenox as of December 31, 2014, 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.

Year Ending December 31	Water and Sewer Fund Principal	Interest
2015	$ 3,348	$0
2016	3,348	0
2017	3,348	0
2018	3,348	0
2019	3,348	0
2020-2022	7,542	0
	$24,282	$ 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, 2014, the water and sewer fund had advanced the general fund $3,093.

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

A. PLAN DESCRIPTION

Effective July 1, 1991, the City established the City of Lenox Retirement Plan for its employees administered by the Georgia Municipal Employees Benefit System (GMEBS) Defined Benefit Plan (Plan), an agent multiple-employer public employee retirement system. The provisions of the plan were established by an adoption agreement executed by the City Council. Current total membership in the plan is fourteen; four retirees receiving benefits, one vested former participant and nine current active employees. All full-time (over 20 hours) City employees with one year of service are eligible to participate in the plan. Benefits vest after 7 years of service. City employees who retire at age 65 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.25% of final average earnings multiplied by years of total credited service. The plan, as a whole, issues stand alone financial statements, which may be obtained by writing to the Georgia Municipal Association, 201 Pryor Street S.W., Atlanta, Georgia 30303. Information for the plan is based on an actuarial report as of January 1, 2015.

B. FUNDING POLICY

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution is established by the GMEBS board of trustees and is in compliance with the minimum funding standards established by state statute and city ordinance. The City of Lenox Retirement Plan members are not required to contribute to the plan.

C. ANNUAL PENSION COST

For the plan year 2014, the City's annual pension cost of $12,962 was equal to the City's required actual contributions. The required contribution was determined as part of the actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases at 3.25% per year and cost of living adjustments of 0%, and (c) an inflation rate of 3.25% per year. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over several years. The plan's

unfunded actuarial accrued liability is being amortized (level dollar method) over a 30 year period from 1991, 15 years for actuarial gains and losses, 20 years for plan provision and 30 years for actuarial assumptions and cost methods. These amortization periods, if applicable, are closed for this plan year. The unfunded actuarial accrued liability as of January 1, 2015, was $35,885. Plan provisions and actuarial assumptions are the same as those used in previous valuations.

Schedule of Employer Contributions

Plan Year Ending	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
12/31/14	$12,962	100%	$0
12/31/13	25,601	100	0
12/31/12	23,575	100	0
12/31/11	21,794	100	0
12/31/10	20,671	100	0
6/30/09	16,256	100	0
6/30/08	15,260	100	0
6/30/07	11,684	100	0

D. FUNDING STATUS

The information below is based on an actuarial valuation performed each year.

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Actuarial Value of Assets as a Percentage Actuarial Accrued Liability	Unfunded Actuarial Liability	Annual Covered Payroll	Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
7/1/06	$129,855	$187,073	69.4%	$ 57,218	$ 60,416	94.7%
7/1/07	135,461	202,484	66.9	67,023	92,500	72.4
7/1/08	140,337	215,557	64.5	77,220	128,545	60.1
7/1/09	109,166	218,568	49.9	109,402	109,460	99.9
1/1/10	135,583	217,819	62.2	82,236	161,460	50.9
1/1/11	138,695	224,389	61.8	85,694	150,800	56.8
1/1/12	143,693	207,766	69.1	64,073	211,816	30.2
1/1/13	153,608	196,854	78.0	43,246	153,640	28.1
1/1/14	167,299	194,481	86.0	27,182	189,971	14.3
1/1/15	173,103	208,950	82.8	35,855	292,898	12.2

9. INTERNAL TRANSFERS

During the year the special purpose local option sales tax fund reported a transfer of $30,945 to the water and sewer fund for sewer system improvements.

10. 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.

11. 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 Development Center.

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

12. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 24, 2015, the date when the financial statements were available to be issued.

SCHEDULE OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

General Fund
Lenox, Georgia

Year Ended
December 31, 2014

	Budget			
	Original	Final	Actual	Variance
Revenues:				
Taxes	$ 125,600	$ 125,600	$ 137,360	$ 11,760
Licenses and Permits	6,800	6,800	10,766	3,966
Franchise Fees	47,000	47,000	47,827	827
Charges for Services	54,500	54,500	53,090	(1,410)
Fines and Forfeitures	811,000	1,210,533	1,196,416	(14,117)
Intergovernmental	0	0	13,733	13,733
Miscellaneous	80,250	80,250	19,807	(60,443)
Total Revenues	1,125,150	1,524,683	1,478,999	(45,684)
Expenditures:				
General Government	185,768	244,459	236,880	7,579
Police Department	687,416	918,500	848,388	70,112
Fire Department	21,700	25,000	18,562	6,438
Street Department	176,466	215,750	168,618	47,132
Sanitation Department	38,000	44,000	43,558	442
Recreation Department	15,800	20,000	13,031	6,969
Total Expenditures	1,125,150	1,467,709	1,329,037	138,672
Excess of Revenues Over (Under) Expenditures	0	56,974	149,962	92,988
Net Change in Fund Balance	0	56,974	149,962	92,988
Fund Balance - January 1, 2014	360,286	360,286	360,286	0
FUND BALANCE - DECEMBER 31, 2014	$ 360,286	$ 417,260	$ 510,248	$ 92,988

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, 2014

Project	Original Estimated Cost	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Estimated Percentage Completion
		2005 REFERENDUM			
Roads, Streets, and Bridges	$ 137,000	$ 59,814	$ 17,760	$ 77,574	57%
City Hall Debt Retirement	88,000	81,537	0	81,537	100%
Water and Sewer System Improvements	14,850	15,354	30,945	46,299	100%
TOTAL	$ 239,850	$ 156,705	$ 48,705	$ 205,410	
		2011 REFERENDUM			
Public Works Projects	$ 200,000	$ 101,024	$ 0	$ 101,024	45%
Recreation Facilities	25,000	0	0	0	0%
TOTAL	$ 225,000	$ 101,024	$ 0	$ 101,024	

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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, 2014, 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 14, 2015.

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 deficiencies described in the accompanying schedule of findings and responses as items 14-1 and 14-2 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and responses as item 14-3 to be a significant deficiency.

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 14, 2015

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, 2014.

FINDINGS-FINANCIAL STATEMENTS AUDIT

14-1 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.

14-2 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.

14-3 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.