CITY OF LULA, GEORGIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WALKER, PIERCE & TUCK, CPA'S, P.C.

CITY OF LULA, GEORGIA
FISCAL YEAR ENDED JUNE 30, 2015
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Walker Pierce & Tuck
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lula, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lula, Georgia, as of and for the year ended June 30, 2015, 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, the discretely presented component unit and each major fund of the City of Lula, Georgia, as of June 30, 2015, and the respective changes in financial position and, where applicable, 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

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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. However, the budgetary comparison information is presented, as required by generally accepted accounting principles in the United States of America, on pages 22-23 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lula, Georgia's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax, as required by O.C.G.A. 48-8-121 as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenditures of Special Purpose Local Option Sales Tax 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 Expenditures of Special Purpose Local Option Sales Tax 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 December 3, 2015, on our consideration of the City of Lula, 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 Lula, Georgia's internal control over financial reporting and compliance.

Walker, Pierce & Tuck, CPA's, P.C.

Walker, Pierce and Tuck, CPA's, P.C.
Gainesville, Georgia
December 3, 2015

CITY OF LULA, GEORGIA

Statement of Net Position

June 30, 2015

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
Assets				
Cash and Cash Equivalents	$ 1,217,831	$ 148,058	$ 1,365,889	$ -
Receivables (Net)	96,216	42,362	138,578	-
Restricted Assets - Escrow Accounts	-	151,181	151,181	-
Other Current Assets	-	24,828	24,828	-
Prepaid Expenses	15,795	-	15,795	-
Construction-in-Progress	47,811	-	47,811	-
Nondepreciable Capital Assets	-	560,516	560,516	-
Depreciable Capital Assets, Net	724,134	10,546,628	11,270,762	-
Total Assets	2,101,787	11,473,573	13,575,360	-
Deferred Outflows of Resources	-	-	-	-
Liabilities				
Accounts Payable and Other Liabilities	40,101	9,428	49,529	-
Internal Balances	(1,466,948)	1,466,948	-	-
Accrued Balances	3,007	1,710	4,717	-
Deposits Payable	-	52,571	52,571	-
Noncurrent Liabilities:				
Due Within One Year	-	60,829	60,829	-
Due In More Than One Year	-	1,226,277	1,226,277	-
Compensated Absences	4,496	2,409	6,905	-
Total Liabilities	(1,419,344)	2,820,172	1,400,828	-
Deferred Inflows of Resources	-	-	-	-
Net Position				
Net Investment In Capital Assets	771,945	9,820,038	10,591,983	-
Restricted For:				
Capital Projects	303,008	-	303,008	-
Debt Service Escrow	-	151,181	151,181	-
Unrestricted	2,446,178	(1,317,818)	1,128,360	-
Total Net Position	$ 3,521,131	$ 8,653,401	$ 12,174,532	$ -

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

CITY OF LULA, GEORGIA
Statement of Activities
For the Year Ended June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary Government:								
Governmental Activities								
General Government	$ 473,372	$ 239,671	$ 83,325	$ 239,070	$ 88,694		$ 88,694	
Streets and Sanitation	372,513	119,649	-	-	(252,864)		(252,864)	
Culture and Recreation	12,033	-	-	-	(12,033)		(12,033)	
Total Governmental Activities	857,918	359,320	83,325	239,070	(176,203)		(176,203)	
Business-Type Activities								
Water and Sewer	811,440	577,524	-	-		$ (233,916)	(233,916)	
Total Business-Type Activities	811,440	577,524	-	-		(233,916)	(233,916)	
Total Primary Government	$ 1,669,358	$ 936,844	$ 83,325	$ 239,070			(410,119)	
Component Units:								
Downtown Development Authority	$ -	$ -	$ -	$ -				$ -
Total Component Units	$ -	$ -	$ -	$ -				-
General Revenues:								
Franchise Tax					116,333	-	116,333	
Sales Taxes					412,657	-	412,657	
Interest and Investment Earnings					950	195	1,145	
Gain (Loss) on Sale of Capital Assets					(22,324)	(1,252)	(23,576)	
Miscellaneous					15,237	9,515	24,752	
Transfers					(98,611)	98,611	-	
Total General Revenues and Transfers					424,242	107,069	531,311	
Change in Net Position					248,039	(126,847)	121,192	
Net Position - Beginning					3,273,092	8,780,248	12,053,340	-
Net Position - Ending					$ 3,521,131	$ 8,653,401	$12,174,532	$ -

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

CITY OF LULA, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	$ 956,315	$ 261,516	$ 1,217,831
Due From Other Governments	36,148	41,492	77,640
Receivables (Net)	18,576	-	18,576
Prepaid Expenditures	15,795	-	15,795
Advances to Other Funds	1,466,948	-	1,466,948
Total Assets	2,493,782	303,008	2,796,790
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows	$ 2,493,782	$ 303,008	$ 2,796,790
Liabilities			
Accounts Payable	$ 40,101	$ -	$ 40,101
Accrued Expenditures	3,007	-	3,007
Total Liabilities	43,108	-	43,108
Deferred Inflows of Resources	-	-	-
Total Liabilities and Deferred Inflows	43,108	-	43,108
Fund Balance			
Nonspendable:			
Prepaid Expenditures	15,795	-	15,795
Interfund Receivable	1,466,948	-	1,466,948
Restricted For:			
Capital projects	-	303,008	303,008
Unassigned	967,931	-	967,931
Total Fund Balance	2,450,674	303,008	2,753,682
Total Liabilities, Deferred Inflows and Fund Balance	$ 2,493,782	$ 303,008	$ 2,796,790

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

CITY OF LULA, GEORGIA

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	$ 2,753,682
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	1,228,387
Less: Accumulated Depreciation	(456,442)
Accrued personal leave not reported in governmental funds	(4,496)
Net Position of Governmental Activities	$ 3,521,131

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

CITY OF LULA, GEORGIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Sales Taxes	$ 412,657	$ -	$ 412,657
Franchise Tax	116,333	-	116,333
Intergovernmental	84,292	238,809	323,101
Charges For Services	358,060	-	358,060
Interest	950	261	1,211
Miscellaneous	15,237	-	15,237
Total Revenue	987,529	239,070	1,226,599
Expenditures			
Current			
General Government	472,466	-	472,466
Streets and Sanitation	325,653	34,140	359,793
Culture and Recreation	12,033	-	12,033
Capital Outlay	-	146,720	146,720
Total Expenditures	810,152	180,860	991,012
Excess of Revenues (Expenditures)	177,377	58,210	235,587
Other Financing Sources (Uses)			
Transfer In	-	-	-
Transfer Out	-	(98,611)	(98,611)
Total Other Financing Sources and Uses	-	(98,611)	(98,611)
Net Change in Fund Balances	177,377	(40,401)	136,976
Beginning Fund Balance	2,273,297	343,409	2,616,706
Ending Fund Balance	$ 2,450,674	$ 303,008	$ 2,753,682

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

CITY OF LULA, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$	136,976
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay $189,696 exceeded depreciation expense $45,920.		143,776
The book value of capital assets disposed are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement less accumulated depreciation		(33,323)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This balance represents the change in compensated absence liability from the prior year.		610
Net Change in Position of Governmental Activities	$	248,039

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

CITY OF LULA, GEORGIA

Statement of Net Position

Proprietary Fund

June 30, 2015

	Water and Sewer Enterprise Fund
Assets	
Current Assets:	
Cash	$ 148,058
Accounts Receivable (net)	42,362
Prepaid Expenses	21,545
Accrued Revenue	3,283
Total Current Assets	215,248
Noncurrent Assets:	
Restricted Cash	151,181
Nondepreciable Capital Assets	560,516
Plant, Property and Equipment (Net of Accumulated Depreciation)	10,546,628
Total Noncurrent Assets	11,258,325
Total Assets	11,473,573
Deferred Outflows of Resources	-
Liabilities	
Current Liabilities:	
Accounts Payable	9,428
Accrued Expenses	1,710
Current Portion of Long Term Debt	60,829
Customer Deposits	52,571
Total Current Liabilities	124,538
Noncurrent Liabilities:	
Advances from Other Funds	1,466,948
Compensated Absences	2,409
Due In More Than One Year	1,226,277
Total Noncurrent Liabilities	2,695,634
Total Liabilities	2,820,172
Deferred Inflows of Resources	-
Net Position	
Net invested in capital assets	9,820,038
Restricted for:	
Escrow account	151,181
Unrestricted	(1,317,818)
Total net position	$ 8,653,401

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

CITY OF LULA, GEORGIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Water and Sewer Enterprise Fund
Operating Revenue	
Charges for Services	$ 571,674
Connection Fees	5,850
Miscellaneous Income	9,515
Total Operating Revenues	587,039
Operating Expenses	
Personal Services	
Compensation	154,685
Employment Taxes	11,472
Benefits	2,683
Total Personal Services	168,840
Expenses	
Supplies	64,961
Repairs and Maintenance	67,860
Utilities	64,858
Miscellaneous	45,389
Depreciation	263,884
Insurance	66,911
Engineering, Lab Fees and Training	29,160
Total Expenses	603,023
Total Operating Expenses	771,863
Operating Income (Loss)	(184,824)
Nonoperating Revenues/(Expenses)	
Gain (Loss) on Sale of Asset	(1,252)
Interest Income	195
Interest Expense on Loans	(39,577)
Total Nonoperating Revenues (Expenses)	(40,634)
Transfer in	98,611
Change in net position	(126,847)
Total net position - beginning	8,780,248
Total net position-ending	$ 8,653,401

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

CITY OF LULA, GEORGIA
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2015

	Water and Sewer
Cash flows from Operating Activities:	
Receipts from Customers	$ 558,407
Payments to Suppliers	(325,027)
Payments to Employees	(167,763)
Net Cash Provided (Used) by Operating Activities:	65,617
Cash flows from Noncapital Financing Activities:	
Transfers from Other Funds	98,611
Increase in Advances from Other Funds	8,457
Net Cash Provided by Noncapital Financing Activities	107,068
Cash Flows from Capital and Related Financing Activities:	
Trade in Value of Sale of Assets	4,000
Acquisition and Construction of Capital Assets	(9,593)
Debt Payments, Principal and Interest and Deferred Charge	(98,610)
Net Cash Provided (Used) by Capital and Related Financing Activiti	(104,203)
Cash Flows from Investing Activities:	
Interest Income	195
Net Cash Provided by Investing Activities	195
Net (Decrease) in Cash and Cash Equivalents	68,677
Cash and Cash Equivalents - Beginning of Year	230,562
Cash and Cash Equivalents - End of Year	$ 299,239
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (loss)	$ (184,824)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	263,884
Changes in Assets and Liabilities:	
Receivables and Accrued Revenue	(3,518)
Prepaid Expenses	553
Compensated Absences	1,332
Accrued Expenses	722
Accounts Payable	(14,112)
Customer Deposits	1,580
Net Cash Provided (Used) by Operating Activities	$ 65,617

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Lula, Georgia, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

1-A The Reporting Entity

The City of Lula, Georgia is a municipal corporation governed by an elected mayor and a five member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of a primary government.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) 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 (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Component Units:

On February 19, 2007, the City Council voted to establish the Lula Downtown Development Authority. The Authority has a seven member board of directors, all of whom are appointed by the City of Lula. Currently the Authority has no assets, liabilities, or operations and there are no separate financial statements.

1-B Basis of Presentation and Basis of Accounting

Basis of Presentation - Government-wide

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Activity between governmental funds that are representative of lending / borrowing arrangements or interfund transfers are eliminated from the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2) grants and contributions that are restricted to

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basis of presentation - fund financial statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund. This fund accounts for *Special Purpose Local Option Sales Tax* financial resources expended for purposes approved by referendum.

The City reports the following major proprietary fund:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer services.

Basis of Accounting – Measurement Focus

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary financial statements are reported using the flow of economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary fund operating revenues and expenses result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues and expenses, such as subsidies, investment earnings or interest expense, result from non-exchange transactions or ancillary activities.

Receivables from and payables to external parties are reported separately and not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

1-C Assets, Liabilities, and Equity

Investments

As of June 30, 2015, the City did not have investments, nor are investments authorized.

Cash and Cash Equivalents

The City considers short-term liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents. Only investments with original maturities of three months or less meet this definition. Nonnegotiable certificates of deposit are considered as cash equivalents.

Restricted Assets

These assets are held in the capital projects fund for specific purposes defined by statute, referendum, or grant contract and are not generally available for general government operations. In addition, restricted assets are also held in the proprietary fund and the business-type activities of the government-wide financial statements in amounts required to pay customer deposit balances and escrow funds required by debt covenants.

Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans.) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade accounts receivable for the City of Lula, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property Tax Calendar

The City does not levy a property tax.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market. In the governmental funds, the cost of inventory items are recorded as expenditures at the time of purchase. The City maintains no significant inventories. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements, regardless of amount.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	40
Equipment	10
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

General leave for the City includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued leave earned not to exceed the number of leave hours outlined in the employee policy manual.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations. Vested or accumulated general leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance of compensated absences is recorded as a noncurrent liability and disclosed as a long-term debt.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently the City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently the City does not have any items that qualify for reporting in this category.

Retirement Plans

The City has adopted a 457 deferred compensation plan named "The City of Lula 457 Deferred Compensation Plan". The Plan is a defined contribution plan administered by the Georgia Municipal Association who may amend the plan at its discretion. All City employees who are eligible may contribute to the plan through salary deferrals up to the statutory limits. The City also adopted a defined contribution pension plan, "The City of Lula 401(a) Pension Plan", which is also administered by the Georgia Municipal Association who also may amend the plan at its discretion. For all City employees who are eligible, the City matches employee deferrals up to 3% of gross salary per payroll period. As of June 30, 2015, there were 8 employees participating in the plan. For the year ended June 30, 2015, the employees deferred a total of $25,442, and the City's match totaled $7,163.

1-D 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 balance 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 (i.e., items that are not expected to be converted to cash) or (b) legally contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance officer to assign fund balances.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balances only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

Committed
Assigned
Unassigned

Net position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 2. CASH

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

The City's custodial credit risk policy is to require all banks to collateralize the City's deposits at 110% of account balances and to have a perfected security agreement supporting the collateral agreement with the bank. The City does not have a foreign credit risk. At June 30, 2015, all bank deposits were insured or fully collateralized.

NOTE 3. RECEIVABLES

The following is a summary of amounts due from others at June 30, 2015:

Receivables from:		
Governmental Funds:		
Due From Other Governments	$	77,640
Accounts Receivable, Net		18,576
	$	96,216
Business-Type Funds:		
Accounts Receivable, Net	$	42,362
	$	42,362

NOTE 4. LITIGATION

The Attorneys for the City have advised that there are no known legal matters which will have a material effect on the City's financial condition. No provision has been made to provide reserves for litigation settlements.

NOTE 5. LONG-TERM DEBT

Intergovernmental loan

On November 3, 2009, the City signed a loan agreement with the Clean Water State Revolving Fund, administered by the Georgia Environmental Facilities Authority to finance the construction of a waste water treatment plant, in accordance with Title VII of Division A of the American Recovery and Reinvestment Act of 2010 ("ARRA"). Construction on the plant was completed in April 2011. The loan for $2,570,702 is a 20 year note at 3.00 percent interest repaid by the City in monthly installments of $14,257.05 beginning on February 1, 2012.

In March 2014, GEFA agreed to allow the City to make a one-time principal payment of $1,000,000 and re-amortize the loan to lower the City's monthly payment. Beginning in April 2014, the City's new monthly payment was $8,217.52. The interest rate and term remained the same.

Changes in Long-term Debt – The City's long-term obligations, including current portions, consisted of the following for the year ended June 30, 2015.

	July 1, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 5,106	$ -	$ 610	$ 4,496	$ -
Business-Type Activities:					
Intergovernmental Loan	$ 1,346,139	$ -	$ 59,033	$ 1,287,106	$ 60,829
Compensated Absences	1,077	255	-	1,332	-
Total Business-Type Activities	$ 1,347,216	$ 255	$ 59,033	$ 1,288,438	$ 60,829

Compensated absences is composed of accumulated vacation pay at June 30, 2015, which will be paid from the General and Proprietary Funds respectively from which the salaries are paid.

The maturities and debt service requirements are as follows:

Year	Principal	Interest	Total
2016	$ 60,829	37,781	$ 98,610
2017	62,679	35,931	98,610
2018	64,586	34,024	98,610
2019	66,550	32,060	98,610
2020	68,574	30,036	98,610
2021-2025	375,455	117,595	493,050
2026-2030	436,135	56,915	493,050
2031-2032	152,298	3,836	156,134
Totals:	$ 1,287,106	$ 348,178	$ 1,635,284

NOTE 6. RISK MANAGEMENT

The City purchases Workers Compensation Insurance through the Georgia Municipal Association Worker's Compensation Self Insurance Fund. The City's policy year starts on January 1st and ends on December 31st of each year. The premium for the policy year of 2015 was $11,123. The City also purchases General Liability Insurance through the Georgia Inter-local Management Agency. The City's policy year starts May 1st and ends on April 30th of each year. The premium for the year ending April 30, 2015 was $36,415. As part of these risk pools, the Government 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 funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds. The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds 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.

With respect to other types of risk including torts, theft or destruction of assets, errors of omissions, and acts of God, the City has purchased sufficient insurance and has, therefore, transferred risk of loss. There have been no settlements in the previous three years in excess of insurance.

NOTE 7. COMPENSATED ABSENCES

Governmental Accounting Standards Board Statement 16, effective for fiscal years beginning after June 15, 1993, requires that such benefits be accrued when: (1) the employer's obligation to employees' right to receive compensation for future benefits is attributable to employees' service already rendered; (2) the obligation relates to rights that vest or accumulate; (3) payment of the compensation is probable; and (4) the amount can be reasonably estimated. Accrued vacation and personal leave in the amount of $5,828 is included in the government-wide financial statements, under noncurrent liabilities.

NOTE 8. CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Governmental Activities:		Business-Type Activities:	
General Government	$ 33,200	Water and Sewer	$263,884
Streets and Sanitation	12,720		
Total Depreciation	$ 45,920		

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities:	Balances 07/01/14	Additions	Deletions	Balances 06/30/15
Capital Assets Not Being Depreciated:				
Construction-in-Progress	$ 55,357	$ 146,720	$ 154,266	$ 47,811
Land and Improvements	20,000	-	20,000	-
Total Capital Assets, Not Being Depreciated	75,357	146,720	174,266	47,811
Capital Assets, Being Depreciated				
Buildings	735,403	-	-	735,403
Infrastructure	-	154,266	-	154,266
Vehicles	130,666	-	-	130,666
Equipment	168,538	42,976	51,273	160,241
Total Capital Assets, Being Depreciated	1,034,607	197,242	51,273	1,180,576
Less Accumulated Depreciation For:				
Buildings	197,746	33,681	-	231,427
Infrastructure	-	257	-	257
Vehicles	111,559	6,687	-	118,246
Equipment	139,167	5,295	37,950	106,512
Total Accumulated Depreciation	448,472	45,920	37,950	456,442
Total Capital Assets Being Depreciated, Net	586,135	151,322	13,323	724,134
Governmental Activity Capital Assets, Net	$ 661,492	$ 298,042	$ 187,589	$ 771,945

Business-Type Activities:	Balances 07/01/14	Additions	Deletions	Balances 06/30/15
Capital Assets Not Being Depreciated:				
Construction-in-Progress	$ -	$ -	$ -	$ -
Land	560,516	-	-	560,516
Total Capital Assets Not Being Depreciated	560,516	-	-	560,516
Capital Assets, Being Depreciated				
Water and Sewer Building	10,686,162	-	-	10,686,162
Improvements	1,249,345	-	5,964	1,243,381
Equipment	1,057,187	9,593	11,647	1,055,133
Total Capital Assets, Being Depreciated	12,992,694	9,593	17,611	12,984,676
Less Accumulated Depreciation For:				
Water and Sewer Building	1,398,254	212,665	-	1,610,919
Improvements	421,757	27,052	1,589	447,220
Equipment	366,512	24,167	10,770	379,909
Total Accumulated Depreciation	2,186,523	263,884	12,359	2,438,048
Total Capital Assets Being Depreciated, Net	10,806,171	(254,291)	5,252	10,546,628
Business-Type Activities Capital Assets, Net	$ 11,366,687	$ (254,291)	$ 5,252	$ 11,107,144

NOTE 9. INTERFUND BALANCES AND TRANSFERS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Since the amount which is due to the General fund is not expected to be repaid within one year it is classified as a non-spendable fund balance in the General Fund.

		Interfund Receivables	
		General Fund	Total
Interfund Payables	Water & Sewer	$ 1,466,948	$ 1,466,948
	Total	$ 1,466,948	$ 1,466,948

This government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. These transfers have been eliminated from the government-wide financial statements.

		Transfer from	
		Capital Projects	Total
Transfer to	Water & Sewer	$ 98,611	$ 98,611
	Total	$ 98,611	$ 98,611

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10. ALLOWANCE FOR UNCOLLECTABLE TAXES AND ACCOUNTS

The balance of taxes and accounts receivable at June 30, 2015, are net of the following allowances for doubtful accounts:

Fund	Accounts
General Fund	$ -
Water & Sewer Fund	977
Total	$ 977

NOTE 11. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and required to pay annual dues thereto. During the year ended June 30, 2015, the City paid $2,942 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Commission in Georgia. The Commission Board membership includes the chief elected official of each city and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Commission. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
1310 W. Ridge Road
Gainesville, GA 30501

NOTE 12. BUDGETS

The following is a Governmental Fund for which expenditures exceeded appropriations:

	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund			
Streets & Sanitation	$ 293,173	$ 325,653	$ 32,480

The City's legal level of control is at the department level which is the basis on which the Budgetary Comparison Schedule is prepared.

NOTE 13. COMPLIANCE

At June 30, 2015, the City was not in compliance with the following statutes:

- O.C.G.A. 36-81-3 Relating to expenditures in excess of budgeted amounts.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 3, 2015.

CITY OF LULA, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Budget to GAAP Differences	Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Over / (Under)	GAAP Basis	Over / (Under)
Resources (Inflows):						
Sales Taxes	$ 290,900	$ 290,900	$ 412,657	$ -	$ 412,657	$ 121,757
Franchise Taxes	109,000	109,000	116,333	-	116,333	7,333
Charges for Services	340,050	340,050	359,027	-	359,027	18,977
Interest	900	900	950	-	950	50
Intergovernmental	66,100	66,100	83,325	-	83,325	17,225
Miscellaneous	1,200	1,200	15,237	-	15,237	14,037
Budgeted Use of Fund Balance	-	36,032	-	$ -	-	(36,032)
Amount Available for Appropriation	$ 808,150	$ 844,182	$ 987,529	$ -	$ 987,529	$ 143,347
Charges to Appropriations (Outflows):						
Current Operating:						
General Government	483,439	509,379	472,466	-	472,466	(36,913)
Streets and Sanitation	285,381	293,173	325,653	-	325,653	32,480
Culture and Recreation	39,330	41,630	12,033	-	12,033	(29,597)
Total Charges to Appropriations	$ 808,150	844,182	$ 810,152	$ -	$ 810,152	$ (34,030)
Excess of Resources Over (Under)						
Charges to Appropriations	$ -	$ -	177,377	$ -	177,377	$ 177,377
Fund Balance - Beginning			2,273,297		2,273,297	
Fund balance - Ending			$ 2,450,674		$ 2,450,674	

CITY OF LULA, GEORGIA
Notes to Required Supplementary Information
On Budgetary Accounting and Control
Year Ended June 30, 2015

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the official Code of Georgia. In accordance with those provisions, the following process is used to adopt the annual budget:

(a). Prior to June 1, the City manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

(b). Public hearings are conducted at advertised times to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.

(c). Subsequent to the public hearings, the budget is legally enacted through the passage of a resolution by the City Council.

All governmental funds with revenues and/or expenditures as defined by State law are required to have annual budgets. The legal level of control at which expenditures may not legally exceed appropriations is at the department level within a fund.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Excess expenditures at the Legal Level of Control:

	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Actual in Excess of Appropriations
General Fund			
Streets & Sanitation	$ 293,173	$ 325,653	$ 32,480

Walker Pierce & Tuck
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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

To the Mayor and City Council
City of Lula, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Lula, Georgia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Lula, Georgia's basic financial statements, and have issued our report thereon dated December 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lula, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lula, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lula, Georgia's internal control.

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2015-1 through 2015-2 described in the accompanying schedule of findings and responses, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lula, 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 an instance of noncompliance or other matters that is required to be reported

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under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2015-3.

City of Lula, Georgia's Responses to Findings

City of Lula, Georgia's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Lula, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

We noted certain other matters that we reported to the management of the City of Lula, Georgia in a separate letter dated December 3, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance *with Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walker, Pierce & Tuck, CPA's, PC

Walker, Pierce & Tuck, CPA's, PC
Gainesville, Georgia
December 3, 2015

CITY OF LULA, GEORGIA
Schedule of Findings and Responses
Year Ended June 30, 2015

Internal Control

2015-1

Condition: The City accounting staff requires additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditor for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the auditor. This does not indicate that the Finance Officer is not trained to perform the daily accounting functions, but the City has elected as a cost benefit to outsource this expertise to their auditors.

Criteria: Effective internal control requires that the City accept responsibility and understanding of the audited financial report.

Cause: The City staff does not possess adequate capabilities to prepare financial statements in accordance with accounting principles generally accepted in the United States.

Effect: The lack of proper technical training and knowledge by City staff could result in the failure to understand and detect material misstatements in the financial statements.

Recommendation: The City should continue to receive training in the identification and application of generally accepted accounting principles and preparation of the City's financial statements.

Response: The City agrees with the finding.

2015-2

Condition: Reconciling items found while performing the monthly bank reconciliations were routinely cleared by posting a standard generic entry without performing research the into the actual cause of the error.

Criteria: The City should research each outstanding reconciling item(s) to insure (1) policies and procedures are improved to prevent repetitive human and/or software errors and (2) to insure the adjusting journal entry recorded is appropriate to correctly record the outstanding item(s).

Cause: The City has outsourced the monthly bank reconciliation process to a third party accountant. Insufficient oversight was provided to insure the reconciliations were performed correctly.

Effect: The internal controls provided by the City performing monthly bank reconciliations were circumvented by the posting of generic adjusting entries each month to reconcile the cash balances without performing the necessary research to identify and resolve the human and/or software errors creating the monthly reconciling items.

Recommendation: We recommend the City implement policies and procedures to require all outstanding bank reconciling items be individually researched to determine the cause of the issue. Once the cause is determine the City can then (1) create appropriate improvements to processes to prevent a reoccurrence and (2) post an appropriate journal entry to correctly record the reconciling item(s).

Response: The City agrees with the finding.

CITY OF LULA, GEORGIA
Schedule of Findings and Responses
Year Ended June 30, 2015

Compliance

2015-3

Condition:	The City had expenditures in excess of appropriations in the general fund.
Criteria:	Georgia code OCGA 36-81-3 requires limiting expenditures to the legally approved budget amounts.
Cause:	The City did not amend its budget to authorize expenditures in excess of its original budget.
Effect:	At June 30, 2015, the City was not in compliance with OCGA 36-81-3. This requires budget amendments to be made in order for the City to account for changing governmental needs during the budget period.
Recommendation:	We recommend the City comply with all relevant statutes concerning the operation of a local government in order to reduce the risk of litigation and other unforeseen actions.
Response:	The City agrees with the finding.

CITY OF LULA, GEORGIA
Schedule of Special Purpose Local Option Sales Tax
Estimated Cost and Expenditure Summary
For the Year Ended June 30, 2015

Project Description	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
HALL CO. SPLOST VI					
Water and Sewer Facilities	$1,300,000	$1,300,000	$ 202,311	$ 98,611	$ 300,922
Historic Downtown Streetscape	300,000	300,000	213,977	146,720	360,697
Roads	300,000	300,000	364,618	34,140	398,758
Total Hall Co. SPLOST VI	$1,900,000	$1,900,000	$ 780,906	$ 279,471	$1,060,377
2012 BANKS CO. SPLOST					
Water/Sewer Improvements	$ 30,000	$ 30,000	$ -	$ -	$ -
Road Improvements	15,000	15,000	-	-	-
Total 2012 Banks Co.SPLOST	$ 45,000	$ 45,000	$ -	$ -	$ -