

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by:
Department of Finance

INTRODUCTORY SECTION

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**The City Commission
Of the City of Cordele, Georgia
Cordele, 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, each major fund, and the aggregate remaining fund information of **City of Cordele, Georgia** (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Cordele, Georgia'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Economic Development Fund Main Street District for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cordele, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the City of Cordele, 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 Cordele, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
June 30, 2015

CITY OF CORDELE, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2014

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	\$ 5,849,899	\$ 2,813,545	\$ 8,663,444	\$ 3,270
Investments	628,507	-	628,507	-
Taxes receivable	409,446	-	409,446	-
Accounts receivable, net of allowances	71,572	390,710	462,282	-
Due from other governments	360,061	-	360,061	-
Internal balances	370,829	(370,829)	-	-
Inventories	60,254	145,211	205,465	-
Restricted assets:				
Cash and cash equivalents	-	185,345	185,345	-
Investments	-	5,065,418	5,065,418	-
Mortgages receivable	677,375	-	677,375	-
Capital assets:				
Non-depreciable	5,476,888	475,348	5,952,236	-
Depreciable, net of accumulated depreciation	6,921,529	12,668,502	19,590,031	-
Total assets	20,826,360	21,373,250	42,199,610	3,270
LIABILITIES				
Accounts payable	394,168	376,700	770,868	-
Checks in excess of bank balance	1,445,495	-	1,445,495	-
Accrued liabilities	161,064	37,392	198,456	-
Unearned revenues	486,779	-	486,779	-
Liabilities payable from restricted assets:				
Deposits payable	-	187,495	187,495	-
Compensated absences due within one year	187,679	46,045	233,724	-
Capital leases due within one year	76,017	-	76,017	-
Capital leases due in more than one year	143,619	-	143,619	-
Note payable due within one year	25,000	-	25,000	-
Note payable due in more than one year	396,600	-	396,600	-
Bonds payable due within one year	485,000	-	485,000	-
Bonds payable due in more than one year	5,290,000	-	5,290,000	-
Total liabilities	9,091,421	647,632	9,739,053	-
NET POSITION				
Net investment in capital assets	5,982,181	13,143,850	19,126,031	-
Restricted				
Clubhouse expenses	325,323	-	325,323	-
Federal programs	318,229	-	318,229	-
Promotion of tourism	331,778	-	331,778	-
Law enforcement purposes	18,156	-	18,156	-
Capital projects	2,607,968	-	2,607,968	-
Endowment - Community clubhouse	50,236	-	50,236	-
Unrestricted	2,101,068	7,581,768	9,682,836	3,270
Total net position	\$ 11,734,939	\$ 20,725,618	\$ 32,460,557	\$ 3,270

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit Downtown Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,444,110	\$ 808,326	\$ -	\$ -	\$ (635,784)	\$ -	\$ (635,784)	\$ -
Public works	3,074,201	-	-	1,572,481	(1,501,720)	-	(1,501,720)	-
Public safety	4,605,656	224,596	-	962	(4,380,098)	-	(4,380,098)	-
Community development	874,216	29,685	59,794	-	(784,737)	-	(784,737)	-
Culture and recreation	326,442	12,525	-	-	(313,917)	-	(313,917)	-
Interest on long-term debt	168,656	-	-	-	(168,656)	-	(168,656)	-
Total governmental activities	<u>10,493,281</u>	<u>1,075,132</u>	<u>59,794</u>	<u>1,573,443</u>	<u>(7,784,912)</u>	<u>-</u>	<u>(7,784,912)</u>	<u>-</u>
Business-type activities:								
Water and sewer	3,264,002	3,486,947	-	-	-	222,945	222,945	-
Natural gas	2,219,349	3,892,297	-	-	-	1,672,948	1,672,948	-
Sanitation	833,148	787,355	-	-	-	(45,793)	(45,793)	-
Total business-type activities	<u>6,316,499</u>	<u>8,166,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,850,100</u>	<u>1,850,100</u>	<u>-</u>
Total primary government	<u>\$ 16,809,780</u>	<u>\$ 9,241,731</u>	<u>\$ 59,794</u>	<u>\$ 1,573,443</u>	<u>\$ (7,784,912)</u>	<u>\$ 1,850,100</u>	<u>\$ (5,934,812)</u>	<u>\$ -</u>
Component units:								
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:								
Property taxes					3,032,929	-	3,032,929	-
Sales taxes					1,936,400	-	1,936,400	-
Alcoholic beverage taxes					309,681	-	309,681	-
Franchise taxes					1,305,726	-	1,305,726	-
Hotel taxes					568,779	-	568,779	-
Other taxes					592,055	-	592,055	-
Unrestricted investment earnings					302,127	19,878	322,005	-
Gain on sale of capital assets					66,161	-	66,161	-
Transfers					636,018	(636,018)	-	-
Total general revenues and transfers					<u>8,749,876</u>	<u>(616,140)</u>	<u>8,133,736</u>	<u>-</u>
Change in net position					964,964	1,233,960	2,198,924	-
Net position, beginning of year					10,769,975	19,491,658	30,261,633	3,270
Net position, end of year					<u>\$ 11,734,939</u>	<u>\$ 20,725,618</u>	<u>\$ 32,460,557</u>	<u>\$ 3,270</u>

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

CITY OF CORDELE, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

ASSETS	General	Economic Development Fund Main Street District	Capital Projects Fund	SPLOST 2012 - 2017 Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 129,822	\$ 213,217	\$ 812,412	\$ 1,430,413	\$ 1,597,213	\$ 4,183,077
Investments	293,444	-	-	-	335,063	628,507
Taxes receivable	353,546	-	-	-	55,900	409,446
Accounts receivable	71,572	-	-	-	-	71,572
Due from other governments	215,654	-	-	109,500	34,907	360,061
Due from other funds	944,611	-	-	-	335,838	1,280,449
Inventories	60,254	-	-	-	-	60,254
Mortgage receivable	200,000	422,686	-	-	54,689	677,375
Total assets	<u>\$ 2,268,903</u>	<u>\$ 635,903</u>	<u>\$ 812,412</u>	<u>\$ 1,539,913</u>	<u>\$ 2,413,610</u>	<u>\$ 7,670,741</u>
LIABILITIES						
Accounts payable	\$ 220,964	\$ -	\$ 11,245	\$ -	\$ 49,337	\$ 281,546
Checks in excess of bank balance	1,445,495	-	-	-	-	1,445,495
Accrued liabilities	127,178	-	-	-	-	127,178
Unearned revenues	-	422,685	-	-	64,094	486,779
Due to other funds	382,478	-	364,864	277,609	2,161	1,027,112
Total liabilities	<u>2,176,115</u>	<u>422,685</u>	<u>376,109</u>	<u>277,609</u>	<u>115,592</u>	<u>3,368,110</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	282,026	-	-	-	-	282,026
Unavailable revenue - sales tax	-	-	-	55,775	-	55,775
Total deferred inflows of resources	<u>282,026</u>	<u>-</u>	<u>-</u>	<u>55,775</u>	<u>-</u>	<u>337,801</u>
FUND BALANCES						
Fund balances:						
Nonspendable:						
Inventories	60,254	-	-	-	-	60,254
Loans receivable	200,000	-	-	-	54,689	254,689
Endowment - Community clubhouse	-	-	-	-	50,236	50,236
Restricted for:						
Clubhouse expenses	-	-	-	-	325,323	325,323
Federal programs	-	213,218	-	-	105,011	318,229
Promotion of tourism	-	-	-	-	331,778	331,778
Law enforcement purposes	-	-	-	-	18,156	18,156
Capital projects	-	-	-	1,206,529	1,401,439	2,607,968
Assigned to:						
Downtown revitalization	-	-	-	-	11,386	11,386
Capital projects	-	-	436,303	-	-	436,303
Unassigned (deficit):						
General Fund	(449,492)	-	-	-	-	(449,492)
Total fund balances	<u>(189,238)</u>	<u>213,218</u>	<u>436,303</u>	<u>1,206,529</u>	<u>2,298,018</u>	<u>3,964,830</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,268,903</u>	<u>\$ 635,903</u>	<u>\$ 812,412</u>	<u>\$ 1,539,913</u>	<u>\$ 2,413,610</u>	<u>7,670,741</u>

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 funds.	12,398,417
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	337,801
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,637,801)
Internal service funds are used by management to charge the costs of various benefits and services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,671,692
Net position of governmental activities	<u>\$ 11,734,939</u>

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General	Economic Development Fund Main Street District	Capital Projects Fund	SPLOST 2012- 2017 Fund	Other Governmental Funds	Totals Governmental Funds
Revenues						
Taxes	\$ 5,221,738	\$ -	\$ -	\$ -	\$ 580,756	\$ 5,802,494
Licenses and permits	413,741	-	-	-	-	413,741
Intergovernmental	227,096	-	116,678	572,986	654,759	1,571,519
Charges for services	231,795	-	-	-	-	231,795
Fines and forfeitures	204,763	-	-	-	-	204,763
Administrative fees	512	-	-	-	-	512
Interest and penalties	251,367	375	-	1,924	47,608	301,274
Franchise and leases	1,305,726	-	-	-	-	1,305,726
Payments in lieu of taxes	611,425	-	-	-	-	611,425
Codes	29,245	-	-	-	-	29,245
Other revenues	182,458	12,618	-	-	59,794	254,870
Total revenues	8,679,866	12,993	116,678	574,910	1,342,917	10,727,364
Expenditures						
Current:						
General government	1,523,901	-	-	-	-	1,523,901
Public works	2,487,544	-	-	-	-	2,487,544
Public safety	4,357,618	-	-	-	-	4,357,618
Culture and recreation	293,714	-	-	-	-	293,714
Community development	456,059	-	-	-	356,982	813,041
Debt service:						
Principal retirement	121,006	-	-	-	475,000	596,006
Interest and fiscal charges	10,181	-	-	-	161,018	171,199
Capital outlay	657,923	-	364,864	200,851	74	1,223,712
Total expenditures	9,907,946	-	364,864	200,851	993,074	11,466,735
Excess (deficiency) of revenues over (under) expenditures	(1,228,080)	12,993	(248,186)	374,059	349,843	(739,371)
Other financing sources (uses):						
Proceeds from sale of capital assets	66,161	-	-	-	-	66,161
Issuance of capital leases	117,416	-	-	-	-	117,416
Transfers in	-	-	-	29,209	636,018	665,227
Transfers out	(29,209)	-	-	-	-	(29,209)
Total other financing sources	154,368	-	-	29,209	636,018	819,595
Net change in fund balances	(1,073,712)	12,993	(248,186)	403,268	985,861	80,224
Fund balances, beginning of year	884,474	200,225	684,489	803,261	1,312,157	3,884,606
Fund balances (deficit), end of year	\$ (189,238)	\$ 213,218	\$ 436,303	\$ 1,206,529	\$ 2,298,018	\$ 3,964,830

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

CITY OF CORDELE, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances - total governmental funds	\$	80,224
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays differed from depreciation in the current period.		145,773
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Prior year long-term assets not available for current-period expenditures	\$ (311,876)	
Current year long-term assets not available for current-period expenditures	<u>337,801</u>	25,925

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		478,590
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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.		(1,507)
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Internal service funds are used by management to charge costs of various services and benefits to individual funds. The net revenues (expenses) of certain activities of internal service funds are reported with governmental activities.

Current year change in net position of the Health Benefit Internal Service Fund	291,190	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(55,231)</u>	<u>235,959</u>
	<u>\$</u>	<u>964,964</u>

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

CITY OF CORDELE, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 5,517,500	\$ 5,517,500	\$ 5,221,738	\$ (295,762)
Licenses and permits	454,900	454,900	413,741	(41,159)
Intergovernmental	116,000	116,000	227,096	111,096
Charges for services	234,100	234,100	231,795	(2,305)
Fines and forfeitures	234,500	234,500	204,763	(29,737)
Administrative fees	600	600	512	(88)
Interest and penalties	320,000	320,000	251,367	(68,633)
Franchise and leases	1,348,000	1,348,000	1,305,726	(42,274)
Payments in lieu of taxes	648,040	648,040	611,425	(36,615)
Codes	28,200	28,200	29,245	1,045
Other revenues	273,000	273,000	182,458	(90,542)
Total revenues	<u>9,174,840</u>	<u>9,174,840</u>	<u>8,679,866</u>	<u>(494,974)</u>
Expenditures:				
Current:				
General government:				
Legislative	426,895	426,895	394,168	32,727
Executive	426,974	426,974	469,134	(42,160)
Judicial	108,147	108,147	92,836	15,311
Finance	702,877	702,877	567,763	135,114
Total general government	<u>1,664,893</u>	<u>1,664,893</u>	<u>1,523,901</u>	<u>140,992</u>
Public works:				
Highways and streets	2,452,279	2,452,279	2,487,544	(35,265)
Total public works	<u>2,452,279</u>	<u>2,452,279</u>	<u>2,487,544</u>	<u>(35,265)</u>
Public safety:				
Police	2,823,787	2,823,787	2,785,481	38,306
Fire	1,430,275	1,430,275	1,356,685	73,590
E-911	215,452	215,452	215,452	-
Total public safety	<u>4,469,514</u>	<u>4,469,514</u>	<u>4,357,618</u>	<u>111,896</u>
Community development				
	<u>366,225</u>	<u>366,225</u>	<u>456,059</u>	<u>(89,834)</u>
Culture and recreation				
	<u>292,663</u>	<u>292,663</u>	<u>293,714</u>	<u>(1,051)</u>
Debt service:				
Principal retirement	42,518	42,518	121,006	(78,488)
Interest and fiscal charges	7,635	7,635	10,181	(2,546)
Total debt service	<u>50,153</u>	<u>50,153</u>	<u>131,187</u>	<u>(81,034)</u>

(Continued)

CITY OF CORDELE, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual	Variance
	Original	Final		
Expenditures (continued):				
Capital outlay	\$ 490,248	\$ 490,248	\$ 657,923	\$ (167,675)
Total expenditures	9,785,975	9,785,975	9,907,946	(121,971)
Deficiency of revenues under expenditures	(611,135)	(611,135)	(1,228,080)	(616,945)
Other financing sources (uses):				
Transfers in	396,135	396,135	-	(396,135)
Transfers out	-	-	(29,209)	(29,209)
Issuance of capital leases	150,000	150,000	117,416	(32,584)
Proceeds from sale of capital assets	65,000	65,000	66,161	1,161
Total other financing sources (uses)	611,135	611,135	154,368	(456,767)
Net change in fund balances	-	-	(1,073,712)	(1,073,712)
Fund balance, beginning of year	884,474	884,474	884,474	-
Fund balance (deficit), end of year	\$ 884,474	\$ 884,474	\$ (189,238)	\$ (1,073,712)

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

CITY OF CORDELE, GEORGIA
ECONOMIC DEVELOPMENT FUND
MAIN STREET DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ -	\$ 375	\$ 375
Program income	12,618	12,618	-
Total revenues	<u>12,618</u>	<u>12,993</u>	<u>375</u>
Expenditures			
Community development	<u>12,618</u>	-	<u>12,618</u>
Total expenditures	<u>12,618</u>	-	<u>12,618</u>
Net change in fund balance	-	12,993	12,993
Fund balance, beginning of year	<u>200,225</u>	<u>200,225</u>	-
Fund balance, end of year	<u>\$ 200,225</u>	<u>\$ 213,218</u>	<u>\$ 12,993</u>

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Health Benefit Internal Service Fund</u>
	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Sanitation</u>	<u>Totals</u>	
CURRENT ASSETS					
Cash	\$ 710,593	\$ 2,102,952	\$ -	\$ 2,813,545	\$ 1,666,822
Accounts receivable (net of allowance for uncollectibles)	263,706	85,783	41,221	390,710	-
Due from other funds	205,322	-	-	205,322	-
Inventory	-	145,211	-	145,211	-
Restricted assets:					
Cash - customer deposits	135,950	49,395	-	185,345	-
Investments and certificates of deposit	3,235,798	1,829,620	-	5,065,418	-
Total current assets	<u>4,551,369</u>	<u>4,212,961</u>	<u>41,221</u>	<u>8,805,551</u>	<u>1,666,822</u>
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Construction in progress	149,049	-	-	149,049	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	28,346,771	3,524,048	-	31,870,819	-
Machinery and equipment	2,791,405	735,048	-	3,526,453	-
	<u>33,430,423</u>	<u>4,513,063</u>	<u>-</u>	<u>37,943,486</u>	<u>-</u>
Less accumulated depreciation	21,890,456	2,909,180	-	24,799,636	-
Total capital assets	<u>11,539,967</u>	<u>1,603,883</u>	<u>-</u>	<u>13,143,850</u>	<u>-</u>
Total noncurrent assets	<u>11,539,967</u>	<u>1,603,883</u>	<u>-</u>	<u>13,143,850</u>	<u>-</u>
Total assets	<u>16,091,336</u>	<u>5,816,844</u>	<u>41,221</u>	<u>21,949,401</u>	<u>1,666,822</u>
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	199,737	106,600	70,363	376,700	13,248
Accrued payroll and vacation	60,103	23,334	-	83,437	-
Due to other funds	-	277,481	24,657	302,138	156,521
Unpaid claims and accrued estimated liability	-	-	-	-	99,374
Total	<u>259,840</u>	<u>407,415</u>	<u>95,020</u>	<u>762,275</u>	<u>269,143</u>
Payable from restricted assets:					
Customer deposits	137,765	49,730	-	187,495	-
Total	<u>137,765</u>	<u>49,730</u>	<u>-</u>	<u>187,495</u>	<u>-</u>
Total liabilities	<u>397,605</u>	<u>457,145</u>	<u>95,020</u>	<u>949,770</u>	<u>269,143</u>
NET POSITION					
Net investment in capital assets	11,539,967	1,603,883	-	13,143,850	-
Unrestricted (deficit)	4,153,764	3,755,816	(53,799)	7,855,781	1,397,679
Total net position	<u>\$ 15,693,731</u>	<u>\$ 5,359,699</u>	<u>\$ (53,799)</u>	<u>20,999,631</u>	<u>\$ 1,397,679</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(274,013)	
Net position of business-type activities				<u>\$ 20,725,618</u>	

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Water and Sewer	Natural Gas	Sanitation	Totals	Activities - Health Benefit Internal Service Fund
Operating revenues:					
Charges for services	\$ 3,393,628	\$ 3,892,297	\$ 787,355	\$ 8,073,280	\$ -
Employee and employer contributions	-	-	-	-	1,369,038
Miscellaneous income	93,319	-	-	93,319	-
Total operating revenues	<u>3,486,947</u>	<u>3,892,297</u>	<u>787,355</u>	<u>8,166,599</u>	<u>1,369,038</u>
Operating expenses:					
Natural gas purchases	-	1,172,290	-	1,172,290	-
Production	1,280,456	-	-	1,280,456	-
Distribution	996,704	952,544	-	1,949,248	-
Collection	-	-	833,148	833,148	-
Health benefit costs	-	-	-	-	923,378
Miscellaneous expenses	-	-	-	-	157,247
Total operating expenses	<u>2,277,160</u>	<u>2,124,834</u>	<u>833,148</u>	<u>5,235,142</u>	<u>1,080,625</u>
Net operating income (loss) before depreciation	1,209,787	1,767,463	(45,793)	2,931,457	288,413
Depreciation expense	<u>1,032,988</u>	<u>103,600</u>	<u>-</u>	<u>1,136,588</u>	<u>-</u>
Operating income (loss)	<u>176,799</u>	<u>1,663,863</u>	<u>(45,793)</u>	<u>1,794,869</u>	<u>288,413</u>
Non-operating revenues (expenses):					
Interest revenue	<u>12,120</u>	<u>7,758</u>	<u>-</u>	<u>19,878</u>	<u>2,777</u>
Total non-operating revenues	<u>12,120</u>	<u>7,758</u>	<u>-</u>	<u>19,878</u>	<u>2,777</u>
Income (loss) before transfers	188,919	1,671,621	(45,793)	1,814,747	291,190
Transfers out	<u>(636,018)</u>	<u>-</u>	<u>-</u>	<u>(636,018)</u>	<u>-</u>
Change in net position	(447,099)	1,671,621	(45,793)	1,178,729	291,190
Net position, beginning of year	<u>16,140,830</u>	<u>3,688,078</u>	<u>(8,006)</u>		<u>1,106,489</u>
Net position (deficit), end of year	<u>\$ 15,693,731</u>	<u>\$ 5,359,699</u>	<u>\$ (53,799)</u>		<u>\$ 1,397,679</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>55,231</u>	
Change in net position of business-type activities				<u>\$ 1,233,960</u>	

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

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers, including deposits	\$ 3,522,006	\$ 2,206,160	\$ 813,611	\$ 6,541,777	\$ -
Cash received from gas contract buyout		1,870,012		1,870,012	
Cash received from employer and employee contributions	-	-	-	-	1,369,038
Cash payments to:					
Suppliers and vendors	(1,000,071)	(1,846,994)	(838,268)	(3,685,333)	-
Medical providers and/or employees	-	-	-	-	(1,076,836)
Employees	(1,068,860)	(257,332)	-	(1,326,192)	-
City in lieu of taxes	(144,040)	(273,000)	-	(417,040)	-
Net cash provided by (used in) operating activities	1,309,035	1,698,846	(24,657)	2,983,224	292,202
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances (to) from other funds	(205,322)	-	-	(205,322)	156,521
Transfers from other funds	-	277,481	24,657	302,138	-
Transfers to other funds	(636,018)	-	-	(636,018)	-
Net cash provided by (used in) noncapital financing activities	(841,340)	277,481	24,657	(539,202)	156,521
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(614,785)	(84,028)	-	(698,813)	-
Net cash used in capital and related financing activities	(614,785)	(84,028)	-	(698,813)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	2,293,739	1,821,862	-	4,115,601	-
Purchase of investments	(2,305,406)	(1,829,620)	-	(4,135,026)	-
Interest received	12,120	7,758	-	19,878	2,777
Net cash provided by investing activities	453	-	-	453	2,777

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net increase (decrease) in cash	\$ (146,637)	\$ 1,892,299	\$ -	\$ 1,745,662	\$ 451,500
Cash and cash equivalents, July 1	993,180	260,048	-	1,253,228	1,215,322
Cash and cash equivalents, June 30	\$ 846,543	\$ 2,152,347	\$ -	\$ 2,998,890	\$ 1,666,822
Classified as:					
Cash	\$ 710,593	\$ 2,102,952	\$ -	\$ 2,813,545	\$ 1,666,822
Restricted assets:					
Cash - customer deposits	135,950	49,395	-	185,345	-
	\$ 846,543	\$ 2,152,347	\$ -	\$ 2,998,890	\$ 1,666,822
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 176,799	\$ 1,663,863	\$ (45,793)	\$ 1,794,869	\$ 288,413
Depreciation	1,032,988	103,600	-	1,136,588	-
Changes in assets and liabilities:					
Decrease in accounts receivable	35,059	183,540	26,256	244,855	-
Increase in inventory	-	(95,663)	-	(95,663)	-
Increase (decrease) in vouchers payable	58,815	(158,786)	(5,120)	(105,091)	727
Increase in unpaid claims and accrued estimated liability	-	-	-	-	3,062
Increase in customer deposits	1,815	335	-	2,150	-
Increase in accrued expenses	3,559	1,957	-	5,516	-
Net cash provided by (used in) operating activities	\$ 1,309,035	\$ 1,698,846	\$ (24,657)	\$ 2,983,224	\$ 292,202

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

CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cordele, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The City was incorporated December 22, 1888, and reincorporated April 18, 1969, under the provisions of Act No. 623 (House Bill 748). The City operates under a commission-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, community development, culture-recreation, public improvements, codes and engineering, water and sewer, and natural gas.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The **Downtown Development Authority (the “Authority”)** has been included as a discretely presented component unit in the accompanying financial statements. The Authority plans and develops the downtown area of the City in order to attract new business and residences. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of the Authority is appointed by the City Commissioners. The Authority maintains a general fund with limited activity. Separate financial statements for the Downtown Development Authority are not available.

The **Cordele Office Building Authority (“COBA”)** has been included as a blended component unit in the accompanying financial statements. COBA oversees the acquisition, construction and improvements to buildings for the benefit of the City in order to attract new businesses and residences. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of COBA is appointed by the City Commissioners. COBA maintains a general fund with limited activity. Separate financial statements for COBA are not available.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally 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 the discretely presented component unit. The statement of net position will include non-current assets which were previously reported in the General Capital Assets Account Group and non-current liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

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 considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity. City officials elected not to include the Management's Discussion and Analysis for fiscal year 2014.

The City reports the following major governmental funds:

The **General Fund** 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.

The **Economic Development Fund – Main Street District** is a special revenue fund which accounts for the repayment of a loan made with proceeds from 1993 and 1989 federal grants. Under the terms of the grants, all repayments are required to be accounted for in a separate account.

The **Capital Projects Fund** is used to account for financing and construction of facilities and improvements.

The **SPLOST 2012 - 2017** Fund is used to account for financing and construction of facilities and improvements in accordance with a sales tax referendum associated with the years 2012 through 2017.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of water and sewer services to the residents of the City and some residents of Crisp County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The **Natural Gas Fund** accounts for the provision of natural gas to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection. Included in the operating revenues of the Natural Gas Fund is \$1,870,000 representing the City's contract buyout of the Tennessee Energy Acquisition Authority agreement.

The **Sanitation Fund** accounts for the provision of garbage collection to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection. This fund is being presented as a major fund in order to be consistent with its prior year presentations. It did not otherwise meet the criteria to qualify as a major fund within the current fiscal year.

The City also reports the following fund type:

The **Internal Service Fund** accounts for employer-employee contributions to and health benefits and related cost distributions from the City's self-funded Employee Health Benefit Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Formal budgetary accounting is employed as a management control device for the General Fund and the Proprietary Funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, Special Revenue Funds, Capital Project Funds, and Proprietary Funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principle basis. The City Commission must approve any amendments to the budget which are interdepartmental. The budget officer (Finance Director) can approve amendments within a department, except an increase in the salary budget, which also requires City Commission approval. During the fiscal year ended June 30, 2014, no material budgetary amendments were approved by the City Commission.

All unencumbered budget appropriations lapse at the end of each year.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (Continued)

State statutes authorize the primary government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the Local Government Investment Pool of the State of Georgia (Georgia Fund 1). The pool is regulated by the Georgia Office of State Treasurer.

The City has implemented GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". As a governmental entity other than an external investment pool, and in accordance with GASB Statement No. 31, the City's investments are stated at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2014:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: (a) items required to be reported at amortized costs; (b) items in external pools that are not SEC-registered; (c) items subject to involuntary participation in an external pool; and, (d) items associated with a fund other than the fund to which the income is assigned.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Prepaid Items

Inventories consist of expendable supplies and items acquired for infrastructure repair and maintenance or for possible future expansion. Inventories in governmental funds are stated at average cost. Proprietary funds' inventories are stated at lower of average cost or market. The consumption method is used to account for inventories. Under the consumption method, budgetary authority is slated and expenditures are recorded in terms of authority to use or consume inventory items. Reported inventories are equally offset by a fund balance reserve in the fund financial statements.

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items in both the government-wide and fund financial statements.

H. Other Assets

Other assets held are recorded and accounted for at cost.

I. Restricted Assets

Proprietary funds, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. Customer deposits that must be refunded upon the termination of service are also restricted.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for governmental activities and \$500 for business-type activities and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

During the fiscal year ended June 30, 2007, the City retroactively reported major general infrastructure assets. In this case, the City chose to include all items with an acquisition date of January 1, 1980 or later, as allowed by the provisions of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", as amended and interpreted.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

The City was able to determine the historical cost for the initial reporting of these assets via vendor invoices stored in the City's vault. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery & equipment	2-60
Improvements other than buildings	5-60
Infrastructure	20-40
Buildings	5-60

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Any proprietary fund type loans payable are reported as liabilities at their outstanding value.

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 debt issued is reported as other financing sources.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the respective balance sheet and statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the respective balance sheet and 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 fund balance that applies to future period(s) 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 and sales taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

N. Pensions

The provision for pension cost is recorded on an accrual basis, and the City's policy is to fund pension costs as they accrue.

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".

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. 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 or 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 Commission through the adoption of a resolution. Only the City Commission 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. The City has not adopted a policy giving specific parties the power to assign fund balance. The only assigned fund balances are those mandated by GASB pronouncements.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports negative unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Net Position - Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, 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 are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

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

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Capital leases payable	\$ (219,636)
Notes payable	(421,600)
Bonds payable	(5,775,000)
Accrued interest	(33,886)
Compensated absences	(187,679)
	(6,637,801)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ (6,637,801)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 1,090,886
Depreciation expense	(945,113)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 145,773

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this difference are as follows:

Proceeds from debt - capital leases	\$ (117,416)
Principal repayments	596,006
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 478,590

Another element of that reconciliation explains that “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.” The details of this difference are as follows:

Compensated absences	\$ (4,050)
Accrued interest	2,543
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (1,507)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City follows these procedures in establishing the budgetary data in the financial statements:

1. Prior to June 1, the City Manager submits to the Chairman and Commission a proposed operating and capital improvements budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the June City Commission meeting in the Cordele City Hall to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. The City department heads are authorized to transfer budgeted amounts between line items within a department with the approval of the budget officer (Finance Director); however, any revisions that increase salaries must be approved by the City Commission. All appropriations at year end lapse. Legally-adopted budgets are prepared, as described above, on a departmental basis for General and Special Revenue Funds. Individual amendments were not material in relation to the appropriation resolution as originally approved.

To ensure sound financial administration, the City Commission also adopts annual operating budgets for the City's Proprietary Funds. Formal budgetary integration is employed as a management control device during the year for the General, Enterprise, and Special Revenue Funds.

5. Budgets for the General, Enterprise, and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), and are presented in accordance with finance-related legal and contractual provisions.

Budgeted amounts are as originally adopted or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

6. For the year ended June 30, 2014, expenditures exceeded budgeted appropriations, as follows:

Fund or Department	Excess
General Fund:	
General Government:	
Executive	\$ 42,160
Public Works:	
Highways and Streets	35,265
Community Development	89,834
Culture and Recreation	1,051
Debt Service:	
Principal Retirement	78,488
Interest and fiscal charges	2,546
Capital Outlay	167,675

These over-expenditures were funded by under-expenditures in other departments. These excesses are intended to be eliminated in future years via better monitoring of expenditures.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2014, are summarized as follows:

As reported in the Statement of Net Position:

Primary government:

Cash and cash equivalents	\$ 8,663,444
Restricted cash and cash equivalents	185,345
Investments	5,693,925
	\$14,542,714

Cash deposited with financial institutions	\$13,276,147
Cash deposited with Georgia Fund 1	931,504
Investments in Corporate Stock	335,063
	\$14,542,714

Component units:

Cash and cash equivalents	\$ 3,270
Cash deposited with financial institutions	\$ 3,270

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2014, the City's investments in Georgia Fund 1 was rated AAf.

At June 30, 2014, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	62 day average maturity	\$ 931,504
Certificates of Deposit	110 day weighted average	4,427,358
Corporate Stock - Exxon	Not applicable	335,063
Total		\$ 5,693,925

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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. As of June 30, 2014, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. RECEIVABLES

Property taxes are levied by the City based on the assessed value of property as listed on the digest furnished by the county. Assessed values are forty percent (40%) of market value and are based on current property value. Property taxes attach as an enforceable lien on property as of February 21. Taxes are levied on December 4 and payable on or before February 20. Property taxes not collected by February 20 are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2014, are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2014, and expected to be collected by August 31, 2014, are recognized as revenues for the year ended June 30, 2014, whereas, net receivables estimated to be collectible subsequent to August 31, 2014, are recorded as revenue when received. Receivables at June 30, 2014, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	Economic					Nonmajor	
	General	Development Main Street	SPLOST 2012 - 2017	Water and Sewer	Natural Gas	Sanitation	Governmental Funds
Receivables:							
Taxes	\$ 667,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,900
Accounts	229,650	-	-	278,342	90,089	46,003	-
Mortgages	200,000	422,686	-	-	-	-	54,689
Participant	-	-	-	-	-	-	-
Due from other governments	215,654	-	109,500	-	-	-	34,907
Gross receivables	1,312,459	422,686	109,500	278,342	90,089	46,003	145,496
Less allowance for uncollectible	471,687	-	-	14,636	4,306	4,782	-
Net total receivables	<u>\$ 840,772</u>	<u>\$ 422,686</u>	<u>\$ 109,500</u>	<u>\$ 263,706</u>	<u>\$ 85,783</u>	<u>\$ 41,221</u>	<u>\$ 145,496</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,889,257	\$ -	\$ -	\$ 4,889,257
Construction in progress	222,768	364,863	-	587,631
Total	<u>5,112,025</u>	<u>364,863</u>	<u>-</u>	<u>5,476,888</u>
Capital assets, being depreciated:				
Buildings	4,295,614	-	-	4,295,614
Improvements other than buildings	2,955,345	-	-	2,955,345
Infrastructure	6,063,754	-	-	6,063,754
Machinery and equipment	6,373,509	726,023	-	7,099,532
Total	<u>19,688,222</u>	<u>726,023</u>	<u>-</u>	<u>20,414,245</u>
Less accumulated depreciation for:				
Buildings	2,044,411	141,940	-	2,186,351
Improvements other than buildings	2,917,539	1,242	-	2,918,781
Infrastructure	2,350,210	299,036	-	2,649,246
Machinery and equipment	5,235,443	502,895	-	5,738,338
Total	<u>12,547,603</u>	<u>945,113</u>	<u>-</u>	<u>13,492,716</u>
Total capital assets, being depreciated, net	<u>7,140,619</u>	<u>(219,090)</u>	<u>-</u>	<u>6,921,529</u>
Governmental activities capital assets, net	<u>\$ 12,252,644</u>	<u>\$ 145,773</u>	<u>\$ -</u>	<u>\$ 12,398,417</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 326,299	\$ -	\$ -	\$ 326,299
Construction in progress	-	149,049	-	149,049
Total	<u>326,299</u>	<u>149,049</u>	<u>-</u>	<u>475,348</u>
Capital assets, being depreciated:				
Buildings	2,070,866	-	-	2,070,866
Improvements other than buildings	31,754,141	116,678	-	31,870,819
Machinery and equipment	3,093,367	433,086	-	3,526,453
Total	<u>36,918,374</u>	<u>549,764</u>	<u>-</u>	<u>37,468,138</u>
Less accumulated depreciation for:				
Buildings	1,393,988	44,750	-	1,438,738
Improvements other than buildings	20,400,365	905,065	-	21,305,430
Machinery and equipment	1,868,695	186,773	-	2,055,468
Total	<u>23,663,048</u>	<u>1,136,588</u>	<u>-</u>	<u>24,799,636</u>
Total capital assets, being depreciated, net	<u>13,255,326</u>	<u>(586,824)</u>	<u>-</u>	<u>12,668,502</u>
Business-type activities capital assets, net	<u>\$ 13,581,625</u>	<u>\$ (437,775)</u>	<u>\$ -</u>	<u>\$ 13,143,850</u>

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

Governmental activities:	
General government	\$ 152,400
Public safety	245,955
Public works	453,153
Community development	60,877
Culture and recreation	32,728
Total depreciation expense - governmental activities	<u>\$ 945,113</u>
Business-type activities:	
Water and sewer	\$ 1,032,988
Natural gas	103,600
Total depreciation expense - business-type activities	<u>\$ 1,136,588</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 198,226	\$ 117,416	\$ 96,006	\$ 219,636	\$ 76,017
Note payable - One Georgia Authority	446,600	-	25,000	421,600	25,000
Bonds payable - COBA	6,250,000	-	475,000	5,775,000	485,000
Compensated absences	183,629	220,115	216,065	187,679	187,679
Governmental activity Long-term liabilities	<u>\$ 7,078,455</u>	<u>\$ 337,531</u>	<u>\$ 812,071</u>	<u>\$ 6,603,915</u>	<u>\$ 773,696</u>
Business-type activities:					
Compensated absences	\$ 45,353	\$ 50,055	\$ 49,363	\$ 46,045	\$ 46,045
Business-type activity Long-term liabilities	<u>\$ 45,353</u>	<u>\$ 50,055</u>	<u>\$ 49,363</u>	<u>\$ 46,045</u>	<u>\$ 46,045</u>

For the governmental activities, capital leases and compensated absences are generally liquidated by the General Fund.

For the business-type activities, compensated absences are generally liquidated by the respective proprietary funds.

Capital Leases - Equipment. The City has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of leased assets under capital leases as of June 30, 2014:

Machinery and equipment	<u>\$ 464,293</u>
Less: Accumulated depreciation	<u>(234,632)</u>
	<u>\$ 229,661</u>

Depreciation expense for the year ended June 30, 2014 for assets under capital lease is \$91,259.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the future minimum lease payments at June 30, 2014:

	Governmental Activities
Fiscal year ending June 30,	
2015	\$ 83,587
2016	65,676
2017	36,120
2018	30,464
2019	25,182
Total minimum lease payments	241,029
Less amount representing interest	21,393
Present value of future minimum lease payments	\$ 219,636

Notes Payable. During the year ended June 30, 2011, the City entered into a note payable with the One Georgia Authority to provide funding for street improvements near a new commercial development. The note is secured by two parcels of City-owned land appraised at a value of \$600,000. The note is as follows at June 30, 2014:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
0.00%	20 years	2031	\$ 496,600	\$ 421,600

The annual requirements to pay the outstanding note are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2015	\$ 25,000
2016	25,000
2017	25,000
2018	25,000
2019	25,000
2020-2024	125,000
2025-2029	125,000
2030-2031	46,600
Total	\$ 421,600

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Revenue Bonds

Revenue bonds outstanding at June 30, 2014, are as follows:

<u>Series</u>	<u>Purpose</u>	<u>Interest Rate(s)</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2014</u>
2005 Series	Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 1,165,000
2012A Series	Provide Funds to City to Retire Water/Sewer Debts	2.42%	13 years	November 2024	5,000,000	4,395,000
2012B Series	Provide Funds to City to Retire Water/Sewer Debts	1.90%	7 years	November 2018	305,000	215,000
						<u>\$ 5,775,000</u>

During the year ended June 30, 2012, COBA issued revenue refunding bonds to pay off the 1998 series Water and Sewer Fund revenue bonds and the Water and Sewer Fund loan payable to the Georgia Environmental Finance Authority (GEFA). COBA and the City entered into an intergovernmental agreement whereby the City absolutely and unconditionally agreed to repay the entire debt obligation. The City recorded a note payable (less undisbursed proceeds) on the government-wide financial statements to reflect its obligation for COBA revenue bond debt service payments.

Revenue bond debt service requirements to maturity are as follows:

	<u>Total Amount of Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2015	\$ 485,000	\$ 148,536	\$ 633,536
2016	500,000	135,728	635,728
2017	515,000	122,629	637,629
2018	530,000	109,117	639,117
2019	515,000	95,418	610,418
2020 - 2024	2,655,000	269,744	2,924,744
2025	575,000	10,033	585,033
	<u>\$ 5,775,000</u>	<u>\$ 891,205</u>	<u>\$ 6,666,205</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2014 (at the fund level) are shown below. These amounts represent short-term receivables and payables. The 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. The composition of interfund balances as of June 30, 2014, is as follows:

	Payable Fund							
	General Fund	Capital Projects Fund	SPLOST 2017 Fund	Natural Gas Fund	Sanitation Fund	Non-major Governmental Funds	Internal Service Fund	Total
Receivable Fund:								
General Fund	\$ -	\$ 364,864	\$ 277,609	\$ 277,481	\$ 24,657	\$ -	\$ -	\$ 944,611
Non-major governmental funds	334,671	-	-	-	-	1,167	-	335,838
Water and Sewer	47,807	-	-	-	-	994	156,521	205,322
	<u>\$ 382,478</u>	<u>\$ 364,864</u>	<u>\$ 277,609</u>	<u>\$ 277,481</u>	<u>\$ 24,657</u>	<u>\$ 2,161</u>	<u>\$ 156,521</u>	<u>\$ 1,485,771</u>

Interfund transfers recorded and transacted during the year ended June 30, 2014 are as follows:

	Transfers Out:		
	General Fund	Water and Sewer Fund	Total
Transfers in:			
SPLOST 2012 - 2017	\$ 29,209	\$ -	\$ 29,209
Non-major Governmental Funds	-	636,018	636,018
Total	<u>\$ 29,209</u>	<u>\$ 636,018</u>	<u>\$ 665,227</u>

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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9. PENSION COSTS

Plan Description

The City of Cordele is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), an Agent Multiple Employer Defined Benefit Pension Plan. The GMEBS issues a financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303. All full-time employees, elected officials and legal counsel are eligible to participate in the system after one year of service. Benefits vest after 10 years service, except for elected or appointed members of the governing authority and municipal legal officers who are 100% vested upon termination of tenure of office. Benefit provisions and other requirements are established by state statute and City ordinances. The plan provides pension benefits, deferred allowance, and disability benefits.

Funding Policy

The funding policy for the plan is to contribute an actuarially determined amount equal to the recommended contribution in each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 7.00% of annual covered payroll.

Annual Pension Cost

The City's annual recommended contribution for the pension plan year beginning January 1, 2014, (the most recent actuarial valuation date) was \$301,431. The recommended contribution was determined as part of the January 1, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for merit or seniority of 3.5% per year, (c) inflation rate adjustment of 3.5%, and (d) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the valuation's investment return assumption.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9. PENSION COSTS (CONTINUED)

Trend Information

Trend information, which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 293,845	100 %	\$ -
12/31/12	318,306	100	-
12/31/13	285,590	100	-

As of the most recent valuation date, January 1, 2014, the funded status of the City of Cordele Retirement Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
01/1/14	\$10,186,482	\$10,623,012	\$436,530	95.89%	\$3,882,261	11.24%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2014.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10. CONTINGENCIES

Grant Contingencies

The City participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At June 30, 2014, there were no known amounts questioned or earmarked for disallowance. Based upon prior experience, management of the City believes such disallowances, if any, will not have a material effect on any individual governmental fund or the overall financial position of the City.

Litigation

As is the ordinary course of city government, the City is the defendant in several lawsuits in the nature of civil violations, claims for damages to persons and property and other similar types of suits. Liability, if any, which might result from these proceedings, would not, in the opinion of the management and the city council, have a material adverse effect on the financial position of the City.

NOTE 11. 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, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11. RISK MANAGEMENT (CONTINUED)

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 workers' compensation law of Georgia. The funds 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 carries commercial insurance for other risks of losses such as general property and liability insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City has adopted a self-insured/funded employee health benefit plan for employees employed full time or at least 30 hours per week and elected officials. The City has retained the services of an independent plan supervisor, experienced in claims processing, to handle health claims. Additionally, the City has purchased a specific deductible stop loss contract with a major insurer whereby the City's maximum loss per person is \$40,000.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for claims payable is reported as a current liability in the internal service fund because it is expected to be liquidated with expendable available financial resources.

Reconciliation of changes in the aggregate liabilities for claims:

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Claims liability, beginning of year	\$ 96,312	\$ 32,882
Incurred claims (including IBNRs)	923,380	608,754
Claims paid	(939,673)	(690,120)
Claims reimbursed from reinsurers	19,355	144,796
Claims liability, end of year	<u>\$ 99,374</u>	<u>\$ 96,312</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. RELATED ORGANIZATIONS

The City's governing council is responsible for all of the board appointments of the Cordele Housing Authority. However, the City has no further accountability for this organization. In the year ending June 30, 2014, the City did not provide any contributions to the Cordele Housing Authority.

NOTE 13. JOINT VENTURES

Under Georgia Law, the City, in conjunction with other cities and counties in the eight-county west central Georgia area, is a member of the River Valley Regional Commission and is required to pay annual dues thereto. During the year ended June 30, 2014, the City paid \$11,277 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 Regional Commissions (RCs) in Georgia. The RC 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 an RC. Separate financial statements may be obtained from the River Valley Regional Commission, 228 West Lamar Street, Americus, Georgia 31709.

NOTE 14. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax, which is composed of a 3% original base tax, a 2% additional tax added in 2010, and a 1% Quiet Community tax added in 2014. Revenues collected during the fiscal year ended June 30, 2014 were \$568,779. The City paid 28% of the base 3% tax, and 100% of the additional 2% tax, to the Cordele/Crisp County Tourism Commission (CCTC). The total remitted was \$270,735. The City retains all of the 1% Quiet Community tax. The total collected was \$95,663. Management represents that 100% of the lodging tax received during the year ended June 30, 2014, was used for the promotion of tourism, conventions, or trade shows.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORDELE, GEORGIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/09	\$ 7,093,459	\$ 9,256,739	\$ 2,163,280	76.6%	\$ 4,277,302	50.6%
01/01/10	9,032,981	9,508,361	475,380	95.0	4,276,495	11.1
01/01/11	9,524,324	9,820,284	295,960	97.0	4,185,996	7.1
01/01/12	9,599,509	10,130,705	531,196	94.8	4,112,259	12.9
01/01/13	9,870,812	10,135,926	265,114	97.4	4,009,571	6.6
01/01/14	10,186,482	10,623,012	436,530	95.9	3,882,261	11.2

The assumptions used in the preparation of the above schedule are disclosed in Note 9 in the Notes to the Financial Statements.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Economic Development Fund – This fund is used to account for 1984 and 1989 federal grants to the City relative to economic development assistance to private or for-profit entities. The proceeds of this grant were loaned to local businesses as an employment incentive. Under the terms of this grant, all funds recaptured through repayment of economic development loans are required to be deposited in a Special Economic Development account bearing the highest possible legal rate of interest. The City Commission may, by vote, designate expenditures from this account for economic development in the City of Cordele on a case by case basis, but will require recapture of any principal in full with a negotiated interest rate based on projection and forecast.

Condemnation Proceeds Fund – This fund is used to account for proceeds of property seized or forfeited pursuant to federal law regarding controlled substances, marijuana or dangerous drugs. Georgia law (Code 1981 16-13-49-F (2) A) provides that said funds may be used to defray the cost of complex investigations, to purchase equipment, to provide matching funds to obtain federal grants and for such other law enforcement purposes as the governing authority of the municipality deems appropriate except that none of the monies shall be used to pay all or part of salaries of law enforcement personnel. The governing authority may in its discretion limit the amount of such money expended for such law enforcement purposes during the calendar year to \$200,000. The remainder of such money, if any, received by the governing authority during the fiscal year may be expended for other public purposes.

Downtown Revitalization Fund – This fund is used to account for proceeds from a special tax earmarked for the downtown revitalization, and equal amounts contributed by the City of Cordele, the Crisp County Commissioners and the Crisp County Power Commission. The Main Street Director is appointed by the Downtown Revitalization Committee. The director is responsible for coordinating all activities for the main street programs.

Hotel Tax Fund – This fund is used to account for the City's revenues and expenditures related to the Hotel Lodging tax levied during the year. The City collects 6% of lodging fees and forwards a portion of the revenue collected to the Tourism Board.

Cordele Office Building Authority (COBA) – This is the general fund of a blended component unit used to oversee the acquisition, construction and improvements to buildings for the benefit of the City in order to attract new businesses and residences.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds

The **SPLOST 2006 – 2011 Fund** - This fund is used to account for financing and construction of facilities and improvements in accordance with a sales tax referendum associated with the years 2006 through 2011.

The **T-SPLOST Fund** - This fund is used to account for financing and construction of transportation improvements in accordance with a sales tax referendum beginning January 2013 through December 2022.

CDBG Rehabilitation Fund - This fund is used to account for financing and construction of low income housing authorized by Community Development Block Grants provided through the federal government.

CHIP Grant Fund - This fund is to be used in conjunction with the Community HOME Investment Program (CHIP) to provide low-interest loan funds to low/moderate income, and elderly/handicapped homeowners for rehabilitation of their substandard homes.

Permanent Fund

A.B. Branan Community Clubhouse Trust Fund (a Non-expendable Trust Fund) - This fund is used to account for the trust of 3,328 shares of Exxon Corporate stock donated November 19, 1991. The corpus of the trust shall exist in perpetuity under statutory authority provided by O.C.G.A. # 36-37-1. The income from the corpus is exclusively dedicated to the maintenance, care and beautification of the Cordele Community Clubhouse.

CITY OF CORDELE, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Special Revenue Funds</u>				
	<u>Economic Development Fund</u>	<u>Condemnation Proceeds Fund</u>	<u>Downtown Revitalization Fund</u>	<u>Hotel Tax Fund</u>	<u>COBA Fund</u>
ASSETS					
Cash	\$ 86,980	\$ 18,156	\$ 12,552	\$ -	\$ 384,870
Investments	-	-	-	-	-
Due from other funds	-	-	-	325,215	-
Mortgages receivable	54,689	-	-	-	-
Taxes receivables	-	-	-	55,900	-
Due from other governments	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 141,669</u>	<u>\$ 18,156</u>	<u>\$ 12,552</u>	<u>\$ 381,115</u>	<u>\$ 384,870</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	49,337	-
Due to other funds	-	-	1,166	-	995
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,166</u>	<u>49,337</u>	<u>995</u>
FUND BALANCES					
Nonspendable:					
Loans receivable - long-term	54,689	-	-	-	-
Endowment - Community clubhouse	-	-	-	-	-
Restricted for:					
Clubhouse expenses	-	-	-	-	-
Federal programs	86,980	-	-	-	-
Promotion of tourism	-	-	-	331,778	-
Law enforcement purposes	-	18,156	-	-	-
Capital projects	-	-	-	-	383,875
Assigned to:					
Downtown revitalization	-	-	11,386	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 141,669</u>	<u>\$ 18,156</u>	<u>\$ 12,552</u>	<u>\$ 381,115</u>	<u>\$ 384,870</u>

Capital Projects Fund				Permanent Fund	Total Nonmajor Governmental Funds
SPLOST 2006 - 2011 Fund	T-SPLOST Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	
\$ 714,840	\$ 257,194	\$ 13,855	\$ 68,270	\$ 40,496	\$ 1,597,213
-	-	-	-	335,063	335,063
10,623	-	-	-	-	335,838
-	-	-	-	-	54,689
-	-	-	-	-	55,900
-	34,907	-	-	-	34,907
<u>\$ 725,463</u>	<u>\$ 292,101</u>	<u>\$ 13,855</u>	<u>\$ 68,270</u>	<u>\$ 375,559</u>	<u>\$ 2,413,610</u>
\$ -	\$ -	\$ -	\$ 64,094	\$ -	\$ 64,094
-	-	-	-	-	49,337
-	-	-	-	-	2,161
-	-	-	64,094	-	115,592
-	-	-	-	-	54,689
-	-	-	-	50,236	50,236
-	-	-	-	325,323	325,323
-	-	13,855	4,176	-	105,011
-	-	-	-	-	331,778
-	-	-	-	-	18,156
725,463	292,101	-	-	-	1,401,439
-	-	-	-	-	11,386
<u>725,463</u>	<u>292,101</u>	<u>13,855</u>	<u>4,176</u>	<u>375,559</u>	<u>2,298,018</u>
<u>\$ 725,463</u>	<u>\$ 292,101</u>	<u>\$ 13,855</u>	<u>\$ 68,270</u>	<u>\$ 375,559</u>	<u>\$ 2,413,610</u>

CITY OF CORDELE, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
	Fund	Fund	Fund	Fund	Fund
Revenues:					
Taxes	\$ -	\$ -	\$ 11,977	\$ 568,779	\$ -
Intergovernmental	-	-	-	-	-
Donations	-	-	59,794	-	-
Interest and dividend income	3,350	-	2	-	-
Net increase in the fair value of investments	-	-	-	-	-
Total revenues	<u>3,350</u>	<u>-</u>	<u>71,773</u>	<u>568,779</u>	<u>-</u>
Expenditures:					
Current:					
Community development	-	-	76,352	280,135	495
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	475,000
Interest and fiscal charges	-	-	-	-	161,018
Total expenditures	<u>-</u>	<u>-</u>	<u>76,352</u>	<u>280,135</u>	<u>636,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,350</u>	<u>-</u>	<u>(4,579)</u>	<u>288,644</u>	<u>(636,513)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	636,018
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>636,018</u>
Net change in fund balances	3,350	-	(4,579)	288,644	(495)
Fund balances, beginning of year	<u>138,319</u>	<u>18,156</u>	<u>15,965</u>	<u>43,134</u>	<u>384,370</u>
Fund balances, end of year	<u>\$ 141,669</u>	<u>\$ 18,156</u>	<u>\$ 11,386</u>	<u>\$ 331,778</u>	<u>\$ 383,875</u>

Capital Projects Fund				Permanent Fund	Total Nonmajor Governmental Funds
SPLOST 2006 - 2011 Fund	T-SPLOST Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 580,756
460,623	194,136	-	-	-	654,759
-	-	-	-	-	59,794
59	305	849	14	8,651	13,230
-	-	-	-	34,378	34,378
<u>460,682</u>	<u>194,441</u>	<u>849</u>	<u>14</u>	<u>43,029</u>	<u>1,342,917</u>
-	-	-	-	-	356,982
-	74	-	-	-	74
-	-	-	-	-	475,000
-	-	-	-	-	161,018
<u>-</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>993,074</u>
<u>460,682</u>	<u>194,367</u>	<u>849</u>	<u>14</u>	<u>43,029</u>	<u>349,843</u>
-	-	-	-	-	636,018
-	-	-	-	-	636,018
460,682	194,367	849	14	43,029	985,861
264,781	97,734	13,006	4,162	332,530	1,312,157
<u>\$ 725,463</u>	<u>\$ 292,101</u>	<u>\$ 13,855</u>	<u>\$ 4,176</u>	<u>\$ 375,559</u>	<u>\$ 2,298,018</u>

CITY OF CORDELE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2006 Referendum</u>					
1	Library Improvements	\$ 300,000	\$ 632,623	\$ -	\$ 632,623
2	Industrial Park Elevated Tank	1,000,000	953,609	-	953,609
3	Water/Sewer Improvements	1,110,000	819,531	-	819,531
4	Police Vehicles	600,000	634,202	-	634,202
5	City Hall Improvements / HVAC/ADA	500,000	634,510	-	634,510
6	Emergency Warnings Signals	100,000	-	-	-
7	Public Works Equipment	90,000	202,139	-	202,139
8	Fire HVAC Systems	50,000	18,172	-	18,172
	Totals	<u>\$ 3,750,000</u>	<u>\$ 3,894,786</u>	<u>\$ -</u>	<u>\$ 3,894,786</u>

(Continued)

CITY OF CORDELE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2012 Referendum</u>					
1	Gum Creek Facility	\$ 600,000	\$ -	\$ -	\$ -
2	City Roads	600,000	-	-	-
3	Water & Sewer Utilities	1,000,000	-	132,751	132,751
4	Inland Port Utilities	500,000	-	-	-
5	City Hall/Fire Station 1 & 2	500,000	7,450	-	7,450
6	Police Cars	450,000	71,094	68,100	139,194
7	Fire Department	275,000			
8	Public Works Vehicles	100,000	-	-	-
	Totals	<u>\$ 4,025,000</u>	<u>\$ 78,544</u>	<u>\$ 200,851</u>	<u>\$ 279,395</u>

COMPONENT UNIT

CITY OF CORDELE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT
JUNE 30, 2014**

	<u>Downtown Development Authority</u>
ASSETS	
Cash	\$ 3,270
Total assets	<u>\$ 3,270</u>
LIABILITIES	
Accounts payable	\$ -
Deferred revenue	-
Due to primary government	<u>-</u>
Total liabilities	<u>-</u>
FUND BALANCES	
Assigned to downtown planning and development	<u>3,270</u>
Total fund balances	<u>\$ 3,270</u>

CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Downtown Development Authority
Revenues	
Unrestricted investment earnings	\$ -
Contribution revenues	-
Total revenues	<u>-</u>
Expenditures	
Professional services	-
Total expenditures	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>
Net change in fund balances	-
Fund balances, July 1	<u>3,270</u>
Fund balances, June 30	<u>\$ 3,270</u>

COMPLIANCE SECTION



**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 City Commission
Of the City of Cordele, Georgia
Cordele, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Cordele's basic financial statements and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2014-001 through 2014-008 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Cordele, Georgia's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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.

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 City'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.

Mauldin & Jenkins, LLC

Macon, Georgia
June 30, 2015

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

There was not an audit of major federal award programs due to the total amount expended on federal programs being less than \$500,000.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001. General Accounting Matters

Criteria: Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operation objectives.

Generally accepted accounting principles require assets, liabilities, revenues and expenditures to be recognized in the accounting period in which they become both measurable and available. Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

Condition: An inordinate amount of accounting, reporting and reconciling was not properly performed and reviewed during the fiscal year which required a significant effort to close the City's 2014 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed June 30, 2014. Further, and throughout the course of the audit process, we noted there was an overall lack of proper and adequate accounting on a timely basis. We noted deficiencies in timeliness, completeness, and accuracy. Specifically, we noted a lack of timely and accurate financial and non-financial information needed:

- to properly maintain general ledgers, subsidiary ledgers, reconciliations; and,
- to close-out and report activities, events and transactions on a periodic basis.

Context: We addressed this matter with City officials, who were able to ultimately determine the propriety of all respective details and reconciliations as of and for the year ended June 30, 2014.

Effect: The ultimate effect of the above condition is:

- A significantly delayed conclusion to the 2014 fiscal year financial reporting process;
- The potential for errors and irregularities to occur and not be detected and corrected in a timely manner; and
- A material change in the financial reporting framework after the significant amount of transactions resulting in two new major funds for reporting purposes.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-001. General Accounting Matters (Continued)

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: We recommend the City consider a variety of options to addressing the above condition. In no particular order, the City needs to look at the respective staffing of the accounting function, and determine if an adequate number of qualified people are currently available to address the condition. The City also needs to consider and evaluate its strengths and weaknesses relative to the accounting function, and take measures to address the concerns noted above with a goal of providing timely recording, reconciling and reporting of City operations and financial and non-financial activities.

We further recommend the City consider reinvesting in its accounting personnel by providing better technical education and training via participation in continuing education governmental accounting and financial reporting programs which are constantly available in the general geographic area of the City. Once certain levels of technical proficiency are observed by management, we further encourage the City to better cross-train the accounting personnel in an effort to make the accounting function a stronger and more capable accounting and finance department.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with the finding. One person was acting as City Manager as well as Finance Director at the beginning of this fiscal year. In addition, the Assistant Finance Director's position was in effect vacated during the rest of the fiscal year, putting further strain on the Finance Director who was implementing new government wide software. All of the year's accounting work and audit preparation work was performed by this same individual as time did not allow training or replacement of personnel to perform such work.

Since this time period, the Finance Director and Assistant Finance Director have filled the Payroll position. Job descriptions in the Department were reviewed and updated to assure positions are understood and appropriate. The Finance Director wrote and implemented Governmental Purchasing policies and internal Finance Department policies in February and March of 2014. The Assistant Finance Director has begun taking Carl Vinson Institute courses toward becoming a Certified Local Government Finance Officer. During this year of software implementation, the Finance Director missed several opportunities to attend financial courses normally attended that both the Finance Director and Assistant Finance Director will attend in the future.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-002. Accounting for Accounts Payable and Expenditures

Criteria: Generally accepted accounting principles require timely reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows.

Condition: We noted the City did not prepare and reconcile the accounts payable in a timely manner.

Context: We addressed this matter with City officials, who were able to ultimately determine the propriety of all respective details and reconciliations as of and for the year ended June 30, 2014.

Effect: The ultimate effect of the above condition was the significant delay of the conclusion to the 2014 fiscal year financial reporting process. In addition, this resulted in a delay of significant adjustments to accounts payable.

In order to properly document accounts payable balances as of June 30, 2014, a significant amount of journal entries were recognized with a total net effect for each fund noted below:

- General Fund – \$285,534
- Water and Sewer Fund – \$58,816
- Gas Fund – \$80,711
- Sanitation – \$5,120
- Nonmajor Funds – \$7,009

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: We recommend that the City reconcile all accounts payable in a timely manner to ensure all transactions are being properly recognized during the correct period.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. One person was doing most of the financial work. As the department now has a capable Assistant Finance Director and Payroll person, there will be more work assigned to others to alleviate this problem.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-003. Management of Interfund Transactions – Including Due To/From and Transfer Accounts

Criteria: Generally accepted accounting principles require consideration of the collectability of receivables of all kinds, whether external or internal to the City. In addition, internal controls should be in place to provide reasonable assurance that interfund transactions are properly recorded.

Condition: We noted the City did not account for and use due to/due from accounts and transfers in a proper and timely manner in conjunction with the operations of the City.

Context: We addressed this matter with City officials, who were able to determine the appropriate adjustments so as to properly state the balance of due to/due from and interfund transfer accounts at June 30, 2014.

Effect: The ultimate effect of the above condition resulted in a significant amount of adjustments after year end.

In order to properly document the due to/from and interfund transfer balances as of June 30, 2014, a significant number of journal entries were recognized with the total effect for each fund noted below:

Due To/From Accounts

- General Fund – \$157,699
- SPLOST 12-17 Fund – \$16,212
- Capital Projects Fund – \$127,277
- Water and Sewer Fund – \$25,761
- Gas Fund – \$23,602
- Sanitation Fund – \$5,120
- Nonmajor Funds – \$42,328

Interfund Transfers

- General Fund - \$29,209
- SPLOST 12-17 Fund - \$29,209
- Nonmajor Funds - \$186,194

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: We recommend that all interfund activity be properly recorded through the due to/due from and transfer accounts as appropriate, and all interfund accounts be reconciled on a monthly basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-003. Management of Interfund Transactions – Including Due To/From and Transfer Accounts
(Continued)

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. As of July 1, 2014, as mentioned, a new software system is in place with the City that has tools to assist the Finance Department in reconciliation of funds on a timely basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-004. Accounting for Cash Transactions and Reconciliation of Bank Accounts

Criteria: Internal controls should be in place to provide reasonable assurance that cash and investment receipts and disbursements are recorded in the proper account.

Condition: We noted the City did not properly and timely reconcile the cash and investment accounts in conjunction with the operations of the City.

Context: We addressed this matter with City officials, who were able to determine the appropriate adjustments so as to properly state the balance of cash accounts at June 30, 2014.

Effect: Cash and investment accounts were not reconciled in a timely manner resulting in significant adjustments and reclassifications. Untimely reconciliations allow for the opportunity for errors and fraudulent transactions to occur and not be detected in a timely manner. Additionally, this condition is further magnified when reflecting on the fact that the General fund has \$1,445,495 of checks written in excess of bank balance as of June 30, 2014. Cash is the most important asset held by the City, and certainly a series of accounts that should be reconciled on a monthly basis.

In order to properly document cash balances as of June 30, 2014, there were a significant amount of journal entries recognized with the total effect for each fund noted below:

- General Fund – \$96,733
- Water and Sewer Fund – \$10,687
- Gas Fund – \$18,445
- Nonmajor Funds – \$34,378

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: We recommend the City implement controls over the recording of cash transactions and bank account reconciliations to ensure all transactions are properly recorded and bank accounts are reconciled in a timely manner.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. As of July 1, 2014, banking reconciliation and General Ledger cash reconciliation will be done in a timely manner. With the implementation of the new Cash Management Module, most all cash receipts are posted through one software module therefore eliminating as many journal entries as needed in the past in the cash receipt process. This reduces the opportunity for error and fraudulent transactions and it also involves more than one person in the finance department therefore eliminating segregation of duties issues also.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-005. Recording of Revenues, Receivables, and Deferred Revenue (Repeat Finding)

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: During fiscal year 2014, the City did not properly record revenues, receivables, and deferred revenue as of and for the year ended June 30, 2014. Consequently, the respective revenues, receivables, and deferred revenue of various funds were not properly stated and reflected as of and for the year ended June 30, 2014, and audit adjustments were required to correct such amounts and balances.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2014.

Effect: In order to properly document the balances as of June 30, 2014, there were a significant amount of journal entries recognized with the total effect for each fund noted below:

Accounts Receivable

- General Fund – \$187,111
- Water and Sewer Fund – \$79,658
- Gas Fund – \$10,462
- Sanitation Fund – \$23,485
- Nonmajor Funds – \$74,868

Revenue

- General Fund – \$22,455
- Economic Development Main Street Fund – \$12,618
- SPLOST 12-17 Fund – \$68,772
- Water and Sewer Fund – \$90,213
- Gas Fund – \$1,636
- Sanitation Fund – \$23,485
- Nonmajor Funds – \$109,246

Deferred Revenue

- General Fund – \$29,850
- Economic Development Main Street Fund – \$12,618
- SPLOST 2012-2017 Fund – \$55,775

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-005. Recording of Revenues, Receivables, and Deferred Revenue (Repeat Finding) (Continued)

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: We recommend the City review all income statement and balance sheet accounts throughout the fiscal year, and ensure all respective revenues, receivables, and deferred revenues are properly stated at the end of each accounting period.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. One person was doing most of the financial work. With staffing levels filled the Finance Director will provide the City with income statement and balance sheets to review as well as other financial documents on a regular basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-006. Management of Capital Assets

Criteria: Generally accepted accounting principles require items purchased with a measurable future economic value to be recorded as a capital asset and depreciated over its useful life.

Condition: Depreciation expense was incorrectly recorded in the Water and Sewer and Gas funds.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2014.

Effect: An audit adjustment to increase capital assets, depreciation expense, and accumulated depreciation in the amounts of \$614,785 and \$1,032,988 and \$1,032,988, respectively, was required to be reported in the Water and Sewer fund, and an audit adjustment to increase capital assets, depreciation expense, and accumulated depreciation in the amounts of \$84,028, \$103,600, and \$103,600, respectively, was required to be reported in the Gas fund as of June 30, 2014.

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: The City should strengthen controls to ensure a proper reconciliation of capital assets is performed monthly.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. One person was doing most of the financial work. With staffing levels filled the Finance Director will be able to ensure asset management and review on a regular basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-007. Management of Accrued Liabilities – Accrued Payroll and Benefits

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets.

Condition: Accrued payroll was incorrectly recorded in the General fund, Water and Sewer fund, and Gas fund as of June 30, 2014.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2014.

Effect: Audit adjustments to increase accrued payroll in the General fund, Water and Sewer fund, and Gas fund in the amounts of \$222,578 and \$25,150 and \$2,562, respectively, were required as of June 30, 2014.

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: The City should strengthen its controls to ensure proper recognition of accrued payroll and benefits during their financial reporting and closing process.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. The City will utilize management controls to ensure proper recognition of accrued payroll and benefits during financial reporting.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-008. Management of Inventory Accounts

Criteria: Generally accepted accounting principles require that material amounts of inventory on hand at year end be reported as an asset. Additionally, internal controls and effective procedures should be in place to ensure that inventory records are being updated in a timely manner and accurate detail listings are being maintained and reconciled periodically to the general ledger.

Condition: The City did not properly record inventory amounts as of June 30, 2014.

Context: We addressed this matter with City officials, who were able to determine the appropriate adjustments so as to properly state the inventory account balances at June 30, 2014.

Effect: An audit adjustment to decrease inventory in the amount of \$53,224 was required to be recorded within the General Fund as of June 30, 2014.

Cause: There was an overall lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which caused issues with basic accounting functions for the audit.

Recommendation: We recommend the City implement procedures to ensure that inventory is being adequately controlled and reported. We additionally recommend that the detailed inventory be periodically reconciled to the general ledger.

Views of Responsible Officials

and Planned Corrective Action: Management concurs with this finding. The City will utilize management controls to ensure proper inventory control and reconciliation to the general ledger.

SECTION III
FEDERAL AWARD FINDINGS

Not applicable. No Single Audit Required.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

2013-001. Recording of Revenues and Receivables

Criteria: Generally accepted accounting principles generally require the reporting of amounts as revenues in the period to which they related and when the underlying transaction occurs, and a receivable balance for any revenues expected to be collected, but not received as of the balance sheet date.

Condition: During fiscal year 2013, the City did not properly record revenues and receivables as of and for the year ended June 30, 2013. Consequently, the respective revenues and receivables of various funds were not properly stated and reflected as of and for the year ended June 30, 2013, and audit adjustments were required to correct such amounts and balances.

Auditee Response/Status: Unresolved. See current year finding 2014-005.