

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by:
Department of Finance

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
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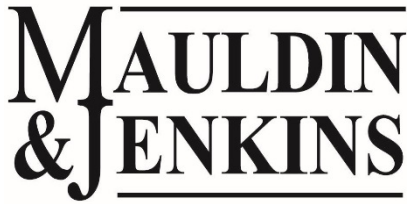
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FINANCIAL SECTION



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, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016, 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 management's discussion and analysis on pages 4-12, the Schedule of Changes in the City's Net Pension Liability and Related Ratios on page 57, and the Schedule of City Contributions on page 58 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.

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 and schedules 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 schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedules 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 nonmajor fund financial statements and the schedules 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 December 19, 2016, 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
December 19, 2016

CITY OF CORDELE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

As management of the City of Cordele, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Cordele, Georgia for the fiscal year ended June 30, 2016. The information presented here should be used in conjunction with the additional information provided in this financial report, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,931,498 (*net position*). Of this amount, \$4,833,603 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$701,008.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,836,448, an increase of \$265,340 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,333,187.
- The City's total long-term debt (excluding compensated absences and the net pension liability) increased by \$24,755 during the current fiscal year. This change consisted of scheduled repayments of \$599,238 of bonds, notes payable, and capital leases. An addition of capital leases of \$623,993 added to long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report for the fiscal year ended June 30, 2016 includes Government-wide statements along with Fund based financial statements. The primary role of the Statement of Net position and the Statement of Activities in the government-wide financial statements is to demonstrate operational accountability, while the primary role of the Fund financial statements is to demonstrate fiscal accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so. Fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

This Discussion and Analysis is intended to serve as an introduction to the City of Cordele's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) notes to the financial statements. Comparative information between the current year and the prior year is included. This report also contains other supplementary information in addition to the basic financial statements themselves.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Statements. The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City of Cordele's finances, in a manner similar to a private-sector business.

The *Statement of Net position* presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these components reported as *net position*. This statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, central purchasing and community development. The business-type activities of the City include water and sewer, natural gas, and sanitation.

The government-wide financial statements include not only the City of Cordele itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Cordele Office Building Authority, for which the City has some degree of financial accountability. The Cordele Office Building Authority is blended as a fund of the City's financial statements. The Downtown Development Authority is discretely presented, and information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Economic Development Main Street funds only, because they are considered to be major funds. Data from the other twelve (12) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 - 20 of this report.

Proprietary Funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, the Natural Gas Fund, and the Sanitation Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Gas Revenue Fund, and the Sanitation Fund, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 21 - 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 56 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 59 - 62 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,931,498 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (70%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Cordele's Net Position Fiscal Year Ending June 30 (Comparative)

	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Current and other assets	\$ 8,043,137	\$ 8,304,717	\$ 5,013,478	\$ 6,509,325	\$ 13,056,615	\$ 14,814,042
Capital assets	14,674,289	13,875,613	12,237,914	12,536,909	26,912,203	26,412,522
Total assets	<u>22,717,426</u>	<u>22,180,330</u>	<u>17,251,392</u>	<u>19,046,234</u>	<u>39,968,818</u>	<u>41,226,564</u>
Deferred outflows of resources	<u>660,190</u>	<u>180,858</u>	<u>176,156</u>	<u>45,215</u>	<u>836,346</u>	<u>226,073</u>
Current liabilities	2,162,259	2,826,627	702,549	673,826	2,864,808	3,500,453
Long-term liabilities	7,383,181	6,605,956	550,934	335,641	7,934,115	6,941,597
Total liabilities	<u>9,545,440</u>	<u>9,432,583</u>	<u>1,253,483</u>	<u>1,009,467</u>	<u>10,798,923</u>	<u>10,442,050</u>
Deferred inflows of resources	<u>60,044</u>	<u>302,465</u>	<u>14,699</u>	<u>75,616</u>	<u>74,743</u>	<u>378,081</u>
Net position:						
Net investment in capital assets	8,789,765	8,015,844	12,237,914	12,536,909	21,027,679	20,552,753
Restricted	4,070,216	4,040,042	-	-	4,070,216	4,040,042
Unrestricted	912,151	570,254	3,921,452	5,469,457	4,833,603	6,039,711
Total net position	<u>\$ 13,772,132</u>	<u>\$ 12,626,140</u>	<u>\$ 16,159,366</u>	<u>\$ 18,006,366</u>	<u>\$ 29,931,498</u>	<u>\$ 30,632,506</u>

Net position may serve over time as a useful indicator of a government's financial position. The City of Cordele's combined net position for the year ending June 30, 2016, was \$29,931,498, a decrease of \$701,008 from June 30, 2015. Of total position, \$16,159,366 came from business-type activities and \$13,772,132 came from governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A significant portion (or 70%) of the City's net position is invested in capital assets, net of related debt. A portion of the City's net position (13.6%) or \$4,070,216, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (amounting to \$4,833,603 or 16.1%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

Governmental Activities. Governmental activities during the fiscal year ended June 30, 2016, increased the City of Cordele's net position by \$1,145,992. Business-type activities during the same period decreased net position by \$1,847,000 for a total decrease in net position of \$701,008. The following analysis shows the revenue and expenses by activity for the total primary government.

City of Cordele's Net Position						
Fiscal Year Ending June 30 (Comparative)						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Revenues:						
Program revenues:						
Charges for services	\$ 628,348	\$ 650,124	\$ 5,678,836	\$ 6,484,070	\$ 6,307,184	\$ 7,134,194
Operating grants and contributions	88,403	56,024	-	-	88,403	56,024
Capital grants and contributions	1,356,009	1,901,148	-	-	1,356,009	1,901,148
General revenues:					-	-
Property taxes	3,744,930	3,666,715	-	-	3,744,930	3,666,715
Sales taxes	1,869,829	1,956,786	-	-	1,869,829	1,956,786
Alcoholic beverages taxes	316,090	298,663	-	-	316,090	298,663
Other taxes	1,334,219	1,283,020	-	-	1,334,219	1,283,020
Franchise fees	1,298,165	1,463,759	-	-	1,298,165	1,463,759
Unrestricted investment earnings	270,227	268,041	14,581	18,949	284,808	286,990
Total revenues	10,906,220	11,544,280	5,693,417	6,503,019	16,599,637	18,047,299
Expenses:						
General government	2,124,204	2,476,992	-	-	2,124,204	2,476,992
Public works	2,968,187	2,510,491	-	-	2,968,187	2,510,491
Public safety	4,432,038	4,338,134	-	-	4,432,038	4,338,134
Community development	816,809	885,281	-	-	816,809	885,281
Culture and recreation	322,540	452,185	-	-	322,540	452,185
Interest on long-term debt	139,032	154,938	-	-	139,032	154,938
Water and sewer	-	-	3,627,353	3,918,437	3,627,353	3,918,437
Natural gas	-	-	2,093,155	2,320,326	2,093,155	2,320,326
Sanitation	-	-	777,327	893,848	777,327	893,848
Total expenses	10,802,810	10,818,021	6,497,835	7,132,611	17,300,645	17,950,632
Increase (decrease) in net position before transfers	103,410	726,259	(804,418)	(629,592)	(701,008)	96,667
Transfers	1,042,582	1,704,716	(1,042,582)	(1,704,716)	-	-
Increase (decrease) in net position	1,145,992	2,430,975	(1,847,000)	(2,334,308)	(701,008)	96,667
Net position, beginning of year	12,626,140	11,734,939	18,006,366	20,725,618	30,632,506	32,460,557
Prior period adjustment	-	(1,539,774)	-	(384,944)	-	(1,924,718)
Net position, beginning of year, restated	12,626,140	10,195,165	18,006,366	20,340,674	30,632,506	30,535,839
Net position, end of year	\$ 13,772,132	\$ 12,626,140	\$ 16,159,366	\$ 18,006,366	\$ 29,931,498	\$ 30,632,506

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. The preceding analysis shows total revenues from governmental activities of \$10,906,220 for 2016 and \$11,544,280 for 2015 while expenses were \$10,802,810 for 2016 and \$10,818,021 for 2015. The largest revenue source for governmental activities comes from property taxes at \$3,744,930 or 34.3% for 2016 and from property taxes at \$3,666,715 or 31.8% of revenues for 2015. The City of Cordele spent the greatest amount of its available funding on public safety at 41.0% for 2016 and at 40.1% for 2015.

Business-Type Activities. Business-type activities total revenues amounted to \$5,693,417 for 2016 and \$6,503,019 for 2015 while expenses were \$6,497,835 for 2016 and \$7,132,611 for 2015. The business-type activities largest revenue source is the Water/Sewer Fund in 2016 (62%) and the Water/Sewer Fund in 2015 (58%). The Water and Sewer Fund had the largest amount of expenses at \$3,627,353 for 2016 and \$3,918,437 for 2015.

Analysis of Balances

Governmental Activities Funds. The City of Cordele has four major governmental funds which are the General Fund, the Economic Development Main Street Fund, the Capital Projects Fund, and the SPLOST 2012 – 2017 Fund. At the end of FY2016, these four funds had fund balances of \$1,678,780, \$238,940, \$0 and \$1,238,580, respectively. This is an aggregate decrease for the four funds of \$231,396 to the beginning fund balances.

The fund balances for the other governmental funds increased by \$265,2340. The final fund balance for these funds increased from \$5,571,108 at the beginning of the year to \$5,836,448 at the end of the year.

Business-Type Activities Funds. The enterprise funds, which include the City's Water & Sewer Fund, Natural Gas Fund, and the Sanitation Fund showed a combined cash and cash equivalents and investments of \$4,809,073 as of June 30, 2016 as compared to \$5,951,183 at the end of the previous year ending June 30, 2015. This is a decrease of \$1,142,110 from the previous year.

The Water and Sewer Fund had ending cash and cash equivalents and investments of \$2,820,697 as of June 30, 2016. This is a decrease of \$1,036,739 from the previous year.

The Gas Fund had ending cash and cash equivalents and investments of \$1,988,376 as of June 30, 2016. This is a decrease of \$105,371 from the previous year.

The Sanitation Fund had a zero balance for ending cash and cash equivalents as June 30, 2016. This is the same as in the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year ending June 30, 2016, governmental activities and business-type activities had capital assets of \$26,912,203 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment, and infrastructure.

City of Cordele's Capital Assets						
Fiscal Year Ending June 30 (Comparative)						
	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Land	\$ 4,889,257	\$ 4,889,257	\$ 326,299	\$ 326,299	\$ 5,215,556	\$ 5,215,556
Construction in progress	2,033,745	2,561,503	290,634	19,726	2,324,379	2,581,229
Buildings	4,349,123	4,295,614	2,158,816	2,070,866	6,507,939	6,366,480
Improvements other than buildings	2,955,345	2,955,345	32,817,608	32,565,792	35,772,953	35,521,137
Infrastructure	7,728,789	6,233,761	-	-	7,728,789	6,233,761
Machinery and equipment	8,218,924	7,380,226	3,853,279	3,509,745	12,072,203	10,889,971
Total capital assets	30,175,183	28,315,706	39,446,636	38,492,428	69,621,819	66,808,134
Accumulated depreciation	15,500,894	14,440,093	27,208,722	25,955,519	42,709,616	40,395,612
Capital assets, net	<u>\$ 14,674,289</u>	<u>\$ 13,875,613</u>	<u>\$ 12,237,914</u>	<u>\$ 12,536,909</u>	<u>\$ 26,912,203</u>	<u>\$ 26,412,522</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

Debt Administration. The City's total long-term debt consists of revenue bonds, long-term notes payable, capital leases, compensated absences and net pension liability.

At June 30, 2016, the City had \$8,221,364 of outstanding long-term debt related to the governmental activities and \$583,745 of long-term debt related to business-type activities for a total \$8,805,109 compared to the previous year's total of \$7,762,754. This is an increase of \$1,042,634 primarily attributable to the issuance of capital leases in FY2016 of \$623,993 and an increase in the City's net pension liability of \$1,025,203 offset by payments on the City's outstanding debt during FY2016 of \$753,214.

The City, through its blended component unit, the Cordele Office Building Authority (COBA), issued bonds in 2012 to refund older bonds and a note payable in the Water/Sewer Fund. The present value of the interest savings was built into the bond issue and this issue totaled \$5,305,000. The governmental activities reflect this debt as payable in the governmental activities as the full faith and credit of the City is pledged to make these payments on behalf of the COBA fund.

Additional information on the City's debt can be found in Note 7 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Currently Known Conditions Affecting Future Operations

The City Commission is committed to providing the best services to its citizens while also trying to keep costs at a minimum. The Commission, again this year, did not increase the property tax millage and there was an increase in the overall digest amount. The economy of our area is showing an improvement over past years and the City looks forward to the increased revenues from sales taxes in governmental activities as well as revenues from utility users in the business-type activities. The City will continue to closely watch economic indicators and trends in the community and forecast accordingly.

Factors Affecting the FY17 Budget

The Cordele City Commission considered many factors when approving the City's 2017 budget and are very aware of current economic conditions and their effect on its citizens. The Commission chose to continue to use transfers from the business-type activities to the governmental activities instead of increasing taxes or rates within the governmental activities. There are proposed increases to the rates of the business-type activities to cover state and federal mandates which continue to increase costs within these funds without a viable revenue stream from which to fund these activities. The City will closely monitor these activities to keep the rate increases as minimal as possible.

Annually, the City Manager submits to the Commission a proposed operating budget for the coming fiscal year which is required to be approved prior to June 30. Public hearings are held prior to adoption to allow citizens the opportunity to comment on the proposed budget.

Budgets are adopted for the General Fund, all special revenue funds, all capital projects funds, and the City's enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only. The legal level of budgetary control is the department level, with the Commissioners being the only body authorized to make amendments to the budget. During the year, there were no significant increases in appropriations between the original budget and the final amended budget for the City's General Fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Cordele's finances for citizens, taxpayers, customers, investors and creditors and all others with an interest in the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department at the City of Cordele, P.O. Box 569, Cordele, Georgia 31010-0569.

CITY OF CORDELE, GEORGIA

**STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	\$ 4,399,776	\$ 450,000	\$ 4,849,776	\$ 3,270
Investments	607,178	4,162,532	4,769,710	-
Taxes receivable	435,824	-	435,824	-
Accounts receivable, net of allowances	749,139	701,136	1,450,275	-
Due from other governments	314,845	-	314,845	-
Internal balances	691,989	(691,989)	-	-
Inventories	32,694	161,595	194,289	-
Prepaid expenses	118,399	33,663	152,062	-
Restricted assets:				
Cash and cash equivalents	-	196,541	196,541	-
Mortgages receivable	693,293	-	693,293	-
Capital assets:				
Nondepreciable	6,923,002	616,933	7,539,935	-
Depreciable, net of accumulated depreciation	7,751,287	11,620,981	19,372,268	-
Total assets	<u>22,717,426</u>	<u>17,251,392</u>	<u>39,968,818</u>	<u>3,270</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	660,190	176,156	836,346	
LIABILITIES				
Accounts payable	628,983	421,064	1,050,047	-
Accrued liabilities	233,548	51,923	285,471	-
Unearned revenues	461,545	-	461,545	-
Liabilities payable from restricted assets:				
Deposits payable	-	196,751	196,751	-
Compensated absences due within one year	184,365	32,811	217,176	-
Capital leases due within one year	113,818	-	113,818	-
Capital leases due in more than one year	609,106	-	609,106	-
Note payable due within one year	25,000	-	25,000	-
Note payable due in more than one year	346,600	-	346,600	-
Bonds payable due within one year	515,000	-	515,000	-
Bonds payable due in more than one year	4,275,000	-	4,275,000	-
Net pension liability	2,152,475	550,934	2,703,409	-
Total liabilities	<u>9,545,440</u>	<u>1,253,483</u>	<u>10,798,923</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	60,044	14,699	74,743	
NET POSITION				
Net investment in capital assets	8,789,765	12,237,914	21,027,679	-
Restricted				
Clubhouse expenses	321,433	-	321,433	-
Federal programs	291,327	-	291,327	-
Promotion of tourism	1,079,128	-	1,079,128	-
Law enforcement purposes	19,152	-	19,152	-
Capital projects	2,308,940	-	2,308,940	-
Endowment - Community clubhouse	50,236	-	50,236	-
Unrestricted	912,151	3,921,452	4,833,603	3,270
Total net position	<u>\$ 13,772,132</u>	<u>\$ 16,159,366</u>	<u>\$ 29,931,498</u>	<u>\$ 3,270</u>

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, 2016**

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	\$ 2,124,204	\$ 374,604	\$ -	\$ -	\$ (1,749,600)	\$ -	\$ (1,749,600)	\$ -
Public works	2,968,187	-	-	1,355,283	(1,612,904)	-	(1,612,904)	-
Public safety	4,432,038	216,908	1,088	726	(4,213,316)	-	(4,213,316)	-
Community development	816,809	23,911	87,315	-	(705,583)	-	(705,583)	-
Culture and recreation	322,540	12,925	-	-	(309,615)	-	(309,615)	-
Interest on long-term debt	139,032	-	-	-	(139,032)	-	(139,032)	-
Total governmental activities	<u>10,802,810</u>	<u>628,348</u>	<u>88,403</u>	<u>1,356,009</u>	<u>(8,730,050)</u>	<u>-</u>	<u>(8,730,050)</u>	<u>-</u>
Business-type activities:								
Water and sewer	3,627,353	3,496,765	-	-	-	(130,588)	(130,588)	-
Natural gas	2,093,155	1,430,958	-	-	-	(662,197)	(662,197)	-
Sanitation	<u>777,327</u>	<u>751,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,214)</u>	<u>(26,214)</u>	<u>-</u>
Total business-type activities	<u>6,497,835</u>	<u>5,678,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(818,999)</u>	<u>(818,999)</u>	<u>-</u>
Total primary government	<u>17,300,645</u>	<u>6,307,184</u>	<u>88,403</u>	<u>1,356,009</u>	<u>(8,730,050)</u>	<u>(818,999)</u>	<u>(9,549,049)</u>	<u>-</u>
Component unit:								
Downtown Development Authority	-	-	-	-	-	-	-	-
Total component unit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:								
Property taxes					3,744,930	-	3,744,930	-
Sales taxes					1,869,829	-	1,869,829	-
Alcoholic beverage taxes					316,090	-	316,090	-
Franchise taxes					1,298,165	-	1,298,165	-
Hotel taxes					639,727	-	639,727	-
Other taxes					694,492	-	694,492	-
Unrestricted investment earnings					270,227	14,581	284,808	-
Transfers					1,042,582	(1,042,582)	-	-
Total general revenues and transfers					<u>9,876,042</u>	<u>(1,028,001)</u>	<u>8,848,041</u>	<u>-</u>
Change in net position					1,145,992	(1,847,000)	(701,008)	-
Net position, beginning of year					12,626,140	18,006,366	30,632,506	3,270
Net position, end of year					<u>\$ 13,772,132</u>	<u>\$ 16,159,366</u>	<u>\$ 29,931,498</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, 2016**

ASSETS	General	Economic Development Fund Main Street District	Capital Projects Fund	SPLOST 2012 - 2017 Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 938,096	\$ 239,991	\$ 10,000	\$ 1,563,763	\$ 1,248,536	\$ 4,000,386
Investments	295,211	-	-	-	311,967	607,178
Taxes receivable	371,127	-	-	-	64,697	435,824
Accounts receivable	169,429	-	-	579,710	-	749,139
Due from other governments	192,153	-	-	105,008	17,684	314,845
Due from other funds	1,198,900	-	97,148	-	1,101,804	2,397,852
Inventories	32,694	-	-	-	-	32,694
Prepaid expenditures	118,399	-	-	-	-	118,399
Mortgage receivable	194,500	396,400	-	-	102,393	693,293
Total assets	3,510,509	636,391	107,148	2,248,481	2,847,081	9,349,610
LIABILITIES						
Accounts payable	242,008	-	84,466	50,537	83,655	460,666
Accrued liabilities	206,340	-	-	-	-	206,340
Unearned revenues	-	397,451	-	-	64,094	461,545
Due to other funds	1,044,306	-	22,682	903,414	19,184	1,989,586
Total liabilities	1,492,654	397,451	107,148	953,951	166,933	3,118,137
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	226,883	-	-	-	-	226,883
Unavailable revenue - utilities	13,292	-	-	-	-	13,292
Unavailable revenue - miscellaneous	98,900	-	-	-	-	98,900
Unavailable revenue - sales tax	-	-	-	55,950	-	55,950
Total deferred inflows of resources	339,075	-	-	55,950	-	395,025
FUND BALANCES						
Fund balances:						
Nonspendable:						
Inventories	32,694	-	-	-	-	32,694
Prepaid expenditures	118,399	-	-	-	-	118,399
Mortgages receivable	194,500	-	-	-	102,393	296,893
Endowment - Community clubhouse	-	-	-	-	50,236	50,236
Restricted for:						
Clubhouse expenses	-	-	-	-	321,433	321,433
Federal programs	-	238,940	-	-	52,387	291,327
Promotion of tourism	-	-	-	-	1,079,128	1,079,128
Law enforcement purposes	-	-	-	-	19,152	19,152
Capital projects	-	-	-	1,238,580	1,070,360	2,308,940
Unassigned	1,333,187	-	-	-	(14,941)	1,318,246
Total fund balances	1,678,780	238,940	-	1,238,580	2,680,148	5,836,448
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,510,509	\$ 636,391	\$ 107,148	\$ 2,248,481	\$ 2,847,081	9,349,610

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.	14,674,289
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	395,025
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. These deferred outflows of resources consist of contributions made subsequent to the measurement date, differences between projected and actual earnings on plan investments, and experience differences.	660,190
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,248,572)
Deferred inflows of resources are not available to pay for current expenditures and, therefore, are not reported in the funds. These deferred inflows of resources consist of pension related assumption changes and experience differences.	(60,044)
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.	514,796
Net position of governmental activities	\$ 13,772,132

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, 2016

	General	Economic Development Fund Main Street District	Capital Projects Fund	SPLOST 2012- 2017 Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues						
Taxes	\$ 5,868,537	\$ -	\$ -	\$ -	\$ 650,745	\$ 6,519,282
Intergovernmental	546,067	-	-	608,308	201,270	1,355,645
Charges for services	188,571	-	-	-	-	188,571
Fines and forfeitures	198,709	-	-	-	-	198,709
Administrative fees	580	-	-	-	-	580
Interest and penalties	220,215	186	-	1,452	49,365	271,218
Franchise and leases	1,298,165	-	-	-	-	1,298,165
Payments in lieu of taxes	639,035	-	-	-	-	639,035
Codes	23,911	-	-	-	-	23,911
Other revenues	203,960	12,617	-	-	87,315	303,892
Total revenues	<u>9,187,750</u>	<u>12,803</u>	<u>-</u>	<u>609,760</u>	<u>988,695</u>	<u>10,799,008</u>
Expenditures						
Current:						
General government	1,577,247	-	-	-	-	1,577,247
Public works	2,562,203	-	-	-	-	2,562,203
Public safety	4,035,113	-	-	-	-	4,035,113
Culture and recreation	314,107	-	-	-	-	314,107
Community development	408,460	-	-	-	339,542	748,002
Debt service:						
Principal retirement	99,238	-	-	-	500,000	599,238
Interest and fiscal charges	5,762	-	-	-	136,768	142,530
Capital outlay	-	-	565,653	1,659,156	151,377	2,376,186
Total expenditures	<u>9,002,130</u>	<u>-</u>	<u>565,653</u>	<u>1,659,156</u>	<u>1,127,687</u>	<u>12,354,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>185,620</u>	<u>12,803</u>	<u>(565,653)</u>	<u>(1,049,396)</u>	<u>(138,992)</u>	<u>(1,555,618)</u>
Other financing sources (uses):						
Issuance of capital leases	44,283	-	-	579,710	-	623,993
Transfers in	1,415,391	-	565,653	-	635,728	2,616,772
Transfers out	(1,419,807)	-	-	-	-	(1,419,807)
Total other financing sources, net	<u>39,867</u>	<u>-</u>	<u>565,653</u>	<u>579,710</u>	<u>635,728</u>	<u>1,820,958</u>
Net change in fund balances	225,487	12,803	-	(469,686)	496,736	265,340
Fund balances, beginning of year	<u>1,453,293</u>	<u>226,137</u>	<u>-</u>	<u>1,708,266</u>	<u>2,183,412</u>	<u>5,571,108</u>
Fund balances, end of year	<u>\$ 1,678,780</u>	<u>\$ 238,940</u>	<u>\$ -</u>	<u>\$ 1,238,580</u>	<u>\$ 2,680,148</u>	<u>\$ 5,836,448</u>

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, 2016**

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

Net change in fund balances - total governmental funds \$ 265,340

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. 809,725

The net effect of various miscellaneous transactions (i.e., sales and donations) is to decrease net position. (11,049)

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	\$ (288,274)	
Current year long-term assets not available for current-period expenditures	<u>395,025</u>	106,751

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. (24,755)

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. (87,078)

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.

Adjustment to reflect the consolidation of internal service fund activities related to enterprise	<u>87,058</u>
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<u>\$ 1,145,992</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, 2016**

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 5,927,500	\$ 5,927,500	\$ 5,868,537	\$ (58,963)
Intergovernmental	416,809	416,809	546,067	129,258
Charges for services	74,200	74,200	188,571	114,371
Fines and forfeitures	228,000	228,000	198,709	(29,291)
Administrative fees	600	600	580	(20)
Interest and penalties	320,000	320,000	220,215	(99,785)
Franchise and leases	1,294,000	1,294,000	1,298,165	4,165
Payments in lieu of taxes	648,040	648,040	639,035	(9,005)
Codes	23,500	23,500	23,911	411
Other revenues	303,500	303,500	203,960	(99,540)
Total revenues	<u>9,236,149</u>	<u>9,236,149</u>	<u>9,187,750</u>	<u>(48,399)</u>
Expenditures:				
Current:				
General government:				
Legislative	359,430	359,430	374,623	(15,193)
Executive	562,972	562,972	542,107	20,865
Judicial	92,103	92,103	83,674	8,429
Finance	813,588	813,588	576,843	236,745
Total general government	<u>1,828,093</u>	<u>1,828,093</u>	<u>1,577,247</u>	<u>250,846</u>
Public works:				
Highways and streets	2,660,793	2,660,793	2,562,203	98,590
Total public works	<u>2,660,793</u>	<u>2,660,793</u>	<u>2,562,203</u>	<u>98,590</u>
Public safety:				
Police	2,930,679	2,930,679	2,508,889	421,790
Fire	1,680,607	1,680,607	1,310,772	369,835
E-911	215,452	215,452	215,452	-
Total public safety	<u>4,826,738</u>	<u>4,826,738</u>	<u>4,035,113</u>	<u>791,625</u>
Community development				
	<u>400,143</u>	<u>400,143</u>	<u>408,460</u>	<u>(8,317)</u>
Culture and recreation				
	<u>293,288</u>	<u>293,288</u>	<u>314,107</u>	<u>(20,819)</u>
Debt service:				
Principal retirement	42,518	42,518	99,238	(56,720)
Interest and fiscal charges	7,635	7,635	5,762	1,873
Total debt service	<u>50,153</u>	<u>50,153</u>	<u>105,000</u>	<u>(54,847)</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, 2016**

	Budget Amounts		Actual	Variance
	Original	Final		
Expenditures (Continued):				
Total expenditures	\$ 10,059,208	\$ 10,059,208	\$ 9,002,130	\$ 1,057,078
Excess (deficiency) of revenues over (under) expenditures	(823,059)	(823,059)	185,620	1,008,679
Other financing sources (uses):				
Transfers in	673,059	673,059	1,415,391	742,332
Transfers out	-	-	(1,419,807)	(1,419,807)
Issuance of capital leases	150,000	150,000	44,283	(105,717)
Total other financing sources, net	823,059	823,059	39,867	(783,192)
Net change in fund balances	-	-	225,487	225,487
Fund balance, beginning of year	1,453,293	1,453,293	1,453,293	-
Fund balance, end of year	\$ 1,453,293	\$ 1,453,293	\$ 1,678,780	\$ 225,487

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, 2016

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ -	\$ 186	\$ 186
Program income	12,618	12,617	(1)
Total revenues	<u>12,618</u>	<u>12,803</u>	<u>185</u>
Expenditures			
Community development	<u>12,618</u>	<u>-</u>	<u>12,618</u>
Total expenditures	<u>12,618</u>	<u>-</u>	<u>12,618</u>
Net change in fund balance	-	12,803	12,803
Fund balance, beginning of year	<u>226,137</u>	<u>226,137</u>	<u>-</u>
Fund balance, end of year	<u>\$ 226,137</u>	<u>\$ 238,940</u>	<u>\$ 12,803</u>

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CURRENT ASSETS					
Cash	\$ 350,000	\$ 100,000	\$ -	\$ 450,000	\$ 399,390
Investments	2,320,154	1,842,378	-	4,162,532	-
Accounts receivable (net of allowance for uncollectibles)	464,849	146,883	89,404	701,136	-
Due from other funds	365,636	34,895	28,449	428,980	346,469
Inventory	-	161,595	-	161,595	-
Prepaid expenses	26,573	7,090	-	33,663	-
Restricted assets:					
Cash - customer deposits	150,543	45,998	-	196,541	-
Total current assets	<u>3,677,755</u>	<u>2,338,839</u>	<u>117,853</u>	<u>6,134,447</u>	<u>745,859</u>
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Construction in progress	290,634	-	-	290,634	-
Buildings	1,913,849	244,967	-	2,158,816	-
Improvements other than buildings	29,293,560	3,524,048	-	32,817,608	-
Machinery and equipment	3,063,130	790,149	-	3,853,279	-
	<u>34,878,472</u>	<u>4,568,164</u>	<u>-</u>	<u>39,446,636</u>	<u>-</u>
Less accumulated depreciation	24,088,583	3,120,139	-	27,208,722	-
Total capital assets	<u>10,789,889</u>	<u>1,448,025</u>	<u>-</u>	<u>12,237,914</u>	<u>-</u>
Total noncurrent assets	<u>10,789,889</u>	<u>1,448,025</u>	<u>-</u>	<u>12,237,914</u>	<u>-</u>
Total assets	<u>14,467,644</u>	<u>3,786,864</u>	<u>117,853</u>	<u>18,372,361</u>	<u>745,859</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension	142,702	33,454	-	176,156	-
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	185,755	106,419	128,890	421,064	15,907
Accrued other expenses	-	8,955	-	8,955	-
Accrued payroll and vacation	57,572	18,207	-	75,779	-
Due to other funds	97,148	604,388	-	701,536	482,179
Unpaid claims and accrued estimated liability	-	-	-	-	152,410
Total	<u>340,475</u>	<u>737,969</u>	<u>128,890</u>	<u>1,207,334</u>	<u>650,496</u>
Payable from restricted assets:					
Customer deposits	150,603	46,148	-	196,751	-
Total	<u>150,603</u>	<u>46,148</u>	<u>-</u>	<u>196,751</u>	<u>-</u>
Total current liabilities	<u>491,078</u>	<u>784,117</u>	<u>128,890</u>	<u>1,404,085</u>	<u>650,496</u>
NONCURRENT LIABILITIES					
Net pension liability	442,798	108,136	-	550,934	-
Total liabilities	<u>933,876</u>	<u>892,253</u>	<u>128,890</u>	<u>1,955,019</u>	<u>650,496</u>
DEFERRED INFLOWS OF RESOURCES					
Pension	11,710	2,989	-	14,699	-
NET POSITION					
Investment in capital assets	10,789,889	1,448,025	-	12,237,914	-
Unrestricted	2,874,871	1,477,051	(11,037)	4,340,885	95,363
Total net position	<u>\$ 13,664,760</u>	<u>\$ 2,925,076</u>	<u>\$ (11,037)</u>	<u>16,578,799</u>	<u>\$ 95,363</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(419,433)	
Net position of business-type activities				<u>\$ 16,159,366</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, 2016

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water and</u>	<u>Natural</u>	<u>Sanitation</u>	<u>Totals</u>	<u>Activities -</u> <u>Health Benefit</u> <u>Internal Service</u> <u>Fund</u>
	<u>Sewer</u>	<u>Gas</u>			
Operating revenues:					
Charges for services	\$ 3,466,595	\$ 1,430,958	\$ 751,113	\$ 5,648,666	\$ -
Employee and employer contributions	-	-	-	-	1,036,699
Miscellaneous income	30,170	-	-	30,170	-
Total operating revenues	<u>3,496,765</u>	<u>1,430,958</u>	<u>751,113</u>	<u>5,678,836</u>	<u>1,036,699</u>
Operating expenses:					
Natural gas purchases	-	937,267	-	937,267	-
Production	1,287,378	-	-	1,287,378	-
Distribution	1,118,597	1,037,005	-	2,155,602	-
Collection	-	-	777,327	777,327	-
Health benefit costs	-	-	-	-	1,279,068
Miscellaneous expenses	-	-	-	-	212,246
Total operating expenses	<u>2,405,975</u>	<u>1,974,272</u>	<u>777,327</u>	<u>5,157,574</u>	<u>1,491,314</u>
Net operating income (loss) before depreciation	1,090,790	(543,314)	(26,214)	521,262	(454,615)
Depreciation expense	1,148,640	104,563	-	1,253,203	-
Operating loss	<u>(57,850)</u>	<u>(647,877)</u>	<u>(26,214)</u>	<u>(731,941)</u>	<u>(454,615)</u>
Non-operating revenues:					
Interest revenue	9,270	5,311	-	14,581	461
Total non-operating revenues	<u>9,270</u>	<u>5,311</u>	<u>-</u>	<u>14,581</u>	<u>461</u>
Loss before transfers and contributions	(48,580)	(642,566)	(26,214)	(717,360)	(454,154)
Capital contributions	608,537	-	-	608,537	-
Transfers in	400,000	-	-	400,000	454,154
Transfers out	(1,945,576)	(105,543)	-	(2,051,119)	-
Change in net position	(985,619)	(748,109)	(26,214)	(1,759,942)	-
Net position,					
beginning of year	<u>14,650,379</u>	<u>3,673,185</u>	<u>15,177</u>		<u>95,363</u>
Net position, end of year	<u>\$ 13,664,760</u>	<u>\$ 2,925,076</u>	<u>\$ (11,037)</u>		<u>\$ 95,363</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(87,058)</u>	
Change in net position of business-type activities				<u>\$ (1,847,000)</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, 2016**

	<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>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers, including deposits	\$ 3,418,023	\$ 1,438,333	\$ 743,896	\$ 5,600,252	\$ -
Cash received from employer and employee contributions	-	-	-	-	1,036,699
Cash payments to:					
Suppliers and vendors	(1,117,044)	(798,954)	(743,896)	(2,659,894)	-
Medical providers and/or employees	-	-	-	-	(2,777,840)
Employees	(1,347,731)	(300,593)	-	(1,648,324)	-
City in lieu of taxes	(144,040)	(273,000)	-	(417,040)	-
Net cash provided by (used in) operating activities	<u>809,208</u>	<u>65,786</u>	<u>-</u>	<u>874,994</u>	<u>(1,741,141)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	400,000	(34,895)	-	365,105	-
Transfers to other funds	(1,945,576)	(105,543)	-	(2,051,119)	454,154
Net cash provided by (used in) noncapital financing activities	<u>(1,545,576)</u>	<u>(140,438)</u>	<u>-</u>	<u>(1,686,014)</u>	<u>454,154</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(309,641)	(36,030)	-	(345,671)	-
Net cash used in capital and related financing activities	<u>(309,641)</u>	<u>(36,030)</u>	<u>-</u>	<u>(345,671)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	2,313,871	1,837,067	-	4,150,938	-
Purchase of investments	(2,320,154)	(1,842,378)	-	(4,162,532)	-
Interest received	9,270	5,311	-	14,581	461
Net cash provided by investing activities	<u>2,987</u>	<u>-</u>	<u>-</u>	<u>2,987</u>	<u>461</u>

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net decrease in cash	\$ (1,043,022)	\$ (110,682)	\$ -	\$ (1,153,704)	\$ (1,286,526)
Cash and cash equivalents, July 1	1,543,565	256,680	-	1,800,245	1,685,916
Cash and cash equivalents, June 30	<u>\$ 500,543</u>	<u>\$ 145,998</u>	<u>\$ -</u>	<u>\$ 646,541</u>	<u>\$ 399,390</u>
Classified as:					
Cash	\$ 350,000	\$ 100,000	\$ -	\$ 450,000	\$ 399,390
Restricted assets:					
Cash - customer deposits	150,543	45,998	-	196,541	-
	<u>\$ 500,543</u>	<u>\$ 145,998</u>	<u>\$ -</u>	<u>\$ 646,541</u>	<u>\$ 399,390</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating loss	\$ (57,850)	\$ (647,877)	\$ (26,214)	\$ (731,941)	\$ (454,615)
Depreciation	1,148,640	104,563	-	1,253,203	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(78,742)	6,220	(7,217)	(79,739)	-
Increase in due from other funds	(208,120)	-	(28,449)	(236,569)	(346,469)
Decrease in inventory	-	76,580	-	76,580	-
Increase in prepaid expenses	(26,573)	(7,090)	-	(33,663)	-
Increase in deferred outflows of resources	(106,530)	(24,411)	-	(130,941)	-
Increase (decrease) in vouchers payable	(47,401)	1,986	61,880	16,465	(3,149)
Decrease in unpaid claims and accrued estimated liability	-	-	-	-	(54,737)
Increase in customer deposits	14,430	1,155	-	15,585	-
Increase (decrease) in accrued expenses	(4,548)	1,221	-	(3,327)	-
Increase (decrease) in due to other funds	50,400	524,565	-	574,965	(882,171)
Increase in net pension liability	174,285	41,008	-	215,293	-
Decrease in deferred inflows of resources	(48,783)	(12,134)	-	(60,917)	-
Net cash provided by (used in) operating activities	<u>\$ 809,208</u>	<u>\$ 65,786</u>	<u>\$ -</u>	<u>\$ 874,994</u>	<u>\$ (1,741,141)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital assets transferred from other funds					
Net noncash investing, capital, and financing activities	<u>608,537</u>	<u>-</u>	<u>-</u>	<u>608,537</u>	<u>-</u>
	<u>\$ 608,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,537</u>	<u>\$ -</u>

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

CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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 noncurrent assets which were previously reported in the General Capital Assets Account Group and noncurrent 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, 2016

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.

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, 2016

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.

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 **Health Benefit 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.

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, 2016

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, 2016, 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, 2016

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). Georgia Fund 1 was created under OCGA 36-83-8 and is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash for financial statement presentation.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values. Increases or decreases in the fair value during the year are recognized as a component of interest income.

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, 2016

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, 2016, 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, 2016

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. These items relate to the City's Retirement Plan and are reported in the government-wide and proprietary fund statements of net position. Contributions made by the City to the pension plan before year-end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. Experience gains or losses result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The net difference between projected and actual earnings on pension plan investments is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred outflow of resources.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of 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 three types of items that qualify for reporting in this category, one of which arises only under modified accrual basis of accounting. 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, utilities, and miscellaneous items and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The other items relate to the City's Retirement Plan and are reported in the government-wide and proprietary statements of net position. Experience gains or losses result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. Changes in actuarial assumptions, which adjust the net pension liability, are also recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Cordele Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Fund Balance – (Continued)

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when balances do not meet any of the above criterion. The City reports positive 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

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 is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ (722,924)
Notes payable	(371,600)
Bonds payable	(4,790,000)
Accrued interest	(27,208)
Compensated absences	(184,365)
Net pension liability	<u>(2,152,475)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (8,248,572)</u>

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	\$ 1,914,912
Depreciation expense	<u>(1,105,187)</u>
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>	<u>\$ 809,725</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 Government-wide Statement of Activities (Continued)

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	\$ (623,993)
Principal repayments	<u>599,238</u>
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>	<u><u>\$ (24,755)</u></u>

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	\$ (2,419)
Pension expense	(88,157)
Accrued interest	<u>3,498</u>
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>	<u><u>\$ (87,078)</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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 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, 2016**

NOTE 3. STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

6. For the year ended June 30, 2016, expenditures exceeded budgeted appropriations, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
General Government:	
Legislative	\$ 15,193
Community Development	8,317
Culture and Recreation	20,819
Debt Service:	
Principal Retirement	56,720
Downtown Revitalization Fund:	
Community Development	23,132
COBA Fund:	
Debt Service	3,230

These over-expenditures were funded by under-expenditures in other departments.

Deficit Fund Equity

For the year ended June 30, 2016, the Downtown Revitalization Fund reported a deficit fund balance of \$14,941. This deficit will be eliminated through future revenues and/or transfers from other funds.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2016, are summarized as follows:

As reported in the Statement of Net Position:

Primary government:

Cash and cash equivalents	\$ 4,849,776
Restricted cash and cash equivalents	196,541
Investments	<u>4,769,710</u>
	<u>\$ 9,816,027</u>
Cash deposited with financial institutions	\$ 8,568,602
Cash deposited with Georgia Fund 1	935,458
Investments in Corporate Stock	<u>311,967</u>
	<u>\$ 9,816,027</u>

Component unit:

Cash and cash equivalents	<u>\$ 3,270</u>
Cash deposited with financial institutions	<u>\$ 3,270</u>

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, 2016, the City's investments in Georgia Fund 1 was rated AA Af with an average maturity of 42 days.

At June 30, 2016, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	110 day weighted average	4,457,743
Corporate Stock - Exxon	Not applicable	<u>311,967</u>
Total		<u>\$ 4,769,710</u>

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.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity securities	\$ 311,967	\$ -	\$ -	\$ 311,967
Total investments measured at fair value	<u>\$ 311,967</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 311,967
Investments not subject to level disclosure				
Certificates of deposit				<u>4,457,743</u>
Total investments				<u>\$ 4,769,710</u>

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City does not disclose its position in the Georgia Fund 1 within the fair value hierarchy.

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, 2016

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 October 20 and payable on or before December 20. Property taxes not collected by December 20 are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2016 are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2016, and expected to be collected by August 31, 2016, are recognized as revenues for the year ended June 30, 2016, whereas, net receivables estimated to be collectible subsequent to August 31, 2016, are recorded as revenue when received. Receivables at June 30, 2016, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Economic Development Main Street	SPLOST 2012 - 2017	Water and Sewer	Natural Gas	Sanitation	Nonmajor Governmental Funds
Receivables:							
Taxes	\$ 754,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,697
Accounts	174,031	-	579,710	481,561	159,317	94,073	-
Mortgages	194,500	396,400	-	-	-	-	160,612
Participant	-	-	-	-	-	-	-
Due from other governments	192,153	-	105,008	-	-	-	17,684
Gross receivables	1,314,889	396,400	684,718	481,561	159,317	94,073	242,993
Less allowance for uncollectible	(387,680)	-	-	(16,712)	(12,434)	(4,669)	(58,219)
Net total receivables	<u>\$ 927,209</u>	<u>\$ 396,400</u>	<u>\$ 684,718</u>	<u>\$ 464,849</u>	<u>\$ 146,883</u>	<u>\$ 89,404</u>	<u>\$ 184,774</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,889,257	\$ -	\$ -	-	\$ 4,889,257
Construction in progress	2,561,503	967,270	-	(1,495,028)	2,033,745
Total	<u>7,450,760</u>	<u>967,270</u>	<u>-</u>	<u>(1,495,028)</u>	<u>6,923,002</u>
Capital assets, being depreciated:					
Buildings	4,295,614	53,509	-	-	4,349,123
Improvements other than buildings	2,955,345	-	-	-	2,955,345
Infrastructure	6,233,761	-	-	1,495,028	7,728,789
Machinery and equipment	7,380,226	894,133	55,435	-	8,218,924
Total	<u>20,864,946</u>	<u>947,642</u>	<u>55,435</u>	<u>1,495,028</u>	<u>23,252,181</u>
Less accumulated depreciation for:					
Buildings	2,334,538	146,605	-	-	2,481,143
Improvements other than buildings	2,918,781	-	-	-	2,918,781
Infrastructure	2,953,930	380,300	-	-	3,334,230
Machinery and equipment	6,232,844	578,282	44,386	-	6,766,740
Total	<u>14,440,093</u>	<u>1,105,187</u>	<u>44,386</u>	<u>-</u>	<u>15,500,894</u>
Total capital assets, being depreciated, net	<u>6,424,853</u>	<u>(157,545)</u>	<u>11,049</u>	<u>1,495,028</u>	<u>7,751,287</u>
Governmental activities capital assets, net	<u>\$ 13,875,613</u>	<u>\$ 809,725</u>	<u>\$ 11,049</u>	<u>\$ -</u>	<u>\$ 14,674,289</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 326,299	\$ -	\$ -	-	\$ 326,299
Construction in progress	19,726	270,908	-	-	290,634
Total	<u>346,025</u>	<u>270,908</u>	<u>-</u>	<u>-</u>	<u>616,933</u>
Capital assets, being depreciated:					
Buildings	2,070,866	87,950	-	-	2,158,816
Improvements other than buildings	32,565,792	251,816	-	-	32,817,608
Machinery and equipment	3,509,745	343,534	-	-	3,853,279
Total	<u>38,146,403</u>	<u>683,300</u>	<u>-</u>	<u>-</u>	<u>38,829,703</u>
Less accumulated depreciation for:					
Buildings	1,483,168	48,013	-	-	1,531,181
Improvements other than buildings	22,291,873	910,300	-	-	23,202,173
Machinery and equipment	2,180,478	294,890	-	-	2,475,368
Total	<u>25,955,519</u>	<u>1,253,203</u>	<u>-</u>	<u>-</u>	<u>27,208,722</u>
Total capital assets, being depreciated, net	<u>12,190,884</u>	<u>(569,903)</u>	<u>-</u>	<u>-</u>	<u>11,620,981</u>
Business-type activities capital assets, net	<u>\$ 12,536,909</u>	<u>\$ (298,995)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,237,914</u>

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

Governmental activities:	
General government	\$ 156,389
Public safety	333,542
Public works	507,676
Community development	100,783
Culture and recreation	6,797
Total depreciation expense - governmental activities	<u>\$ 1,105,187</u>
Business-type activities:	
Water and sewer	\$ 1,148,640
Natural gas	104,563
Total depreciation expense - business-type activities	<u>\$ 1,253,203</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, 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	\$ 173,169	\$ 623,993	\$ 74,238	\$ 722,924	\$ 113,818
Note payable - One Georgia Authority	396,600	-	25,000	371,600	25,000
Bonds payable - COBA	5,290,000	-	500,000	4,790,000	515,000
Compensated absences	181,946	107,362	104,943	184,365	184,365
Net pension liability	1,342,565	825,797	15,887	2,152,475	-
Governmental activity Long-term liabilities	<u>\$ 7,384,280</u>	<u>\$ 1,557,152</u>	<u>\$ 720,068</u>	<u>\$ 8,221,364</u>	<u>\$ 838,183</u>
Business-type activities:					
Compensated absences	\$ 42,554	\$ 19,180	\$ 28,923	\$ 32,811	\$ 32,811
Net pension liability	335,641	219,516	4,223	550,934	-
Business-type activity Long-term liabilities	<u>\$ 378,195</u>	<u>\$ 238,696</u>	<u>\$ 33,146</u>	<u>\$ 583,745</u>	<u>\$ 32,811</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, 2016:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 1,071,807
Less: Accumulated depreciation	(425,329)
	<u>\$ 646,478</u>

Depreciation expense for the year ended June 30, 2016 for assets under capital lease is \$154,246.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. LONG-TERM DEBT (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, 2016:

	Governmental Activities
Fiscal year ending June 30,	
2017	\$ 117,871
2018	111,391
2019	98,190
2020	71,787
2021	69,939
Thereafter through 2026	321,983
Total minimum lease payments	791,161
Less amount representing interest	68,237
Present value of future minimum lease payments	\$ 722,924

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, 2016:

<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	\$ 371,600

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2017	\$ 25,000
2018	25,000
2019	25,000
2020	25,000
2021	25,000
2022-2026	125,000
2027-2031	121,600
Total	\$ 371,600

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

Revenue bonds outstanding at June 30, 2016, are as follows:

<u>Series</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2016</u>
2005 Series	Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 985,000
2012A Series	Provide Funds to City to Retire Water/Sewer Debts	2.42%	13 years	Nov 2024	5,000,000	3,680,000
2012B Series	Provide Funds to City to Retire Water/Sewer Debts	1.90%	7 years	Nov 2018	305,000	125,000
						<u>\$ 4,790,000</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,			
2017	\$ 515,000	\$ 122,629	\$ 637,629
2018	530,000	109,117	639,117
2019	515,000	95,418	610,418
2020	505,000	81,951	586,951
2021	515,000	68,357	583,357
2022 - 2025	2,210,000	129,468	2,339,468
	<u>\$ 4,790,000</u>	<u>\$ 606,940</u>	<u>\$ 5,396,940</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2016 (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, 2016, is as follows:

	Payable Fund							Total
	General Fund	SPLOST 2012 - 2017 Fund	Water & Sewer Fund	Natural Gas Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Fund	
Receivable Fund:								
General Fund	\$ -	\$ 590,117	\$ -	\$ 567,912	\$ 22,682	\$ 18,189	\$ -	\$ 1,198,900
Capital Projects Fund	-	-	97,148	-	-	-	-	97,148
governmental funds	669,388	105,177	-	36,476	-	995	289,768	1,101,804
Water and Sewer	-	208,120	-	-	-	-	157,516	365,636
Natural Gas Fund	-	-	-	-	-	-	34,895	34,895
Sanitation Fund	28,449	-	-	-	-	-	-	28,449
Internal Service Fund	346,469	-	-	-	-	-	-	346,469
	<u>\$ 1,044,306</u>	<u>\$ 903,414</u>	<u>\$ 97,148</u>	<u>\$ 604,388</u>	<u>\$ 22,682</u>	<u>\$ 19,184</u>	<u>\$ 482,179</u>	<u>\$ 3,173,301</u>

Interfund transfers recorded and transacted during the year ended June 30, 2016, are as follows:

	Transfers Out:			Total
	General Fund	Water and Sewer Fund	Natural Gas Fund	
Transfers in:				
General Fund	\$ -	\$ 1,309,848	\$ 105,543	\$ 1,415,391
Water and Sewer Fund	400,000	-	-	400,000
Capital Projects Fund	565,653	-	-	565,653
Nonmajor Governmental Funds	-	635,728	-	635,728
Internal Service Fund	454,154	-	-	454,154
Total	<u>\$ 1,419,807</u>	<u>\$ 1,945,576</u>	<u>\$ 105,543</u>	<u>\$ 3,470,926</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, 2016

NOTE 9. PENSION PLAN

A. Plan Description

The City, as authorized by the City Commission, has established a non-contributory defined benefit pension plan (The City of Cordele Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Commission, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan Membership. As of January 1, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	102
Inactive plan members entitled to, but not receiving benefits	25
Active plan members	<u>135</u>
Total	<u><u>262</u></u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Commission. City contributions to the Plan were \$283,829 for the year ended June 30, 2016.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

Actuarial Assumptions. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25%, plus service based merit increases
Investment rate of return	7.75 %

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>	<u>Long-term nominal real rate of return*</u>
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45	9.70
Fixed income	25%	1.55	4.80
Real estate	10%	3.75	7.00
Cash	—%		
Total	<u>100%</u>		

* Rates shown are net of the 3.25% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning Balance	\$ 11,763,452	\$ 10,085,246	\$ 1,678,206
Changes for the year:			
Service cost	140,909	-	140,909
Interest	882,832	-	882,832
Differences between expected and actual experience	407,346	-	407,346
Contributions—employer	-	297,030	(297,030)
Net investment income	-	130,426	(130,426)
Benefit payments, including refunds of employee contributions	(744,143)	(744,143)	-
Administrative expense	-	(21,572)	21,572
Other changes	-	-	-
Net changes	<u>686,944</u>	<u>(338,259)</u>	<u>1,025,203</u>
Ending Balance	<u>\$ 12,450,396</u>	<u>\$ 9,746,987</u>	<u>\$ 2,703,409</u>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 4,136,725	\$ 2,703,409	\$ 1,492,614

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

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 a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing pattern of costs between employer and employee.

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$395,421. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 297,598	\$ -
Differences between expected and actual experience	325,876	16,095
Changes in actuarial assumptions	-	58,648
City contributions subsequent to the measurement date	212,872	-
Total	\$ 836,346	\$ 74,743

City contributions subsequent to the measurement date of \$212,872 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,		
2017	\$	113,553
2018		113,553
2019		113,553
2020		208,072
Total	\$	548,731

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 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 commission, 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, 2016

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>2016</u>	<u>June 30,</u> <u>2015</u>
Claims liability, beginning of year	\$ 207,147	\$ 99,374
Incurred claims (including IBNRs)	1,279,068	959,430
Claims paid	(1,372,761)	(859,710)
Claims reimbursed from reinsurers	38,956	8,053
Claims liability, end of year	<u>\$ 152,410</u>	<u>\$ 207,147</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12. RELATED ORGANIZATIONS

The City's governing commission 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, 2016, 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, 2016, the City paid \$11,187 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, 2016 were \$639,727. 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 \$222,898. The City retains all of the 1% Quiet Community tax. The total collected was \$109,229. Management represents that 100% of the lodging tax received during the year ended June 30, 2016, was used for the promotion of tourism, conventions, or trade shows.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORDELE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	\$ 140,909	\$ 128,917
Interest on total pension liability	882,832	869,112
Differences between expected and actual experience	407,346	(26,823)
Changes of assumptions	-	(97,744)
Benefit payments, including refunds of employee contributions	(744,143)	(648,712)
Net change in total pension liability	686,944	224,750
Total pension liability - beginning	11,763,452	11,538,702
Total pension liability - ending (a)	\$ 12,450,396	\$ 11,763,452
Plan fiduciary net position		
Contributions - employer	\$ 297,030	\$ 289,550
Net investment income	130,426	1,061,925
Benefit payments, including refunds of member contributions	(744,143)	(648,712)
Administrative expenses	(21,572)	(17,308)
Net change in plan fiduciary net position	(338,259)	685,455
Plan fiduciary net position - beginning	10,085,246	9,399,791
Plan fiduciary net position - ending (b)	\$ 9,746,987	\$ 10,085,246
City's net pension liability (asset) - ending (a) - (b)	\$ 2,703,409	\$ 1,678,206
Plan fiduciary net position as a percentage of the total pension liability	78.29%	85.73%
Covered-employee payroll	\$ 4,746,408	\$ 4,509,741
Net pension liability as a percentage of covered-employee payroll	56.96%	37.21%

Notes to the Schedule:

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

CITY OF CORDELE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS

	2016	2015
Actuarially determined contribution	\$ 283,829	\$ 301,431
Contributions in relation to the actuarially determined contribution	283,829	301,431
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 4,746,408	\$ 4,509,741
Contributions as a percentage of covered-employee payroll	5.98%	6.68%

Notes to the Schedule:

Valuation Date	January 1, 2016
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.25%, plus service based merit increases
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 12 years

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

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, 2016**

	<u>Special Revenue Funds</u>				
ASSETS	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
Cash	\$ 34,346	\$ 19,152	\$ 2,208	\$ 112,082	\$ 384,870
Investments	-	-	-	-	-
Due from other funds	-	-	-	986,004	-
Mortgages receivable	102,393	-	-	-	-
Taxes receivables	-	-	-	64,697	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 136,739</u>	<u>\$ 19,152</u>	<u>\$ 2,208</u>	<u>\$ 1,162,783</u>	<u>\$ 384,870</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Unearned revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	83,655	-
Due to other funds	-	-	17,149	-	2,035
Total liabilities	<u>-</u>	<u>-</u>	<u>17,149</u>	<u>83,655</u>	<u>2,035</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Mortgages receivable - long-term	102,393	-	-	-	-
Endowment - Community clubhouse	-	-	-	-	-
Restricted for:					
Clubhouse expenses	-	-	-	-	-
Federal programs	34,346	-	-	-	-
Promotion of tourism	-	-	-	1,079,128	-
Law enforcement purposes	-	19,152	-	-	-
Capital projects	-	-	-	-	382,835
Unassigned	-	-	(14,941)	-	-
Total fund balances (deficit)	<u>136,739</u>	<u>19,152</u>	<u>(14,941)</u>	<u>1,079,128</u>	<u>382,835</u>
Total liabilities and fund balances	<u>\$ 136,739</u>	<u>\$ 19,152</u>	<u>\$ 2,208</u>	<u>\$ 1,162,783</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	
\$ -	\$ 554,041	\$ 13,858	\$ 68,277	\$ 59,702	\$ 1,248,536
-	-	-	-	311,967	311,967
115,800	-	-	-	-	1,101,804
-	-	-	-	-	102,393
-	-	-	-	-	64,697
-	17,684	-	-	-	17,684
<u>\$ 115,800</u>	<u>\$ 571,725</u>	<u>\$ 13,858</u>	<u>\$ 68,277</u>	<u>\$ 371,669</u>	<u>\$ 2,847,081</u>
\$ -	\$ -	\$ -	\$ 64,094	\$ -	\$ 64,094
-	-	-	-	-	83,655
-	-	-	-	-	19,184
-	-	-	64,094	-	166,933
-	-	-	-	-	102,393
-	-	-	-	50,236	50,236
-	-	-	-	321,433	321,433
-	-	13,858	4,183	-	52,387
-	-	-	-	-	1,079,128
-	-	-	-	-	19,152
115,800	571,725	-	-	-	1,070,360
-	-	-	-	-	(14,941)
<u>115,800</u>	<u>571,725</u>	<u>13,858</u>	<u>4,183</u>	<u>371,669</u>	<u>2,680,148</u>
<u>\$ 115,800</u>	<u>\$ 571,725</u>	<u>\$ 13,858</u>	<u>\$ 68,277</u>	<u>\$ 371,669</u>	<u>\$ 2,847,081</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, 2016**

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
Revenues:					
Taxes	\$ -	\$ -	\$ 11,018	\$ 639,727	\$ -
Intergovernmental	-	1,088	-	-	-
Donations	-	-	87,315	-	-
Interest and dividend income	4,054	-	-	-	-
Net increase in the fair value of investments	-	-	-	-	-
Total revenues	<u>4,054</u>	<u>1,088</u>	<u>98,333</u>	<u>639,727</u>	<u>-</u>
Expenditures:					
Current:					
Community development	-	92	113,132	226,298	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	500,000
Interest and fiscal charges	-	-	-	-	136,768
Total expenditures	<u>-</u>	<u>92</u>	<u>113,132</u>	<u>226,298</u>	<u>636,768</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>4,054</u>	 <u>996</u>	 <u>(14,799)</u>	 <u>413,429</u>	 <u>(636,768)</u>
Other financing sources:					
Transfers in	-	-	-	-	635,728
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635,728</u>
 Net change in fund balances	 4,054	 996	 (14,799)	 413,429	 (1,040)
Fund balance (deficit), beginning of year	<u>132,685</u>	<u>18,156</u>	<u>(142)</u>	<u>665,699</u>	<u>383,875</u>
Fund balance (deficit), end of year	<u>\$ 136,739</u>	<u>\$ 19,152</u>	<u>\$ (14,941)</u>	<u>\$ 1,079,128</u>	<u>\$ 382,835</u>

Capital Projects Fund				Permanent Fund	
SPLST 2006 - 2011 Fund	T-SPLST Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,745
-	200,182	-	-	-	201,270
-	-	-	-	-	87,315
33	358	2	13	9,828	14,288
-	-	-	-	35,077	35,077
<u>33</u>	<u>200,540</u>	<u>2</u>	<u>13</u>	<u>44,905</u>	<u>988,695</u>
-	-	-	20	-	339,542
151,377	-	-	-	-	151,377
-	-	-	-	-	500,000
-	-	-	-	-	136,768
<u>151,377</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>1,127,687</u>
<u>(151,344)</u>	<u>200,540</u>	<u>2</u>	<u>(7)</u>	<u>44,905</u>	<u>(138,992)</u>
-	-	-	-	-	635,728
-	-	-	-	-	635,728
(151,344)	200,540	2	(7)	44,905	496,736
267,144	371,185	13,856	4,190	326,764	2,183,412
<u>\$ 115,800</u>	<u>\$ 571,725</u>	<u>\$ 13,858</u>	<u>\$ 4,183</u>	<u>\$ 371,669</u>	<u>\$ 2,680,148</u>

**CITY OF CORDELE, GEORGIA
ECONOMIC DEVELOPMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ 3,000	\$ 4,054	\$ 1,054
Total revenues	<u>3,000</u>	<u>4,054</u>	<u>1,054</u>
Expenditures			
Community development	3,000	-	3,000
Total expenditures	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net change in fund balance	-	4,054	4,054
Fund balance, beginning of year	<u>132,685</u>	<u>132,685</u>	<u>-</u>
Fund balance, end of year	<u>\$ 132,685</u>	<u>\$ 136,739</u>	<u>\$ 4,054</u>

**CITY OF CORDELE, GEORGIA
CONDEMNATION PROCEEDS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Program income	\$ 3,000	\$ 1,088	\$ (1,912)
Total revenues	<u>3,000</u>	<u>1,088</u>	<u>(1,912)</u>
Expenditures			
Public safety	3,000	92	2,908
Total expenditures	<u>3,000</u>	<u>92</u>	<u>2,908</u>
Net change in fund balance	-	996	996
Fund balance, beginning of year	<u>18,156</u>	<u>18,156</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,156</u>	<u>\$ 19,152</u>	<u>\$ 996</u>

**CITY OF CORDELE, GEORGIA
DOWNTOWN REVITALIZATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Tax district	\$ 12,000	\$ 11,018	\$ (982)
Donations	78,000	87,315	9,315
Total revenues	<u>90,000</u>	<u>98,333</u>	<u>8,333</u>
Expenditures			
Community development	<u>90,000</u>	<u>113,132</u>	<u>(23,132)</u>
Total expenditures	<u>90,000</u>	<u>113,132</u>	<u>(23,132)</u>
Net change in fund balance	-	(14,799)	(14,799)
Fund balance (deficit), beginning of year	<u>(142)</u>	<u>(142)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (142)</u>	<u>\$ (14,941)</u>	<u>\$ (14,799)</u>

**CITY OF CORDELE, GEORGIA
HOTEL TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Tax revenue	\$ 466,524	\$ 639,727	\$ 173,203
Total revenues	<u>466,524</u>	<u>639,727</u>	<u>173,203</u>
Expenditures			
Community development	314,798	226,298	88,500
Total expenditures	<u>314,798</u>	<u>226,298</u>	<u>88,500</u>
Excess of revenues over expenditures	<u>151,726</u>	<u>413,429</u>	<u>261,703</u>
Other financing uses:			
Transfers out	<u>(151,726)</u>	-	<u>(151,726)</u>
Net change in fund balance	-	413,429	413,429
Fund balance, beginning of year	<u>665,699</u>	<u>665,699</u>	<u>-</u>
Fund balance, end of year	<u>\$ 665,699</u>	<u>\$ 1,079,128</u>	<u>\$ 413,429</u>

**CITY OF CORDELE, GEORGIA
COBA FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Total revenues	\$ -	\$ -	\$ -
Expenditures			
Debt service	633,538	636,768	(3,230)
Total expenditures	633,538	636,768	(3,230)
Excess of revenues over expenditures	(633,538)	(636,768)	(3,230)
Other financing sources:			
Transfers in	633,538	635,728	(2,190)
Net change in fund balance	-	(1,040)	(1,040)
Fund balance, beginning of year	383,875	383,875	-
Fund balance, end of year	<u>\$ 383,875</u>	<u>\$ 382,835</u>	<u>\$ (1,040)</u>

**CITY OF CORDELE, GEORGIA
A.B. BRANAN COMMUNITY CLUBHOUSE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Interest earned	\$ -	\$ 44	\$ 44
Dividends earned	5,500	9,784	4,284
Net increase in the fair value of investments	-	35,077	35,077
Total revenues	<u>5,500</u>	<u>44,905</u>	<u>39,405</u>
Expenditures:			
Program services	5,500	-	5,500
Total expenditures	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Net change in fund balance	-	44,905	44,905
Fund balance, beginning of year	<u>326,764</u>	<u>326,764</u>	<u>-</u>
Fund balance, end of year	<u>\$ 326,764</u>	<u>\$ 371,669</u>	<u>\$ 44,905</u>

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<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	1,277,942	84,769	1,362,711
4	Police Vehicles	600,000	634,202	-	634,202
5	City Hall Improvements / HVAC / ADA	500,000	634,510	53,508	688,018
6	Emergency Warnings Signals	100,000	-	-	-
7	Public Works Equipment	90,000	202,139	13,100	215,239
8	Fire HVAC Systems	50,000	18,172	-	18,172
	Totals	<u>\$ 3,750,000</u>	<u>\$ 4,353,197</u>	<u>\$ 151,377</u>	<u>\$ 4,504,574</u>

(Continued)

CITY OF CORDELE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<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	\$ -	\$ 87,950	\$ 87,950
2	City Roads	600,000	-	9,000	9,000
3	Water & Sewer Utilities	1,000,000	132,751	435,819	568,570
4	Inland Port Utilities	500,000	-	218,284	218,284
5	City Hall/Fire Station 1 & 2	500,000	7,450	49,225	56,675
6	Police Cars	450,000	193,568	171,190	364,758
7	Fire Department	275,000	-	663,518	663,518
8	Public Works Vehicles	100,000	78,164	24,170	102,334
	Totals	<u>\$ 4,025,000</u>	<u>\$ 411,933</u>	<u>\$ 1,659,156</u>	<u>\$ 2,071,089</u>

COMPONENT UNIT

CITY OF CORDELE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT
JUNE 30, 2016**

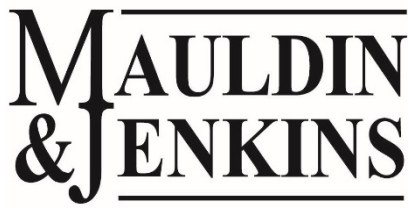
	Downtown Development Authority
ASSETS	
Cash	\$ 3,270
Total assets	<u>\$ 3,270</u>
LIABILITIES	
Total liabilities	<u>-</u>
FUND BALANCE	
Assigned to downtown planning and development	3,270
Total fund balance	<u>\$ 3,270</u>

CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Downtown Development Authority
Revenues	
Total revenues	-
Expenditures	
Total expenditures	-
Net change in fund balances	-
Fund balance, beginning of year	<u>3,270</u>
Fund balance, end of year	<u><u>\$ 3,270</u></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, 2016, 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 December 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, 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.

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.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2016-001 through 2016-009 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
December 19, 2016

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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?	<u> X </u> Yes <u> </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes <u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes <u> X </u> 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 \$750,000.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016-001. General Accounting Matters - Repeat

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: Certain accounting, reporting and reconciling procedures were not properly performed and reviewed during the fiscal year which required a significant effort to close the City's 2016 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed June 30, 2016. We noted deficiencies in completeness and accuracy. Specifically, we noted a lack of 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, 2016.

Effect: The ultimate effect of the above condition includes the potential for errors and irregularities to occur and not be detected and corrected in a timely manner.

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 all reconciliations.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-001. General Accounting Matters - Repeat (Continued)

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: We concur. We will establish the necessary procedures and implement controls to ensure that the accounting, reporting, and reconciling of the City's activity is properly performed and reviewed throughout the year.

2016-002. Accounting for Accounts Payable and Expenditures - Repeat

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: The City did not properly address the above criteria as of June 30, 2016 as it relates to accounts payable in the 2012 – 2017 SPLOST Fund.

Context: We addressed this matter with City officials, who were able to determine the propriety of all respective details and reconciliations as of and for the year ended June 30, 2016.

Effect: An audit adjustment to increase accounts payable and increase expenditures in the amount of \$21,828 was required as of June 30, 2016.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-002. Accounting for Accounts Payable and Expenditures – Repeat (Continued)

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure that accounts payable balances are properly reconciled.

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: We concur. We will establish procedures to prepare and reconcile accounts payable to ensure all activity is properly recorded on a timely basis.

2016-003. Management of Interfund Transactions – Including Due To/From and Transfer Accounts – Repeat

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 properly 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, 2016.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-003. Management of Interfund Transactions – Including Due To/From and Transfer Accounts – Repeat (Continued)

Effect: The 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, 2016, a significant number of journal entries were recognized with the total net effect for each fund noted below:

- General Fund – \$137,640
- Capital Projects Fund – \$148,197
- 2012 – 2017 SPLOST Fund - \$490,752
- Water and Sewer Fund – \$263,784
- Nonmajor Funds – \$317,390

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year necessary to record all of the necessary interfund activity.

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.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to prepare and reconcile all interfund balances to ensure all activity is properly recorded on a timely basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-004. Improper Reporting of SPLOST Expenditures

Criteria: State law requires that the proceeds from the imposed SPLOST be used or expended in accordance with the voter approved referendum.

Condition: We noted the City did not properly record approved SPLOST project expenditures in the 2006 SPLOST and 2012 – 2017 SPLOST funds.

Context: We addressed this matter with City officials, who were able to determine the appropriate adjustments so as to properly state expenditures in the appropriate funds as of June 30, 2016.

Effect: Audit adjustments to increase expenditures in the 2006 SPLOST Fund and 2012 – 2017 SPLOST Fund were required as of June 30, 2016 in the amounts of 151,377 and 1,092,291, respectively, and decrease expenditures in the General Fund and Water & Sewer Fund.

Cause: Reconciliations of approved projects and costs were not properly performed to ensure that approved SPLOST expenditures were appropriately recorded in the City's two SPLOST funds in accordance with the respective referendums.

Recommendation: We recommend the City implement the necessary controls over the recording of project costs and expenditures to ensure all transactions are properly recorded in the appropriate fund.

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to reconcile and record all SPLOST activity in the appropriate funds.

2016-005. Recording of Revenues, Receivables, and Unavailable Revenue - Repeat

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 2016, the City did not properly record revenues, receivables, and unavailable revenue as of and for the year ended June 30, 2016. Consequently, the respective revenues, receivables, and unavailable revenue of various funds were not properly stated and reflected as of and for the year ended June 30, 2016, and audit adjustments were required to correct such amounts and balances.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-005. Recording of Revenues, Receivables, and Unavailable Revenue – Repeat (Continued)

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2016.

Effect: In order to properly document the balances as of June 30, 2016, there were a significant amount of journal entries recognized with the total effect for each fund noted below:

Accounts Receivable

- General Fund – \$25,889
- SPLOST 2012-2017 Fund – \$574,218
- Nonmajor Funds – \$9,421

Revenue

- Economic Development Main Street Fund – \$12,618
- SPLOST 12-17 Fund – \$3,082
- Water and Sewer Fund – \$208,120
- Gas Fund – \$5,311
- Nonmajor Funds – \$44,498

Unavailable Revenue

- Economic Development Main Street Fund – \$12,618

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure that accounts receivable, revenue, and unavailable revenue balances were properly reconciled and recorded.

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

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to record and reconcile all revenues, receivables, and unavailable revenues on a timely basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-006. Management of Capital Assets – Repeat

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 Capital asset activity was not recorded and reconciled in the City's Water & Sewer and Gas enterprise 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, 2016.

Effect: An audit adjustment to increase capital assets in the amount of \$201,908, increase capital contributions in the amount of \$400,417, and increase accumulated depreciation and depreciation expense in the amount of \$15,920 was required to be reported in the Water and Sewer Fund, and an audit adjustment to increase capital assets and decrease expenses in the amount of \$30,000 was required to be reported in the Gas Fund as of June 30, 2016.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year. The City did not properly prepare and review reconciliations as it related to capital assets and related accounts.

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: We concur. We will establish procedures to record and reconcile all capital assets activity on a timely basis.

2016-007. Management of Accrued Liabilities – Accrued Liabilities and Benefits – Repeat

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

Condition: Accrued liabilities, including customer deposits and claims and judgments were incorrectly recorded in the Water & Sewer Fund, Gas Fund, and Nonmajor Governmental Funds as of June 30, 2016.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2016.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-007. Management of Accrued Liabilities – Accrued Liabilities and Benefits – Repeat (Continued)

Effect: Audit adjustments to increase accrued liabilities in the Water & Sewer Fund, Gas Fund, and Nonmajor Governmental Funds in the amounts of \$14,596, \$3,262 and \$54,737, respectively, were required as of June 30, 2016.

Cause: Reconciliations of all accrued liability accounts were not properly performed as of June 30, 2016.

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

Views of Responsible Officials and Planned Corrective Action: We concur. The City will utilize management controls to ensure proper recognition of accrued liabilities and benefits during financial reporting.

2016-008. Management of Inventory Accounts – Repeat

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, 2016.

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, 2016.

Effect: Audit adjustments to inventory in the General Fund and the Gas Fund in the amounts of \$70,660 and 76,580, respectively, were required as of June 30, 2016.

Cause: Reconciliations of all inventory accounts were not properly performed as of June 30, 2016.

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: We concur. The City will utilize management controls to ensure proper inventory control and reconciliation to the general ledger.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016-009. Management of Capital Leases - Repeat

Criteria: Generally accounting standards require that governmental funds record proceeds from the issuance of capital leases.

Condition: The City did not properly record the proceeds from its capital leases issued for the year ended June 30, 2016.

Context: We addressed this matter with City officials, who were able to determine the appropriate adjustments to properly record the proceeds from the issuance of capital leases for the year ended June 30, 2016.

Effect: An audit adjustment to record this activity was required in the General Fund in the amount of \$44,283 for the year ended June 30, 2016.

Cause: The proper determination of the appropriate reporting of capital lease activity in accordance governmental accounting standards was not performed.

Recommendation: We recommend the City implement procedures to properly determine the proper treatment and record all capital lease activity in accordance with governmental accounting standards.

Views of Responsible Officials and Planned Corrective Action: Management concurs with this finding. The City will implement the necessary controls to ensure all capital lease activity is properly recorded.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2015-001. 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 2015 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed June 30, 2015. 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.

Status: Unresolved. See current year finding 2016-001.

2015-002. 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.

Status: Unresolved. See current year finding 2016-002.

2015-003. 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.

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2015-003. Management of Interfund Transactions – Including Due To/From and Transfer Accounts (Continued)

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.

Status: Unresolved. See current year finding 2016-003.

2015-004. 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.

Status: Resolved.

2014-005. Recording of Revenues, Receivables, and Unavailable Revenue

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 2015, the City did not properly record revenues, receivables, and unavailable revenue as of and for the year ended June 30, 2015. Consequently, the respective revenues, receivables, and unavailable revenue of various funds were not properly stated and reflected as of and for the year ended June 30, 2015, and audit adjustments were required to correct such amounts and balances.

Status: Unresolved. See current year finding 2016-005.

2015-006. 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: Capital asset activity was not recorded and reconciled in the City's Water & Sewer and Natural Gas enterprise funds.

Status: Unresolved. See current year finding 2016-006.

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2015-007. 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 liabilities were incorrectly recorded in the General fund, Natural Gas fund, and Nonmajor Governmental funds as of June 30, 2015.

Status: Unresolved. See current year finding 2016-007.

2015-008. 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, 2015.

Status: Unresolved. See current year finding 2016-008.

2015-009. Management of Capital Leases

Criteria: Generally accounting standards require that governmental funds record proceeds from the issuance of capital leases.

Condition: The City did not properly record the proceeds from its capital leases issued for the year ended June 30, 2015.

Status: Unresolved. See current year finding 2016-009.

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