

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by:
Department of Finance

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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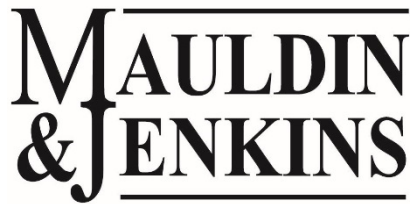
CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

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, 2015, and the related notes to the financial statements, which collectively comprise the City of Cordele, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia as of June 30, 2015, 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.

Emphasis of Matter

As described in Note 15, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 48), and the Schedule of City Contributions (on page 49) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cordele, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 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 January 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
January 19, 2016

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CITY OF CORDELE, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2015

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	\$ 5,834,436	\$ 1,615,003	\$ 7,449,439	\$ 3,270
Investments	571,510	-	571,510	-
Taxes receivable	472,034	-	472,034	-
Accounts receivable, net of allowances	75,517	621,397	696,914	-
Due from other governments	353,016	-	353,016	-
Internal balances	301,430	(301,430)	-	-
Inventories	40,179	238,175	278,354	-
Restricted assets:				
Cash and cash equivalents	-	185,242	185,242	-
Investments	-	4,150,938	4,150,938	-
Mortgages receivable	656,595	-	656,595	-
Capital assets:				
Nondepreciable	7,450,760	346,025	7,796,785	-
Depreciable, net of accumulated depreciation	6,424,853	12,190,884	18,615,737	-
Total assets	22,180,330	19,046,234	41,226,564	3,270
DEFERRED OUTFLOWS OF RESOURCES				
Pension	180,858	45,215	226,073	
LIABILITIES				
Accounts payable	1,377,503	404,599	1,782,102	-
Accrued liabilities	196,638	45,507	242,145	-
Unearned revenues	474,162	-	474,162	-
Liabilities payable from restricted assets:				
Deposits payable	-	181,166	181,166	-
Compensated absences due within one year	181,946	42,554	224,500	-
Capital leases due within one year	71,378	-	71,378	-
Capital leases due in more than one year	101,791	-	101,791	-
Note payable due within one year	25,000	-	25,000	-
Note payable due in more than one year	371,600	-	371,600	-
Bonds payable due within one year	500,000	-	500,000	-
Bonds payable due in more than one year	4,790,000	-	4,790,000	-
Net pension liability	1,342,565	335,641	1,678,206	-
Total liabilities	9,432,583	1,009,467	10,442,050	-
DEFERRED INFLOWS OF RESOURCES				
Pension	302,465	75,616	378,081	
NET POSITION				
Net investment in capital assets	8,015,844	12,536,909	20,552,753	-
Restricted				
Clubhouse expenses	276,528	-	276,528	-
Federal programs	298,953	-	298,953	-
Promotion of tourism	665,699	-	665,699	-
Law enforcement purposes	18,156	-	18,156	-
Capital projects	2,730,470	-	2,730,470	-
Endowment - Community clubhouse	50,236	-	50,236	-
Unrestricted	570,254	5,469,457	6,039,711	3,270
Total net position	\$ 12,626,140	\$ 18,006,366	\$ 30,632,506	\$ 3,270

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	\$ 2,476,992	\$ 406,300	\$ -	\$ -	\$ (2,070,692)	\$ -	\$ (2,070,692)	\$ -
Public works	2,510,491	-	-	1,900,020	(610,471)	-	(610,471)	-
Public safety	4,338,134	205,864	-	1,128	(4,131,142)	-	(4,131,142)	-
Community development	885,281	25,460	56,024	-	(803,797)	-	(803,797)	-
Culture and recreation	452,185	12,500	-	-	(439,685)	-	(439,685)	-
Interest on long-term debt	154,938	-	-	-	(154,938)	-	(154,938)	-
Total governmental activities	<u>10,818,021</u>	<u>650,124</u>	<u>56,024</u>	<u>1,901,148</u>	<u>(8,210,725)</u>	<u>-</u>	<u>(8,210,725)</u>	<u>-</u>
Business-type activities:								
Water and sewer	3,918,437	3,778,176	-	-	-	(140,261)	(140,261)	-
Natural gas	2,320,326	1,943,754	-	-	-	(376,572)	(376,572)	-
Sanitation	893,848	762,140	-	-	-	(131,708)	(131,708)	-
Total business-type activities	<u>7,132,611</u>	<u>6,484,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(648,541)</u>	<u>(648,541)</u>	<u>-</u>
Total primary government	<u>17,950,632</u>	<u>7,134,194</u>	<u>56,024</u>	<u>1,901,148</u>	<u>(8,210,725)</u>	<u>(648,541)</u>	<u>(8,859,266)</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					3,666,715	-	3,666,715	-
Sales taxes					1,956,786	-	1,956,786	-
Alcoholic beverage taxes					298,663	-	298,663	-
Franchise taxes					1,463,759	-	1,463,759	-
Hotel taxes					648,374	-	648,374	-
Other taxes					634,646	-	634,646	-
Unrestricted investment earnings					268,041	18,949	286,990	-
Transfers					1,704,716	(1,704,716)	-	-
Total general revenues and transfers					<u>10,641,700</u>	<u>(1,685,767)</u>	<u>8,955,933</u>	<u>-</u>
Change in net position					2,430,975	(2,334,308)	96,667	-
Net position, beginning of year, as restated					10,195,165	20,340,674	30,535,839	3,270
Net position, end of year					<u>\$ 12,626,140</u>	<u>\$ 18,006,366</u>	<u>\$ 30,632,506</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, 2015**

ASSETS	General	Economic	Capital	SPLOST	Nonmajor	Totals
		Development Fund Main Street District				
Cash and cash equivalents	\$ 789,455	\$ 226,136	\$ 10,000	\$ 1,933,734	\$ 1,189,195	\$ 4,148,520
Investments	294,620	-	-	-	276,890	571,510
Taxes receivable	399,074	-	-	-	72,960	472,034
Accounts receivable	75,517	-	-	-	-	75,517
Due from other governments	208,785	-	-	110,500	33,731	353,016
Due from other funds	1,408,610	-	776,803	-	687,017	2,872,430
Inventories	40,179	-	-	-	-	40,179
Mortgage receivable	168,611	410,069	-	-	77,915	656,595
Total assets	3,384,851	636,205	786,803	2,044,234	2,337,708	9,189,801
LIABILITIES						
Accounts payable	280,842	-	786,803	-	83,655	1,151,300
Accrued liabilities	165,932	-	-	-	-	165,932
Unearned revenues	-	410,068	-	-	64,094	474,162
Due to other funds	1,254,869	-	-	277,609	6,547	1,539,025
Total liabilities	1,701,643	410,068	786,803	277,609	154,296	3,330,419
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	225,899	-	-	-	-	225,899
Unavailable revenue - utilities	4,016	-	-	-	-	4,016
Unavailable revenue - sales tax	-	-	-	58,359	-	58,359
Total deferred inflows of resources	229,915	-	-	58,359	-	288,274
FUND BALANCES						
Fund balances:						
Nonspendable:						
Inventories	40,179	-	-	-	-	40,179
Mortgages receivable	168,611	-	-	-	77,915	246,526
Endowment - Community clubhouse	-	-	-	-	50,236	50,236
Restricted for:						
Clubhouse expenses	-	-	-	-	276,528	276,528
Federal programs	-	226,137	-	-	72,816	298,953
Promotion of tourism	-	-	-	-	665,699	665,699
Law enforcement purposes	-	-	-	-	18,156	18,156
Capital projects	-	-	-	1,708,266	1,022,204	2,730,470
Unassigned	1,244,503	-	-	-	(142)	1,244,361
Total fund balances	1,453,293	226,137	-	1,708,266	2,183,412	5,571,108
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,384,851	\$ 636,205	\$ 786,803	\$ 2,044,234	\$ 2,337,708	9,189,801

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.	13,875,613
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	288,274
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.	180,858
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,414,986)
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 differences between projected and actual earnings on plan investments, assumption changes, and experience differences.	(302,465)
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.	427,738
Net position of governmental activities	\$ 12,626,140

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, 2015**

	General	Economic Development Fund Main Street District	Capital Projects Fund	SPLOST 2012- 2017 Fund	Nonmajor Other Governmental Funds	Totals Governmental Funds
Revenues						
Taxes	\$ 5,886,656	\$ -	\$ -	\$ -	\$ 660,220	\$ 6,546,876
Intergovernmental	215,702	-	856,708	632,020	194,463	1,898,893
Charges for services	199,028	-	-	-	-	199,028
Fines and forfeitures	192,648	-	-	-	-	192,648
Administrative fees	689	-	-	-	-	689
Interest and penalties	252,199	302	-	2,255	13,091	267,847
Franchise and leases	1,463,759	-	-	-	-	1,463,759
Payments in lieu of taxes	707,835	-	-	-	-	707,835
Codes	25,460	-	-	-	-	25,460
Other revenues	219,682	12,617	-	-	56,024	288,323
Total revenues	9,163,658	12,919	856,708	634,275	923,798	11,591,358
Expenditures						
Current:						
General government	1,655,089	-	-	-	-	1,655,089
Public works	2,588,887	-	-	-	-	2,588,887
Public safety	4,211,800	-	-	-	-	4,211,800
Culture and recreation	359,393	-	-	-	58,173	417,566
Community development	423,711	-	-	-	406,070	829,781
Debt service:						
Principal retirement	110,424	-	-	-	485,000	595,424
Interest and fiscal charges	9,581	-	-	-	148,537	158,118
Capital outlay	-	-	2,043,526	132,538	574,161	2,750,225
Total expenditures	9,358,885	-	2,043,526	132,538	1,671,941	13,206,890
Excess (deficiency) of revenues over (under) expenditures	(195,227)	12,919	(1,186,818)	501,737	(748,143)	(1,615,532)
Other financing sources (uses):						
Proceeds from sale of capital assets	-	-	-	-	-	-
Issuance of capital leases	38,957	-	-	-	-	38,957
Transfers in	2,750,000	-	750,515	-	633,537	4,134,052
Transfers out	(951,199)	-	-	-	-	(951,199)
Total other financing sources, net	1,837,758	-	750,515	-	633,537	3,221,810
Net change in fund balances	1,642,531	12,919	(436,303)	501,737	(114,606)	1,606,278
Fund balance (deficit), beginning of year	(189,238)	213,218	436,303	1,206,529	2,298,018	3,964,830
Fund balance, end of year	\$ 1,453,293	\$ 226,137	\$ -	\$ 1,708,266	\$ 2,183,412	\$ 5,571,108

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, 2015**

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

Net change in fund balances - total governmental funds	\$	1,606,278
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.		1,477,196
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	\$ (337,801)	
Current year long-term assets not available for current-period expenditures	<u>288,274</u>	(49,527)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities.		180,858
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.		556,467
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.		(96,343)
Internal service funds are used by management to charge costs of various services and benefits to individual funds. The net revenues (expenses) of certain activities of internal service funds are reported with governmental activities.		
Current year change in net position of the Health Benefit Internal Service Fund	(1,302,316)	
Adjustment to reflect the consolidation of internal service fund activities related to	<u>58,362</u>	<u>(1,243,954)</u>
		<u>\$ 2,430,975</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, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 5,877,500	\$ 5,877,500	\$ 5,886,656	\$ 9,156
Intergovernmental	416,809	419,853	215,702	(204,151)
Charges for services	227,200	227,200	199,028	(28,172)
Fines and forfeitures	228,000	228,000	192,648	(35,352)
Administrative fees	600	600	689	89
Interest and penalties	320,000	320,000	252,199	(67,801)
Franchise and leases	1,294,000	1,294,000	1,463,759	169,759
Payments in lieu of taxes	648,040	648,040	707,835	59,795
Codes	23,500	23,500	25,460	1,960
Other revenues	303,500	303,500	219,682	(83,818)
Total revenues	9,339,149	9,342,193	9,163,658	(178,535)
Expenditures:				
Current:				
General government:				
Legislative	357,678	357,678	365,837	(8,159)
Executive	552,573	552,573	520,517	32,056
Judicial	91,065	91,065	84,868	6,197
Finance	689,712	689,712	683,867	5,845
Total general government	1,691,028	1,691,028	1,655,089	35,939
Public works:				
Highways and streets	2,626,011	2,626,011	2,588,887	37,124
Total public works	2,626,011	2,626,011	2,588,887	37,124
Public safety:				
Police	2,892,821	2,895,865	2,686,478	209,387
Fire	1,765,740	1,765,740	1,309,870	455,870
E-911	215,452	215,452	215,452	-
Total public safety	4,874,013	4,877,057	4,211,800	665,257
Community development	388,656	388,656	423,711	(35,055)
Culture and recreation	293,288	293,288	359,393	(66,105)
Debt service:				
Principal retirement	42,518	42,518	110,424	(67,906)
Interest and fiscal charges	7,635	7,635	9,581	(1,946)
Total debt service	50,153	50,153	120,005	(69,852)

(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, 2015**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued):				
Total expenditures	9,923,149	9,926,193	9,358,885	567,308
Excess (deficiency) of revenues over (under) expenditures	<u>(584,000)</u>	<u>(584,000)</u>	<u>(195,227)</u>	<u>388,773</u>
Other financing sources (uses):				
Transfers in	434,000	434,000	2,750,000	2,316,000
Transfers out	-	-	(951,199)	(951,199)
Issuance of capital leases	150,000	150,000	38,957	(111,043)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources, net	<u>584,000</u>	<u>584,000</u>	<u>1,837,758</u>	<u>1,253,758</u>
Net change in fund balances	-	-	1,642,531	1,642,531
Fund balance (deficit), beginning of year	<u>(189,238)</u>	<u>(189,238)</u>	<u>(189,238)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (189,238)</u></u>	<u><u>\$ (189,238)</u></u>	<u><u>\$ 1,453,293</u></u>	<u><u>\$ 1,642,531</u></u>

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, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Interest earned	\$ -	\$ 302	\$ 302
Program income	12,618	12,617	(1)
Total revenues	<u>12,618</u>	<u>12,919</u>	<u>301</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	-	12,919	12,919
Fund balance, beginning of year	<u>213,218</u>	<u>213,218</u>	<u>-</u>
Fund balance, end of year	<u>\$ 213,218</u>	<u>\$ 226,137</u>	<u>\$ 12,919</u>

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CURRENT ASSETS					
Cash	\$ 1,407,718	\$ 207,285	\$ -	\$ 1,615,003	\$ 1,685,916
Accounts receivable (net of allowance for uncollectibles)	386,107	153,103	82,187	621,397	-
Due from other funds	157,516	-	-	157,516	-
Inventory	-	238,175	-	238,175	-
Restricted assets:					
Cash - customer deposits	135,847	49,395	-	185,242	-
Investments - certificates of deposit	2,313,871	1,837,067	-	4,150,938	-
Total current assets	<u>4,401,059</u>	<u>2,485,025</u>	<u>82,187</u>	<u>6,968,271</u>	<u>1,685,916</u>
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Construction in progress	19,726	-	-	19,726	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	29,041,744	3,524,048	-	32,565,792	-
Machinery and equipment	2,755,625	754,120	-	3,509,745	-
	<u>33,960,293</u>	<u>4,532,135</u>	<u>-</u>	<u>38,492,428</u>	<u>-</u>
Less accumulated depreciation	22,939,942	3,015,577	-	25,955,519	-
Total capital assets	<u>11,020,351</u>	<u>1,516,558</u>	<u>-</u>	<u>12,536,909</u>	<u>-</u>
Total noncurrent assets	<u>11,020,351</u>	<u>1,516,558</u>	<u>-</u>	<u>12,536,909</u>	<u>-</u>
Total assets	<u>15,421,410</u>	<u>4,001,583</u>	<u>82,187</u>	<u>19,505,180</u>	<u>1,685,916</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension	36,172	9,043	-	45,215	-
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	233,156	104,433	67,010	404,599	19,056
Accrued other expenses	-	5,292	-	5,292	-
Accrued payroll and vacation	62,120	20,649	-	82,769	-
Due to other funds	46,748	79,823	-	126,571	1,364,350
Unpaid claims and accrued estimated liability	-	-	-	-	207,147
Total	<u>342,024</u>	<u>210,197</u>	<u>67,010</u>	<u>619,231</u>	<u>1,590,553</u>
Payable from restricted assets:					
Customer deposits	136,173	44,993	-	181,166	-
Total	<u>136,173</u>	<u>44,993</u>	<u>-</u>	<u>181,166</u>	<u>-</u>
Total current liabilities	<u>478,197</u>	<u>255,190</u>	<u>67,010</u>	<u>800,397</u>	<u>1,590,553</u>
NONCURRENT LIABILITIES					
Net pension liability	268,513	67,128	-	335,641	-
Total liabilities	<u>746,710</u>	<u>322,318</u>	<u>67,010</u>	<u>1,136,038</u>	<u>1,590,553</u>
DEFERRED INFLOWS OF RESOURCES					
Pension	60,493	15,123	-	75,616	-
NET POSITION					
Net investment in capital assets	11,020,351	1,516,558	-	12,536,909	-
Unrestricted	3,630,028	2,156,627	15,177	5,801,832	95,363
Total net position	<u>\$ 14,650,379</u>	<u>\$ 3,673,185</u>	<u>\$ 15,177</u>	<u>18,338,741</u>	<u>\$ 95,363</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(332,375)	
Net position of business-type activities				<u>\$ 18,006,366</u>	

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

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CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<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>	
Operating revenues:					
Charges for services	\$ 3,709,619	\$ 1,943,754	\$ 762,140	\$ 6,415,513	\$ -
Employee and employer contributions	-	-	-	-	854,652
Miscellaneous income	68,557	-	-	68,557	-
Total operating revenues	<u>3,778,176</u>	<u>1,943,754</u>	<u>762,140</u>	<u>6,484,070</u>	<u>854,652</u>
Operating expenses:					
Natural gas purchases	-	1,070,977	-	1,070,977	-
Production	1,483,593	-	-	1,483,593	-
Distribution	1,277,096	1,133,352	-	2,410,448	-
Collection	-	-	893,848	893,848	-
Health benefit costs	-	-	-	-	959,430
Miscellaneous expenses	-	-	-	-	199,987
Total operating expenses	<u>2,760,689</u>	<u>2,204,329</u>	<u>893,848</u>	<u>5,858,866</u>	<u>1,159,417</u>
Net operating income (loss) before depreciation	1,017,487	(260,575)	(131,708)	625,204	(304,765)
Depreciation expense	<u>1,108,986</u>	<u>106,397</u>	<u>-</u>	<u>1,215,383</u>	<u>-</u>
Operating loss	<u>(91,499)</u>	<u>(366,972)</u>	<u>(131,708)</u>	<u>(590,179)</u>	<u>(304,765)</u>
Non-operating revenues:					
Interest revenue	<u>11,502</u>	<u>7,447</u>	<u>-</u>	<u>18,949</u>	<u>2,449</u>
Total non-operating revenues	<u>11,502</u>	<u>7,447</u>	<u>-</u>	<u>18,949</u>	<u>2,449</u>
Loss before transfers and contributions	(79,997)	(359,525)	(131,708)	(571,230)	(302,316)
Capital contributions	478,137	-	-	478,137	-
Transfers in	-	-	200,684	200,684	-
Transfers out	<u>(1,133,537)</u>	<u>(1,250,000)</u>	<u>-</u>	<u>(2,383,537)</u>	<u>(1,000,000)</u>
Change in net position	(735,397)	(1,609,525)	68,976	(2,275,946)	(1,302,316)
Net position, beginning of year, as restated	<u>15,385,776</u>	<u>5,282,710</u>	<u>(53,799)</u>		<u>1,397,679</u>
Net position, end of year	<u>\$ 14,650,379</u>	<u>\$ 3,673,185</u>	<u>\$ 15,177</u>		<u>\$ 95,363</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(58,362)</u>	
Change in net position of business-type activities				<u>\$ (2,334,308)</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, 2015**

	<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	\$ 3,655,775	\$ 1,871,697	\$ 721,174	\$ 6,248,646	\$ -
Cash received from employer and employee contributions	-	-	-	-	854,652
Cash payments to:					
Suppliers and vendors	(1,452,730)	(1,931,153)	(921,858)	(4,305,741)	-
Medical providers and/or employees	-	-	-	-	161,993
Employees	(1,050,642)	(294,139)	-	(1,344,781)	-
City in lieu of taxes	(144,040)	(273,000)	-	(417,040)	-
Net cash provided by (used in) operating activities	<u>1,008,363</u>	<u>(626,595)</u>	<u>(200,684)</u>	<u>181,084</u>	<u>1,016,645</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	200,684	200,684	-
Transfers to other funds	(1,133,537)	(1,250,000)	-	(2,383,537)	(1,000,000)
Net cash provided by (used in) noncapital financing activities	<u>(1,133,537)</u>	<u>(1,250,000)</u>	<u>200,684</u>	<u>(2,182,853)</u>	<u>(1,000,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(111,233)	(19,072)	-	(130,305)	-
Net cash used in capital and related financing activities	<u>(111,233)</u>	<u>(19,072)</u>	<u>-</u>	<u>(130,305)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	1,372,790	1,829,620	-	3,202,410	-
Purchase of investments	(1,382,367)	(1,837,067)	-	(3,219,434)	-
Interest received	11,502	7,447	-	18,949	2,449
Net cash provided by investing activities	<u>1,925</u>	<u>-</u>	<u>-</u>	<u>1,925</u>	<u>2,449</u>

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net increase (decrease) in cash	\$ (234,482)	\$ (1,895,667)	\$ -	\$ (2,130,149)	\$ 19,094
Cash and cash equivalents, July 1	<u>1,778,047</u>	<u>2,152,347</u>	<u>-</u>	<u>3,930,394</u>	<u>1,666,822</u>
Cash and cash equivalents, June 30	<u>\$ 1,543,565</u>	<u>\$ 256,680</u>	<u>\$ -</u>	<u>\$ 1,800,245</u>	<u>\$ 1,685,916</u>
Classified as:					
Cash	\$ 1,407,718	\$ 207,285	\$ -	\$ 1,615,003	\$ 1,685,916
Restricted assets:					
Cash - customer deposits	<u>135,847</u>	<u>49,395</u>	<u>-</u>	<u>185,242</u>	<u>-</u>
	<u>\$ 1,543,565</u>	<u>\$ 256,680</u>	<u>\$ -</u>	<u>\$ 1,800,245</u>	<u>\$ 1,685,916</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating loss	\$ (91,499)	\$ (366,972)	\$ (131,708)	\$ (590,179)	\$ (304,765)
Depreciation	1,108,986	106,397	-	1,215,383	-
Changes in assets and liabilities:					
Increase in accounts receivable	(122,401)	(67,320)	(40,966)	(230,687)	-
Decrease in due from other funds	47,807	-	-	47,807	-
Increase in inventory	-	(92,964)	-	(92,964)	-
Increase in deferred outflows of resources	(1,901)	(475)	-	(2,376)	-
Increase (decrease) in vouchers payable	33,418	(2,167)	(3,353)	27,898	5,808
Increase in unpaid claims and accrued estimated liability	-	-	-	-	107,773
Decrease in customer deposits	(1,592)	(4,737)	-	(6,329)	-
Increase in accrued expenses	2,017	2,606	-	4,623	-
Increase (decrease) in due to other funds	46,748	(197,658)	(24,657)	(175,567)	1,207,829
Decrease in net pension liability	(73,713)	(18,428)	-	(92,141)	-
Increase in deferred inflows of resources	<u>60,493</u>	<u>15,123</u>	<u>-</u>	<u>75,616</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 1,008,363</u>	<u>\$ (626,595)</u>	<u>\$ (200,684)</u>	<u>\$ 181,084</u>	<u>\$ 1,016,645</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Capital assets transferred from other funds					
Net noncash investing, capital, and financing activities	<u>\$ 478,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,137</u>	<u>\$ -</u>

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

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CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity. City officials elected not to include the Management's Discussion and Analysis for fiscal year 2015.

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, 2015

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, 2015

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, 2015, 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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (Continued)

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

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

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2015:

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

F. Receivables and Payables

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

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

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

K. Compensated Absences

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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

M. Deferred Outflows / Inflows of Resources

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 one item that qualifies for reporting in this category. This item relates to the City's Retirement Plan and is 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.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of 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 two 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 and utilities 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 item relates to the City's Retirement Plan and is 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. The differences between projected investment return on pension investments and actual return on those investments is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred inflow of resources.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Fund Balance (Continued)

- ***Unassigned*** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports negative unassigned fund balance only in the Downtown Revitalization 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, 2015

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	\$ (173,169)
Notes payable	(396,600)
Bonds payable	(5,290,000)
Accrued interest	(30,706)
Compensated absences	(181,946)
Net pension liability	<u>(1,342,565)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (7,414,986)</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	\$ 2,424,573
Depreciation expense	<u>(947,377)</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>\$ 1,477,196</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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	\$ (38,957)
Principal repayments	595,424
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>	\$ 556,467

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	\$ 5,733
Pension expense	(105,256)
Accrued interest	3,180
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>	\$ (96,343)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

1. Prior to June 1, the City Manager submits to the Chairman and Commission a proposed operating and capital improvements budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the June City Commission meeting in 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, 2015**

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

6. For the year ended June 30, 2015, expenditures exceeded budgeted appropriations, as follows:

Fund or Department	Excess
General Fund:	
General Government:	
Legislative	\$ 8,159
Community Development	35,055
Culture and Recreation	66,105
Debt Service:	
Principal Retirement	67,906
Interest and fiscal charges	1,946
Economic Development Fund:	
Community Development	9,219
Downtown Revitalization Fund:	
Community Development	7,148
A.B. Branan Community Clubhouse Fund:	
Program services	52,673

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

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2015, are summarized as follows:

As reported in the Statement of Net Position:

Primary government:	
Cash and cash equivalents	\$ 7,449,439
Restricted cash and cash equivalents	185,242
Investments	571,510
Restricted investments	4,150,938
	\$ 12,357,129
Cash deposited with financial institutions	\$ 11,147,316
Cash deposited with Georgia Fund 1	932,923
Investments in Corporate Stock	276,890
	\$ 12,357,129
Component units:	
Cash and cash equivalents	\$ 3,270
Cash deposited with financial institutions	\$ 3,270

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2015, the City's investments in Georgia Fund 1 was rated AAAs with an average maturity of 56 days.

At June 30, 2015, the City had the following investments:

Investments	Maturities	Fair Value
Certificates of Deposit	110 day weighted average	4,445,558
Corporate Stock - Exxon	Not applicable	276,890
Total		\$ 4,722,448

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

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2015, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. RECEIVABLES

Property taxes are levied by the City based on the assessed value of property as listed on the digest furnished by the county. Assessed values are forty percent (40%) of market value and are based on current property value. Property taxes attach as an enforceable lien on property as of February 21. Taxes are levied on December 20 and payable on or before February 20. Property taxes not collected by February 20 are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2015 are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2015, and expected to be collected by August 31, 2015, are recognized as revenues for the year ended June 30, 2015, whereas, net receivables estimated to be collectible subsequent to August 31, 2015, are recorded as revenue when received. Receivables at June 30, 2015, 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	\$ 749,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,960
Accounts	78,701	-	-	397,199	168,405	84,803	-
Mortgages	168,611	410,069	-	-	-	-	136,134
Due from other governments	208,785	-	110,500	-	-	-	33,731
Gross receivables	<u>1,205,686</u>	<u>410,069</u>	<u>110,500</u>	<u>397,199</u>	<u>168,405</u>	<u>84,803</u>	<u>242,825</u>
Less allowance for uncollectible	353,699	-	-	11,092	15,302	2,616	58,219
Net total receivables	<u>\$ 851,987</u>	<u>\$ 410,069</u>	<u>\$ 110,500</u>	<u>\$ 386,107</u>	<u>\$ 153,103</u>	<u>\$ 82,187</u>	<u>\$ 184,606</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. CAPITAL ASSETS

Primary Government

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,889,257	\$ -	\$ -	\$ 4,889,257
Construction in progress	587,631	1,973,872	-	2,561,503
Total	<u>5,476,888</u>	<u>1,973,872</u>	<u>-</u>	<u>7,450,760</u>
Capital assets, being depreciated:				
Buildings	4,295,614	-	-	4,295,614
Improvements other than buildings	2,955,345	-	-	2,955,345
Infrastructure	6,063,754	170,007	-	6,233,761
Machinery and equipment	7,099,532	280,694	-	7,380,226
Total	<u>20,414,245</u>	<u>450,701</u>	<u>-</u>	<u>20,864,946</u>
Less accumulated depreciation for:				
Buildings	2,186,351	148,187	-	2,334,538
Improvements other than buildings	2,918,781	-	-	2,918,781
Infrastructure	2,649,246	304,684	-	2,953,930
Machinery and equipment	5,738,338	494,506	-	6,232,844
Total	<u>13,492,716</u>	<u>947,377</u>	<u>-</u>	<u>14,440,093</u>
Total capital assets, being depreciated, net	<u>6,921,529</u>	<u>(496,676)</u>	<u>-</u>	<u>6,424,853</u>
Governmental activities capital assets, net	<u>\$ 12,398,417</u>	<u>\$ 1,477,196</u>	<u>\$ -</u>	<u>\$ 13,875,613</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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	149,049	19,726	-	(149,049)	19,726
Total	<u>475,348</u>	<u>19,726</u>	<u>-</u>	<u>(149,049)</u>	<u>346,025</u>
Capital assets, being depreciated:					
Buildings	2,070,866	-	-	-	2,070,866
Improvements other than buildings	31,870,819	545,924	-	149,049	32,565,792
Machinery and equipment	3,526,453	42,792	-	-	3,569,245
Total	<u>37,468,138</u>	<u>588,716</u>	<u>-</u>	<u>149,049</u>	<u>38,205,903</u>
Less accumulated depreciation for:					
Buildings	1,438,738	44,430	-	-	1,483,168
Improvements other than buildings	21,305,430	986,443	-	-	22,291,873
Machinery and equipment	2,055,468	184,510	-	-	2,239,978
Total	<u>24,799,636</u>	<u>1,215,383</u>	<u>-</u>	<u>-</u>	<u>26,015,019</u>
Total capital assets, being depreciated, net	<u>12,668,502</u>	<u>(626,667)</u>	<u>-</u>	<u>149,049</u>	<u>12,190,884</u>
Business-type activities capital assets, net	<u>\$ 13,143,850</u>	<u>\$ (606,941)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,536,909</u>

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

Governmental activities:	
General government	\$ 260,359
Public safety	176,193
Public works	416,459
Community development	59,401
Culture and recreation	34,965
Total depreciation expense - governmental activities	<u>\$ 947,377</u>
Business-type activities:	
Water and sewer	\$ 1,108,986
Natural gas	106,397
Total depreciation expense - business-type activities	<u>\$ 1,215,383</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2015 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	\$ 219,636	\$ 38,957	\$ 85,424	\$ 173,169	\$ 71,378
Note payable - One Georgia Authority	421,600	-	25,000	396,600	25,000
Bonds payable - COBA	5,775,000	-	485,000	5,290,000	500,000
Compensated absences	187,679	130,203	135,936	181,946	181,946
Net pension liability	<u>1,711,129</u>	<u>812,270</u>	<u>1,180,834</u>	<u>1,342,565</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 8,315,044</u>	<u>\$ 981,430</u>	<u>\$ 1,912,194</u>	<u>\$ 7,384,280</u>	<u>\$ 778,324</u>
Business-type activities:					
Compensated absences	\$ 46,045	\$ 22,313	\$ 25,804	\$ 42,554	\$ 42,554
Net pension liability	<u>427,782</u>	<u>203,067</u>	<u>295,208</u>	<u>335,641</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$ 473,827</u>	<u>\$ 225,380</u>	<u>\$ 321,012</u>	<u>\$ 378,195</u>	<u>\$ 42,554</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, 2015:

	Governmental Activities
Machinery and equipment	\$ 503,250
Less: Accumulated depreciation	<u>(314,302)</u>
	<u>\$ 188,948</u>

Depreciation expense for the year ended June 30, 2014 for assets under capital lease is \$79,670.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the future minimum lease payments at June 30, 2015:

	Governmental Activities
Fiscal year ending June 30,	
2016	\$ 77,151
2017	48,275
2018	37,161
2019	25,182
Total minimum lease payments	187,769
Less amount representing interest	14,600
Present value of future minimum lease payments	\$ 173,169

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, 2015:

<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	\$ 396,600

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2016	\$ 25,000
2017	25,000
2018	25,000
2019	25,000
2020	25,000
2021-2025	125,000
2026-2030	125,000
2031	21,600
Total	\$ 396,600

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Revenue Bonds

Revenue bonds outstanding at June 30, 2015, 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, 2015</u>
2005 Series	Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 1,075,000
2012A Series	Provide Funds to City to Retire Water/Sewer Debts	2.42%	13 years	Nov 2024	5,000,000	4,045,000
2012B Series	Provide Funds to City to Retire Water/Sewer Debts	1.90%	7 years	Nov 2018	305,000	170,000
					<u>\$ 5,290,000</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,			
2016	\$ 500,000	\$ 135,728	\$ 635,728
2017	515,000	122,629	637,629
2018	530,000	109,117	639,117
2019	515,000	95,418	610,418
2020	505,000	81,951	586,951
2021 - 2025	2,725,000	197,825	2,922,825
	<u>\$ 5,290,000</u>	<u>\$ 742,668</u>	<u>\$ 6,032,668</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2015 (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, 2015, is as follows:

	Payable Fund						Total
	General Fund	SPLOST 2017 Fund	Water & Sewer Fund	Natural Gas Fund	Nonmajor Governmental Funds	Internal Service Fund	
Receivable Fund:							
General Fund	\$ -	\$ 277,609	\$ 46,748	\$ 78,242	\$ 6,011	\$ 1,000,000	\$ 1,408,610
Capital Projects Fund	776,803	-	-	-	-	-	776,803
governmental funds	478,066	-	-	1,581	536	206,834	687,017
Water and Sewer	-	-	-	-	-	157,516	157,516
	<u>\$ 1,254,869</u>	<u>\$ 277,609</u>	<u>\$ 46,748</u>	<u>\$ 79,823</u>	<u>\$ 6,547</u>	<u>\$ 1,364,350</u>	<u>\$ 3,029,946</u>

Interfund transfers recorded and transacted during the year ended June 30, 2015 are as follows:

	Transfers Out:				Total
	General Fund	Water and Sewer Fund	Natural Gas Fund	Internal Service Fund	
Transfers in:					
General Fund	\$ -	\$ 500,000	\$ 1,250,000	\$ 1,000,000	\$ 2,750,000
Capital Projects Fund	750,515	-	-	-	750,515
Nonmajor Governmental Funds	-	633,537	-	-	633,537
Sanitation Fund	200,684	-	-	-	200,684
Total	<u>\$ 951,199</u>	<u>\$ 1,133,537</u>	<u>\$ 1,250,000</u>	<u>\$ 1,000,000</u>	<u>\$ 4,334,736</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, 2015

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, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	98
Inactive plan members entitled to, but not receiving benefits	30
Active plan members	131
Total	<u>259</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 \$301,431 for the year ended June 30, 2015.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

Actuarial Assumptions. The total pension liability in the January 1, 2014 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2013.

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, 2015**

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, 2014 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

* 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, 2015

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, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning Balance	\$ 11,538,702	\$ 9,399,791	\$ 2,138,911
Changes for the year:			
Service cost	128,917	-	128,917
Interest	869,112	-	869,112
Differences between expected and actual experience	(26,823)	-	(26,823)
Contributions—employer	-	289,550	(289,550)
Net investment income	-	1,061,925	(1,061,925)
Benefit payments, including refunds of employee contributions	(648,712)	(648,712)	-
Administrative expense	-	(17,308)	17,308
Other changes	(97,744)	-	(97,744)
Net changes	<u>224,750</u>	<u>685,455</u>	<u>(460,705)</u>
Ending Balance	<u>\$ 11,763,452</u>	<u>\$ 10,085,246</u>	<u>\$ 1,678,206</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	\$ 3,052,844	\$ 1,678,206	\$ 518,370

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2014 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, 2015, the City recognized pension expense of \$206,926. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 278,424
Differences between expected and actual experience	-	21,461
Changes in actuarial assumptions	-	78,196
City contributions subsequent to the measurement date	226,073	-
Total	<u>\$ 226,073</u>	<u>\$ 378,081</u>

City contributions subsequent to the measurement date of \$226,073 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ (94,520)
2017	(94,520)
2018	(94,520)
2019	(94,521)
Total	<u>\$ (378,081)</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, there were no known amounts questioned or earmarked for disallowance. Based upon prior experience, management of the City believes such disallowances, if any, will not have a material effect on any individual governmental fund or the overall financial position of the City.

Litigation

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

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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>2015</u>	<u>June 30,</u> <u>2014</u>
Claims liability, beginning of year	\$ 99,374	\$ 96,312
Incurred claims (including IBNRs)	959,430	923,380
Claims paid	(859,710)	(939,673)
Claims reimbursed from reinsurers	8,053	19,355
Claims liability, end of year	<u>\$ 207,147</u>	<u>\$ 99,374</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. RELATED ORGANIZATIONS

The City's governing council is responsible for all of the board appointments of the Cordele Housing Authority. However, the City has no further accountability for this organization. In the year ending June 30, 2015, 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, 2015, the City paid \$11,297 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, 2015 were \$648,374. 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 \$305,053. The City retains all of the 1% Quiet Community tax. The total collected was \$108,062. Management represents that 100% of the lodging tax received during the year ended June 30, 2015, was used for the promotion of tourism, conventions, or trade shows.

NOTE 15. CHANGES IN ACCOUNTING PRINCIPLES

The City has determined that a restatement to the July 1, 2014 beginning net position was required to recognize the changes in accounting principles for implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15. CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

This adjustment resulted in a change to the beginning net position of the City as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning net position, July 1, 2014, as previously reported	\$ 11,734,939	\$ 20,725,618
Change in accounting principle due to the implementation of GASB Statement No. 68 and No. 71	<u>(1,539,774)</u>	<u>(384,944)</u>
Beginning net position, July 1, 2014, as restated	<u>\$ 10,195,165</u>	<u>\$ 20,340,674</u>

	<u>Water & Sewer Fund</u>	<u>Natural Gas Fund</u>
Beginning net position, July 1, 2014, as previously reported	\$ 15,693,731	\$ 5,359,699
Change in accounting principle due to the implementation of GASB Statement No. 68 and No. 71	<u>(307,955)</u>	<u>(76,989)</u>
Beginning net position, July 1, 2014, as restated	<u>\$ 15,385,776</u>	<u>\$ 5,282,710</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORDELE, GEORGIA

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

	2015
Total pension liability	
Service cost	\$ 128,917
Interest on total pension liability	869,112
Differences between expected and actual experience	(26,823)
Changes of assumptions	(97,744)
Benefit payments, including refunds of employee contributions	(648,712)
Net change in total pension liability	224,750
Total pension liability - beginning	11,538,702
Total pension liability - ending (a)	\$ 11,763,452
Plan fiduciary net position	
Contributions - employer	\$ 289,550
Net investment income	1,061,925
Benefit payments, including refunds of member contributions	(648,712)
Administrative expenses	(17,308)
Net change in plan fiduciary net position	685,455
Plan fiduciary net position - beginning	9,399,791
Plan fiduciary net position - ending (b)	\$ 10,085,246
City's net pension liability (asset) - ending (a) - (b)	\$ 1,678,206
Plan fiduciary net position as a percentage of the total pension liability	85.7%
Covered-employee payroll	\$ 4,509,741
Net pension liability as a percentage of covered-employee payroll	37.2%

Notes to the Schedule:

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

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CITY OF CORDELE, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS

	2015
Actuarially determined contribution	\$ 301,431
Contributions in relation to the actuarially determined contribution	301,431
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 4,509,741
Contributions as a percentage of covered-employee payroll	6.7%

Notes to the Schedule:

Valuation Date	January 1, 2014
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 unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 10 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, 2015**

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
ASSETS					
Cash	\$ 54,770	\$ 18,156	\$ 5,410	\$ -	\$ 384,870
Investments	-	-	-	-	-
Due from other funds	-	-	-	676,394	-
Mortgages receivable	77,915	-	-	-	-
Taxes receivables	-	-	-	72,960	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 132,685</u>	<u>\$ 18,156</u>	<u>\$ 5,410</u>	<u>\$ 749,354</u>	<u>\$ 384,870</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Unearned revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	83,655	-
Due to other funds	-	-	5,552	-	995
Total liabilities	<u>-</u>	<u>-</u>	<u>5,552</u>	<u>83,655</u>	<u>995</u>
FUND BALANCES					
Nonspendable:					
Mortgages receivable - long-term	77,915	-	-	-	-
Endowment - Community clubhouse	-	-	-	-	-
Restricted for:					
Clubhouse expenses	-	-	-	-	-
Federal programs	54,770	-	-	-	-
Promotion of tourism	-	-	-	665,699	-
Law enforcement purposes	-	18,156	-	-	-
Capital projects	-	-	-	-	383,875
Unassigned	-	-	(142)	-	-
Total fund balances (deficit)	<u>132,685</u>	<u>18,156</u>	<u>(142)</u>	<u>665,699</u>	<u>383,875</u>
Total liabilities and fund balances	<u>\$ 132,685</u>	<u>\$ 18,156</u>	<u>\$ 5,410</u>	<u>\$ 749,354</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	
\$ 256,521	\$ 337,454	\$ 13,856	\$ 68,284	\$ 49,874	\$ 1,189,195
-	-	-	-	276,890	276,890
10,623	-	-	-	-	687,017
-	-	-	-	-	77,915
-	-	-	-	-	72,960
-	33,731	-	-	-	33,731
<u>\$ 267,144</u>	<u>\$ 371,185</u>	<u>\$ 13,856</u>	<u>\$ 68,284</u>	<u>\$ 326,764</u>	<u>\$ 2,337,708</u>
\$ -	\$ -	\$ -	\$ 64,094	\$ -	\$ 64,094
-	-	-	-	-	83,655
-	-	-	-	-	6,547
-	-	-	64,094	-	154,296
-	-	-	-	-	77,915
-	-	-	-	50,236	50,236
-	-	-	-	276,528	276,528
-	-	13,856	4,190	-	72,816
-	-	-	-	-	665,699
-	-	-	-	-	18,156
267,144	371,185	-	-	-	1,022,204
-	-	-	-	-	(142)
<u>267,144</u>	<u>371,185</u>	<u>13,856</u>	<u>4,190</u>	<u>326,764</u>	<u>2,183,412</u>
<u>\$ 267,144</u>	<u>\$ 371,185</u>	<u>\$ 13,856</u>	<u>\$ 68,284</u>	<u>\$ 326,764</u>	<u>\$ 2,337,708</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, 2015**

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
Revenues:					
Taxes	\$ -	\$ -	\$ 11,846	\$ 648,374	\$ -
Intergovernmental	-	-	-	-	-
Donations	-	-	56,024	-	-
Interest and dividend income	3,235	-	-	-	-
Total revenues	<u>3,235</u>	<u>-</u>	<u>67,870</u>	<u>648,374</u>	<u>-</u>
Expenditures:					
Current:					
Culture and recreation	-	-	-	-	-
Community development	12,219	-	79,398	314,453	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	485,000
Interest and fiscal charges	-	-	-	-	148,537
Total expenditures	<u>12,219</u>	<u>-</u>	<u>79,398</u>	<u>314,453</u>	<u>633,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,984)</u>	<u>-</u>	<u>(11,528)</u>	<u>333,921</u>	<u>(633,537)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	633,537
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,537</u>
Net change in fund balances	(8,984)	-	(11,528)	333,921	-
Fund balance, beginning of year	<u>141,669</u>	<u>18,156</u>	<u>11,386</u>	<u>331,778</u>	<u>383,875</u>
Fund balance (deficit), end of year	<u>\$ 132,685</u>	<u>\$ 18,156</u>	<u>\$ (142)</u>	<u>\$ 665,699</u>	<u>\$ 383,875</u>

Capital Projects Fund				Permanent Fund	Total Nonmajor Governmental Funds
SPLOST 2006 - 2011 Fund	T-SPLOST Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 660,220
-	194,463	-	-	-	194,463
-	-	-	-	-	56,024
92	371	1	14	9,378	13,091
92	194,834	1	14	9,378	923,798
-	-	-	-	58,173	58,173
-	-	-	-	-	406,070
458,411	115,750	-	-	-	574,161
-	-	-	-	-	485,000
-	-	-	-	-	148,537
458,411	115,750	-	-	58,173	1,671,941
(458,319)	79,084	1	14	(48,795)	(748,143)
-	-	-	-	-	633,537
-	-	-	-	-	-
-	-	-	-	-	633,537
(458,319)	79,084	1	14	(48,795)	(114,606)
725,463	292,101	13,855	4,176	375,559	2,298,018
\$ 267,144	\$ 371,185	\$ 13,856	\$ 4,190	\$ 326,764	\$ 2,183,412

**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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Interest earned	\$ 3,000	\$ 3,235	\$ 235
Total revenues	<u>3,000</u>	<u>3,235</u>	<u>235</u>
Expenditures			
Community development	<u>3,000</u>	<u>12,219</u>	<u>(9,219)</u>
Total expenditures	<u>3,000</u>	<u>12,219</u>	<u>(9,219)</u>
Net change in fund balance	-	(8,984)	(8,984)
Fund balance, July 1	<u>141,669</u>	<u>141,669</u>	-
Fund balance, June 30	<u>\$ 141,669</u>	<u>\$ 132,685</u>	<u>\$ (8,984)</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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Program income	\$ 3,000	\$ -	\$ (3,000)
Total revenues	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Expenditures			
Public safety	3,000	-	3,000
Total expenditures	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net change in fund balance	-	-	-
Fund balance, July 1	<u>18,156</u>	<u>18,156</u>	<u>-</u>
Fund balance, June 30	<u>\$ 18,156</u>	<u>\$ 18,156</u>	<u>\$ -</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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Tax district	\$ 12,000	\$ 11,846	\$ (154)
Donations	60,240	56,024	(4,216)
Interest earned	10	-	(10)
Total revenues	<u>72,250</u>	<u>67,870</u>	<u>(4,380)</u>
Expenditures			
Community development	<u>72,250</u>	<u>79,398</u>	<u>(7,148)</u>
Total expenditures	<u>72,250</u>	<u>79,398</u>	<u>(7,148)</u>
Net change in fund balance	-	(11,528)	(11,528)
Fund balance, July 1	<u>11,386</u>	<u>11,386</u>	-
Fund balance, June 30	<u>\$ 11,386</u>	<u>\$ (142)</u>	<u>\$ (11,528)</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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Tax revenue	\$ 466,524	\$ 648,374	\$ 181,850
Total revenues	<u>466,524</u>	<u>648,374</u>	<u>181,850</u>
Expenditures			
Community development	314,798	314,453	345
Total expenditures	<u>314,798</u>	<u>314,453</u>	<u>345</u>
Excess of revenues over expenditures	<u>151,726</u>	<u>333,921</u>	<u>182,195</u>
Other financing uses:			
Transfers out	<u>(151,726)</u>	-	<u>(151,726)</u>
Net change in fund balance	-	333,921	333,921
Fund balance, July 1	<u>331,778</u>	<u>331,778</u>	<u>-</u>
Fund balance, June 30	<u>\$ 331,778</u>	<u>\$ 665,699</u>	<u>\$ 333,921</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, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Total revenues	\$ -	\$ -	\$ -
Expenditures			
Debt service	633,538	633,537	1
Total expenditures	<u>633,538</u>	<u>633,537</u>	<u>1</u>
Excess of revenues over expenditures	<u>(633,538)</u>	<u>(633,537)</u>	<u>1</u>
Other financing sources:			
Transfers in	<u>633,538</u>	<u>633,537</u>	<u>1</u>
Net change in fund balance	-	-	-
Fund balance, July 1	<u>383,875</u>	<u>383,875</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 383,875</u></u>	<u><u>\$ 383,875</u></u>	<u><u>\$ -</u></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, 2015**

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ -	\$ 60	\$ 60
Dividends earned	5,500	9,318	3,818
Total revenues	<u>5,500</u>	<u>9,378</u>	<u>3,878</u>
Expenditures:			
Program services	5,500	58,173	(52,673)
Total expenditures	<u>5,500</u>	<u>58,173</u>	<u>(52,673)</u>
Net change in fund balance	-	(48,795)	(48,795)
Fund balance, July 1	<u>375,559</u>	<u>375,559</u>	-
Fund balance, June 30	<u>\$ 375,559</u>	<u>\$ 326,764</u>	<u>\$ (48,795)</u>

CITY OF CORDELE, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2006 Referendum</u>					
1	Library Improvements	\$ 300,000	\$ 632,623	\$ -	\$ 632,623
2	Industrial Park Elevated Tank	1,000,000	953,609	-	953,609
3	Water/Sewer Improvements	1,110,000	819,531	458,411	1,277,942
4	Police Vehicles	600,000	634,202	-	634,202
5	City Hall Improvements / HVAC / ADA	500,000	634,510	-	634,510
6	Emergency Warnings Signals	100,000	-	-	-
7	Public Works Equipment	90,000	202,139	-	202,139
8	Fire HVAC Systems	50,000	18,172	-	18,172
	Totals	<u>\$ 3,750,000</u>	<u>\$ 3,894,786</u>	<u>\$ 458,411</u>	<u>\$ 4,353,197</u>

(Continued)

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<u>2012 Referendum</u>					
1	Gum Creek Facility	\$ 600,000	\$ -	\$ -	\$ -
2	City Roads	600,000	-	-	-
3	Water & Sewer Utilities	1,000,000	132,751	-	132,751
4	Inland Port Utilities	500,000	-	-	-
5	City Hall/Fire Station 1 & 2	500,000	7,450	-	7,450
6	Police Cars	450,000	139,194	54,374	193,568
7	Fire Department	275,000	-	-	-
8	Public Works Vehicles	100,000	-	78,164	78,164
	Totals	<u>\$ 4,025,000</u>	<u>\$ 279,395</u>	<u>\$ 132,538</u>	<u>\$ 411,933</u>

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COMPONENT UNIT

CITY OF CORDELE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT
JUNE 30, 2015**

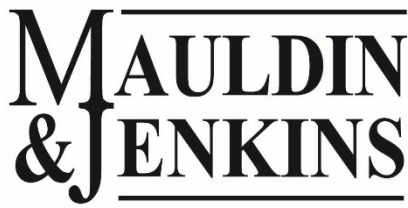
	<u>Downtown Development Authority</u>
ASSETS	
Cash	\$ 3,270
Total assets	<u>\$ 3,270</u>
LIABILITIES	
Total liabilities	<u>-</u>
FUND BALANCES	
Assigned to downtown planning and development	<u>3,270</u>
Total fund balances	<u>\$ 3,270</u>

CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Downtown Development Authority</u>
Revenues	
Total revenues	-
Expenditures	
Total expenditures	-
Excess of revenues over expenditures	-
Net change in fund balances	-
Fund balances, July 1	<u>3,270</u>
Fund balances, June 30	<u>\$ 3,270</u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia (the "City"), as of and for the year ended June 30, 2015, 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 January 19, 2016. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2015-001 through 2015-009 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
January 19, 2016

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 \$500,000.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-001. General Accounting Matters - Recurring

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.

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, 2015.

Effect: The ultimate effect of the above condition is:

- A significantly delayed conclusion to the 2015 fiscal year financial reporting process;
- 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 reconciliations. In addition, the City had a major software conversion as of July 1, 2014 which continued to cause issues with basic accounting functions for the audit.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-001. General Accounting Matters - Recurring (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.

2015-002. Accounting for Accounts Payable and Expenditures - Recurring

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

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

Context: We addressed this matter with City officials, who were able to ultimately determine the propriety of all respective details and reconciliations as of and for the year ended June 30, 2015.

Effect: The ultimate effect of the above condition was the significant delay of the conclusion to the 2015 fiscal year financial reporting process. In addition, this resulted in a delay of significant adjustments to accounts payable.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-002. Accounting for Accounts Payable and Expenditures – Recurring (Continued)

Effect: The ultimate effect of the above condition was the significant delay of the conclusion to the 2015 fiscal year financial reporting process. In addition, this resulted in a delay of significant adjustments to accounts payable.

In order to properly document accounts payable balances as of June 30, 2015, a significant amount of journal entries were recognized with a total net effect for each fund noted below:

- General Fund – \$1,065,215
- Capital Projects Fund - \$786,803
- Water and Sewer Fund – \$232,156
- Natural Gas Fund – \$104,433
- Sanitation – \$67,010
- Nonmajor Funds – \$19,056

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

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

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

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

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

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

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

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

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, 2015.

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

In order to properly document the due to/from and interfund transfer balances as of June 30, 2015, a significant number of journal entries were recognized with the total effect for each fund noted below:

Due To/From Accounts

- General Fund – \$326,156
- Capital Projects Fund – \$2,338,088
- Water and Sewer Fund – \$159,693
- Natural Gas Fund – \$1,482,968
- Sanitation Fund – \$283,976
- Nonmajor Funds – \$956,320

Interfund Transfers

- General Fund - \$1,798,801
- Capital Projects Fund - \$750,515
- Water & Sewer Fund - \$1,133,537
- Natural Gas Fund - \$1,250,000
- Sanitation Fund - \$200,634
- Nonmajor Funds - \$1,000,000

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

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

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, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-004. Accounting for Cash Transactions and Reconciliation of Bank Accounts – Recurring

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

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

Context: We addressed this matter with City officials, who were able to determine the appropriate adjustments so as to properly state the balance of cash accounts at June 30, 2015.

Effect: Cash and investment accounts were not reconciled in a timely manner resulting in significant adjustments and reclassifications. Untimely reconciliations allow for the opportunity for errors and fraudulent transactions to occur and not be detected in a timely manner.

In order to properly document cash balances as of June 30, 2015, there were a significant amount of journal entries recognized with the total effect for each fund noted below:

- General Fund – \$506,772
- Economic Development Main Street Fund - \$3,199
- Capital Projects Fund - \$10,000
- Water and Sewer Fund – \$341,309
- Natural Gas Fund – \$514,468
- Nonmajor Funds – \$51,221

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

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

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to reconcile and review cash and investment accounts to ensure all activity is recorded on a timely basis.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-005. Recording of Revenues, Receivables, and Unavailable Revenue – Recurring

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.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2015.

Effect: In order to properly document the balances as of June 30, 2015, there were a significant amount of journal entries recognized with the total effect for each fund noted below:

Accounts Receivable

- General Fund – \$249,472
- SPLOST 2012-2017 Fund – \$110,500
- Water and Sewer Fund – \$156,487
- Natural Gas Fund – \$153,228
- Sanitation Fund – \$59,964
- Nonmajor Funds – \$131,558

Revenue

- General Fund – \$451,676
- Economic Development Main Street Fund – \$12,618
- SPLOST 12-17 Fund – \$107,916
- Capital Projects Fund – \$856,707
- Water and Sewer Fund – \$758,330
- Natural Gas Fund – \$295,005
- Sanitation Fund – \$77,307
- Nonmajor Funds – \$360,903

Unavailable Revenue

- General Fund – \$81,962
- Economic Development Main Street Fund – \$12,618

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-005. Recording of Revenues, Receivables, and Unavailable Revenue – Recurring (Continued)

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

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

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

2015-006. Management of Capital Assets – Recurring

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.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2015.

Effect: An audit adjustment to increase capital assets, depreciation expense, and accumulated depreciation in the amounts of \$529,870, \$1,049,486, and \$1,108,986, respectively, was required to be reported in the Water and Sewer Fund, and an audit adjustment to increase capital assets, depreciation expense, and accumulated depreciation in the amounts of \$19,072, \$106,397, and \$106,397, respectively, was required to be reported in the Natural Gas Fund as of June 30, 2015.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-006. Management of Capital Assets – Recurring (Continued)

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

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

Views of Responsible Officials and Planned Corrective Action: We concur. We will establish procedures to record and reconcile all capital assets activity on a timely basis.

2015-007. Management of Accrued Liabilities – Accrued Liabilities and Benefits – Recurring

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.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2015.

Effect: Audit adjustments to accrued liabilities in the General fund, Natural Gas fund, and Nonmajor Governmental funds in the amounts of \$256,321, \$22,124, and \$107,773, respectively, were required as of June 30, 2015.

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

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

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

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-008. Management of Inventory Accounts – Recurring

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.

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, 2015.

Effect: Audit adjustments to inventory in the General Fund and Natural Gas Fund in the amounts of \$67,191 and \$92,964, respectively, were required as of June 30, 2015.

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

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

Views of Responsible Officials and Planned Corrective Action: We concur. The City will utilize management controls to ensure proper inventory control and reconciliation to the general ledger.

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.

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, 2015.

Effect: An audit adjustment to record this activity was required in the General Fund in the amount of \$38,957 for the year ended June 30, 2015.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2015-009. Management of Capital Leases (Continued)

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 FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III
FEDERAL AWARD FINDINGS

Not applicable. No Single Audit Required.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014-001. General Accounting Matters

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

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

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

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

Status: Unresolved. See current year finding 2015-001.

2014-002. Accounting for Accounts Payable and Expenditures

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

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

Status: Unresolved. See current year finding 2015-002.

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

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

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014-003. 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 2015-003.

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

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

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

Status: Unresolved. See current year finding 2015-004.

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 2014, the City did not properly record revenues, receivables, and unavailable revenue as of and for the year ended June 30, 2014. 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, 2014, and audit adjustments were required to correct such amounts and balances.

Status: Unresolved. See current year finding 2015-005.

2014-006. Management of Capital Assets

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

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

Status: Unresolved. See current year finding 2015-006.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

Status: Unresolved. See current year finding 2015-007.

2014-008. Management of Inventory Accounts

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

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

Status: Unresolved. See current year finding 2015-008.

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