

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prepared by:
Department of Finance

INTRODUCTORY SECTION

CITY OF CORDELE, GEORGIA
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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1 – 3
Management's Discussion and Analysis.....	4 – 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	18 and 19
Economic Development Fund – Main Street District – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	20
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds.....	23 and 24
Notes to Financial Statements.....	25 – 51
Required Supplementary Information:	
Schedule of Funding Progress	52
Combining and Individual Fund Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	53 and 54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	55 and 56
Schedule of Expenditures of Special Purpose Local Option Sales Tax	57 and 58
Balance Sheet – Component Unit.....	59
Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit.....	60
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 <i>Government Auditing Standards</i>	61 and 62
Schedule of Findings and Responses.....	63 and 64
Schedule of Prior Year Findings.....	65

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Cordele, Georgia** (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Cordele, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2012. 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 Management's Discussion and Analysis (on pages 4 through 12) and the Schedule of Funding Progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, 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
November 26, 2012

CITY OF CORDELE, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cordele, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Cordele, Georgia for the fiscal year ended June 30, 2013. The information presented here should be used in conjunction with the additional information provided in this financial report, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$30,261,632 (*net position*). Of this amount, \$9,079,503 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$747,357.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,884,605, an increase of \$628,309 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$630,483.
- The City's total long-term debt (excluding compensated absences) decreased by \$437,271 during the current fiscal year. This change consisted of scheduled repayments of \$457,771 of bonds, notes payable, and capital leases. An addition of capital leases of \$20,500 added to long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report for the fiscal year ended June 30, 2013, marks the ninth year of reporting under the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion & Analysis for State and Local Governments*, issued June 1999. This standard includes Government-wide statements along with Fund based financial statements. The primary role of the Statement of Net position and the Statement of Activities in the new government-wide financial statements is to demonstrate operational accountability, while the primary role of the Fund financial statements is to demonstrate fiscal accountability. Operational accountability requires that a government demonstrate the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to do so. Fiscal accountability requires that a government demonstrate compliance with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

The basic governmental fund financial statements can be found on pages 15 - 20 of this report.

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 51 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 53 - 56 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$30,225,871 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (63%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>FY2013</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2012</u>
Current and other assets	\$ 6,597,923	\$ 5,199,985	\$ 6,655,090	\$ 7,077,182	\$ 13,253,013	\$ 12,277,167
Capital assets	12,252,644	12,774,683	13,581,625	14,117,197	25,834,269	26,891,880
Total assets	<u>18,850,567</u>	<u>17,974,668</u>	<u>20,236,715</u>	<u>21,194,379</u>	<u>39,087,282</u>	<u>39,169,047</u>
Current liabilities	1,732,765	1,766,923	745,057	1,094,070	2,477,822	2,860,993
Long-term liabilities	6,347,828	6,793,779	-	-	6,347,828	6,793,779
Total liabilities	<u>8,080,593</u>	<u>8,560,702</u>	<u>745,057</u>	<u>1,094,070</u>	<u>8,825,650</u>	<u>9,654,772</u>
Net position:						
Net investment in capital assets	5,357,818	5,442,586	13,581,625	14,117,197	18,939,443	19,559,783
Restricted	2,242,686	1,590,702	-	-	2,242,686	1,590,702
Unrestricted	3,169,470	2,380,678	5,910,033	5,983,112	9,079,503	8,363,790
Total net position	<u>\$ 10,769,974</u>	<u>\$ 9,413,966</u>	<u>\$ 19,491,658</u>	<u>\$ 20,100,309</u>	<u>\$ 30,261,632</u>	<u>\$ 29,514,275</u>

Net position may serve over time as a useful indicator of a government's financial position. The City of Cordele's combined net position for the year ending June 30, 2013, was \$30,261,632, an increase of \$747,357 from June 30, 2012. Of total position, \$19,491,658 came from business-type activities and \$10,769,974 came from governmental activities.

A significant portion (or 63%) of the City's net position is invested in capital assets, net of related debt. A portion of the City's net position (7%) or \$2,242,686, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (amounting to \$9,079,503 or 30%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

Governmental Activities. Governmental activities during the fiscal year ended June 30, 2013, increased the City of Cordele's net position by \$1,487,374. Business-type activities during the same period decreased net position by \$608,651 for a total increase in net position of \$878,723. The following analysis shows the revenue and expenses by activity for the total primary government.

	City of Cordele's Net Position Fiscal Year Ending June 30 (Comparative)					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,055,177	\$ 1,023,348	\$ 6,208,762	\$ 5,770,555	\$ 7,263,939	\$ 6,793,903
Operating grants and contributions	45,443	111,592	-	-	45,443	111,592
Capital grants and contributions	878,923	266,067	-	-	878,923	266,067
General revenues:					-	-
Property taxes	3,079,571	2,613,078	-	-	3,079,571	2,613,078
Sales taxes	2,026,201	2,015,929	-	-	2,026,201	2,015,929
Alcoholic beverages taxes	315,402	320,816	-	-	315,402	320,816
Other taxes	1,056,336	979,715	-	-	1,056,336	979,715
Franchise fees	1,263,163	1,232,432	-	-	1,263,163	1,232,432
Unrestricted investment earnings	332,779	310,112	22,837	38,446	355,616	348,558
Gain on sale of capital assets	12,310	7,531	-	-	12,310	7,531
Total revenues	<u>10,065,305</u>	<u>8,880,620</u>	<u>6,231,599</u>	<u>5,809,001</u>	<u>16,296,904</u>	<u>14,689,621</u>
Expenses:						
General government	1,071,566	1,678,970	-	-	1,071,566	1,678,970
Public works	2,660,537	2,681,622	-	-	2,660,537	2,681,622
Public safety	4,560,691	4,244,368	-	-	4,560,691	4,244,368
Community development	799,031	673,929	-	-	799,031	673,929
Culture and recreation	305,990	261,429	-	-	305,990	261,429
Interest on long-term debt	159,200	25,414	-	-	159,200	25,414
Water and sewer	-	-	3,202,608	3,699,129	3,202,608	3,699,129
Natural gas	-	-	1,766,733	1,445,966	1,766,733	1,445,966
Sanitation	-	-	891,825	882,478	891,825	882,478
Total expenses	<u>9,557,015</u>	<u>9,565,732</u>	<u>5,861,166</u>	<u>6,027,573</u>	<u>15,418,181</u>	<u>15,593,305</u>
Increase (decrease) in net position before transfers	508,290	(685,112)	370,433	(218,572)	878,723	(903,684)
Transfers	979,084	(5,274,895)	(979,084)	5,274,895	-	-
Increase (decrease) in net position	1,487,374	(5,960,007)	(608,651)	5,056,323	878,723	(903,684)
Net position, beginning of year	9,413,966	15,373,973	20,100,309	15,043,986	29,514,275	30,417,959
Prior period adjustment	(131,366)	-	-	-	(131,366)	-
Net position, beginning of year, restated	<u>9,282,600</u>	<u>15,373,973</u>	<u>20,100,309</u>	<u>15,043,986</u>	<u>29,382,909</u>	<u>30,417,959</u>
Net position, end of year	<u>\$ 10,769,974</u>	<u>\$ 9,413,966</u>	<u>\$ 19,491,658</u>	<u>\$ 20,100,309</u>	<u>\$ 30,261,632</u>	<u>\$ 29,514,275</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. The preceding analysis shows total revenues from governmental activities of \$10,065,305 for 2013 and \$8,880,620 for 2012 while expenses were \$9,557,015 for 2013 and \$9,565,732 for 2012. The largest revenue source for governmental activities comes from property taxes at \$3,079,571 or 30% for 2013 and from property taxes at \$2,613,078 or 29% of revenues for 2012. The City of Cordele spent the greatest amount of its available funding on public safety at 46% for 2013 and at 44% for 2012.

Business-Type Activities. Business-type activities total revenues amounted to \$6,231,599 for 2013 and \$5,809,001 for 2012 while expenses were \$5,861,166 for 2013 and \$6,027,573 for 2012. The business-type activities largest revenue source is the Water/Sewer Fund in 2013 (55%) and the Water/Sewer Fund in 2012 (59%). The Water and Sewer Fund had the largest amount of expenses at \$3,356,379 for 2013 and \$3,699,129 for 2012.

Analysis of Balances

Governmental Activities Funds. The City of Cordele has two major governmental funds which are the General Fund and the Economic Development Main Street Fund. At the end of FY 2013, these two funds had fund balances of \$884,474 and \$200,225, respectively. This is an increase of \$18,212 to the beginning fund balance of the General Fund and an increase of \$12,800 to the beginning fund balance of the Economic Development Main Street Fund.

The fund balances for the other governmental funds increased by \$597,297. The final fund balance for these funds increased from \$2,202,609 at the beginning of the year to \$2,799,906 at the end of the year.

Business-Type Activities Funds. The enterprise funds, which include the City's Water & Sewer Fund, Natural Gas Fund, and the Sanitation Fund showed a combined cash and cash equivalents and investments of \$1,253,228 as of June 30, 2013 as compared to \$1,719,157 at the end of the previous year ending June 30, 2012. This is a decrease of \$465,929 from the previous year.

The Water and Sewer Fund had ending cash and cash equivalents and investments of \$993,180 as of June 30, 2013. This is a decrease of \$339,549 from the previous year.

The Gas Fund had ending cash and cash equivalents and investments of \$260,048 as of June 30, 2013. This is a decrease of \$126,380 from the previous year.

The Sanitation Fund had a zero balance for ending cash and cash equivalents as June 30, 2013. This is the same as in the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year ending June 30, 2013, governmental activities and business-type activities had capital assets of \$25,834,269 (net of accumulated depreciation) invested in land, buildings, system improvements, machinery and equipment, and infrastructure.

**City of Cordele's Capital Assets
(net of accumulated depreciation)
Fiscal Year Ended June 30 (Comparative)**

	Governmental Activities		Business-type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Land	\$ 4,889,257	\$ 4,889,257	\$ 326,299	\$ 326,299	\$ 5,215,556	\$ 5,215,556
Construction in progress	222,768	131,252	-	-	222,768	131,252
Buildings	4,295,614	4,301,814	2,070,866	2,070,866	6,366,480	6,372,680
Improvements other than buildings	2,955,345	2,955,345	31,754,141	31,378,780	34,709,486	34,334,125
Infrastructure	6,063,754	6,063,754	-	-	6,063,754	6,063,754
Machinery and and equipment	6,373,509	6,145,341	3,093,367	2,996,917	9,466,876	9,142,258
Total net capital assets	24,800,247	24,486,763	37,244,673	36,772,862	62,044,920	61,259,625
Accumulated depreciation	12,547,603	11,712,080	23,663,048	22,655,665	36,210,651	34,367,745
Capital assets, net	<u>\$ 12,252,644</u>	<u>\$ 12,774,683</u>	<u>\$ 13,581,625</u>	<u>\$ 14,117,197</u>	<u>\$ 25,834,269</u>	<u>\$ 26,891,880</u>

Additional information on the City's capital assets can be found in Note 6 of this report on pages 41 and 42.

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

At June 30, 2013, the City had \$7,078,455 of outstanding long-term debt related to the governmental activities and \$45,353 of long-term debt related to business-type activities for a total \$7,123,808 compared to the previous year's total of \$7,555,243. This is a decrease of \$431,435.

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

Additional information on the City's debt can be found in Note 7 of this report on pages 43 - 45.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Affecting the FY2013 Budget

The City Commission of the City of Cordele considered many factors when approving the City's FY 2013 budget and are very aware of present economic conditions and their effect on its citizens. Among larger issues are the rising costs of maintaining services and the economic downturn-loss of revenues. The City Commission and its employees have made sacrifices to maintain services for the residents of the City and continue to do so with the hopes that a stronger economy will be in the near future.

The City Commission is committed to area industrial/commercial growth and development for the City and its immediate area. Noted as one of the top-rated areas for economic potential, the City of Cordele also has a strong economic pull from surrounding cities and counties, making the City a prime location for consumer demand and spending. With these factors noted, the City's component unit, the Cordele Office Building Authority, has issued over \$3 million in bonds for the infrastructure needs in establishing a new industrial/corporate park on the West side of the City. With one large industry proposing to build in the near future in this park, the City is striving to do all things possible to bring more industrial/commercial business to the area. An economic development assistance grant of \$1 million dollars has been awarded to the City for use in further assistance in current and potential industrial development. There has been the opening of another industry to this area with construction of its facilities completed thanks to \$1 million of grant revenues used to install water/sewer & natural gas infrastructure and also a rail spur to the facility. Currently there are several economic prospects looking at locating in this park.

The City of Cordele is pleased that two major industries have committed to moving their base of operations to the City. One, a manufacturing-based facility, has moved its manufacturing plant to the Cordele area and has already created over 250 jobs. A service industry has located to Cordele and is expanding its employee base steadily as it moves more of its operations to the Cordele area. This company has the potential to create up to 500 jobs. Also, a company has recently reopened its warehouse/distribution facility after a 12 year absence and is planning expansion for this facility in the near future.

Another economic advantage to the City is the location of the Cordele Inland Port/Intermodal Facility, which will be a hub for incoming/outgoing freight to the Port of Savannah. This year, Cordele Intermodal Services (CIS) and the Port Authority of Savannah signed a memo of understanding to further commit to the Inland Port project. The City anticipates the prospect of jobs created by the location of distribution and trucking facilities to enhance the movement of this freight. The intermodal facility is now in operation with expanding freight loads coming to the Cordele site. Expansion of this facility is anticipated as growing at a fast pace and the City has been in contact with several prospects relating to the Inland Port Facility.

Also, the City of Cordele is working in cooperation with local entities to locate a satellite campus of Darton College in the Historic Downtown Area. This location will assist in revitalizing the Downtown Area, as well as produce jobs in the support businesses surrounding this campus. The City is very committed to providing an additional means of higher education to this immediate area. The City is currently working with the Georgia Department of Community Affairs in assistance with a Boomtown designation that Cordele was named as in 2012, and a downtown urban revitalization plan has been adopted to assist with tax credits and opportunity zones to stimulate growth of the downtown area around the new college. Also, the City is working with the Downtown Development Authority to strengthen its presence in the revitalization efforts for the downtown area.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's commercial district, located on 16th Avenue at Interstate 75, has experienced growth in the past year. Over 10 new businesses have located in this area over the past year. The City is in the planning stage of a Gateway Project to enhance the exit/entrance ramps on Interstate 75 and improve the gateways into the City and attract more tourism with these enhancements. The project includes landscaping, beautification, and signage at two of the City's major exits/entrances from the Interstate.

Also, the City is engaged in several street and pedestrian pathway projects. Eighth Avenue will be widened from the Interstate exchange to its intersection with Pecan Street, and will include turn lanes and new traffic signals at this intersection. The Pecan Street Pedestrian Pathway Project will install walkways from this intersection to the 16th Avenue Commercial Corridor to link neighborhoods with walking access to shopping/commercial needs. The 8th, 10th, and 13th Streets Pedestrian Pathways Project will include new sidewalks, curb & gutter, and coverage of open drainage ditches to make the area below 24th Avenue West a safer pathway for children getting to schools and for pedestrian access to commercial areas.

The City is also pleased to be involved in a Revitalization Strategy Program for the Gillespie-Selden Historic Area. Recognized by Georgia Department of Community Affairs for this program, several grant awards have been received to assist in the rehabilitation of homes in the historic area and to assist in water/sewer/storm drainage infrastructure improvements for the area. The City is also currently working with the County to establish a Land Bank Authority for improving living conditions and homes within blighted areas and to promote infill and re-establishment of in-town communities for area residents.

As always, the City of Cordele is committed to working with area agencies for the improvement of housing, educational opportunities, quality of life issues, and the overall public health and safety of its residents. As we progress into the 21st century, it is the hope of the City Commission to see Cordele reach its full potential and go beyond those means to have a vibrant, thriving, and strong community for years to come.

Requests for Information

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

CITY OF CORDELE, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2013

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Cash and cash equivalents	\$ 4,072,505	\$ 874,420	\$ 4,946,925	\$ 3,270
Investments	592,665	-	592,665	-
Taxes receivable	445,889	-	445,889	-
Accounts receivable, net of allowances	73,778	635,565	709,343	-
Due from other governments	337,557	-	337,557	-
Internal balances	329,244	(329,244)	-	-
Inventories	53,991	49,548	103,539	-
Restricted assets:				
Cash and cash equivalents	-	185,345	185,345	-
Investments	-	5,239,456	5,239,456	-
Mortgages receivable	692,294	-	692,294	-
Capital assets:				
Non-depreciable	5,112,025	326,299	5,438,324	-
Depreciable, net of accumulated depreciation	7,140,619	13,255,326	20,395,945	-
Total assets	18,850,567	20,236,715	39,087,282	3,270
LIABILITIES				
Accounts payable	348,236	481,791	830,027	-
Accrued liabilities	154,504	32,568	187,072	-
Unearned revenues	499,398	-	499,398	-
Liabilities payable from restricted assets:				
Deposits payable	-	185,345	185,345	-
Compensated absences due within one year	183,629	45,353	228,982	-
Capital leases due within one year	46,998	-	46,998	-
Capital leases due in more than one year	151,228	-	151,228	-
Note payable due within one year	25,000	-	25,000	-
Note payable due in more than one year	421,600	-	421,600	-
Bonds payable due within one year	475,000	-	475,000	-
Bonds payable due in more than one year	5,775,000	-	5,775,000	-
Total liabilities	8,080,593	745,057	8,825,650	-
NET POSITION				
Net investment in capital assets	5,357,818	13,581,625	18,939,443	-
Restricted				
Clubhouse expenses	282,294	-	282,294	-
Federal programs	298,721	-	298,721	-
Promotion of tourism	43,134	-	43,134	-
Law enforcement purposes	18,156	-	18,156	-
Capital projects	1,550,146	-	1,550,146	-
Endowment - Community clubhouse	50,236	-	50,236	-
Unrestricted	3,169,470	5,910,033	9,079,503	3,270
Total net position	\$ 10,769,974	\$ 19,491,658	\$ 30,261,632	\$ 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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit Downtown Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,071,566	\$ 765,174	\$ -	\$ -	\$ (306,392)	\$ -	\$ (306,392)	\$ -
Public works	2,660,537	-	-	878,923	(1,781,614)	-	(1,781,614)	-
Public safety	4,560,691	236,911	-	-	(4,323,780)	-	(4,323,780)	-
Community development	799,031	40,492	45,443	-	(713,096)	-	(713,096)	-
Culture and recreation	305,990	12,600	-	-	(293,390)	-	(293,390)	-
Interest on long-term debt	159,200	-	-	-	(159,200)	-	(159,200)	-
Total governmental activities	<u>9,557,015</u>	<u>1,055,177</u>	<u>45,443</u>	<u>878,923</u>	<u>(7,577,472)</u>	<u>-</u>	<u>(7,577,472)</u>	<u>-</u>
Business-type activities:								
Water and sewer	3,202,608	3,434,919	-	-	-	232,311	232,311	-
Natural gas	1,766,733	1,913,439	-	-	-	146,706	146,706	-
Sanitation	891,825	860,404	-	-	-	(31,421)	(31,421)	-
Total business-type activities	<u>5,861,166</u>	<u>6,208,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,596</u>	<u>347,596</u>	<u>-</u>
Total primary government	<u>\$ 15,418,181</u>	<u>\$ 7,263,939</u>	<u>\$ 45,443</u>	<u>\$ 878,923</u>	<u>\$ (7,577,472)</u>	<u>\$ 347,596</u>	<u>\$ (7,229,876)</u>	<u>\$ -</u>
Component units:								
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:								
Property taxes					3,079,571	-	3,079,571	-
Sales taxes					2,026,201	-	2,026,201	-
Alcoholic beverage taxes					315,402	-	315,402	-
Franchise taxes					1,263,163	-	1,263,163	-
Hotel taxes					467,629	-	467,629	-
Other taxes					588,707	-	588,707	-
Unrestricted investment earnings					332,779	22,837	355,616	-
Gain on sale of capital assets					12,310	-	12,310	-
Transfers					979,084	(979,084)	-	-
Total general revenues and transfers					<u>9,064,846</u>	<u>(956,247)</u>	<u>8,108,599</u>	<u>-</u>
Change in net position					<u>1,487,374</u>	<u>(608,651)</u>	<u>878,723</u>	<u>-</u>
Net position, beginning of year					9,413,966	20,100,309	29,514,275	3,270
Prior period adjustment					(131,366)	-	(131,366)	-
Net position, beginning of year, restated					<u>9,282,600</u>	<u>20,100,309</u>	<u>29,382,909</u>	<u>3,270</u>
Net position, end of year					<u>\$ 10,769,974</u>	<u>\$ 19,491,658</u>	<u>\$ 30,261,632</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, 2013

ASSETS	General	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 314,112	\$ 200,225	\$ 2,342,846	\$ 2,857,183
Investments	291,980	-	300,685	592,665
Taxes receivable	398,340	-	47,549	445,889
Participants receivable	-	-	500	500
Accounts receivable	73,278	-	-	73,278
Due from other governments	210,371	-	127,186	337,557
Due from other funds	-	-	43,225	43,225
Inventories	53,991	-	-	53,991
Mortgage receivable	200,000	435,303	56,991	692,294
Total assets	<u>\$ 1,542,072</u>	<u>\$ 635,528</u>	<u>\$ 2,918,982</u>	<u>\$ 5,096,582</u>
LIABILITIES				
Accounts payable	\$ 184,421	\$ -	\$ 54,982	\$ 239,403
Accrued liabilities	118,075	-	-	118,075
Unearned revenues	-	435,303	64,094	499,397
Due to other funds	43,225	-	-	43,225
Total liabilities	<u>345,721</u>	<u>435,303</u>	<u>119,076</u>	<u>900,100</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	311,877	-	-	311,877
Total deferred inflows of resources	<u>311,877</u>	<u>-</u>	<u>-</u>	<u>311,877</u>
FUND BALANCES				
Fund balances:				
Nonspendable:				
Inventories/prepays	53,991	-	-	53,991
Loans receivable	200,000	-	56,991	256,991
Endowment - Community clubhouse	-	-	50,236	50,236
Restricted for:				
Clubhouse expenses	-	-	282,294	282,294
Federal programs	-	200,225	98,496	298,721
Promotion of tourism	-	-	43,134	43,134
Law enforcement purposes	-	-	18,156	18,156
Capital projects	-	-	1,550,146	1,550,146
Assigned to:				
Downtown revitalization	-	-	15,965	15,965
Capital projects	-	-	684,489	684,489
Unassigned:				
General Fund	630,483	-	-	630,483
Total fund balances	<u>884,474</u>	<u>200,225</u>	<u>2,799,906</u>	<u>3,884,605</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,542,072</u>	<u>\$ 635,528</u>	<u>\$ 2,918,982</u>	<u>\$ 5,096,582</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,252,644
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	311,876
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,114,884)
Internal service funds are used by management to charge the costs of various benefits and services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,435,733
Net position of governmental activities	<u>\$ 10,769,974</u>

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

CITY OF CORDELE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	\$ 5,265,914	\$ -	\$ 476,527	\$ 5,742,441
Licenses and permits	421,899	-	-	421,899
Intergovernmental	129,165	-	749,759	878,924
Charges for services	213,723	-	-	213,723
Fines and forfeitures	218,902	-	-	218,902
Administrative fees	587	-	-	587
Interest and penalties	303,817	231	27,465	331,513
Franchise and leases	1,263,163	-	-	1,263,163
Payments in lieu of taxes	638,258	-	-	638,258
Codes	39,742	-	-	39,742
Other revenues	147,706	12,618	45,443	205,767
Total revenues	8,642,876	12,849	1,299,194	9,954,919
Expenditures				
Current:				
General government	1,658,097	-	-	1,658,097
Public works	2,312,646	-	-	2,312,646
Public safety	4,316,234	-	-	4,316,234
Culture and recreation	262,445	49	10,712	273,206
Community development	358,581	-	381,034	739,615
Debt service:				
Principal retirement	72,771	-	385,000	457,771
Interest and fiscal charges	8,380	-	173,760	182,140
Capital outlay	195,525	-	78,544	274,069
Total expenditures	9,184,679	49	1,029,050	10,213,778
Excess (deficiency) of revenues over (under) expenditures	(541,803)	12,800	270,143	(258,860)
Other financing sources (uses):				
Proceeds from sale of capital assets	32,380	-	-	32,380
Issuance of capital leases	20,500	-	-	20,500
Transfers in from other funds	741,926	-	559,807	1,301,733
Transfers out to other funds	(234,791)	-	(232,653)	(467,444)
Total other financing sources	560,015	-	327,154	887,169
Net change in fund balances	18,212	12,800	597,297	628,309
Fund balances, beginning of year	866,262	187,425	2,202,609	3,256,296
Fund balances, end of year	\$ 884,474	\$ 200,225	\$ 2,799,906	\$ 3,884,605

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, 2013

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

Net change in fund balances - total governmental funds	\$	628,309
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays differed from depreciation in the current period.		(501,969)
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In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		(20,070)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Prior year long-term assets not available for current-period expenditures	\$	(215,064)	
Current year long-term assets not available for current-period expenditures		311,876	96,812

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.		437,270
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		17,422
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Internal service funds are used by management to charge costs of various services and benefits to individual funds. The net revenues (expenses) of certain activities of internal service funds are reported with governmental activities.

Current year change in net position of the Health Benefit Internal Service Fund		991,502	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		(161,902)	829,600
		\$	1,487,374

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, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 5,111,500	\$ 5,111,500	\$ 5,265,914	\$ 154,414
Licenses and permits	375,500	375,500	421,899	46,399
Intergovernmental	345,000	345,000	129,165	(215,835)
Charges for services	280,800	280,800	213,723	(67,077)
Fines and forfeitures	248,000	248,000	218,902	(29,098)
Administrative fees	600	600	587	(13)
Interest and penalties	320,000	320,000	303,817	(16,183)
Franchise and leases	1,266,000	1,266,000	1,263,163	(2,837)
Payments in lieu of taxes	648,040	648,040	638,258	(9,782)
Codes	13,500	13,500	39,742	26,242
Other revenues	171,600	171,600	147,706	(23,894)
Total revenues	8,780,540	8,780,540	8,642,876	(137,664)
Expenditures:				
Current:				
General government:				
Legislative	446,725	446,725	388,304	58,421
Executive	370,760	370,760	378,671	(7,911)
Judicial	83,207	83,207	93,598	(10,391)
Finance	744,941	744,941	797,524	(52,583)
Total general government	1,645,633	1,645,633	1,658,097	(12,464)
Public works:				
Highways and streets	2,225,807	2,225,807	2,312,646	(86,839)
Total public works	2,225,807	2,225,807	2,312,646	(86,839)
Public safety:				
Police	2,741,973	2,741,973	2,718,268	23,705
Fire	1,367,797	1,367,797	1,382,514	(14,717)
E-911	215,452	215,452	215,452	-
Total public safety	4,325,222	4,325,222	4,316,234	8,988
Community development				
	328,075	328,075	358,581	(30,506)
Culture and recreation				
	218,118	218,118	262,445	(44,327)
Debt service:				
Principal retirement	65,266	65,266	72,771	(7,505)
Interest and fiscal charges	17,982	17,982	8,380	9,602
Total debt service	83,248	83,248	81,151	2,097

(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, 2013**

	Budget Amounts		Actual	Variance
	Original	Final		
Expenditures (continued):				
Capital outlay	\$ 459,550	\$ 459,550	\$ 195,525	\$ 264,025
Total expenditures	9,285,653	9,285,653	9,184,679	100,974
Deficiency of revenues under expenditures	(505,113)	(505,113)	(541,803)	(36,690)
Other financing sources (uses):				
Transfers in	361,980	361,980	741,926	379,946
Transfers out	-	-	(234,791)	(234,791)
Issuance of capital leases	155,000	155,000	20,500	(134,500)
Proceeds from sale of capital assets	30,000	30,000	32,380	2,380
Total other financing sources (uses)	546,980	546,980	560,015	13,035
Net change in fund balances	41,867	41,867	18,212	(23,655)
Fund balance, beginning of year	866,262	866,262	866,262	-
Fund balance, end of year	\$ 908,129	\$ 908,129	\$ 884,474	\$ (23,655)

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, 2013

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ -	\$ 231	\$ 231
Program income	12,618	12,618	-
Total revenues	<u>12,618</u>	<u>12,849</u>	<u>231</u>
Expenditures			
Community development	12,618	49	12,569
Total expenditures	<u>12,618</u>	<u>49</u>	<u>12,569</u>
Net change in fund balance	-	12,800	12,800
Fund balance, beginning of year	<u>187,425</u>	<u>187,425</u>	<u>-</u>
Fund balance, end of year	<u>\$ 187,425</u>	<u>\$ 200,225</u>	<u>\$ 12,800</u>

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

CITY OF CORDELE, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CURRENT ASSETS					
Cash	\$ 663,767	\$ 210,653	\$ -	\$ 874,420	\$ 1,215,322
Accounts receivable (net of allowance for uncollectibles)	298,765	269,323	67,477	635,565	-
Inventory	-	49,548	-	49,548	-
Restricted assets:					
Cash - customer deposits	135,950	49,395	-	185,345	-
Investments - sinking funds	193,463	-	-	193,463	-
Investments and certificates of deposit	3,224,131	1,821,862	-	5,045,993	-
Total current assets	4,516,076	2,400,781	67,477	6,984,334	1,215,322
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	28,230,094	3,524,047	-	31,754,141	-
Machinery and equipment	2,442,346	651,021	-	3,093,367	-
	32,815,638	4,429,035	-	37,244,673	-
Less accumulated depreciation	20,857,468	2,805,580	-	23,663,048	-
Total capital assets	11,958,170	1,623,455	-	13,581,625	-
Total noncurrent assets	11,958,170	1,623,455	-	13,581,625	-
Total assets	16,474,246	4,024,236	67,477	20,565,959	1,215,322
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	140,922	265,386	75,483	481,791	12,521
Accrued payroll and vacation	56,544	21,377	-	77,921	-
Unpaid claims and accrued estimated liability	-	-	-	-	96,312
Total	197,466	286,763	75,483	559,712	108,833
Payable from restricted assets:					
Customer deposits	135,950	49,395	-	185,345	-
Total	135,950	49,395	-	185,345	-
Total liabilities	333,416	336,158	75,483	745,057	108,833
Total current liabilities	333,416	336,158	75,483	745,057	108,833
NET POSITION					
Invested in capital assets, net of related debt	11,958,170	1,623,455	-	13,581,625	-
Unrestricted	4,182,660	2,064,623	(8,006)	6,239,277	1,106,489
Total net position	\$ 16,140,830	\$ 3,688,078	\$ (8,006)	19,820,902	\$ 1,106,489
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(329,244)	
Net position of business-type activities				\$ 19,491,658	

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

CITY OF CORDELE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Operating revenues:					
Charges for services	\$ 3,420,750	\$ 1,913,439	\$ 860,404	\$ 6,194,593	\$ -
Employee and employer contributions	-	-	-	-	1,599,175
Miscellaneous income	14,169	-	-	14,169	-
Total operating revenues	3,434,919	1,913,439	860,404	6,208,762	1,599,175
Operating expenses:					
Natural gas purchases	-	890,859	-	890,859	-
Production	1,383,756	-	-	1,383,756	-
Distribution	986,111	793,217	-	1,779,328	-
Collection	-	-	891,825	891,825	-
Health benefit costs	-	-	-	-	608,754
Miscellaneous expenses	-	-	-	-	144,980
Total operating expenses	2,369,867	1,684,076	891,825	4,945,768	753,734
Net operating income (loss) before depreciation	1,065,052	229,363	(31,421)	1,262,994	845,441
Depreciation expense	986,512	109,288	-	1,095,800	-
Operating income (loss)	78,540	120,075	(31,421)	167,194	845,441
Non-operating revenues (expenses):					
Interest revenue	14,032	8,805	-	22,837	1,266
Gain from disposal of fixed asset	18,500	-	-	18,500	-
Total non-operating revenues	32,532	8,805	-	41,337	1,266
Income (loss) before contributions and transfers	111,072	128,880	(31,421)	208,531	846,707
Transfers in	35,079	-	49,819	84,898	144,795
Transfers out	(558,760)	(505,222)	-	(1,063,982)	-
Change in net position	(412,609)	(376,342)	18,398	(770,553)	991,502
Net position, beginning of year	16,553,439	4,064,420	(26,404)		114,987
Net position, end of year	\$ 16,140,830	\$ 3,688,078	\$ (8,006)		\$ 1,106,489
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				161,902	
Change in net position of business-type activities				\$ (608,651)	

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, 2013**

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers, including deposits	\$ 3,375,142	\$ 1,792,365	\$ 839,692	\$ 6,007,199	\$ -
Cash received from employer and employee contributions	-	-	-	-	1,599,175
Cash payments to:					
Suppliers and vendors	(1,567,892)	(728,423)	(889,511)	(3,185,826)	-
Medical providers and/or employees	-	-	-	-	(690,120)
Employees	(1,091,119)	(258,761)	-	(1,349,880)	-
City in lieu of taxes	(144,040)	(273,000)	-	(417,040)	-
Net cash provided by (used in) operating activities	<u>572,091</u>	<u>532,181</u>	<u>(49,819)</u>	<u>1,054,453</u>	<u>909,055</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances to other funds	-	-	-	-	-
Transfers from other funds	35,079	-	49,819	84,898	144,795
Transfers to other funds	(558,760)	(505,222)	-	(1,063,982)	-
Net cash provided by (used in) noncapital financing activities	<u>(523,681)</u>	<u>(505,222)</u>	<u>49,819</u>	<u>(979,084)</u>	<u>144,795</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Retirement of bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Purchase of capital assets	(406,889)	(153,339)	-	(560,228)	-
Proceeds from sales of capital assets	18,500	-	-	18,500	-
Principal payments on notes payable	-	-	-	-	-
Net cash used in capital and related financing activities	<u>(388,389)</u>	<u>(153,339)</u>	<u>-</u>	<u>(541,728)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	2,281,586	1,813,057	-	4,094,643	-
Purchase of investments	(2,295,188)	(1,821,862)	-	(4,117,050)	-
Interest received	14,032	8,805	-	22,837	1,266
Net cash provided by investing activities	<u>430</u>	<u>-</u>	<u>-</u>	<u>430</u>	<u>1,266</u>

(Continued)

CITY OF CORDELE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net decrease in cash	\$ (339,549)	\$ (126,380)	\$ -	\$ (465,929)	\$ 1,055,116
Cash and cash equivalents, July 1	1,332,729	386,428	-	1,719,157	160,206
Cash and cash equivalents, June 30	\$ 993,180	\$ 260,048	\$ -	\$ 1,253,228	\$ 1,215,322
Classified as:					
Cash	\$ 663,767	\$ 210,653	\$ -	\$ 874,420	\$ 1,215,322
Restricted assets:					
Cash - customer deposits	135,950	49,395	-	185,345	-
Investments - sinking funds	193,463	-	-	193,463	-
	\$ 993,180	\$ 260,048	\$ -	\$ 1,253,228	\$ 1,215,322
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 78,540	\$ 120,075	\$ (31,421)	\$ 167,194	\$ 845,441
Depreciation	986,512	109,288	-	1,095,800	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(59,777)	(119,464)	(20,712)	(199,953)	-
Decrease in inventory	-	340,425	-	340,425	-
Increase (decrease) in vouchers payable	(442,378)	83,563	2,314	(356,501)	184
Decrease in unpaid claims and accrued estimated liability	-	-	-	-	63,430
Increase (decrease) in customer deposits	10,210	(1,610)	-	8,600	-
Increase (decrease) in accrued expenses	(1,016)	(96)	-	(1,112)	-
Net cash provided by (used in) operating activities	\$ 572,091	\$ 532,181	\$ (49,819)	\$ 1,054,453	\$ 909,055

CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit. The statement of net position will include non-current assets which were previously reported in the General Capital Assets Account Group and non-current liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

The City reports the following major governmental funds:

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

The City also reports the following fund type:

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, 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, 2013

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 Treasury and Fiscal Services.

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 the GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2013:

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, 2013

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, 2013, 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, 2013**

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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

M. Deferred Outflows / Inflows of Resources

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

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

In addition to liabilities, the respective balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

N. Pensions

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

O. Fund Equity

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of a resolution. Only the City Commission may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Net Position - Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position are reported as unrestricted.

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

P. Management Estimates

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

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

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

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

Capital leases payable	\$	(198,226)
Notes payable		(446,600)
Bonds payable		(6,250,000)
Accrued interest		(36,429)
Compensated absences		(183,629)
		(7,114,884)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	(7,114,884)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

Capital outlay	\$ 343,922
Depreciation expense	<u>(845,891)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (501,969)</u></u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (5,518)
Accrued interest	<u>22,940</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><u>\$ 17,422</u></u>

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	\$ (20,500)
Principal repayments	<u>457,770</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><u>\$ 437,270</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

To ensure sound financial administration, the City Commission also adopted an annual operating budget 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, 2013**

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

6. For the year ended June 30, 2013, expenditures exceeded budgeted appropriations, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
General Government:	
Executive	7,911
Judicial	10,391
Finance	52,583
Public Works:	
Highways and Streets	86,839
Public Safety:	
Fire	14,717
Community Development	30,506
Culture and Recreation	44,327
Debt Service:	
Principal Retirement	7,505
Economic Development Fund	44,249
Downtown Revitalization Fund	59,544
Hotel Tax Fund	47,720
A.B. Branan Community Clubhouse Fund	6,212

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

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2013, are summarized as follows:

As reported in the Statement of Net Position:

Primary government:

Cash and cash equivalents	\$ 5,132,270
Investments	5,832,121
	<u>\$ 10,964,391</u>

Cash deposited with financial institutions	\$ 9,539,851
Cash deposited with Georgia Fund 1	930,392
Investment in U.S. Government Securities	193,463
Investments in Corporate Stock	300,685
	<u>\$ 10,964,391</u>

Component units:

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, the City's investments in Georgia Fund 1 were rated AA Af and the investments in U.S. Government Securities were rated AAA by Moody's Investors Service.

At June 30, 2013, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	43 day average maturity	\$ 930,392
U.S Government Securities	December 2024	193,463
Certificates of Deposit	86 day weighted average	4,407,581
Corporate Stock - Exxon	Not applicable	300,685
Total		<u>\$ 5,832,121</u>

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

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, 2013, 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, 2013**

NOTE 5. RECEIVABLES

Property taxes are levied by the City based on the assessed value of property as listed on the digest furnished by the county. Assessed values are forty percent (40%) of market value and are based on current property value. Property taxes attach as an enforceable lien on property as of February 21. Taxes are levied on December 4 and payable on or before February 20. Property taxes not collected by February 20th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2013, are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2013, and expected to be collected by August 31, 2013, are recognized as revenues for the year ended June 30, 2013, whereas, net receivables estimated to be collectible subsequent to August 31, 2013, are recorded as revenue when received. Receivables at June 30, 2013, 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	Water and Sewer	Natural Gas	Sanitation	Nonmajor Governmental Funds
Receivables:						
Taxes	\$ 680,787	\$ -	\$ -	\$ -	\$ -	\$ 47,549
Accounts	216,323	-	334,869	278,295	75,540	-
Mortgages	100,000	435,303	-	-	-	56,991
IDA/SPLOST	100,000					
Participant	-	-	-	-	-	500
Due from other governments	210,371	-	-	-	-	127,186
Gross receivables	<u>1,307,481</u>	<u>435,303</u>	<u>334,869</u>	<u>278,295</u>	<u>75,540</u>	<u>232,226</u>
Less allowance for uncollectible	425,492	-	36,104	8,972	8,063	-
Net total receivables	<u>\$ 881,989</u>	<u>\$ 435,303</u>	<u>\$ 298,765</u>	<u>\$ 269,323</u>	<u>\$ 67,477</u>	<u>\$ 232,226</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2013 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	131,252	91,516	-	222,768
Total	<u>5,020,509</u>	<u>91,516</u>	<u>-</u>	<u>5,112,025</u>
Capital assets, being depreciated:				
Buildings	4,301,814	13,870	20,070	4,295,614
Improvements other than buildings	2,955,345	-	-	2,955,345
Infrastructure	6,063,754	-	-	6,063,754
Machinery and equipment	6,145,341	238,536	10,368	6,373,509
Total	<u>19,466,254</u>	<u>252,406</u>	<u>30,438</u>	<u>19,688,222</u>
Less accumulated depreciation for:				
Buildings	1,903,136	141,275	-	2,044,411
Improvements other than buildings	2,916,297	1,242	-	2,917,539
Infrastructure	2,051,088	299,122	-	2,350,210
Machinery and equipment	4,841,559	404,252	10,368	5,235,443
Total	<u>11,712,080</u>	<u>845,891</u>	<u>10,368</u>	<u>12,547,603</u>
Total capital assets, being depreciated, net	<u>7,754,174</u>	<u>(593,485)</u>	<u>(20,070)</u>	<u>7,140,619</u>
Governmental activities capital assets, net	<u>\$ 12,774,683</u>	<u>\$ (501,969)</u>	<u>\$ (20,070)</u>	<u>\$ 12,252,644</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 326,299	\$ -	\$ -	\$ 326,299
Total	<u>326,299</u>	<u>-</u>	<u>-</u>	<u>326,299</u>
Capital assets, being depreciated:				
Buildings	2,070,866	-	-	2,070,866
Improvements other than buildings	31,378,780	375,361	-	31,754,141
Machinery and equipment	2,996,917	184,867	88,417	3,093,367
Total	<u>36,446,563</u>	<u>560,228</u>	<u>88,417</u>	<u>36,918,374</u>
Less accumulated depreciation for:				
Buildings	1,349,161	44,827	-	1,393,988
Improvements other than buildings	19,488,726	911,639	-	20,400,365
Machinery and equipment	1,817,778	139,334	88,417	1,868,695
Total	<u>22,655,665</u>	<u>1,095,800</u>	<u>88,417</u>	<u>23,663,048</u>
Total capital assets, being depreciated, net	<u>13,790,898</u>	<u>(535,572)</u>	<u>-</u>	<u>13,255,326</u>
Business-type activities capital assets, net	<u>\$ 14,117,197</u>	<u>\$ (535,572)</u>	<u>\$ -</u>	<u>\$ 13,581,625</u>

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

Governmental activities:	
General government	\$ 105,216
Public safety	288,175
Public works	361,435
Community development	57,941
Central purchasing	340
Culture and recreation	32,784
Total depreciation expense - governmental activities	<u>\$ 845,891</u>
Business-type activities:	
Water and sewer	\$ 986,512
Natural gas	109,288
Total depreciation expense - business-type activities	<u>\$ 1,095,800</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2013 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	\$ 225,497	\$ 20,500	\$ 47,771	\$ 198,226	\$ 46,998
Note payable - One Georgia Authority	471,600	-	25,000	446,600	25,000
Bonds payable - COBA	6,635,000	-	385,000	6,250,000	475,000
Compensated absences	178,111	223,431	217,913	183,629	183,629
Governmental activity Long-term liabilities	<u>\$ 7,510,208</u>	<u>\$ 243,931</u>	<u>\$ 675,684</u>	<u>\$ 7,078,455</u>	<u>\$ 730,627</u>
Business-type activities:					
Compensated absences	\$ 45,035	\$ 51,308	\$ 50,990	\$ 45,353	\$ 45,353
Business-type activity Long-term liabilities	<u>\$ 45,035</u>	<u>\$ 51,308</u>	<u>\$ 50,990</u>	<u>\$ 45,353</u>	<u>\$ 45,353</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, 2013:

	Governmental Activities
Machinery and equipment	\$ 346,877
Less: Accumulated depreciation	(143,373)
	<u>\$ 203,504</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

	Governmental Activities
Fiscal year ending June 30,	
2014	\$ 56,192
2015	47,638
2016	40,059
2017	29,659
2018	25,025
Thereafter through 2020	25,025
Total minimum lease payments	223,598
Less amount representing interest	25,372
Present value of future minimum lease payments	\$ 198,226

Notes Payable. During the year ended June 30, 2011, the City entered into a note payable with the OneGeorgia 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, 2013:

Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
0.00%	20 years	2031	\$ 496,600	\$ 446,600

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

Year Ending June 30,	Principal
2014	\$ 25,000
2015	25,000
2016	25,000
2017	25,000
2018	25,000
2019-2023	125,000
2024-2028	125,000
2029-2031	71,600
Total	\$ 446,600

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Revenue Bonds

Revenue bonds outstanding at June 30, 2013, are as follows:

<u>Series</u>	<u>Purpose</u>	<u>Interest Rate(s)</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2012</u>
2005 Series	Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 1,250,000
2012A Series	Provide Funds to City to Retire Water/Sewer Debts	2.42%	13 years	November 2024	5,000,000	4,740,000
2012B Series	Provide Funds to City to Retire Water/Sewer Debts	1.90%	7 years	November 2018	305,000	260,000
						<u>\$ 6,250,000</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 bonds 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,			
2014	\$ 475,000	\$ 160,921	\$ 635,921
2015	485,000	148,536	633,536
2016	500,000	135,728	635,728
2017	515,000	122,629	637,629
2018	530,000	109,117	639,117
2019 - 2023	2,610,000	339,956	2,949,956
2024 - 2025	1,135,000	35,238	1,170,238
	<u>\$ 6,250,000</u>	<u>\$ 1,052,125</u>	<u>\$ 7,302,125</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund receivables and payables at June 30, 2013 (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, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major governmental funds	General Fund	<u>\$ 43,225</u>

Interfund transfers recorded and transacted during the year ended June 30, 2013 are as follows:

	<u>Transfers Out:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Non-Major Funds</u>	
<u>Transfers in:</u>					
General Fund	\$ 4,051	\$ -	\$ 505,222	\$ 232,653	\$ 741,926
Water & Sewer Fund	35,079	-	-	-	35,079
Health Benefit Fund	144,795	-	-	-	144,795
Gas Fund	-	-	-	-	-
Sanitation Fund	49,819	-	-	-	49,819
Non-major Funds	1,047	558,760	-	-	559,807
Total	<u>\$ 234,791</u>	<u>\$ 558,760</u>	<u>\$ 505,222</u>	<u>\$ 232,653</u>	<u>\$ 1,531,426</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, 2013

NOTE 9. PENSION COSTS

Plan Description

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

Funding Policy

The funding policy for the plan is to contribute an actuarially determined amount equal to the recommended contribution in each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 7.61% of annual covered payroll.

Annual Pension Cost

The City's annual recommended contribution for the pension plan year beginning January 1, 2013, (the most recent actuarial valuation date) was \$285,590. The recommended contribution was determined as part of the January 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for merit or seniority of 3.5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the valuation's investment return assumption.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9. PENSION COSTS (CONTINUED)

Trend Information

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

<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 320,123	100 %	\$ -
12/31/11	293,845	100	-
12/31/12	318,306	100	-

As of the most recent valuation date, January 1, 2013, the funded status of the City of Cordele Retirement Plan was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
01/1/13	\$9,870,812	\$10,135,926	\$265,114	97.4%	\$4,009,571	6.6%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2013.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, 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, 2013

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 in an internal service fund because it is expected to be liquidated with expendable available financial resources.

Reconciliation of changes in the aggregate liabilities for claims:

	June 30, 2013	June 30, 2012
Claims liability, beginning of year	\$ 32,882	\$ 230,547
Incurred claims (including IBNRs)	608,754	1,328,142
Claims paid	(690,120)	(1,542,552)
Claims reimbursed from reinsurers	144,796	16,745
Claims liability, end of year	\$ 96,312	\$ 32,882

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, 2013, the City did not provide any contributions to the Cordele Housing Authority.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, the City paid \$11,147 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 Development Centers (RDCs) in Georgia. The RDC 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 RDC. 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 5% lodging tax, which is composed of a 3% original base tax and a 2% additional tax added in 2010. Revenues collected during the fiscal year ended June 30, 2013 were \$467,629. 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 \$264,636. Management represents that 100% of the lodging tax received during the year ended June 30, 2013, was used for the promotion of tourism, conventions, or trade shows.

NOTE 15. CHANGES IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net position, Governmental Activities, previously reported	\$ 9,413,966
Recognition of issuance costs incurred in prior periods	(131,366)
Beginning net position, Governmental Activities, restated	<u>\$ 9,282,600</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORDELE, GEORGIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/08	8,543,164	8,839,557	296,393	96.6	\$ 4,183,911	7.1 %
01/01/09	7,093,459	9,256,739	2,163,280	76.6	4,277,302	50.6
01/01/10	9,032,981	9,508,361	475,380	95.0	4,276,495	11.1
01/01/11	9,524,324	9,820,284	295,960	97.0	4,185,996	7.1
01/01/12	9,599,509	10,130,705	531,196	94.8	4,112,259	12.9
01/01/13	9,870,812	10,135,926	265,114	97.4	4,009,571	6.6

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Hotel Tax Fund – This fund is used to account for the City's revenues and expenditures related to the Hotel Lodging tax levied during the year. The City collects 5% 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 (Continued)

The **Capital Projects Fund** - This fund is used to account financing and construction of various facilities and improvements

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 **SPLOST 2012 – 2017 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 2012 through 2017.

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 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, 2013**

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
ASSETS					
Cash	\$ 81,328	\$ 18,156	\$ 11,562	\$ -	\$ 384,870
Investments	-	-	-	-	-
Due from other funds	-	-	4,403	38,822	-
Mortgages receivable	56,991	-	-	-	-
Taxes receivables	-	-	-	47,549	-
Due from other governments	-	-	-	-	-
Participants receivable	-	-	-	-	-
Total assets	<u>\$ 138,319</u>	<u>\$ 18,156</u>	<u>\$ 15,965</u>	<u>\$ 86,371</u>	<u>\$ 384,870</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	43,237	500
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,237</u>	<u>500</u>
FUND BALANCES					
Nonspendable:					
Loans receivable - long-term	56,991	-	-	-	-
Endowment - Community clubhouse	-	-	-	-	-
Restricted for:					
Clubhouse expenses	-	-	-	-	-
Federal programs	81,328	-	-	-	-
Promotion of tourism	-	-	-	43,134	-
Law enforcement purposes	-	18,156	-	-	-
Capital projects	-	-	-	-	384,370
Assigned to:					
Downtown revitalization	-	-	15,965	-	-
Capital projects funds	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 138,319</u>	<u>\$ 18,156</u>	<u>\$ 15,965</u>	<u>\$ 86,371</u>	<u>\$ 384,870</u>

Capital Projects Funds						Permanent Fund	Total Nonmajor Governmental Funds
Capital Projects Fund	SPLOST 2006 - 2011 Fund	SPLOST 2012 - 2017 Fund	T-SPLOST Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ 695,734	\$ 264,781	\$ 692,885	\$ 80,923	\$ 13,006	\$ 67,756	\$ 31,845	\$ 2,342,846
-	-	-	-	-	-	300,685	300,685
-	-	-	-	-	-	-	43,225
-	-	-	-	-	-	-	56,991
-	-	110,376	16,811	-	-	-	47,549
-	-	-	-	-	500	-	127,186
<u>\$ 695,734</u>	<u>\$ 264,781</u>	<u>\$ 803,261</u>	<u>\$ 97,734</u>	<u>\$ 13,006</u>	<u>\$ 68,256</u>	<u>\$ 332,530</u>	<u>\$ 2,918,982</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,094	\$ -	\$ 64,094
11,245	-	-	-	-	-	-	54,982
-	-	-	-	-	-	-	-
<u>11,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,094</u>	<u>-</u>	<u>119,076</u>
-	-	-	-	-	-	-	56,991
-	-	-	-	-	-	50,236	50,236
-	-	-	-	-	-	282,294	282,294
-	-	-	-	13,006	4,162	-	98,496
-	-	-	-	-	-	-	43,134
-	-	-	-	-	-	-	18,156
-	264,781	803,261	97,734	-	-	-	1,550,146
-	-	-	-	-	-	-	15,965
<u>684,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>684,489</u>
<u>684,489</u>	<u>264,781</u>	<u>803,261</u>	<u>97,734</u>	<u>13,006</u>	<u>4,162</u>	<u>332,530</u>	<u>2,799,906</u>
<u>\$ 695,734</u>	<u>\$ 264,781</u>	<u>\$ 803,261</u>	<u>\$ 97,734</u>	<u>\$ 13,006</u>	<u>\$ 68,256</u>	<u>\$ 332,530</u>	<u>\$ 2,918,982</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, 2013**

	Special Revenue Funds				
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund	COBA Fund
	Revenues:				
Taxes	\$ -	\$ -	\$ 8,898	\$ 467,629	\$ -
Intergovernmental	-	-	-	-	-
Donations	-	-	45,443	-	-
Interest and dividend income	2,915	-	2	-	7
Net increase in the fair value of investments	-	-	-	-	-
Total revenues	<u>2,915</u>	<u>-</u>	<u>54,343</u>	<u>467,629</u>	<u>7</u>
Expenditures:					
Current:					
Capital outlay	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	46,049	325	59,544	273,671	1,445
Debt service:					
Principal	-	-	-	-	385,000
Interest and fiscal charges	-	-	-	-	173,760
Total expenditures	<u>46,049</u>	<u>325</u>	<u>59,544</u>	<u>273,671</u>	<u>560,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,134)</u>	<u>(325)</u>	<u>(5,201)</u>	<u>193,958</u>	<u>(560,198)</u>
Other financing sources (uses):					
Transfers in from other funds	-	-	-	-	559,807
Transfers out to other funds	-	-	-	(193,958)	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193,958)</u>	<u>559,807</u>
Net change in fund balances	(43,134)	(325)	(5,201)	-	(391)
Fund balances, beginning of year	<u>181,453</u>	<u>18,481</u>	<u>21,166</u>	<u>43,134</u>	<u>384,761</u>
Fund balances, end of year	<u>\$ 138,319</u>	<u>\$ 18,156</u>	<u>\$ 15,965</u>	<u>\$ 43,134</u>	<u>\$ 384,370</u>

Capital Projects Funds						Permanent Fund	Total Nonmajor Governmental Funds
Capital Projects Fund	SPLOST 2006 - 2011 Fund	SPLOST 2012 - 2017 Fund	T-SPLOST Fund	CDBG Rehabilitation Fund	CHIP Grant Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 476,527
-	-	652,048	97,711	-	-	-	749,759
-	-	-	-	-	-	-	45,443
-	54	713	23	1	13	7,829	11,557
-	-	-	-	-	-	15,908	15,908
-	54	652,761	97,734	1	13	23,737	1,299,194
-	-	78,544	-	-	-	-	78,544
-	-	-	-	-	-	10,712	10,712
-	-	-	-	-	-	-	381,034
-	-	-	-	-	-	-	385,000
-	-	-	-	-	-	-	173,760
-	-	78,544	-	-	-	10,712	1,029,050
-	54	574,217	97,734	1	13	13,025	270,143
-	-	-	-	-	-	-	559,807
(9,486)	-	(29,209)	-	-	-	-	(232,653)
(9,486)	-	(29,209)	-	-	-	-	327,154
(9,486)	54	545,008	97,734	1	13	13,025	597,297
693,975	264,727	258,253	-	13,005	4,149	319,505	2,202,609
\$ 684,489	\$ 264,781	\$ 803,261	\$ 97,734	\$ 13,006	\$ 4,162	\$ 332,530	\$ 2,799,906

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

(Continued)

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<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	-	-	-
4	Inland Port Utilities	500,000	-	-	-
5	City Hall/Fire Station 1 & 2	500,000	-	7,450	7,450
6	Police Cars	450,000	-	71,094	71,094
7	Fire Department	275,000			
8	Public Works Vehicles	100,000	-	-	-
	Totals	<u>\$ 4,025,000</u>	<u>\$ -</u>	<u>\$ 78,544</u>	<u>\$ 78,544</u>

COMPONENT UNIT

CITY OF CORDELE, GEORGIA

**BALANCE SHEET
COMPONENT UNIT
JUNE 30, 2013**

	<u>Downtown Development Authority</u>
ASSETS	
Cash	\$ 3,270
Note receivable	-
Total assets	<u>\$ 3,270</u>
LIABILITIES	
Accounts payable	\$ -
Deferred revenue	-
Total liabilities	<u>-</u>
FUND BALANCES	
Restricted for capital projects	-
Assigned to downtown planning and development	3,270
Total fund balances	<u>\$ 3,270</u>

CITY OF CORDELE, GEORGIA

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

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia (the "City"), as of and for the year ended June 30, 2013, 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 November 26, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cordele 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 of Cordele internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cordele 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 a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 deficiency described in the accompanying schedule of findings and responses, as item 2013-1 to be a material weakness.

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*.

Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 26, 2013

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013-1. Recording of Revenues and Receivables

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

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

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the year ended June 30, 2013.

Effect: Adjustments were required in the various funds of the City including:

- Entries to the General Fund resulting in a net decrease to fund balance of \$160,000;
- Entries to the Economic Development Fund resulting in a net increase to fund balance of \$46,000;
- Entries to the T-SPLOST Fund resulting in a net increase to fund balance of \$17,000;
- Entries to the Natural Gas Fund resulting in a net increase to fund balance of \$16,500.

CITY OF CORDELE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2013-1. Recording of Revenues and Receivables (Continued)

Cause: This past fiscal year noted a person who was required to act as the City Manager as well as the Finance Director. Additionally, this person lacked appropriate level of personnel in the last quarter of the fiscal year through the final close-out period just prior to audit fieldwork. Consequently, there was a lack of management pro-activity to assess the need for recording required amounts of revenue and receivables.

Recommendation: We recommend the City review all income statement and balance sheet accounts throughout the fiscal year, and ensure all respective revenues and receivables are properly stated in accordance with modified accrual and regular accrual based accounting, respectively.

Views of Responsible Officials and Planned Corrective Action: We concur. As stated in the cause criteria of the finding, one person was acting as City Manager as well as Finance Director during this fiscal year. In addition, the Assistant Finance Director's position was vacated during the last quarter of the fiscal year, putting further strain on the Finance Director. It was observed that much of the final quarter of the year's accounting work and audit preparation work was performed by this same individual as time did not allow training or replacement of personnel to perform such work.

Since this time period, the Finance Director has been named City Manager and the position of Finance Director has been filled. A current search is undergoing to replace the Assistant Finance Director's position and other key personnel in the Finance Department have received training to assist in the proper accounting of revenues and receivables. At the Commission's request, the City Manager and Finance Director are working closely to resolve any Finance Department issues remaining, and the City Manager has been directed to closely monitor the Finance Department as this transition period is occurring. This monitoring function will include the proper recording of revenues and receivables as addressed in this year's finding as well as monitoring the various funds and accounts of the City.

SECTION III
FEDERAL AWARD FINDINGS

Not applicable. No Single Audit Required.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

No prior year Financial Statement or Federal Awards findings.