

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Prepared by:
Department of Finance

INTRODUCTORY SECTION

CITY OF CORDELE, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Table of Contents	i
-------------------------	---

FINANCIAL SECTION

Independent Auditor's Report	1 and 2
------------------------------------	---------

Management's Discussion and Analysis	3 - 11
--	--------

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets	12
-------------------------------	----

Statement of Activities	13
-------------------------------	----

Fund Financial Statements:

Balance Sheet – Governmental Funds	14
--	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
---	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
---	----

General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	17 and 18
---	-----------

Economic Development Fund – Main Street District – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	19
---	----

Statement of Net Assets – Proprietary Funds	20 and 21
---	-----------

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	22
--	----

Statement of Cash Flows – Proprietary Funds	23 and 24
---	-----------

Notes to Financial Statements	25 - 50
-------------------------------------	---------

Combining and Individual Fund Statements:

Combining Balance Sheet – Nonmajor Governmental Funds	51 and 52
---	-----------

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	53 and 54
--	-----------

Schedule of Expenditures of Special Purpose Local Option Sales Tax	55
--	----

Balance Sheet – Component Units	56
---------------------------------------	----

Statement of Revenues, Expenditures and Changes in Fund Balances – Component Units	57
--	----

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>	58 and 59
---	-----------

Schedule of Findings and Responses	60 - 62
--	---------

Schedule of Prior Year Findings	63 and 64
---------------------------------------	-----------

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2008, which collectively comprise the City of Cordele, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cordele, Georgia as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 11) is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the discretely presented component unit financial statements 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 Official Code of Georgia 48-8-121, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the discretely presented component unit financial statements, and the schedule of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
November 21, 2008

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, 2008. The information presented here should be used in conjunction with the additional information provided in this financial report, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,784,036 (*net assets*). Of this amount, \$5,021,281 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$370,385.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,532,720, an increase of \$212,856 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$329,716.
- The City's total long-term debt (excluding compensated absences) decreased by \$239,081 during the current fiscal year. This change consisted of scheduled repayments of \$263,081 offset by new debt proceeds of \$24,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report for the fiscal year ended June 30, 2008, marks the sixth 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 Assets 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 Assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. This statement is a tool to measure the City's financial health or financial position. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 and 13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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 twelve (12) 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, SPLOST, economic development funds only, because they are considered to be major funds. Data from the other nine (9) 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 14-16 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 20 - 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 - 50 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 51 - 54 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$29,784,036 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (68%) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Current and other assets	\$ 5,233,296	\$ 4,918,397	\$ 6,463,707	\$ 6,455,251	\$ 11,697,003	\$ 11,373,648
Capital assets	11,468,134	11,307,083	14,635,656	15,419,342	26,103,790	26,726,425
Total assets	16,701,430	16,225,480	21,099,363	21,874,593	37,800,793	38,100,073
Current liabilities	1,483,801	1,233,945	950,523	877,614	2,434,324	2,111,559
Long-term liabilities	50,051	50,234	5,532,382	5,783,859	5,582,433	5,834,093
Total liabilities	1,533,852	1,284,179	6,482,905	6,661,473	8,016,757	7,945,652
Net assets:						
Invested in capital assets, net of related debt	11,400,477	11,240,288	8,851,798	9,395,541	20,252,275	20,635,829
Restricted	1,483,711	1,236,543	3,026,769	2,884,332	4,510,480	4,120,875
Unrestricted	2,283,390	2,464,470	2,737,891	2,933,247	5,021,281	5,397,717
Total net assets	\$ 15,167,578	\$ 14,941,301	\$ 14,616,458	\$ 15,213,120	\$ 29,784,036	\$ 30,154,421

Net assets may serve over time as a useful indicator of a government's financial position. The City of Cordele's combined net assets for the year ending June 30, 2008, were \$29,784,036 a decrease of \$370,385 from June 30, 2007. Of this amount \$14,616,458 came from business-type activities and \$15,167,578 came from governmental activities.

An additional portion of the City's net assets (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (amounting to \$5,021,281) 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 assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities during the fiscal year ended June 30, 2008, increased the City of Cordele's net assets by \$226,277. Business-type activities during the same period decreased net assets by \$596,662 for a total decrease in net assets of \$370,385. The following chart shows the revenue and expenses by activity for the total primary government.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Cordele's Net Assets Fiscal Year Ending June 30 (Comparative)						
	Governmental Activities		Business-type Activities		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,024,710	\$ 909,447	\$ 5,669,565	\$ 5,513,685	\$ 6,694,275	\$ 6,423,132
Operating grants and contributions	149,488	264,749	-	-	149,488	264,749
Capital grants and contributions	270,000	-	-	-	270,000	-
General revenues:						
Property taxes	2,315,041	2,297,126	-	-	2,315,041	2,297,126
Sales taxes	3,061,438	2,931,543	-	-	3,061,438	2,931,543
Alcoholic beverages taxes	332,657	324,840	-	-	332,657	324,840
Other taxes	1,037,511	1,006,251	-	-	1,037,511	1,006,251
Franchise fees	1,198,055	1,203,503	-	-	1,198,055	1,203,503
Unrestricted investment earnings	250,583	285,316	239,768	224,453	490,351	509,769
Gain on sale of capital assets	(38,184)	9,835	-	-	(38,184)	9,835
Total revenues	9,601,299	9,232,610	5,909,333	5,738,138	15,510,632	14,970,748
Expenses:						
General government	1,845,318	1,651,062	-	-	1,845,318	1,651,062
Public works	2,248,234	1,966,264	-	-	2,248,234	1,966,264
Public safety	3,568,499	3,203,456	-	-	3,568,499	3,203,456
Community development	407,793	545,977	-	-	407,793	545,977
Central purchasing	111,795	108,285	-	-	111,795	108,285
Culture and recreation	395,315	557,760	-	-	395,315	557,760
Interest on long-term debt	4,117	5,544	-	-	4,117	5,544
Water and sewer	-	-	3,838,874	3,979,461	3,838,874	3,979,461
Natural gas	-	-	2,564,255	2,298,015	2,564,255	2,298,015
Sanitation	-	-	896,817	820,371	896,817	820,371
Total expenses	8,581,071	8,038,348	7,299,946	7,097,847	15,881,017	15,136,195
Increase (decrease) in net assets before transfers	1,020,228	1,194,262	(1,390,613)	(1,359,709)	(370,385)	(165,447)
Transfers	(793,951)	(2,031,876)	793,951	2,031,876	-	-
Increase (decrease) in net assets	226,277	(837,614)	(596,662)	672,167	(370,385)	(165,447)
Net assets, beginning of year	14,941,301	15,778,915	15,213,120	14,540,953	30,154,421	30,319,868
Net assets, end of year	<u>\$ 15,167,578</u>	<u>\$ 14,941,301</u>	<u>\$ 14,616,458</u>	<u>\$ 15,213,120</u>	<u>\$ 29,784,036</u>	<u>\$ 30,154,421</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. This chart shows total revenues from governmental activities of \$9,601,299 for 2008 and \$9,232,610 for 2007 while expenses were \$8,581,071 for 2008 and \$8,038,348 for 2007. The largest revenue source for governmental activities comes from sales taxes at \$3,061,438 or 32% of revenues for 2008 and \$2,931,543 or 32% of revenues for 2007. The City of Cordele spent the greatest amount of its available funding on public safety at 42% for 2008 and at 40% for 2007.

Business-Type Activities. Business-type activities expenses exceeded program revenues by \$1,630,381 in 2008 and expenses exceeded revenues by \$1,584,162 in 2007 before transfers to support the governmental activities. The business-type activities largest revenue source is the Water/Sewer Fund in 2008 (49%) and the Water/Sewer Fund in 2007 (50%). The Water and Sewer Fund had the largest amount of expenses at 53% or \$3,838,874 for 2008 and 56% or \$3,979,461 for 2007.

Analysis of Balances:

Major funds. The City of Cordele has three major governmental funds which are the General Fund, the SPLOST Fund and the Economic Development Fund. At the end of FY 2008 these three funds had fund balances of \$1,430,987, \$1,135,236, and \$136,286 respectively. This is a decrease of \$71,651 to the beginning fund balance of the General Fund, an increase of \$228,126 to the beginning fund balance of the SPLOST Fund, and an increase of \$13,615 to the beginning fund balance of the Economic Development Fund.

The fund balances for the other governmental funds increased by \$42,766. The final fund balance for these funds increased from \$787,445 at the beginning of the year to \$830,211 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 balance of \$2,508,559 at the end of the year ending June 30, 2008. This is an increase of \$312,712 from the previous year.

The Water and Sewer Fund had an ending cash and cash equivalents balance of \$2,038,187 for FY 2007-08. This is an increase of \$361,869 from the previous year.

The Gas Fund had an ending cash and cash equivalents balance of \$470,372 for FY2007-08. This is a decrease of (\$49,157) from the previous year.

The Sanitation Fund had an ending cash and cash equivalents balance of \$0 for FY2007-08. 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, 2008, governmental activities and business-type activities had capital assets of \$26,103,790 (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 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Land	\$ 4,886,340	\$ 4,865,340	\$ 326,299	\$ 326,299	\$ 5,212,639	\$ 5,191,639
Construction in progress	303,346	33,730	266,926	88,458	570,272	122,188
Buildings	1,724,177	1,779,062	902,558	947,854	2,626,735	2,726,916
Improvements other than buildings	611,167	648,092	12,948,138	13,817,690	13,559,305	14,465,782
Infrastructure	2,961,512	3,043,959	-	-	2,961,512	3,043,959
Machinery and equipment	981,592	936,900	191,735	239,041	1,173,327	1,175,941
Total net assets	<u>\$ 11,468,134</u>	<u>\$ 11,307,083</u>	<u>\$ 14,635,656</u>	<u>\$ 15,419,342</u>	<u>\$ 26,103,790</u>	<u>\$ 26,726,425</u>

Additional information on the City's capital assets can be found in Note 6 of this report on pages 39 and 40.

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

At June 30, 2008, the City had \$258,263 of outstanding long-term debt related to the governmental activities and \$5,817,942 of long-term debt related to business-type activities for a total \$6,076,205 compared to the previous year's total of \$6,305,827. This is a reduction of (\$229,622).

Additional information on the City's debt can be found in Note 8 of this report on pages 41 - 44.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors Affecting the FY2008-09 Budget:

The City Commission of the City of Cordele considered many factors when approving the City's FY 2009 budget and are very aware of present economic conditions and their effect on its citizens. Among the largest issues are the rising costs of health care and fuel prices. The City Commission is also 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 already in the planning stages to locate 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. The City is also working to develop the area around I-75 and Highway 300, a major intersection of two corridors that are transportation links across the state.

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 ASSETS JUNE 30, 2008

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Cordele Office Building Authority
Cash and cash equivalents	\$ 1,644,743	\$ 1,387,187	\$ 3,031,930	\$ 16,147	\$ 3,418,293
Investments	563,875	-	563,875	-	-
Taxes receivable	270,424	-	270,424	-	-
Accounts receivable, net of allowances	23,702	520,853	544,555	-	-
Due from other governments	571,179	-	571,179	-	-
Due from component unit	-	32,671	32,671	-	-
Internal balances	1,351,616	(1,351,616)	-	-	-
Inventories	57,534	556,691	614,225	-	-
Prepaid expenditures / expenses	521	2,704	3,225	-	-
Restricted assets:					
Cash and cash equivalents	-	210,204	210,204	-	-
Investments	-	4,927,691	4,927,691	-	-
Deferred charges, unamortized balance	-	177,322	177,322	-	61,185
Mortgages receivable	749,702	-	749,702	-	-
Capital assets:					
Non-depreciable	5,189,686	593,225	5,782,911	-	-
Depreciable, net of accumulated depreciation	6,278,448	14,042,431	20,320,879	-	-
Total assets	16,701,430	21,099,363	37,800,793	16,147	3,479,478
LIABILITIES					
Accounts payable	595,366	421,265	1,016,631	-	-
Accrued liabilities	117,738	78,248	195,986	-	26,332
Unearned revenues	562,485	-	562,485	-	-
Due to primary government	-	-	-	-	32,671
Liabilities payable from restricted assets:					
Note payable due within one year	-	31,476	31,476	-	-
Bonds payable due within one year	-	220,000	220,000	-	295,000
Deposits payable	-	165,450	165,450	-	-
Compensated absences due within one year	190,606	34,084	224,690	-	-
Capital leases due within one year	17,606	-	17,606	-	-
Capital leases due in more than one year	50,051	-	50,051	-	-
Note payable due in more than one year	-	392,382	392,382	-	-
Bonds payable due in more than one year	-	5,140,000	5,140,000	-	2,290,000
Total liabilities	1,533,852	6,482,905	8,016,757	-	2,644,003
NET ASSETS					
Invested in capital assets, net of related debt	11,400,477	8,851,798	20,252,275	-	-
Restricted for:					
Debt service	-	3,026,769	3,026,769	-	-
Capital projects	1,135,236	-	1,135,236	-	-
Community clubhouse:					
Expendable	55,179	-	55,179	-	-
Nonexpendable	293,296	-	293,296	-	-
Unrestricted	2,283,390	2,737,891	5,021,281	16,147	835,475
Total net assets	\$ 15,167,578	\$ 14,616,458	\$ 29,784,036	\$ 16,147	\$ 835,475

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, 2008

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets					
	Program Revenues			Business-type Activities	Total	Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 1,845,318	\$ 600,676	\$ -	\$ -	\$ (1,244,642)	\$ -
Public works	2,248,234	-	-	270,000	(1,978,234)	-
Public safety	3,568,499	412,078	97,635	-	(3,058,786)	-
Community development	407,793	11,956	51,853	-	(343,984)	-
Central purchasing	111,795	-	-	-	(111,795)	-
Culture and recreation	395,315	-	-	-	(395,315)	-
Interest on long-term debt	4,117	-	-	-	(4,117)	-
Total governmental activities	8,581,071	1,024,710	149,488	270,000	(7,136,873)	-
Business-type activities:						
Water and sewer	3,838,874	2,780,622	-	-	(1,058,252)	-
Natural gas	2,564,255	2,074,126	-	-	(490,129)	-
Sanitation	896,817	814,817	-	-	(82,000)	-
Total business-type activities	7,299,946	5,669,565	-	-	(1,630,381)	-
Total primary government	15,881,017	6,694,275	149,488	270,000	(8,767,254)	\$ -
Component units:						
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	-	-
Cordele Office Building Authority	105,707	-	390,707	-	-	285,000
Total component units	105,707	-	390,707	-	-	285,000
General revenues:						
Property taxes						
Sales taxes						
Alcoholic beverage taxes						
Franchise taxes						
Hotel taxes						
Other taxes						
Unrestricted investment earnings						
Gain on sale of capital assets						
Transfers						
Total general revenues and transfers						
Change in net assets						
Net assets, beginning of year						
Net assets, end of year						

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

CITY OF CORDELE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2008

ASSETS	General	SPLOST Fund	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 344,222	\$ 688,464	\$ 116,286	\$ 478,368	\$ 1,627,340
Investments	270,579	-	-	293,296	563,875
Taxes receivable	248,954	-	-	21,470	270,424
Participant receivable	-	-	-	11,180	11,180
Accounts receivable	12,522	-	-	-	12,522
Due from other governments	400,802	170,377	-	-	571,179
Due from other funds	-	489,886	20,000	84,610	594,496
Inventories	57,534	-	-	-	57,534
Prepaid expenditures	521	-	-	-	521
Advances to other funds	943,216	-	-	-	943,216
Mortgage receivable	100,000	-	498,391	151,311	749,702
Total assets	<u>\$ 2,378,350</u>	<u>\$ 1,348,727</u>	<u>\$ 634,677</u>	<u>\$ 1,040,235</u>	<u>\$ 5,401,989</u>
LIABILITIES					
Accounts payable	\$ 162,847	\$ 213,491	\$ -	\$ 10,628	\$ 386,966
Accrued liabilities	117,668	-	-	-	117,668
Deferred revenues	207,654	-	498,391	64,094	770,139
Due to other funds	459,194	-	-	135,302	594,496
Total liabilities	<u>947,363</u>	<u>213,491</u>	<u>498,391</u>	<u>210,024</u>	<u>1,869,269</u>
FUND BALANCES					
Fund balances:					
Reserved for:					
Inventories/prepays	58,055	-	-	-	58,055
Advances	943,216	-	-	-	943,216
Loans	100,000	-	136,286	438,702	674,988
Endowment	-	-	-	55,179	55,179
Clubhouse	-	-	-	293,296	293,296
Unreserved, reported in:					
General Fund	329,716	-	-	-	329,716
Special revenue funds	-	-	-	56,282	56,282
Capital projects funds	-	1,135,236	-	(13,248)	1,121,988
Total fund balances	<u>1,430,987</u>	<u>1,135,236</u>	<u>136,286</u>	<u>830,211</u>	<u>3,532,720</u>
Total liabilities and fund balances	<u>\$ 2,378,350</u>	<u>\$ 1,348,727</u>	<u>\$ 634,677</u>	<u>\$ 1,040,235</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					11,468,134
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					207,584
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					(258,263)
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 assets.					217,403
Net assets of governmental activities					<u>\$ 15,167,578</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, 2008

	General	SPLOST Fund	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Revenues					
Taxes	\$ 5,358,295	\$ 693,556	\$ -	\$ 262,103	\$ 6,313,954
Licenses and permits	396,937	-	-	-	396,937
Intergovernmental	367,635	74,391	-	-	442,026
Charges for services	86,053	-	-	11,956	98,009
Fines and forfeitures	326,025	-	-	-	326,025
Administrative fees	622	-	-	-	622
Interest and penalties	209,920	5,823	998	31,702	248,443
Franchise and leases	1,198,055	-	-	-	1,198,055
Payments in lieu of taxes	300,795	-	-	-	300,795
Codes	25,987	-	-	-	25,987
Other revenues	164,513	-	12,617	51,853	228,983
Total revenues	8,434,837	773,770	13,615	357,614	9,579,836
Expenditures					
Current:					
General government	1,192,341	-	-	-	1,192,341
Public works	2,048,847	-	-	-	2,048,847
Public safety	3,669,437	-	-	-	3,669,437
Culture and recreation	378,990	-	-	-	378,990
Community development	287,455	-	-	139,263	426,718
Central purchasing	115,466	-	-	-	115,466
Debt service:					
Principal retirement	15,440	-	-	-	15,440
Interest and fiscal charges	4,117	-	-	-	4,117
Capital outlay	189,027	545,644	-	-	734,671
Total expenditures	7,901,120	545,644	-	139,263	8,586,027
Excess of revenues over expenditures	533,717	228,126	13,615	218,351	993,809
Other financing sources (uses):					
Proceeds from sale of capital assets	12,998	-	-	-	12,998
Transfers in from other funds	175,585	-	-	-	175,585
Transfers out to other funds	(793,951)	-	-	(175,585)	(969,536)
Total other financing sources (uses)	(605,368)	-	-	(175,585)	(780,953)
Net change in fund balances	(71,651)	228,126	13,615	42,766	212,856
Fund balances, beginning of year	1,502,638	907,110	122,671	787,445	3,319,864
Fund balances, end of year	\$ 1,430,987	\$ 1,135,236	\$ 136,286	\$ 830,211	\$ 3,532,720

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, 2008

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

Net change in fund balances - total governmental funds	\$ 212,856
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 depreciation exceeded capital outlays in the current period.	182,334
The net effect of various miscellaneous transactions involving capital assets is to increase capital assets.	(21,283)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	57,507
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 assets.	(862)
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.	(9,459)
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.	(194,816)
	<u>\$ 226,277</u>

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

CITY OF CORDELE, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Taxes	\$ 5,385,800	\$ 5,385,800	\$ 5,358,295	\$ (27,505)
Licenses and permits	435,000	435,000	396,937	(38,063)
Intergovernmental	300,000	300,000	367,635	67,635
Charges for services	74,300	74,300	86,053	11,753
Fines and forfeitures	223,500	223,500	326,025	102,525
Administrative fees	-	-	622	622
Interest and penalties	172,000	172,000	209,920	37,920
Franchise and leases	1,231,000	1,231,000	1,198,055	(32,945)
Payments in lieu of taxes	265,300	265,300	300,795	35,495
Codes	51,000	51,000	25,987	(25,013)
Other revenues	155,950	155,950	164,513	8,563
Total revenues	<u>8,293,850</u>	<u>8,293,850</u>	<u>8,434,837</u>	<u>140,987</u>
Expenditures:				
Current:				
General government:				
Legislative	384,745	384,745	239,660	145,085
Executive	461,053	461,053	409,037	52,016
Judicial	75,179	75,179	55,532	19,647
Finance	596,755	596,755	488,112	108,643
Total general government	<u>1,517,732</u>	<u>1,517,732</u>	<u>1,192,341</u>	<u>325,391</u>
Public works:				
Highways and streets	1,950,363	1,950,363	2,048,847	(98,484)
Total public works	<u>1,950,363</u>	<u>1,950,363</u>	<u>2,048,847</u>	<u>(98,484)</u>
Public safety:				
Police	2,341,528	2,341,528	2,436,516	(94,988)
Fire	1,491,381	1,491,381	1,232,921	258,460
Total public safety	<u>3,832,909</u>	<u>3,832,909</u>	<u>3,669,437</u>	<u>163,472</u>
Community development	<u>362,028</u>	<u>362,028</u>	<u>287,455</u>	<u>74,573</u>
Central purchasing	<u>118,436</u>	<u>118,436</u>	<u>115,466</u>	<u>2,970</u>
Culture and recreation	<u>458,620</u>	<u>458,620</u>	<u>378,990</u>	<u>79,630</u>
Debt service:				
Principal retirement	27,300	27,300	15,440	11,860
Interest and fiscal charges	4,350	4,350	4,117	233
Total debt service	<u>31,650</u>	<u>31,650</u>	<u>19,557</u>	<u>12,093</u>

(Continued)

CITY OF CORDELE, GEORGIA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual	Variance
	Original	Final		
Expenditures (continued):				
Capital outlay	\$ 196,212	\$ 196,212	\$ 189,027	\$ 7,185
Total expenditures	8,467,950	8,467,950	7,901,120	566,830
Excess (deficiency) of revenues over expenditures	(174,100)	(174,100)	533,717	707,817
Other financing sources (uses):				
Transfers in	164,100	164,100	175,585	11,485
Transfers out	-	-	(793,951)	(793,951)
Proceeds from sale of capital assets	10,000	10,000	12,998	2,998
Total other financing sources (uses)	174,100	174,100	(605,368)	(779,468)
Net change in fund balances	-	-	(71,651)	(71,651)
Fund balances, beginning of year	1,502,638	1,502,638	1,502,638	-
Fund balances, end of year	<u>\$ 1,502,638</u>	<u>\$ 1,502,638</u>	<u>\$ 1,430,987</u>	<u>\$ (71,651)</u>

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

CITY OF CORDELE, GEORGIA
ECONOMIC DEVELOPMENT FUND
MAIN STREET DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original and Final Budget	Actual	Variance
Revenues:			
Interest earned	\$ 250	\$ 998	\$ 748
Program income	12,617	12,617	-
Total revenues	<u>12,867</u>	<u>13,615</u>	<u>748</u>
Expenditures			
Community development	12,868	-	12,868
Total expenditures	<u>12,868</u>	<u>-</u>	<u>12,868</u>
Excess of revenues over expenditures	(1)	13,615	13,616
Fund balance, July 1	<u>122,671</u>	<u>122,671</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 122,670</u></u>	<u><u>\$ 136,286</u></u>	<u><u>\$ 13,616</u></u>

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

CITY OF CORDELE, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
CURRENT ASSETS					
Cash	\$ 967,540	\$ 419,647	\$ -	\$ 1,387,187	\$ 17,403
Accounts receivable (net of allowance for uncollectibles)	291,188	147,985	81,680	520,853	-
Due from other funds	-	45,644	-	45,644	-
Due from component unit	32,671	-	-	32,671	-
Inventory	63,177	493,514	-	556,691	-
Prepaid expenses	-	2,704	-	2,704	-
Restricted assets					
Cash	44,804	-	-	44,804	-
Cash - customer deposits	114,675	50,725	-	165,400	-
Investments - sinking funds	911,168	-	-	911,168	-
Investments and certificates of deposit	2,335,601	1,680,922	-	4,016,523	-
Total current assets	4,760,824	2,841,141	81,680	7,683,645	17,403
NONCURRENT ASSETS					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Construction in progress	190,003	76,923	-	266,926	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	25,408,595	2,364,452	-	27,773,047	-
Machinery and equipment	1,822,485	576,601	-	2,399,086	-
	29,564,281	3,271,943	-	32,836,224	-
Less accumulated depreciation	15,980,723	2,219,845	-	18,200,568	-
Total capital assets	13,583,558	1,052,098	-	14,635,656	-
Bond issuance costs, unamortized balance	177,322	-	-	177,322	-
Total noncurrent assets	13,760,880	1,052,098	-	14,812,978	-
Total assets	18,521,704	3,893,239	81,680	22,496,623	17,403
CURRENT LIABILITIES					
Payable from current assets:					
Vouchers payable	122,753	224,492	74,020	421,265	-
Accrued other expenses	42,224	-	-	42,224	-
Accrued payroll and vacation	39,613	30,495	-	70,108	-
Due to other funds	45,644	-	-	45,644	-
Unpaid claims and accrued estimated liability	-	-	-	-	208,400
Total	250,234	254,987	74,020	579,241	208,400
Payable from restricted assets:					
Current portion of revenue bonds	220,000	-	-	220,000	-
Current portion of note payable	31,476	-	-	31,476	-
Customer deposits	114,725	50,725	-	165,450	-
Total	366,201	50,725	-	416,926	-
Total current liabilities	616,435	305,712	74,020	996,167	208,400

(Continued)

CITY OF CORDELE, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
LONG-TERM LIABILITIES					
Note payable (net of current portion)	\$ 392,382	\$ -	\$ -	\$ 392,382	\$ -
Revenue bonds (net of current portion)	5,140,000	-	-	5,140,000	-
Advances from other funds	678,818	264,398	-	943,216	-
Total long-term liabilities	<u>6,211,200</u>	<u>264,398</u>	<u>-</u>	<u>6,475,598</u>	<u>-</u>
Total liabilities	<u>6,827,635</u>	<u>570,110</u>	<u>74,020</u>	<u>7,471,765</u>	<u>208,400</u>
NET ASSETS					
Invested in capital assets, net of related debt	7,799,700	1,052,098	-	8,851,798	-
Restricted for debt service	3,026,769	-	-	3,026,769	-
Unrestricted	<u>867,600</u>	<u>2,271,031</u>	<u>7,660</u>	<u>3,146,291</u>	<u>(190,997)</u>
Total net assets	<u>\$ 11,694,069</u>	<u>\$ 3,323,129</u>	<u>\$ 7,660</u>	<u>15,024,858</u>	<u>\$ (190,997)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(408,400)</u>	
Net assets of business-type activities				<u>\$ 14,616,458</u>	

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

CITY OF CORDELE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Operating revenues:					
Charges for services	\$ 2,861,718	\$ 2,074,126	\$ 814,817	\$ 5,750,661	\$ -
Employee and employer contributions	-	-	-	-	692,427
Miscellaneous income	7,669	-	-	7,669	-
Total operating revenues	<u>2,869,387</u>	<u>2,074,126</u>	<u>814,817</u>	<u>5,758,330</u>	<u>692,427</u>
Operating expenses:					
Natural gas purchases	-	1,892,861	-	1,892,861	-
Production	1,252,688	-	-	1,252,688	-
Distribution	802,769	548,762	-	1,351,531	-
Collection	-	-	869,077	869,077	-
Health benefit costs	-	-	-	-	969,828
Total operating expenses	<u>2,055,457</u>	<u>2,441,623</u>	<u>869,077</u>	<u>5,366,157</u>	<u>969,828</u>
Net operating income (loss) before depreciation	813,930	(367,497)	(54,260)	392,173	(277,401)
Depreciation expense	<u>1,072,675</u>	<u>111,536</u>	<u>-</u>	<u>1,184,211</u>	<u>-</u>
Operating loss	<u>(258,745)</u>	<u>(479,033)</u>	<u>(54,260)</u>	<u>(792,038)</u>	<u>(277,401)</u>
Non-operating revenues (expenses):					
Interest revenue	147,652	80,116	-	227,768	2,139
Interest expense	(267,624)	-	-	(267,624)	-
Amortization of bond costs	(10,801)	-	-	(10,801)	-
Bad debt expense	(88,765)	-	-	(88,765)	-
Gain from disposal of fixed asset	-	12,000	-	12,000	-
Payments to Cordele Office Building Authority	<u>(390,707)</u>	<u>-</u>	<u>-</u>	<u>(390,707)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(610,245)</u>	<u>92,116</u>	<u>-</u>	<u>(518,129)</u>	<u>2,139</u>
Loss before transfers	(868,990)	(386,917)	(54,260)	(1,310,167)	(275,262)
Transfers in	<u>315,583</u>	<u>467,882</u>	<u>10,486</u>	<u>793,951</u>	<u>-</u>
Change in net assets	(553,407)	80,965	(43,774)	(516,216)	(275,262)
Net assets, July 1	<u>12,247,476</u>	<u>3,242,164</u>	<u>51,434</u>		<u>84,265</u>
Net assets, June 30	<u>\$ 11,694,069</u>	<u>\$ 3,323,129</u>	<u>\$ 7,660</u>		<u>\$ (190,997)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(80,446)	
Change in net assets of business-type activities				<u>\$ (596,662)</u>	

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

CITY OF CORDELE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	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	\$ 2,810,529	\$ 2,070,342	\$ 826,273	\$ 5,707,144	\$ -
Cash received from employer and employee contributions	-	-	-	-	692,427
Cash payments to:					
Suppliers	(1,057,622)	(1,826,196)	(870,643)	(3,754,461)	-
Medical providers and/or employees	-	-	-	-	(941,428)
Employees	(937,162)	(195,289)	-	(1,132,451)	-
City in lieu of taxes	(85,300)	(150,000)	-	(235,300)	-
Net cash provided by (used in) operating activities	730,445	(101,143)	(44,370)	584,932	(249,001)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances (to)/from other funds	415,928	(259,397)	33,884	190,415	-
Payments to Cordele Office Building Authority	(390,707)	-	-	(390,707)	-
Transfers from other funds	315,583	467,882	10,486	793,951	-
Net cash provided by noncapital	340,804	208,485	44,370	593,659	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Retirement of bonds	(210,000)	-	-	(210,000)	-
Interest on bonds	(269,149)	-	-	(269,149)	-
Purchase of capital assets	(230,841)	(157,684)	-	(388,525)	-
Principal payments on notes payable	(29,943)	-	-	(29,943)	-
Net cash used in capital and related financing activities	(739,933)	(157,684)	-	(897,617)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from investment sales	2,218,502	1,601,991	-	3,820,493	-
Purchase of investments	(2,335,601)	(1,680,922)	-	(4,016,523)	-
Interest received	147,652	80,116	-	227,768	2,139
Net cash provided by investing activities	30,553	1,185	-	31,738	2,139

(Continued)

CITY OF CORDELE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
Net increase (decrease) in cash	\$ 361,869	\$ (49,157)	\$ -	\$ 312,712	\$ (246,862)
Cash and cash equivalents, July 1	1,676,318	519,529	-	2,195,847	264,265
Cash and cash equivalents, June 30	<u>\$ 2,038,187</u>	<u>\$ 470,372</u>	<u>\$ -</u>	<u>\$ 2,508,559</u>	<u>\$ 17,403</u>
Classified as:					
Cash	\$ 967,540	\$ 419,647	\$ -	\$ 1,387,187	\$ 17,403
Restricted assets:					
Cash	44,804	-	-	44,804	-
Cash - customer deposits	114,675	50,725	-	165,400	-
Investments - sinking funds	911,168	-	-	911,168	-
	<u>\$ 2,038,187</u>	<u>\$ 470,372</u>	<u>\$ -</u>	<u>\$ 2,508,559</u>	<u>\$ 17,403</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating loss	\$ (258,745)	\$ (479,033)	\$ (54,260)	\$ (792,038)	\$ (277,401)
Depreciation	1,072,675	111,536	-	1,184,211	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(58,858)	(1,544)	11,456	(48,946)	-
(Increase) decrease in inventory	(2,035)	179,666	-	177,631	-
Decrease in prepaid expenses	-	1,178	-	1,178	-
Increase (decrease) in vouchers payable	(29,602)	85,236	(1,566)	54,068	-
Increase in unpaid claims and accrued estimated liability	-	-	-	-	28,400
Increase (decrease) in customer deposits	1,770	(2,240)	-	(470)	-
Increase in accrued expenses	5,240	4,058	-	9,298	-
Net cash provided by (used in) operating activities	<u>\$ 730,445</u>	<u>\$ (101,143)</u>	<u>\$ (44,370)</u>	<u>\$ 584,932</u>	<u>\$ (249,001)</u>

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

CITY OF CORDELE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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 units are reported in separate columns in the government-wide financial statements to emphasize that they are 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 ("COBA") has been included as a discretely presented 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.

There are no blended component units reflected in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

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 assets 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 assets will include non-current assets which were previously reported in the General Fixed 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

NOTES TO FINANCIAL STATEMENTS

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 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 **SPLOST Fund** accounts for financing and construction of facilities and improvements in accordance with sales tax referendum.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2008, 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments (Continued)

In applying the GASB Statement No. 31, the City utilized the following methods and assumptions as of June 30, 2008:

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Prepaid Items (Continued)

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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 assets. Bond premiums and discounts, as well as issuance costs, 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. Issuance costs are reported as deferred charges.

Proprietary fund type loans payable are reported as liabilities at their outstanding value.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

O. 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 Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. 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	\$ (67,657)
Compensated absences	(190,606)
	<hr/>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (258,263)</u>

NOTES TO FINANCIAL STATEMENTS

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 assets 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	\$ 831,086
Depreciation expense	<u>(648,752)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 182,334</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	\$ <u>(9,459)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (9,459)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City follows these procedures in establishing the budgetary data reflected 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.

6. For the year ended June 30, 2008, expenditures exceeded budget, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
Public Safety - Police	\$ 94,988
Public Works - Highways and Streets	98,484

These over-expenditures were funded by greater than anticipated revenues in the case of the General Fund. These excesses are intended to be eliminated in future years via better monitoring of expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2008, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$ 3,242,134
Investments	5,491,566
	<u>\$ 8,733,700</u>

Cash deposited with financial institutions	\$ 7,301,096
Cash deposited with Georgia Fund 1	911,168
Investment in U.S. Government Securities	228,139
Investments in Corporate Stock	293,297
	<u>\$ 8,733,700</u>

Component units:

Cash and cash equivalents	<u>\$ 3,434,440</u>
---------------------------	---------------------

Cash deposited with financial institutions	<u>\$ 3,434,440</u>
--	---------------------

Credit risk. State statutes authorize the Government 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, 2008, the Government's investments in Georgia Fund 1 were rated AAAM and the investments in U.S. Government Securities were rated AAA by Standard & Poor's.

At June 30, 2008, the Government had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	15 day weighted average	\$ 911,168
U.S Government Securities	October 2008	228,139
Certificates of Deposit	110 day weighted average	4,058,962
Corporate Stock - Exxon	Not applicable	293,297
Total		<u>\$ 5,491,566</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2008, 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.

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 December 21. Taxes are levied on October 20 and payable on or before December 20. Property taxes not collected by December 20th are considered and reported as delinquent taxes receivable. Property taxes levied for the year ending June 30, 2008, are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2008, and expected to be collected by August 31, 2008, are recognized as revenues for the year ended June 30, 2008, whereas, net receivables estimated to be collectible subsequent to August 31, 2008, are recorded as revenue when received. Receivables at June 30, 2008, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	SPLOST	Economic Development Main Street	Water and Sewer	Natural Gas	Sanitation	Nonmajor Governmental Funds
Receivables:							
Taxes	\$ 483,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,470
Accounts	12,522	-	-	340,542	172,065	96,025	-
Mortgages	100,000	-	498,391	-	-	-	151,311
Participant	-	-	-	-	-	-	11,180
Due from other governments	400,802	170,377	-	-	-	-	-
Gross receivables	996,499	170,377	498,391	340,542	172,065	96,025	183,961
Less allowance for uncollectible	234,221	-	-	49,354	24,080	14,345	-
Net total receivables	<u>\$ 762,278</u>	<u>\$ 170,377</u>	<u>\$ 498,391</u>	<u>\$ 291,188</u>	<u>\$ 147,985</u>	<u>\$ 81,680</u>	<u>\$ 183,961</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,865,340	\$ 21,000	\$ -	\$ 4,886,340
Construction in progress	33,730	269,616	-	303,346
Total	<u>4,899,070</u>	<u>290,616</u>	<u>-</u>	<u>5,189,686</u>
Capital assets, being depreciated:				
Buildings	3,125,357	19,614	-	3,144,971
Improvements other than buildings	2,955,345	-	-	2,955,345
Infrastructure	4,314,126	163,005	-	4,477,131
Machinery and equipment	4,703,179	357,851	51,182	5,009,848
Total	<u>15,098,007</u>	<u>540,470</u>	<u>51,182</u>	<u>15,587,295</u>
Less accumulated depreciation for:				
Buildings	1,346,295	74,499	-	1,420,794
Improvements other than buildings	2,307,253	36,925	-	2,344,178
Infrastructure	1,270,167	245,452	-	1,515,619
Machinery and equipment	3,766,279	261,977	-	4,028,256
Total	<u>8,689,994</u>	<u>618,853</u>	<u>-</u>	<u>9,308,847</u>
Total capital assets, being depreciated, net	<u>6,408,013</u>	<u>(78,383)</u>	<u>51,182</u>	<u>6,278,448</u>
Governmental activities capital assets, net	<u>\$ 11,307,083</u>	<u>\$ 212,233</u>	<u>\$ 51,182</u>	<u>\$ 11,468,134</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 326,299	\$ -	\$ -	\$ 326,299
Construction in progress	88,459	178,467	-	266,926
Total	<u>414,758</u>	<u>178,467</u>	<u>-</u>	<u>593,225</u>
Capital assets, being depreciated:				
Buildings	2,070,866	-	-	2,070,866
Improvements other than buildings	27,741,928	31,119	-	27,773,047
Machinery and equipment	2,239,173	190,939	31,026	2,399,086
Total	<u>32,051,967</u>	<u>222,058</u>	<u>31,026</u>	<u>32,242,999</u>
Less accumulated depreciation for:				
Buildings	1,123,012	45,296	-	1,168,308
Improvements other than buildings	13,924,239	900,670	-	14,824,909
Machinery and equipment	2,000,132	238,245	31,026	2,207,351
Total	<u>17,047,383</u>	<u>1,184,211</u>	<u>31,026</u>	<u>18,200,568</u>
Total capital assets, being depreciated, net	<u>15,004,584</u>	<u>(962,153)</u>	<u>-</u>	<u>14,042,431</u>
Business-type activities capital assets, net	<u>\$ 15,419,342</u>	<u>\$ (783,686)</u>	<u>\$ -</u>	<u>\$ 14,635,656</u>

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

Governmental activities:	
General government	\$ 66,237
Public safety	213,811
Public works	277,334
Community development	71,321
Central purchasing	3,724
Culture and recreation	<u>16,325</u>
Total depreciation expense - governmental activities	<u>\$ 648,752</u>
Business-type activities:	
Water and sewer	\$ 1,072,675
Natural gas	<u>111,536</u>
Total depreciation expense - business-type activities	<u>\$ 1,184,211</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. FUND DEFICITS

For the year ended June 30, 2008, the City had the following fund deficit:

<u>Fund</u>	<u>Deficit</u>
GEMA Fund	\$ 34,241

This deficit is intended to be reduced by General Fund transfers in future years.

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2008 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	\$ 66,795	\$ 24,000	\$ 23,138	\$ 67,657	\$ 17,606
Compensated absences	181,147	277,342	267,883	190,606	190,606
Governmental activity Long-term liabilities	<u>\$ 247,942</u>	<u>\$ 301,342</u>	<u>\$ 291,021</u>	<u>\$ 258,263</u>	<u>\$ 208,212</u>
Business-type activities:					
Revenue bonds	\$ 5,570,000	\$ -	\$ 210,000	\$ 5,360,000	\$ 220,000
Note payable	453,801	-	29,943	423,858	31,476
Compensated absences	34,084	54,163	54,163	34,084	34,084
Business-type activity Long-term liabilities	<u>\$ 6,057,885</u>	<u>\$ 54,163</u>	<u>\$ 294,106</u>	<u>\$ 5,817,942</u>	<u>\$ 285,560</u>
Component Units:					
Revenue bonds	<u>\$ 2,870,000</u>	<u>\$ -</u>	<u>\$ 285,000</u>	<u>\$ 2,585,000</u>	<u>\$ 295,000</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Capital Leases – Equipment (Continued). The following is an analysis of leased assets under capital leases as of June 30, 2008:

	Governmental Activities
Machinery and equipment	\$ 73,160
Less: Accumulated depreciation	(34,234)
	<u>\$ 38,926</u>

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, 2008:

	Governmental Activities
Fiscal year ending June 30,	
2009	\$ 20,453
2010	20,483
2011	17,307
2012	13,533
Total minimum lease payments	71,776
Less amount representing interest	4,119
Present value of future minimum lease payments	<u>\$ 67,657</u>

Revenue Bonds – Business-type Activities.

Revenue bonds outstanding for business-type activities at June 30, 2008, are as follows:

<u>Purpose</u>	<u>Interest Rate(s)</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2008</u>
Water/Sewer	3.75 - 4.75%	25 years	November 2024	\$ 6,240,000	\$ 5,360,000

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Revenue bonds debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2009	\$ 220,000	\$ 238,228	\$ 458,228
2010	230,000	229,058	459,058
2011	235,000	219,408	454,408
2012	245,000	209,266	454,266
2013	260,000	198,405	458,405
2014 - 2018	1,470,000	807,541	2,277,541
2019 - 2023	1,835,000	430,847	2,265,847
2024 - 2025	865,000	41,444	906,444
	<u>\$ 5,360,000</u>	<u>\$ 2,374,197</u>	<u>\$ 7,734,197</u>

Revenue Bonds – Component Units.

Revenue bonds outstanding for component units at June 30, 2008, are as follows:

<u>Purpose</u>	<u>Interest Rate(s)</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2008</u>
Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 2,585,000

Revenue bonds debt service requirements to maturity for the component units are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2009	\$ 295,000	\$ 94,870	\$ 389,870
2010	310,000	84,043	394,043
2011	320,000	72,666	392,666
2012	330,000	60,922	390,922
2013	80,000	48,811	128,811
2014 - 2018	460,000	196,897	656,897
2019 - 2023	545,000	106,431	651,431
2024 - 2025	245,000	13,580	258,580
	<u>\$ 2,585,000</u>	<u>\$ 678,220</u>	<u>\$ 3,263,220</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Note Payable. The Water and Sewer Fund has also incurred debt to the Georgia Environmental Facilities Authority for the acquisition of the Newtown Water System from Crisp County, Georgia. This note is as follows at June 30, 2008:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2008</u>
5.03%	18 years	December 2018	\$ 615,849	\$ 423,858

The City's note payable debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2009	\$ 31,476	\$ 20,733	\$ 52,209
2010	33,090	19,119	52,209
2011	34,786	17,423	52,209
2012	36,569	15,640	52,209
2013	38,443	13,766	52,209
2014 - 2018	223,873	37,172	261,045
2019	25,621	484	26,105
	<u>\$ 423,858</u>	<u>\$ 124,337</u>	<u>\$ 548,195</u>

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
SPLOST Fund	General Fund	\$ 385,497
SPLOST Fund	Non-major governmental	104,389
Economic Development Main Street	Non-major governmental	20,000
Non-major governmental funds	General Fund	84,610
Natural Gas Fund	Water and Sewer Fund	45,644
		<u>\$ 640,140</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Natural gas fund	\$ 264,398
General Fund	Water and sewer fund	678,818
		<u>\$ 943,216</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers out:	Transfers In:				Total
	General Fund	Gas Fund	Water & Sewer Fund	Non-major governmental funds	
General fund	\$ -	\$ 467,882	\$ 315,583	\$ 10,486	\$ 793,951
Non-major governmental funds	175,585	-	-	-	175,585
	<u>\$ 175,585</u>	<u>\$ 467,882</u>	<u>\$ 315,583</u>	<u>\$ 10,486</u>	<u>\$ 969,536</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.

NOTE 10. PENSION COSTS

The City of Cordele is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), an Agent Multiple Employer Defined Benefit Pension Plan. GMEBS is not a component unit of the City. 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 shall be 100% vested upon termination of tenure of office. Benefit provisions and other requirements are established by state statute and City ordinances. Employees are not required to make contributions. No securities of the City are a part of the plan assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. PENSION COSTS (CONTINUED)

The plan provides pension benefits, deferred allowance and disability benefits.

The plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10).

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial value of assets is determined by rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10% of investment gains (losses) during the prior 10 years. 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, 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.

For the plan year ended December 31, 2007, the City's annual pension cost of \$227,506 was equal to the City's required and actual contributions. These contributions represented 5.71% of covered payroll. The total payroll for employees covered by the plan was \$3,986,750.

THREE-YEAR TREND INFORMATION

<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	259,535	100	-
12/31/06	204,211	100	-
12/31/07	227,506	100	-

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The significant actuarial assumptions used in the current valuation are:

- Rate of return on investment 8.0% per year
- Projected salary increases for
 - Inflation 5.0% per year
 - Merit or seniority 0.5% per year
- Post-retirement benefit increases Not applicable

NOTES TO FINANCIAL STATEMENTS

NOTE 10. PENSION COSTS (CONTINUED)

	January 1, 2006	January 1, 2007	January 1, 2008
Actuarial valuation date			
Actuarial value of assets	\$ 7,606,279	\$ 8,071,173	\$ 8,543,164
Actuarial accrued liability	7,548,746	7,990,678	8,839,557
Total unfunded actuarial liability (funding excess)	(57,533)	(80,495)	296,393
Funded ratio	100.8 %	101.0 %	96.6 %
Annual covered payroll	3,823,898	3,986,750	4,183,911
Ratio of unfunded (excess) to annual covered payroll	- %	- %	7.1 %

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

NOTE 11. 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, 2008, 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.

Pending Litigation - The City is the defendant in a number of 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. 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 pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (CONTINUED)

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, 2008	June 30, 2007
Claims liability, beginning of year	\$ 180,000	\$ 77,000
Incurred claims (including IBNRs)	969,828	776,371
Claims paid	(1,061,959)	(908,784)
Claims reimbursed from reinsurers	120,531	235,413
Claims liability, end of year	<u>\$ 208,400</u>	<u>\$ 180,000</u>

NOTE 13. 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, 2008, the City did not provide any contributions to the Cordele Housing Authority.

NOTE 14. 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 Middle Flint Regional Development Center (RDC) and is required to pay annual dues thereto. During its year ended June 30, 2008, the City paid \$14,162 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC 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 Middle Flint Regional Development Center, 228 West Lamar Street, Americus, Georgia 31709.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. HOTEL/MOTEL LODGING TAX

The City has levied a 3% lodging tax. Revenues collected during the fiscal year ended June 30, 2008, were \$250,913. Of the tax received, 30%, or \$75,328 is paid to the Cordele/Crisp County Tourism Commission (CCTC). Management represents that 100% of the lodging tax received during the year ended June 30, 2008, was used for the promotion of tourism, conventions, or trade shows.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Economic Development Fund - To account for 1984 and 1989 federal grants to the City to be used by the City for 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 - 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 calendar year may be expended for other public purposes.

Downtown Revitalization Fund - 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 - To account for the City's revenues and expenditures related to the Hotel Lodging tax levied during the year. The City collects 3% of lodging fees and forwards 27.67% of revenue collected to the Tourism Board.

Capital Projects Funds

CDBG Rehabilitation and Grant Funds - These funds are used to account for financing and construction of low income housing authorized by Community Development Block Grants provided through the federal government.

GEMA Fund - These funds are used to account for the purchase and acquisition of real property and the relocation assistance costs to move low income housing citizens from a flood plain area within the City of Cordele as authorized by Georgia Emergency Management Agency Grants provided through the federal government.

CDBG CHIP Grant Fund - These funds are 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.

CDBG Boys/Girls Fund - These funds are to be used to assist the Boys & Girls Club of Crisp County to expand its programs and serve more youth through the development of a new center in Cordele.

NONMAJOR GOVERNMENTAL FUNDS

Permanent Fund

Non-expendable Trust Fund - The A.B. Branran Community Clubhouse Trust Fund - This fund is used to account for the trust of 1,664 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, 2008

	Special Revenue Funds			
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund
ASSETS				
Cash	\$ 307,391	\$ 25,631	\$ 16,189	\$ -
Investments	-	-	-	-
Due from other funds	-	-	14,462	-
Mortgages receivable	151,311	-	-	-
Taxes receivables	-	-	-	21,470
Participant receivables	-	-	-	-
Total assets	<u>\$ 458,702</u>	<u>\$ 25,631</u>	<u>\$ 30,651</u>	<u>\$ 21,470</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	10,628
Due to other funds	20,000	-	-	10,842
Total liabilities	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>21,470</u>
FUND BALANCES (DEFICITS)				
Reserved for loans	438,702	-	-	-
Reserved for endowment	-	-	-	-
Reserved for clubhouse expenses	-	-	-	-
Unreserved	-	25,631	30,651	-
	<u>438,702</u>	<u>25,631</u>	<u>30,651</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 458,702</u>	<u>\$ 25,631</u>	<u>\$ 30,651</u>	<u>\$ 21,470</u>

Capital Projects Funds				Permanent Fund	
CDBG Rehabilitation Fund	CDBG No. 96m-x-040-128-006 Fund	GEMA Fund	Boys & Girls Club Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ 12,933	\$ 56,508	\$ -	\$ 4,537	\$ 55,179	\$ 478,368
-	-	-	-	293,296	293,296
-	-	70,148	-	-	84,610
-	-	-	-	-	151,311
-	-	-	-	-	21,470
-	11,180	-	-	-	11,180
<u>\$ 12,933</u>	<u>\$ 67,688</u>	<u>\$ 70,148</u>	<u>4,537</u>	<u>\$ 348,475</u>	<u>\$ 1,040,235</u>
\$ -	\$ 64,094	\$ -	\$ -	\$ -	\$ 64,094
-	-	-	-	-	10,628
-	-	104,389	71	-	135,302
-	64,094	104,389	71	-	210,024
-	-	-	-	-	438,702
-	-	-	-	55,179	55,179
-	-	-	-	293,296	293,296
12,933	3,594	(34,241)	4,466	-	43,034
12,933	3,594	(34,241)	4,466	348,475	830,211
<u>\$ 12,933</u>	<u>\$ 67,688</u>	<u>\$ 70,148</u>	<u>\$ 4,537</u>	<u>\$ 348,475</u>	<u>\$ 1,040,235</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, 2008

	Special Revenue Funds			
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund
Revenues:				
Taxes	\$ -	\$ -	\$ 11,190	\$ 250,913
Charges for services	-	-	-	-
Donations	-	-	51,853	-
Interest and dividend income	11,491	-	41	-
Net increase in the fair value of investments	-	-	-	-
Total revenues	<u>11,491</u>	<u>-</u>	<u>63,084</u>	<u>250,913</u>
Expenditures:				
Current:				
Community development	-	-	52,062	75,328
Total expenditures	<u>-</u>	<u>-</u>	<u>52,062</u>	<u>75,328</u>
Excess of revenues over expenditures	<u>11,491</u>	<u>-</u>	<u>11,022</u>	<u>175,585</u>
Other financing uses:				
Transfers out to other funds	-	-	-	(175,585)
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,585)</u>
Net change in fund balances	11,491	-	11,022	-
Fund balances (deficits), beginning of year	<u>427,211</u>	<u>25,631</u>	<u>19,629</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 438,702</u>	<u>\$ 25,631</u>	<u>\$ 30,651</u>	<u>\$ -</u>

Capital Projects Funds				Permanent Fund	
CDBG Rehabilitation Fund	CDBG No. 96m-x-040-128-006 Fund	GEMA Fund	Boys & Girls Club Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,103
-	-	-	11,956	-	11,956
-	-	-	-	-	51,853
111	1,016	-	-	4,899	17,558
-	-	-	-	14,144	14,144
111	1,016	-	11,956	19,043	357,614
-	36	-	11,837	-	139,263
-	36	-	11,837	-	139,263
111	980	-	119	19,043	218,351
-	-	-	-	-	(175,585)
-	-	-	-	-	(175,585)
111	980	-	119	19,043	42,766
12,822	2,614	(34,241)	4,347	329,432	787,445
\$ 12,933	\$ 3,594	\$ (34,241)	\$ 4,466	\$ 348,475	\$ 830,211

CITY OF CORDELE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		<u>2001 REFERENDUM</u>			
<u>No.</u>	<u>Project</u>	<u>Original and Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
1	Engineering and design of the Industrial Area West	\$ 600,000	\$ 534,045	\$ -	\$ 534,045
2	Wastewater Treatment Plant improvements	2,500,000	2,402,425	-	2,402,425
	Totals	<u>\$ 3,100,000</u>	<u>\$ 2,936,470</u>	<u>\$ -</u>	<u>\$ 2,936,470</u>
		<u>2006 REFERENDUM</u>			
1	Library improvements	\$ 300,000	\$ 143,100	\$ -	\$ 143,100
2	Industrial Park Elevated Tank	1,000,000	953,609	-	953,609
3	Water/Sewer Improvements	1,110,000	20,145	184,312	204,457
4	Police Vehicles	600,000	109,620	112,404	222,024
5	City Hall Improvements / HVAC/ADA	500,000	-	248,928	248,928
6	Emergency Warnings Signals	100,000	-	-	-
7	Public Works Equipment	90,000	-	-	-
8	Fire HVAC Systems	50,000	8,441	-	8,441
	Totals	<u>\$ 3,750,000</u>	<u>\$ 1,234,915</u>	<u>\$ 545,644</u>	<u>\$ 1,780,559</u>

Note: The Schedule of Expenditures of Special Purpose Local Option Sales Tax has been modified in the current year to properly reflect the original and current estimated cost of projects related to the 2001 and 2006 Referendums.

COMPONENT UNITS

CITY OF CORDELE, GEORGIA

**BALANCE SHEET
COMPONENT UNITS
JUNE 30, 2008**

	<u>Downtown Development Authority</u>	<u>Cordele Office Building Authority</u>
ASSETS		
Cash	\$ 16,147	\$ 3,418,293
Total assets	<u>\$ 16,147</u>	<u>\$ 3,418,293</u>
LIABILITIES		
Due to primary government	\$ -	\$ 32,671
Total liabilities	<u>-</u>	<u>32,671</u>
FUND BALANCES		
Unreserved, undesignated	<u>16,147</u>	<u>3,385,622</u>
Total fund balances	<u>16,147</u>	<u>3,385,622</u>
Total liabilities and fund balances	<u>\$ 16,147</u>	<u>\$ 3,418,293</u>

CITY OF CORDELE, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Downtown Development Authority	Cordele Office Building Authority
Revenues		
Unrestricted investment earnings	\$ 745	\$ 119,509
Contribution revenues	<u>-</u>	<u>390,707</u>
Total revenues	<u>745</u>	<u>510,216</u>
Expenditures		
Debt service:		
Principle retirement	-	285,000
Interest and fiscal charges	<u>-</u>	<u>105,707</u>
Total expenditures	<u>-</u>	<u>390,707</u>
Net change in fund balances	745	119,509
Fund balances, July 1	<u>15,402</u>	<u>3,266,113</u>
Fund balances, June 30	<u><u>\$ 16,147</u></u>	<u><u>\$ 3,385,622</u></u>

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 21, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cordele, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 through 2008-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the City of Cordele, Georgia in a separate letter dated November 21, 2008.

The City of Cordele, Georgia's responses to the audit findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's Finance Committee, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
November 21, 2008

CITY OF CORDELE, GEORGIA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:
Material weaknesses identified?

____ yes X no

Significant deficiencies identified not considered
to be material weaknesses?

X yes ____ none reported

Noncompliance material to financial statements noted?

____ yes X no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2008 due to the total amount expended being less than \$500,000.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2008 - 1. Lack of Segregation of Duties

Criteria: Good, sound internal controls require a proper segregation of duties.

Condition: For the fiscal year ending June 30, 2008, we noted the City of Cordele, Georgia did not have a proper segregation of duties in the area of cash management.

Specifically, we noted the following issues related to segregation of duties:

- Individuals responsible for performing cash and investment transactions with financial institutions are also involved in the general ledger function.
- Recordkeeping functions for securities are done by employees that also have access to physical securities, authorize security transactions, and have duties in the cash area.

Context: See above condition.

Effect: The failure of the City of Cordele, Georgia to have proper segregation of duties could lead to undetected misappropriation of funds or delays in finding potential fraud.

Recommendation: The City should work to immediately eliminate the above deficiency.

CITY OF CORDELE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2008 - 1. Lack of Segregation of Duties (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the recommendation. At this time, we intend on reviewing the matters noted above, and will consider appropriate action upon completion of our deliberations.

2008 - 2. Management of Accounts Payable Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The City did not properly address the above criteria as of June 30, 2008 as it relates to accounts payable items within the General Fund.

Context: We addressed this matter with City officials and they were able to determine the amount of accounts payable that should be recorded in this fund as of June 30, 2008.

Effect: An audit adjustment to increase accounts payable and operating expenditures in the amount of \$21,257 was required to be reported within the General Fund as of June 30, 2008. While the adjustment may not be deemed material to the City of Cordele as a whole, it is considered to be significant relative to the respective General Fund.

Recommendation: We recommend the City begin recognizing and recording accounts payable as required, and record the necessary adjustments to reflect the accounts payable balances at the conclusion of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to improve our accounts payable reconciliation process in future years for year end and month end reporting purposes.

CITY OF CORDELE, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2008 – 3. Capital Assets

Criteria: Proprietary funds use the economic resources measurement focus, which requires those funds to report all assets and liabilities, including capital assets and other long-term assets. As part of that reporting process, the City should record reductions in capital assets in times of sale or retirement of an asset, and the net effect of this type of adjustment should flow through the proprietary funds operating statement.

Condition: The City did not properly record the sale of a capital asset entered into by the Natural Gas Fund.

Context: See above condition.

Effect: An audit adjustment to decrease capital assets by \$24,000 and increase gains on sale of capital assets by the same amount was required to be reported by the Natural Gas Fund as of June 30, 2008. While the adjustment may not be deemed material to the City of Cordele as a whole, it is considered to be significant relative to the respective Natural Gas Fund which is considered to be a major fund of the City of Cordele.

Recommendation: We recommend the City record all deletions of capital assets offset by their respective proceeds in the proper funds as they occur during the year.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will record and reconcile all activity surrounding capital assets in the proper funds as they occur during the year.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

2007 - 1. Lack of Segregation of Duties

Criteria: Good, sound internal controls require a proper segregation of duties.

Condition: For the fiscal year ending June 30, 2006 and 2007, respectively, we noted the City of Cordele, Georgia did not have a proper segregation of duties in the cash management area.

Specifically, we noted the following issues related to segregation of duties:

- Individuals responsible for performing cash and investment transactions with financial institutions are also involved in the general ledger function.
- Recordkeeping functions for securities are done by employees that also have access to physical securities, authorize security transactions, and have duties in the cash area.

Auditee Response/Status – Unresolved. See current year finding number 2008-1.

2007 - 2. Management of Due to/from (Internal) Accounts

Criteria: Generally accepted accounting principles require consideration of the collectibility of all types of receivables whether external or internal to the City. As part of that process, the City should review the amounts included in due to/from accounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as operating transfers in/out during any given fiscal year.

Condition: The City's unadjusted trial balance in the General Fund, Water and Sewer Fund, and Gas Fund reported amounts in the due to/from accounts that had not been properly adjusted during the year requiring an audit adjustment to be made in each fund to properly record amounts due from the enterprise funds to the City's General Fund.

Auditee Response/Status – Resolved. Regular reviews were made this past year in an effort to more accurately report interfund balances. Adjustments were made as part of our annual closing of the respective general ledgers to arrive at appropriate balances.

CITY OF CORDELE, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

2007 – 3. Debt Transactions

Criteria: Proprietary funds use the economic resources measurement focus, which requires those funds to report all assets and liabilities, including long-term debt. As part of that reporting process, the City should not record its repayment of the principal of debt through the proprietary funds operating statement.

Condition: The City did not properly record the payment of debt made by the Water and Sewer Fund on behalf of the Cordele Office Building Authority.

Auditee Response/Status – Resolved. The City recorded all debt transactions appropriately in the proper funds as they occurred during the year.

2007 - 4. Management of Accounts Payable Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The City did not properly address the above criteria as of June 30, 2007 as it relates to accounts payable items within the Health Benefit Fund.

Auditee Response/Status – Partially Resolved. The City recorded the proper amount in the Health Benefit Fund as of June 30, 2008; however, the General Fund required an adjustment which was considered to be significant relative to its operations. See current year finding number 2008-2.

THIS PAGE INTENTIONALLY LEFT BLANK.
