

**CITY OF CORDELE, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Prepared by:**  
**Department of Finance**

## INTRODUCTORY SECTION

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**CITY OF CORDELE, GEORGIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**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, 2010, 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, 2010, 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 December 10, 2010, 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.

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The Management's Discussion and Analysis (on pages 3 through 11) and the Schedule of Funding Progress (on page 51) 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 not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards 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  
December 10, 2010

# CITY OF CORDELE, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2010. The information presented here should be used in conjunction with the additional information provided in this financial report, which follows this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$30,367,231 (*net assets*). Of this amount, \$6,678,355 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$642,112.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,998,501, an increase of \$795,536 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$786,959, an increase of \$941,990 over the prior year.
- The City's total long-term debt (excluding compensated absences) decreased by (\$41,608) during the current fiscal year. This change consisted of scheduled repayments of \$306,875 and the addition of capital leases totaling \$265,267.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report for the fiscal year ended June 30, 2010, marks the eighth 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

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**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

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**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 eleven (11) 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 eight (8) 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

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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 - 59 of this report.

### **Government-Wide Financial Analysis**

#### **Statement of Net Assets**

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 \$30,367,231 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (66%) 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

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

	Governmental Activities		Business-type Activities		Total	
	FY2010	FY2009	FY 2010	FY2009	FY2010	FY2009
Current and other assets	\$ 4,876,366	\$ 3,838,242	\$ 7,393,706	\$ 7,722,534	\$ 12,270,072	\$ 11,560,776
Capital assets	11,701,959	11,329,830	13,946,609	14,412,032	25,648,568	25,741,862
Total assets	16,578,325	15,168,072	21,340,315	22,134,566	37,918,640	37,302,638
Current liabilities	1,450,902	1,277,006	875,179	1,008,410	2,326,081	2,285,416
Long-term liabilities	225,822	22,811	4,999,506	5,269,292	5,225,328	5,292,103
Total liabilities	1,676,724	1,299,817	5,874,685	6,277,702	7,551,409	7,577,519
Net assets:						
Invested in capital assets, net of related debt	11,438,124	11,287,477	8,677,317	8,879,650	20,115,441	20,167,127
Restricted	1,382,122	1,578,923	2,191,313	2,148,675	3,573,435	3,727,598
Unrestricted	2,081,355	1,001,855	4,597,000	4,828,539	6,678,355	5,830,394
Total net assets	\$ 14,901,601	\$ 13,868,255	\$ 15,465,630	\$ 15,856,864	\$ 30,367,231	\$ 29,725,119

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, 2010, were \$30,367,231 an increase of \$642,112 from June 30, 2009. Of total assets \$15,465,630 came from business-type activities and \$14,901,601 came from governmental activities.

An additional portion of the City's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (amounting to \$6,678,355) 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.

### **Statement of Activities**

**Governmental Activities.** Governmental activities during the fiscal year ended June 30, 2010, increased the City of Cordele's net assets by \$1,033,346. Business-type activities during the same period decreased net assets by (\$391,234) for a total increase in net assets of \$642,112. 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 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,123,285	\$ 1,512,901	\$ 5,802,016	\$ 5,944,388	\$ 6,925,301	\$ 7,457,289
Operating grants and contributions	304,812	62,070	-	-	304,812	62,070
Capital grants and contributions	831,814	30,000	1,111,591	2,147,990	1,943,405	2,177,990
General revenues:						
Property taxes	2,625,361	2,429,516	-	-	2,625,361	2,429,516
Sales taxes	2,002,387	2,522,679	-	-	2,002,387	2,522,679
Alcoholic beverages taxes	332,417	344,905	-	-	332,417	344,905
Other taxes	981,523	1,037,556	-	-	981,523	1,037,556
Franchise fees	1,251,998	1,273,999	-	-	1,251,998	1,273,999
Unrestricted investment earnings	149,745	127,094	82,961	151,725	232,706	278,819
Gain on sale of capital assets	13,785	46,751	-	-	13,785	46,751
Total revenues	<u>9,617,127</u>	<u>9,387,471</u>	<u>6,996,568</u>	<u>8,244,103</u>	<u>16,613,695</u>	<u>17,631,574</u>
Expenses:						
General government	1,827,298	2,197,012	-	-	1,827,298	2,197,012
Public works	2,116,992	1,986,831	-	-	2,116,992	1,986,831
Public safety	3,924,365	3,681,144	-	-	3,924,365	3,681,144
Community development	566,921	1,084,977	-	-	566,921	1,084,977
Central purchasing	131,325	122,285	-	-	131,325	122,285
Culture and recreation	423,932	411,737	-	-	423,932	411,737
Housing & Development	66,445	756,042	-	-	66,445	756,042
Interest on long-term debt	10,093	2,124	-	-	10,093	2,124
Water and sewer	-	-	3,863,889	4,220,234	3,863,889	4,220,234
Natural gas	-	-	2,178,689	2,353,147	2,178,689	2,353,147
Sanitation	-	-	861,634	874,958	861,634	874,958
Total expenses	<u>9,067,371</u>	<u>10,242,152</u>	<u>6,904,212</u>	<u>7,448,339</u>	<u>15,971,583</u>	<u>17,690,491</u>
Increase (decrease) in net assets before transfers	549,756	(854,681)	92,356	795,764	642,112	(58,917)
Transfers	483,590	(444,642)	(483,590)	444,642	-	-
Increase (decrease) in net assets	1,033,346	(1,299,323)	(391,234)	1,240,406	642,112	(58,917)
Net assets, beginning of year	13,868,255	15,167,578	15,856,864	14,616,458	29,725,119	29,784,036
Net assets, end of year	<u>\$ 14,901,601</u>	<u>\$ 13,868,255</u>	<u>\$ 15,465,630</u>	<u>\$ 15,856,864</u>	<u>\$ 30,367,231</u>	<u>\$ 29,725,119</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Governmental Activities.** This chart shows total revenues from governmental activities of \$9,617,127 for 2010 and \$9,387,471 for 2009 while expenses were \$9,067,371 for 2010 and \$10,242,152 for 2009. The largest revenue source for governmental activities comes from property taxes at \$2,625,361 or 27% of revenues for 2010 and from sales taxes at \$2,522,679 or 27% of revenues for 2009. The City of Cordele spent the greatest amount of its available funding on public safety at 43% for 2010 and at 36% for 2009.

**Business-Type Activities.** Business-type activities program revenues exceeded expenses by \$92,356 in 2010 and revenues exceeded expenses by \$795,764 in 2009 before transfers to support the governmental activities. The business-type activities largest revenue source is the Water/Sewer Fund in 2010 (50%) and the Water/Sewer Fund in 2009 (48%). The Water and Sewer Fund had the largest amount of expenses at 56% or \$3,863,889 for 2010 and 57% or \$4,220,234 for 2009.

### **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 2010, these three funds had fund balances of \$998,258, \$1,125,872, and \$162,172 respectively. This is an increase of \$940,110 to the beginning fund balance of the General Fund, a decrease of (\$159,774) to the beginning fund balance of the SPLOST Fund, and an increase of \$12,685 to the beginning fund balance of the Economic Development Fund.

The fund balances for the other governmental funds increased by \$2,515. The final fund balance for these funds increased from \$709,584 at the beginning of the year to \$712,199 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 \$1,293,522 at the end of the year ending June 30, 2010. This is a decrease of (\$350,889) from the previous year.

The Water and Sewer Fund had an ending cash and cash equivalents balance of \$901,811 for FY 2009-10. This is a decrease of (\$691,365) from the previous year.

The Gas Fund had an ending cash and cash equivalents balance of \$391,711 for FY2009-10. This is an increase of \$340,476 from the previous year.

The Sanitation Fund had an ending cash and cash equivalents balance of \$0 for FY2009-10. 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, 2010, governmental activities and business-type activities had capital assets of \$25,648,568 (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 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Land	\$ 4,889,257	\$ 4,886,340	\$ 326,299	\$ 326,299	\$ 5,215,556	\$ 5,212,639
Construction in progress	876,029	303,346	1,162,647	491,708	2,038,676	795,054
Buildings	1,708,945	1,826,999	811,966	857,262	2,520,911	2,684,261
Improvements other than buildings	309,212	580,305	11,629,785	12,720,689	11,938,997	13,300,994
Infrastructure	2,726,044	2,727,286	-	-	2,726,044	2,727,286
Machinery and equipment	1,192,472	1,005,554	15,912	16,074	1,208,384	1,021,628
Total net assets	<u>\$ 11,701,959</u>	<u>\$ 11,329,830</u>	<u>\$ 13,946,609</u>	<u>\$ 14,412,032</u>	<u>\$ 25,648,568</u>	<u>\$ 25,741,862</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, 2010, the City had \$444,735 of outstanding long-term debt related to the governmental activities and \$5,313,139 of long-term debt related to business-type activities for a total \$5,757,874 compared to the previous year's total of \$5,808,547. This is a reduction of (\$50,673).

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

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### **Factors Affecting the FY2010-11 Budget:**

The City Commission of the City of Cordele considered many factors when approving the City's FY 2011 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 the economic downturn-loss of revenues. The City Commission and its employees have made sacrifices to maintain services for the residents of the City and continue to do so with the hopes that stronger measures will not be a necessity.

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. One quadrant of this area has been developed with the help of City-procured funding and over \$8 million of investment in business has been made. Infrastructure is already in place for utilities and construction to five-lane the access road in this area to attract potential commercial development. It is the intention of the City of Cordele to have this project completed by the end of 2010 with the help of outside government agency injections to the project, grant funding, and commitment of current resources of the City.

Another accomplishment in the City with the aid of City-procured grant funding is a brand new building for the Boys/Girls Club of Cordele. This facility will provide services and activities benefiting over 200 children in the area. The City has provided the property for the building and has also renovated an old gymnasium in this project for use by the Boys/Girls Club.

### **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, 2010

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Cordele Office Building Authority
Cash and cash equivalents	\$ 2,063,745	\$ 884,820	\$ 2,948,565	\$ 13,054	\$ 1,923,517
Investments	474,437	-	474,437	-	-
Taxes receivable	409,690	-	409,690	-	-
Accounts receivable, net of allowances	12,649	428,302	440,951	-	-
Due from other governments	522,313	813,949	1,336,262	-	-
Internal balances	620,769	(620,769)	-	-	-
Inventories	110,776	390,513	501,289	-	-
Prepaid expenditures / expenses	523	3,028	3,551	-	-
Restricted assets:					
Cash and cash equivalents	-	213,045	213,045	-	-
Investments	-	5,125,098	5,125,098	-	-
Deferred charges, unamortized balance	-	155,720	155,720	-	51,035
Mortgages receivable	661,464	-	661,464	-	-
Capital assets:					
Non-depreciable	5,765,286	1,488,946	7,254,232	-	-
Depreciable, net of accumulated depreciation	5,936,673	12,457,663	18,394,336	-	-
Total assets	16,578,325	21,340,315	37,918,640	13,054	1,974,552
<b>LIABILITIES</b>					
Accounts payable	589,311	305,629	894,940	-	-
Accrued liabilities	97,942	87,762	185,704	-	18,167
Unearned revenues	544,736	-	544,736	-	-
Liabilities payable from restricted assets:					
Note payable due within one year	-	34,786	34,786	-	-
Bonds payable due within one year	-	235,000	235,000	-	320,000
Deposits payable	-	168,155	168,155	-	-
Compensated absences due within one year	180,900	43,847	224,747	-	-
Capital leases due within one year	38,013	-	38,013	-	-
Capital leases due in more than one year	225,822	-	225,822	-	-
Note payable due in more than one year	-	324,506	324,506	-	-
Bonds payable due in more than one year	-	4,675,000	4,675,000	-	1,660,000
Total liabilities	1,676,724	5,874,685	7,551,409	-	1,998,167
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	11,438,124	8,677,317	20,115,441	-	-
Restricted for:					
Debt service	-	2,191,313	2,191,313	-	-
Capital projects	1,125,872	-	1,125,872	-	-
Community clubhouse:					
Expendable	66,321	-	66,321	-	-
Nonexpendable	189,929	-	189,929	-	-
Unrestricted	2,081,355	4,597,000	6,678,355	13,054	(23,615)
Total net assets	\$ 14,901,601	\$ 15,465,630	\$ 30,367,231	\$ 13,054	\$ (23,615)

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, 2010**

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets								
	Program Revenues				Governmental Activities	Business-type Activities	Total	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				Downtown Development Authority	Cordele Office Building Authority
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 1,827,298	\$ 503,470	\$ -	\$ -	\$ (1,323,828)	\$ -	\$ (1,323,828)	\$ -	\$ -
Public works	2,116,992	-	-	699,790	(1,417,202)	-	(1,417,202)	-	-
Public safety	3,924,365	619,815	253,305	132,024	(2,919,221)	-	(2,919,221)	-	-
Community development	566,921	-	51,507	-	(515,414)	-	(515,414)	-	-
Central purchasing	131,325	-	-	-	(131,325)	-	(131,325)	-	-
Culture and recreation	423,932	-	-	-	(423,932)	-	(423,932)	-	-
Housing and development	66,445	-	-	-	(66,445)	-	(66,445)	-	-
Interest on long-term debt	10,093	-	-	-	(10,093)	-	(10,093)	-	-
Total governmental activities	<u>9,067,371</u>	<u>1,123,285</u>	<u>304,812</u>	<u>831,814</u>	<u>(6,807,460)</u>	<u>-</u>	<u>(6,807,460)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	3,863,889	2,916,237	-	965,107	-	17,455	17,455	-	-
Natural gas	2,178,689	2,000,467	-	146,484	-	(31,738)	(31,738)	-	-
Sanitation	861,634	885,312	-	-	-	23,678	23,678	-	-
Total business-type activities	<u>6,904,212</u>	<u>5,802,016</u>	<u>-</u>	<u>1,111,591</u>	<u>-</u>	<u>9,395</u>	<u>9,395</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,971,583</u>	<u>\$ 6,925,301</u>	<u>\$ 304,812</u>	<u>\$ 1,943,405</u>	<u>\$ (6,807,460)</u>	<u>\$ 9,395</u>	<u>\$ (6,798,065)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Component units:</b>									
Downtown Development Authority	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,000)	\$ -
Cordele Office Building Authority	648,503	-	460,488	-	-	-	-	-	(188,015)
Total component units	<u>\$ 652,503</u>	<u>\$ -</u>	<u>\$ 460,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ (188,015)</u>
General revenues:									
Property taxes					2,625,361	-	2,625,361	-	-
Sales taxes					2,002,387	-	2,002,387	-	-
Alcoholic beverage taxes					332,417	-	332,417	-	-
Franchise taxes					1,251,998	-	1,251,998	-	-
Hotel taxes					309,881	-	309,881	-	-
Other taxes					671,642	-	671,642	-	-
Unrestricted investment earnings					149,745	82,961	232,706	332	1,072
Gain on sale of capital assets					13,785	-	13,785	-	-
Transfers					483,590	(483,590)	-	-	-
Total general revenues and transfers					<u>7,840,806</u>	<u>(400,629)</u>	<u>7,440,177</u>	<u>332</u>	<u>1,072</u>
Change in net assets					<u>1,033,346</u>	<u>(391,234)</u>	<u>642,112</u>	<u>(3,668)</u>	<u>(186,943)</u>
Net assets, beginning of year					<u>13,868,255</u>	<u>15,856,864</u>	<u>29,725,119</u>	<u>16,722</u>	<u>163,328</u>
Net assets, end of year					<u>\$ 14,901,601</u>	<u>\$ 15,465,630</u>	<u>\$ 30,367,231</u>	<u>\$ 13,054</u>	<u>\$ (23,615)</u>

The accompanying notes are an integral part of these financial statements

# CITY OF CORDELE, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2010

ASSETS	General	SPLOST Fund	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 335,344	\$ 1,090,264	\$ 142,172	\$ 455,116	\$ 2,022,896
Investments	284,508	-	-	189,929	474,437
Taxes receivable	366,556	-	-	43,134	409,690
Participants receivable	-	-	-	3,625	3,625
Accounts receivable	9,024	-	-	-	9,024
Due from other governments	416,042	106,271	-	-	522,313
Due from other funds	98,789	6,151	20,000	100,822	225,762
Inventories	110,776	-	-	-	110,776
Prepaid expenditures	523	-	-	-	523
Mortgage receivable	100,000	-	473,156	88,308	661,464
Total assets	<u>\$ 1,721,562</u>	<u>\$ 1,202,686</u>	<u>\$ 635,328</u>	<u>\$ 880,934</u>	<u>\$ 4,440,510</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 195,530	\$ 76,814	\$ -	\$ 84,641	\$ 356,985
Accrued liabilities	91,867	-	-	-	91,867
Deferred revenues	328,934	-	473,156	64,094	866,184
Due to other funds	106,973	-	-	20,000	126,973
Total liabilities	<u>723,304</u>	<u>76,814</u>	<u>473,156</u>	<u>168,735</u>	<u>1,442,009</u>
<b>FUND BALANCES</b>					
Fund balances:					
Reserved for:					
Inventories/prepaids	111,299	-	-	-	111,299
Loans	100,000	-	162,172	344,959	607,131
Endowment	-	-	-	66,321	66,321
Clubhouse	-	-	-	189,929	189,929
Unreserved, reported in:					
General Fund	786,959	-	-	-	786,959
Special revenue funds	-	-	-	93,822	93,822
Capital projects funds	-	1,125,872	-	17,168	1,143,040
Total fund balances	<u>998,258</u>	<u>1,125,872</u>	<u>162,172</u>	<u>712,199</u>	<u>2,998,501</u>
Total liabilities and fund balances	<u>\$ 1,721,562</u>	<u>\$ 1,202,686</u>	<u>\$ 635,328</u>	<u>\$ 880,934</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.	11,701,959
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	321,448
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(450,810)
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.	330,503
Net assets of governmental activities	<u>\$ 14,901,601</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, 2010

	General	SPLOST Fund	Economic Development Fund Main Street District	Other Governmental Funds	Totals Governmental Funds
<b>Revenues</b>					
Taxes	\$ 5,199,224	\$ -	\$ -	\$ 320,224	\$ 5,519,448
Licenses and permits	368,665	-	-	-	368,665
Intergovernmental	465,329	619,790	-	-	1,085,119
Charges for services	65,575	-	-	-	65,575
Fines and forfeitures	554,240	-	-	-	554,240
Administrative fees	544	-	-	-	544
Interest and penalties	183,995	1,175	68	(36,316)	148,922
Franchise and leases	1,251,998	-	-	-	1,251,998
Payments in lieu of taxes	364,830	-	-	-	364,830
Codes	29,878	-	-	-	29,878
Other revenues	91,766	-	12,617	51,507	155,890
Total revenues	<u>8,576,044</u>	<u>620,965</u>	<u>12,685</u>	<u>335,415</u>	<u>9,545,109</u>
<b>Expenditures</b>					
Current:					
General government	1,599,183	-	-	-	1,599,183
Public works	1,795,972	-	-	-	1,795,972
Public safety	3,701,940	-	-	-	3,701,940
Culture and recreation	410,463	-	-	1,220	411,683
Community development	302,554	-	-	214,592	517,146
Central purchasing	123,608	-	-	-	123,608
Debt service:					
Principal retirement	43,785	-	-	-	43,785
Interest and fiscal charges	4,018	-	-	-	4,018
Capital outlay	998,641	110,774	-	-	1,109,415
Total expenditures	<u>8,980,164</u>	<u>110,774</u>	<u>-</u>	<u>215,812</u>	<u>9,306,750</u>
Excess of revenues over expenditures	<u>(404,120)</u>	<u>510,191</u>	<u>12,685</u>	<u>119,603</u>	<u>238,359</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of capital assets	34,765	-	-	-	34,765
Capital leases	265,267	-	-	-	265,267
Transfers in from other funds	1,271,961	-	-	1,318	1,273,279
Payments to Cordele Office Building Authority	(66,445)	-	-	-	(66,445)
Transfers out to other funds	(161,318)	(669,965)	-	(118,406)	(949,689)
Total other financing sources (uses)	<u>1,344,230</u>	<u>(669,965)</u>	<u>-</u>	<u>(117,088)</u>	<u>557,177</u>
Net change in fund balances	940,110	(159,774)	12,685	2,515	795,536
<b>Fund balances, beginning of year</b>	<u>58,148</u>	<u>1,285,646</u>	<u>149,487</u>	<u>709,684</u>	<u>2,202,965</u>
<b>Fund balances, end of year</b>	<u>\$ 998,258</u>	<u>\$ 1,125,872</u>	<u>\$ 162,172</u>	<u>\$ 712,199</u>	<u>\$ 2,998,501</u>

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

# CITY OF CORDELE, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Net change in fund balances - total governmental funds	\$	795,536
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		393,108
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		(20,979)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Prior year long-term assets not available for current-period expenditures	\$	(264,039)
Current year long-term assets not available for current-period expenditures	<u>321,448</u>	57,409
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.		(221,482)
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.		9,200
Internal service funds are used by management to charge costs of various services and benefits to individual funds. The net revenues (expenses) of certain activities of internal service funds are reported with governmental activities.		
Current year change in net assets of the Health Benefit Internal Service Fund	(8,932)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>29,486</u>	<u>20,554</u>
	<u>\$</u>	<u>1,033,346</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, 2010

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 5,451,500	\$ 5,451,500	\$ 5,199,224	\$ (252,276)
Licenses and permits	380,000	380,000	368,665	(11,335)
Intergovernmental	890,897	890,897	465,329	(425,568)
Charges for services	74,300	74,300	65,575	(8,725)
Fines and forfeitures	590,500	590,500	554,240	(36,260)
Administrative fees	600	600	544	(56)
Interest and penalties	162,000	162,000	183,995	21,995
Franchise and leases	1,298,000	1,298,000	1,251,998	(46,002)
Payments in lieu of taxes	321,015	321,015	364,830	43,815
Codes	17,000	17,000	29,878	12,878
Other revenues	156,000	156,000	91,766	(64,234)
Total revenues	9,341,812	9,341,812	8,576,044	(765,768)
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Legislative	380,981	380,981	430,442	(49,461)
Executive	481,408	481,408	444,777	36,631
Judicial	72,490	72,490	67,906	4,584
Finance	636,896	636,896	656,058	(19,162)
Total general government	1,571,775	1,571,775	1,599,183	(27,408)
<b>Public works:</b>				
Highways and streets	2,184,385	2,184,385	1,795,972	388,413
Total public works	2,184,385	2,184,385	1,795,972	388,413
<b>Public safety:</b>				
Police	2,678,457	2,678,457	2,508,821	169,636
Fire	1,419,813	1,419,813	1,193,119	226,694
Total public safety	4,098,270	4,098,270	3,701,940	396,330
<b>Community development</b>	402,288	402,288	302,554	99,734
<b>Central purchasing</b>	122,297	122,297	123,608	(1,311)
<b>Culture and recreation</b>	407,475	407,475	410,463	(2,988)
<b>Debt service:</b>				
Principal retirement	38,110	38,110	43,785	(5,675)
Interest and fiscal charges	7,715	7,715	4,018	3,697
Total debt service	45,825	45,825	47,803	(1,978)

(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, 2010

	Budget Amounts		Actual	Variance
	Original	Final		
<b>Expenditures (continued):</b>				
<b>Capital outlay</b>	\$ 948,497	\$ 948,497	\$ 998,641	\$ (50,144)
Total expenditures	9,780,812	9,780,812	8,980,164	800,648
Excess (deficiency) of revenues over expenditures	(439,000)	(439,000)	(404,120)	34,880
<b>Other financing sources (uses):</b>				
Transfers in	209,000	209,000	1,271,961	1,062,961
Transfers out	-	-	(161,318)	(161,318)
Payments to Cordele Office Building Authority	-	-	(66,445)	(66,445)
Capital leases	220,000	220,000	265,267	45,267
Proceeds from sale of capital assets	10,000	10,000	34,765	24,765
Total other financing sources (uses)	439,000	439,000	1,344,230	905,230
Net change in fund balances	-	-	940,110	940,110
<b>Fund balances, beginning of year</b>	58,148	58,148	58,148	-
<b>Fund balances, end of year</b>	<u>\$ 58,148</u>	<u>\$ 58,148</u>	<u>\$ 998,258</u>	<u>\$ 940,110</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, 2010**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Interest earned	\$ 350	\$ 68	\$ (282)
Program income	12,618	12,617	(1)
Total revenues	<u>12,968</u>	<u>12,685</u>	<u>(283)</u>
<b>Expenditures</b>			
Community development	12,968	-	12,968
Total expenditures	<u>12,968</u>	<u>-</u>	<u>12,968</u>
Excess of revenues over expenditures	-	12,685	12,685
<b>Fund balance, July 1</b>	<u>149,487</u>	<u>149,487</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u><u>\$ 149,487</u></u>	<u><u>\$ 162,172</u></u>	<u><u>\$ 12,685</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, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
<b>CURRENT ASSETS</b>					
Cash	\$ 543,979	\$ 340,841	\$ -	\$ 884,820	\$ 40,849
Accounts receivable (net of allowance for uncollectibles)	240,853	122,815	64,634	428,302	-
Due from other funds	-	-	-	-	-
Due from other governments	539,107	274,842	-	813,949	-
Inventory	63,175	327,338	-	390,513	-
Prepaid expenses	-	3,028	-	3,028	-
Restricted assets					
Cash	44,970	-	-	44,970	-
Cash - customer deposits	117,205	50,870	-	168,075	-
Investments - sinking funds	195,657	-	-	195,657	-
Investments and certificates of deposit	3,156,827	1,772,614	-	4,929,441	-
Total current assets	4,901,773	2,892,348	64,634	7,858,755	40,849
<b>NONCURRENT ASSETS</b>					
Capital assets, at cost					
Land	317,299	9,000	-	326,299	-
Construction in progress	1,016,400	146,247	-	1,162,647	-
Buildings	1,825,899	244,967	-	2,070,866	-
Improvements other than buildings	25,413,579	3,026,899	-	28,440,478	-
Machinery and equipment	1,871,284	604,029	-	2,475,313	-
	30,444,461	4,031,142	-	34,475,603	-
Less accumulated depreciation	18,058,174	2,470,820	-	20,528,994	-
Total capital assets	12,386,287	1,560,322	-	13,946,609	-
Bond issuance costs, unamortized balance	155,720	-	-	155,720	-
Total noncurrent assets	12,542,007	1,560,322	-	14,102,329	-
Total assets	17,443,780	4,452,670	64,634	21,961,084	40,849
<b>CURRENT LIABILITIES</b>					
Payable from current assets:					
Vouchers payable	118,751	116,594	70,284	305,629	-
Accrued other expenses	38,896	-	-	38,896	-
Accrued payroll and vacation	50,133	19,246	-	69,379	-
Due to other funds	63,356	35,433	-	98,789	-
Pollution remediation liability	23,334	-	-	23,334	-
Unpaid claims and accrued estimated liability	-	-	-	-	232,326
Total	294,470	171,273	70,284	536,027	232,326
Payable from restricted assets:					
Current portion of revenue bonds	235,000	-	-	235,000	-
Current portion of note payable	34,786	-	-	34,786	-
Customer deposits	117,285	50,870	-	168,155	-
Total	387,071	50,870	-	437,941	-
Total current liabilities	681,541	222,143	70,284	973,968	232,326

(Continued)

# CITY OF CORDELE, GEORGIA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Health Benefit Internal Service Fund</b>
	<b>Water and Sewer</b>	<b>Natural Gas</b>	<b>Sanitation</b>	<b>Totals</b>	
<b>LONG-TERM LIABILITIES</b>					
Note payable (net of current portion)	\$ 324,506	\$ -	\$ -	\$ 324,506	\$ -
Revenue bonds (net of current portion)	4,675,000	-	-	4,675,000	-
Total long-term liabilities	4,999,506	-	-	4,999,506	-
 Total liabilities	 5,681,047	 222,143	 70,284	 5,973,474	 232,326
<b>NET ASSETS (DEFICIT)</b>					
Invested in capital assets, net of related debt	7,116,995	1,560,322	-	8,677,317	-
Restricted for debt service	2,191,313	-	-	2,191,313	-
Unrestricted	2,454,425	2,670,205	(5,650)	5,118,980	(191,477)
 Total net assets	 \$ 11,762,733	 \$ 4,230,527	 \$ (5,650)	 15,987,610	 \$ (191,477)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(521,980)	
Net assets of business-type activities				<u>\$ 15,465,630</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, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
<b>Operating revenues:</b>					
Charges for services	\$ 2,903,689	\$ 2,000,467	\$ 885,312	\$ 5,789,468	\$ -
Employee and employer contributions	-	-	-	-	687,516
Miscellaneous income	12,548	-	-	12,548	-
Total operating revenues	2,916,237	2,000,467	885,312	5,802,016	687,516
<b>Operating expenses:</b>					
Natural gas purchases	-	1,473,609	-	1,473,609	-
Production	1,446,479	-	-	1,446,479	-
Distribution	841,023	567,679	-	1,408,702	-
Collection	-	-	861,634	861,634	-
Health benefit costs	-	-	-	-	857,271
Total operating expenses	2,287,502	2,041,288	861,634	5,190,424	857,271
Net operating income (loss) before depreciation	628,735	(40,821)	23,678	611,592	(169,755)
Depreciation expense	1,033,110	132,546	-	1,165,656	-
Operating income (loss)	(404,375)	(173,367)	23,678	(554,064)	(169,755)
<b>Non-operating revenues (expenses):</b>					
Interest revenue	48,654	34,307	-	82,961	823
Intergovernmental revenue	459,300	70,904	-	530,204	-
Interest expense	(246,466)	-	-	(246,466)	-
Amortization of bond costs	(10,801)	-	-	(10,801)	-
Pollution remediation revenue	150,330	-	-	150,330	-
Payments to Cordele Office Building Authority	(411,709)	-	-	(411,709)	-
Total non-operating revenues (expenses)	(10,692)	105,211	-	94,519	823
Income (loss) before contributions and transfers	(415,067)	(68,156)	23,678	(459,545)	(168,932)
Capital contributions	505,807	75,580	-	581,387	-
Transfers in	-	-	-	-	160,000
Transfers out	(450,000)	-	(33,590)	(483,590)	-
Change in net assets	(359,260)	7,424	(9,912)	(361,748)	(8,932)
<b>Net assets, July 1</b>	<u>12,121,993</u>	<u>4,223,103</u>	<u>4,262</u>		<u>(182,545)</u>
<b>Net assets, June 30</b>	<u>\$ 11,762,733</u>	<u>\$ 4,230,527</u>	<u>\$ (5,650)</u>		<u>\$ (191,477)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(29,486)	
Change in net assets of business-type activities				<u>\$ (391,234)</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, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Health Benefit Internal Service Fund
	Water and Sewer	Natural Gas	Sanitation	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers, including deposits	\$ 2,921,228	\$ 1,956,099	\$ 893,773	\$ 5,771,100	\$ -
Cash received from employer and employee contributions	-	-	-	-	687,516
Cash payments to:					
Suppliers	(1,163,577)	(1,226,252)	(860,183)	(3,250,012)	-
Medical providers and/or employees	-	-	-	-	(836,245)
Employees	(1,021,836)	(225,525)	-	(1,247,361)	-
City in lieu of taxes	(85,300)	(150,000)	-	(235,300)	-
Net cash provided by (used in) operating activities	650,515	354,322	33,590	1,038,427	(148,729)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Advances (to)/from other funds	120,218	(46,783)	-	73,435	-
Payments to Cordele Office Building Authority	(411,709)	-	-	(411,709)	-
Other contributions	505,807	75,580	-	581,387	-
Transfers from other funds	-	-	-	-	160,000
Transfers to other funds	(450,000)	-	(33,590)	(483,590)	-
Net cash provided by (used in) noncapital financing activities	(235,684)	28,797	(33,590)	(240,477)	160,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Retirement of bonds	(230,000)	-	-	(230,000)	-
Interest on bonds	(248,177)	-	-	(248,177)	-
Purchase of capital assets	(645,289)	(78,850)	-	(724,139)	-
Principal payments on notes payable	(33,090)	-	-	(33,090)	-
Intergovernmental revenues	48,570	36,000	-	84,570	-
Net cash used in capital and related financing activities	(1,107,986)	(42,850)	-	(1,150,836)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from investment sales	2,186,242	1,738,514	-	3,924,756	-
Purchase of investments	(2,233,106)	(1,772,614)	-	(4,005,720)	-
Interest received	48,654	34,307	-	82,961	823
Net cash provided by investing activities	1,790	207	-	1,997	823

(Continued)

# CITY OF CORDELE, GEORGIA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Health Benefit Internal Service Fund</b>
	<b>Water and Sewer</b>	<b>Natural Gas</b>	<b>Sanitation</b>	<b>Totals</b>	
Net increase (decrease) in cash	\$ (691,365)	\$ 340,476	\$ -	\$ (350,889)	\$ 12,094
Cash and cash equivalents, July 1	1,593,176	51,235	-	1,644,411	28,755
Cash and cash equivalents, June 30	<u>\$ 901,811</u>	<u>\$ 391,711</u>	<u>\$ -</u>	<u>\$ 1,293,522</u>	<u>\$ 40,849</u>
Classified as:					
Cash	\$ 543,979	\$ 340,841	\$ -	\$ 884,820	\$ 40,849
Restricted assets:					
Cash	44,970	-	-	44,970	-
Cash - customer deposits	117,205	50,870	-	168,075	-
Investments - sinking funds	<u>195,657</u>	<u>-</u>	<u>-</u>	<u>195,657</u>	<u>-</u>
	<u>\$ 901,811</u>	<u>\$ 391,711</u>	<u>\$ -</u>	<u>\$ 1,293,522</u>	<u>\$ 40,849</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (404,375)	\$ (173,367)	\$ 23,678	\$ (554,064)	\$ (169,755)
Depreciation	1,033,110	132,546	-	1,165,656	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	4,991	(44,003)	8,461	(30,551)	-
Decrease in inventory	-	421,621	-	421,621	-
Increase in prepaid expenses	-	(250)	-	(250)	-
Increase in vouchers payable	7,550	17,096	1,451	26,097	-
Increase in unpaid claims and accrued estimated liability	-	-	-	-	21,026
Increase (decrease) in customer deposits	1,065	(365)	-	700	-
Increase in accrued expenses	<u>8,174</u>	<u>1,044</u>	<u>-</u>	<u>9,218</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 650,515</u>	<u>\$ 354,322</u>	<u>\$ 33,590</u>	<u>\$ 1,038,427</u>	<u>\$ (148,729)</u>

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

**CITY OF CORDELE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**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

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### 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

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### 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

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### 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

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### 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

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### 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, 2010, 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

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### 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, 2010:

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

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### **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, 2010, 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

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### 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

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### 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	\$ (263,835)
Accrued interest	(6,075)
Compensated absences	<u>(180,900)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (450,810)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### 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	\$ 1,107,709
Depreciation expense	<u>(714,601)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 393,108</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	\$ 15,275
Accrued interest	<u>(6,075)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 9,200</u>

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

Proceeds from debt - capital leases	\$ (265,267)
Principal repayments - capital leases	<u>43,785</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>\$ (221,482)</u>



## NOTES TO FINANCIAL STATEMENTS

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### 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, 2010, expenditures exceeded budgeted appropriations, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
Legislative	\$ 49,461
Finance	19,162
Central purchasing	1,311
Principal retirement	5,675
Capital outlay	50,144
Downtown Revitalization Fund:	6,315
Hotel Tax Fund:	83,641

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. LEGAL COMPLIANCE - BUDGETS (CONTINUED)

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

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2010, are summarized as follows:

As reported in the Statement of Net Assets:

Primary government:

Cash and cash equivalents	\$ 3,161,610
Investments	5,599,535
	<u>\$ 8,761,145</u>

Cash deposited with financial institutions	\$ 7,449,388
Cash deposited with Georgia Fund 1	926,171
Investment in U.S. Government Securities	195,657
Investments in Corporate Stock	189,929
	<u>\$ 8,761,145</u>

Component units:

Cash and cash equivalents	<u>\$ 1,936,571</u>
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Cash deposited with financial institutions	<u>\$ 1,936,571</u>
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**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, 2010, the Government's investments in Georgia Fund 1 were rated AAAm and the investments in U.S. Government Securities were rated AAa by Moody's Investors Service.

At June 30, 2010, the Government had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	46 day average maturity	\$ 926,171
U.S Government Securities	October 2010	195,657
Certificates of Deposit	110 day weighted average	4,287,778
Corporate Stock - Exxon	Not applicable	189,929
Total		<u>\$ 5,599,535</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, 2010, 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, 2010, are recorded as receivables, net of estimated uncollectibles. In the governmental funds, the net receivables collected during the year ended June 30, 2010, and expected to be collected by August 31, 2010, are recognized as revenues for the year ended June 30, 2010, whereas, net receivables estimated to be collectible subsequent to August 31, 2010, are recorded as revenue when received. Receivables at June 30, 2010, 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	\$ 747,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,134
Accounts	9,024	-	-	308,240	141,279	83,506	-
Mortgages	100,000	-	473,156	-	-	-	88,308
Participant	-	-	-	-	-	-	3,625
Due from other governments	416,042	106,271	-	-	-	-	-
Gross receivables	1,272,705	106,271	473,156	308,240	141,279	83,506	135,067
Less allowance for uncollectible	381,083	-	-	67,387	18,464	18,872	-
Net total receivables	<u>\$ 891,622</u>	<u>\$ 106,271</u>	<u>\$ 473,156</u>	<u>\$ 240,853</u>	<u>\$ 122,815</u>	<u>\$ 64,634</u>	<u>\$ 135,067</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,886,340	\$ 2,917	\$ -	\$ 4,889,257
Construction in progress	303,346	572,683	-	876,029
Total	<u>5,189,686</u>	<u>575,600</u>	<u>-</u>	<u>5,765,286</u>
Capital assets, being depreciated:				
Buildings	3,362,893	-	-	3,362,893
Improvements other than buildings	2,955,345	-	-	2,955,345
Infrastructure	4,489,550	-	-	4,489,550
Machinery and equipment	5,188,508	532,109	64,153	5,656,464
Total	<u>15,996,296</u>	<u>532,109</u>	<u>64,153</u>	<u>16,464,252</u>
Less accumulated depreciation for:				
Buildings	1,535,894	118,054	-	1,653,948
Improvements other than buildings	2,375,040	271,093	-	2,646,133
Infrastructure	1,762,264	1,242	-	1,763,506
Machinery and equipment	4,182,954	324,212	43,174	4,463,992
Total	<u>9,856,152</u>	<u>714,601</u>	<u>43,174</u>	<u>10,527,579</u>
Total capital assets, being depreciated, net	<u>6,140,144</u>	<u>(182,492)</u>	<u>20,979</u>	<u>5,936,673</u>
Governmental activities capital assets, net	<u><u>\$ 11,329,830</u></u>	<u><u>\$ 393,108</u></u>	<u><u>\$ 20,979</u></u>	<u><u>\$ 11,701,959</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 326,299	\$ -	\$ -	\$ 326,299
Construction in progress	491,708	670,939	-	1,162,647
Total	<u>818,007</u>	<u>670,939</u>	<u>-</u>	<u>1,488,946</u>
Capital assets, being depreciated:				
Buildings	2,070,866	-	-	2,070,866
Improvements other than buildings	28,440,478	-	-	28,440,478
Machinery and equipment	2,448,713	29,294	2,694	2,475,313
Total	<u>32,960,057</u>	<u>29,294</u>	<u>2,694</u>	<u>32,986,657</u>
Less accumulated depreciation for:				
Buildings	1,213,604	45,296	-	1,258,900
Improvements other than buildings	15,719,789	901,404	-	16,621,193
Machinery and equipment	2,432,639	218,956	2,694	2,648,901
Total	<u>19,366,032</u>	<u>1,165,656</u>	<u>2,694</u>	<u>20,528,994</u>
Total capital assets, being depreciated, net	<u>13,594,025</u>	<u>(1,136,362)</u>	<u>-</u>	<u>12,457,663</u>
Business-type activities capital assets, net	<u>\$ 14,412,032</u>	<u>\$ (465,423)</u>	<u>\$ -</u>	<u>\$ 13,946,609</u>

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

Governmental activities:

General government	\$ 89,152
Public safety	213,730
Public works	330,675
Community development	61,078
Central purchasing	7,717
Culture and recreation	<u>12,249</u>

Total depreciation expense - governmental activities \$ 714,601

Business-type activities:

Water and sewer	\$ 1,033,110
Natural gas	<u>132,546</u>

Total depreciation expense - business-type activities \$ 1,165,656

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 42,353	\$ 265,267	\$ 43,785	\$ 263,835	\$ 38,013
Compensated absences	196,175	267,157	282,432	180,900	180,900
Governmental activity Long-term liabilities	<u>\$ 238,528</u>	<u>\$ 532,424</u>	<u>\$ 326,217</u>	<u>\$ 444,735</u>	<u>\$ 218,913</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,140,000	\$ -	\$ 230,000	\$ 4,910,000	\$ 235,000
Note payable	392,382	-	33,090	359,292	34,786
Compensated absences	37,637	47,815	41,605	43,847	43,847
Business-type activity Long-term liabilities	<u>\$ 5,570,019</u>	<u>\$ 47,815</u>	<u>\$ 304,695</u>	<u>\$ 5,313,139</u>	<u>\$ 313,633</u>
<b>Component Units:</b>					
Revenue bonds	<u>\$ 2,290,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 1,980,000</u>	<u>\$ 320,000</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.

The following is an analysis of leased assets under capital leases as of June 30, 2010:

	<b>Governmental Activities</b>
Machinery and equipment	\$ 313,612
Less: Accumulated depreciation	(48,114)
	<u>\$ 265,498</u>

## NOTES TO FINANCIAL STATEMENTS

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

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the future minimum lease payments at June 30, 2010:

	<b>Governmental Activities</b>
Fiscal year ending June 30,	
2011	\$ 49,167
2012	47,188
2013	45,456
2014	43,416
2015	32,019
Thereafter	100,098
Total minimum lease payments	317,344
Less amount representing interest	53,509
Present value of future minimum lease payments	<u>\$ 263,835</u>

#### Revenue Bonds – Business-type Activities.

Revenue bonds outstanding for business-type activities at June 30, 2010, 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, 2010</u>
Water/Sewer	3.75 - 4.75%	25 years	November 2024	\$ 6,240,000	\$ 4,910,000

Revenue bonds debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2011	\$ 235,000	\$ 219,408	\$ 454,408
2012	245,000	209,266	454,266
2013	260,000	198,405	458,405
2014	270,000	186,878	456,878
2015	280,000	174,845	454,845
2016 - 2020	1,605,000	669,801	2,274,801
2021 - 2025	2,015,000	248,306	2,263,306
	<u>\$ 4,910,000</u>	<u>\$ 1,906,909</u>	<u>\$ 6,816,909</u>

## NOTES TO FINANCIAL STATEMENTS

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

#### Revenue Bonds – Component Units.

Revenue bonds outstanding for component units at June 30, 2010, 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, 2010</u>
Cordele Industrial Park	3.67%	20 years	April 2025	\$ 3,145,000	\$ 1,980,000

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,			
2011	\$ 320,000	\$ 72,666	\$ 392,666
2012	330,000	60,922	390,922
2013	80,000	48,811	128,811
2014	85,000	45,875	130,875
2015	90,000	42,756	132,756
2016 - 2020	490,000	162,581	652,581
2021 - 2025	585,000	65,693	650,693
	<u>\$ 1,980,000</u>	<u>\$ 499,304</u>	<u>\$ 2,479,304</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. 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, 2010:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Balance at June 30, 2010</u>
5.03%	18 years	December 2018	\$ 615,849	\$ 359,292

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,			
2011	\$ 34,786	\$ 17,423	\$ 52,209
2012	36,569	15,640	52,209
2013	38,443	13,766	52,209
2014	40,414	11,795	52,209
2015	42,485	9,724	52,209
2016 - 2019	166,595	16,137	182,732
	<u>\$ 359,292</u>	<u>\$ 84,485</u>	<u>\$ 443,777</u>

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 63,356
Economic Development Main Street	Non-major governmental funds	20,000
Non-major governmental funds	General Fund	100,822
SPLOST Fund	General Fund	6,151
General Fund	Natural Gas Fund	35,433
		<u>\$ 225,762</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers recorded and transacted during the year ended June 30, 2010 are as follows:

Transfers out:	Transfers In:			Total
	General Fund	Non-major Governmental	Health Benefit Internal Service Fund	
General Fund	\$ -	\$ 1,318	\$ 160,000	\$ 161,318
Water & Sewer	450,000	-	-	450,000
Sanitation Fund	33,590	-	-	33,590
SPLOST Fund	669,965	-	-	669,965
Non-major Governmental Funds	118,406	-	-	118,406
	<u>\$ 1,271,961</u>	<u>\$ 1,318</u>	<u>\$ 160,000</u>	<u>\$ 1,433,279</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 9. PENSION COSTS

#### Plan Description

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION COSTS (CONTINUED)

#### Funding Policy

The funding policy for the plan is to contribute an actuarially determined amount equal to the recommended contribution in each year. The City makes all contributions to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 12.77% of annual covered payroll.

#### Annual Pension Cost

The City's annual recommended contribution for the pension plan year beginning January 1, 2010, (the most recent actuarial valuation date) was \$546,364. The recommended contribution was determined as part of the January 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases for inflation of 3.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 7.75%, which is the valuation's investment return assumption.

#### Trend Information

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

<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/07	\$ 227,506	100 %	\$ -
12/31/08	288,772	100	-
12/31/09	546,364	100	-

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION COSTS (CONTINUED)

#### Trend Information (Continued)

As of the most recent valuation date, January 1, 2010, the funded status of the City of Cordele Retirement Plan was as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</b>
1/1/10	\$9,032,981	\$9,508,361	\$475,380	95%	\$4,276,495	11.1%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

### NOTE 10. CONTINGENCIES

#### Grant Contingencies

The City participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At June 30, 2010, 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. CONTINGENCIES (CONTINUED)

#### **Contractual Commitments**

In addition to the liabilities enumerated in the balance sheet at June 30, 2010, the City has contractual commitments on uncompleted contracts of \$1,463,551.

#### **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.

### NOTE 11. RISK MANAGEMENT

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

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

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11. RISK MANAGEMENT (CONTINUED)

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

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

Reconciliation of changes in the aggregate liabilities for claims:

	June 30, 2010	June 30, 2009
Claims liability, beginning of year	\$ 211,300	\$ 208,400
Incurred claims (including IBNRs)	857,271	1,234,260
Claims paid	(1,349,784)	(1,913,093)
Claims reimbursed from reinsurers	513,539	681,733
Claims liability, end of year	<u>\$ 232,326</u>	<u>\$ 211,300</u>

In accordance with GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City recognizes liabilities for any expected pollution remediation outlays with reasonably estimable cost. During the fiscal year ended June 30, 2009, the City was made aware of certain petroleum-contaminated soils found at the construction site of a current infrastructure development project. After consultation with the Georgia Environmental Protection Division, the City has contracted with an independent third party to remove the soils to an approved contamination site at a cost of \$47,240. The City incurred \$23,906 of this cost during the year ended June 30, 2010. Accordingly, the City has accrued a liability for the remaining balance of \$23,334 in the Water and Sewer Fund at June 30, 2010.

### NOTE 12. RELATED ORGANIZATIONS

The City's governing council is responsible for all of the board appointments of the Cordele Housing Authority. However, the City has no further accountability for this organization. In the year ending June 30, 2010, the City did not provide any contributions to the Cordele Housing Authority.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 13. JOINT VENTURES**

Under Georgia Law, the City, in conjunction with other cities and counties in the eight-county west central Georgia area, is a member of the River Valley Regional Commission and is required to pay annual dues thereto. During the year ended June 30, 2010, the City paid \$11,456 in such dues. Membership in the Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of Regional Development Centers (RDCs) in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the River Valley Regional Commission, 228 West Lamar Street, Americus, Georgia 31709.

### **NOTE 14. HOTEL/MOTEL LODGING TAX**

The City originally levied a 3% lodging tax. In January 2010, the lodging tax was raised to 5%. Revenues collected during the fiscal year ended June 30, 2010 were \$309,881. The City paid 30% of the original 3% tax, and 100% of the additional 2% tax added in 2010, to the Cordele/Crisp County Tourism Commission (CCTC). The total remitted was \$143,441. Management represents that 100% of the lodging tax received during the year ended June 30, 2010, was used for the promotion of tourism, conventions, or trade shows.

### **NOTE 15. SUBSEQUENT EVENT**

On November 24, 2010, the City received loan proceeds totaling \$496,600. These proceeds comprise the majority of a \$500,000 loan from the OneGeorgia Authority, which is being passed through the Crisp County-Cordele Industrial Development Authority to the City. The funds will be used to finance street improvements near a new commercial development at the I75/State Route 300 interchange. As collateral for this loan, the City was required to pledge two parcels of land with a total appraised value of \$600,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF CORDELE, GEORGIA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/05	\$ 7,166,483	\$ 7,502,503	\$ 336,020	95.5 %	\$ 4,127,967	8.1 %
01/01/06	7,606,279	7,548,746	(57,533)	100.8	3,823,898	(1.5)
01/01/07	8,071,173	7,990,678	(80,495)	101.0	3,986,750	(2.0)
01/01/08	8,543,164	8,839,557	296,393	96.6	4,183,911	7.1
01/01/09	7,093,459	9,256,739	2,163,280	76.6	4,277,302	50.6
01/01/10	9,032,981	9,508,361	475,380	95.0	4,276,495	11.1

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

## NONMAJOR GOVERNMENTAL FUNDS

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### 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 5% of lodging fees and forwards a portion of the 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.

**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.

**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

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### Permanent Fund

**A.B. Branran Community Clubhouse Trust Fund (a Non-expendable 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, 2010**

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	Special Revenue Funds			
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund
<b>ASSETS</b>				
Cash	\$ 276,651	\$ 18,481	\$ 16,026	\$ -
Investments	-	-	-	-
Due from other funds	-	-	16,181	84,641
Mortgages receivable	88,308	-	-	-
Taxes receivables	-	-	-	43,134
Participants receivable	-	-	-	-
Total assets	<u>\$ 364,959</u>	<u>\$ 18,481</u>	<u>\$ 32,207</u>	<u>\$ 127,775</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	84,641
Due to other funds	20,000	-	-	-
Total liabilities	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>84,641</u>
<b>FUND BALANCES</b>				
Reserved for loans	344,959	-	-	-
Reserved for endowment	-	-	-	-
Reserved for clubhouse expenses	-	-	-	-
Unreserved	-	18,481	32,207	43,134
	<u>344,959</u>	<u>18,481</u>	<u>32,207</u>	<u>43,134</u>
Total liabilities and fund balance	<u>\$ 364,959</u>	<u>\$ 18,481</u>	<u>\$ 32,207</u>	<u>\$ 127,775</u>

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Capital Projects Funds			Permanent Fund	
CDBG Rehabilitation Fund	Chip Grant Fund	Boys & Girls Club Fund	A.B. Branran Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ 13,001	\$ 64,536	\$ 100	\$ 66,321	\$ 455,116
-	-	-	189,929	189,929
-	-	-	-	100,822
-	-	-	-	88,308
-	-	-	-	43,134
-	3,625	-	-	3,625
<u>\$ 13,001</u>	<u>\$ 68,161</u>	<u>100</u>	<u>\$ 256,250</u>	<u>\$ 880,934</u>
\$ -	\$ 64,094	\$ -	\$ -	\$ 64,094
-	-	-	-	84,641
-	-	-	-	20,000
-	64,094	-	-	168,735
-	-	-	-	344,959
-	-	-	66,321	66,321
-	-	-	189,929	189,929
13,001	4,067	100	-	110,990
13,001	4,067	100	256,250	712,199
<u>\$ 13,001</u>	<u>\$ 68,161</u>	<u>\$ 100</u>	<u>\$ 256,250</u>	<u>\$ 880,934</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, 2010

	Special Revenue Funds			
	Economic Development Fund	Condemnation Proceeds Fund	Downtown Revitalization Fund	Hotel Tax Fund
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 10,343	\$ 309,881
Donations	-	-	51,507	-
Interest and dividend income	448	-	48	-
Net decrease in the fair value of investments	-	-	-	-
Total revenues	448	-	61,898	309,881
<b>Expenditures:</b>				
Current:				
Culture and recreation	-	-	-	-
Community development	195	2,150	62,897	148,341
Total expenditures	195	2,150	62,897	148,341
Excess (deficiency) of revenues over expenditures	253	(2,150)	(999)	161,540
<b>Other financing sources (uses):</b>				
Transfers in from other funds	-	-	-	-
Transfers out to other funds	-	-	-	(118,406)
Total other financing uses	-	-	-	(118,406)
Net change in fund balances	253	(2,150)	(999)	43,134
<b>Fund balances, beginning of year</b>	344,706	20,631	33,206	-
<b>Fund balances, end of year</b>	<u>\$ 344,959</u>	<u>\$ 18,481</u>	<u>\$ 32,207</u>	<u>\$ 43,134</u>

Capital Projects Funds			Permanent Fund	
CDBG Rehabilitation Fund	Chip Grant Fund	Boys & Girls Club Fund	A.B. Branan Community Clubhouse Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 320,224
-	-	-	-	51,507
24	191	-	5,704	6,415
-	-	-	(42,731)	(42,731)
24	191	-	(37,027)	335,415
-	-	1,220	-	1,220
-	-	1,009	-	214,592
-	-	2,229	-	215,812
24	191	(2,229)	(37,027)	119,603
-	-	1,318	-	1,318
-	-	-	-	(118,406)
-	-	1,318	-	(117,088)
24	191	(911)	(37,027)	2,515
12,977	3,876	1,011	293,277	709,684
\$ 13,001	\$ 4,067	\$ 100	\$ 256,250	\$ 712,199

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Interest earned	\$ 4,900	\$ 448	\$ (4,452)
Total revenues	<u>4,900</u>	<u>448</u>	<u>(4,452)</u>
<b>Expenditures</b>			
Community development	<u>4,900</u>	<u>195</u>	<u>4,705</u>
Total expenditures	<u>4,900</u>	<u>195</u>	<u>4,705</u>
 Excess of revenues over expenditures	 -	 253	 253
 <b>Fund balance, July 1</b>	 <u>344,706</u>	 <u>344,706</u>	 <u>-</u>
 <b>Fund balance, June 30</b>	 <u><u>\$ 344,706</u></u>	 <u><u>\$ 344,959</u></u>	 <u><u>\$ 253</u></u>



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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Program income	\$ 3,000	\$ -	\$ (3,000)
Total revenues	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
<b>Expenditures</b>			
Public safety	<u>3,000</u>	<u>2,150</u>	<u>850</u>
Total expenditures	<u>3,000</u>	<u>2,150</u>	<u>850</u>
 Deficiency of revenues under expenditures	 -	 (2,150)	 (2,150)
 <b>Fund balance, July 1</b>	 <u>20,631</u>	 <u>20,631</u>	 <u>-</u>
 <b>Fund balance, June 30</b>	 <u><u>\$ 20,631</u></u>	 <u><u>\$ 18,481</u></u>	 <u><u>\$ (2,150)</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Tax district	\$ 8,000	\$ 10,343	\$ 2,343
Donations	48,482	51,507	3,025
Interest earned	100	48	(52)
Total revenues	<u>56,582</u>	<u>61,898</u>	<u>5,316</u>
<b>Expenditures</b>			
Community development	<u>56,582</u>	<u>62,897</u>	<u>(6,315)</u>
Total expenditures	<u>56,582</u>	<u>62,897</u>	<u>(6,315)</u>
Deficiency of revenues under expenditures	-	(999)	(999)
<b>Fund balance, July 1</b>	<u>33,206</u>	<u>33,206</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u><u>\$ 33,206</u></u>	<u><u>\$ 32,207</u></u>	<u><u>\$ (999)</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Tax revenue	\$ 242,850	\$ 309,881	\$ 67,031
Total revenues	<u>242,850</u>	<u>309,881</u>	<u>67,031</u>
<b>Expenditures</b>			
Community development	64,700	148,341	(83,641)
Total expenditures	<u>64,700</u>	<u>148,341</u>	<u>(83,641)</u>
Excess of revenues over expenditures	<u>178,150</u>	<u>161,540</u>	<u>(16,610)</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(178,150)</u>	<u>(118,406)</u>	<u>(59,744)</u>
Excess of revenues over expenditures and other financing uses	-	43,134	43,134
<b>Fund balance, July 1</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ 43,134</u></u>	<u><u>\$ 43,134</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Interest earned	\$ 150	\$ 46	\$ (104)
Dividends earned	4,500	5,658	1,158
Net decrease in the fair value of investments	-	(42,731)	(42,731)
Total revenues	<u>4,650</u>	<u>(37,027)</u>	<u>(41,677)</u>
<b>Expenditures:</b>			
Program services	<u>4,650</u>	-	4,650
Total expenditures	<u>4,650</u>	-	4,650
Deficiency of revenues under expenditures	-	(37,027)	(46,327)
<b>Fund balance, July 1</b>	<u>293,277</u>	<u>293,277</u>	-
<b>Fund balance, June 30</b>	<u><u>\$ 293,277</u></u>	<u><u>\$ 256,250</u></u>	<u><u>\$ (46,327)</u></u>

# CITY OF CORDELE, GEORGIA

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<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 Wes	\$ 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	210,442	3,263	213,705
4	Police Vehicles	600,000	315,591	105,773	421,364
5	City Hall Improvements / HVAC/ADA	500,000	466,849	1,738	468,587
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>\$ 2,098,032</u>	<u>\$ 110,774</u>	<u>\$ 2,208,806</u>

## COMPONENT UNITS

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# CITY OF CORDELE, GEORGIA

## BALANCE SHEET COMPONENT UNITS JUNE 30, 2010

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	<b>Downtown Development Authority</b>	<b>Cordele Office Building Authority</b>
<b>ASSETS</b>		
Cash	\$ 13,054	\$ 1,923,517
Total assets	<u>\$ 13,054</u>	<u>\$ 1,923,517</u>
 <b>FUND BALANCES</b>		
Unreserved, undesignated	13,054	1,923,517
Total fund balances	<u>13,054</u>	<u>1,923,517</u>
 Total liabilities and fund balances	<u>\$ 13,054</u>	<u>\$ 1,923,517</u>

# CITY OF CORDELE, GEORGIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNITS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Downtown Development Authority</u>	<u>Cordele Office Building Authority</u>
<b>Revenues</b>		
Unrestricted investment earnings	\$ 332	\$ 1,072
Contribution revenues	-	460,488
Total revenues	<u>332</u>	<u>461,560</u>
<b>Expenditures</b>		
Professional services	4,000	200
Other contributions to primary government	-	563,722
Debt service:		
Principal retirement	-	310,000
Interest and fiscal charges	-	84,043
Total expenditures	<u>4,000</u>	<u>957,965</u>
Net change in fund balances	(3,668)	(496,405)
<b>Fund balances, July 1</b>	<u>16,722</u>	<u>2,419,922</u>
<b>Fund balances, June 30</b>	<u><u>\$ 13,054</u></u>	<u><u>\$ 1,923,517</u></u>



## **SINGLE AUDIT SECTION**

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**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**

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**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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2010. 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 opinion 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-5 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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### **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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-5.

We noted certain matters that we reported to management of the City of Cordele, Georgia in a separate letter dated December 10, 2010.

The City of Cordele, Georgia's responses to the audit findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 entity, 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  
December 10, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of Cordele's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Cordele's major federal programs for the year ended June 30, 2010. The City of Cordele's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Cordele's management. Our responsibility is to express an opinion on the City of Cordele's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Cordele's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Cordele's compliance with those requirements.

In our opinion, the City of Cordele complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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### **Internal Control Over Compliance**

Management of the City of Cordele is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Cordele's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cordele's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report is intended solely for the information and use of the City's Finance Committee, management, others within the entity, 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.

Macon, Georgia  
December 10, 2010

*Mauldin & Jenkins, LLC*

**CITY OF CORDELE, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Contract or Project Number</b>	<b>Total Expenditures</b>
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
Direct Federal Award			
ARRA - Assistance to Rural Law Enforcement	16.810	2009-SD-B9-0115	\$ 309,908
ARRA - Edward Byrne Memorial JAG Grant	16.592	2009-SB-B9-0376	42,398
Justice Assistance Grant Program	16.738	2009-DJ-BX-0446	10,881
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0274	22,142
			<u>\$ 385,329</u>
<b>U. S. DEPARTMENT OF COMMERCE:</b>			
Passed through Economic Development Administration			
Public Works Program	11.300	04-01-05891	<u>\$ 329,487</u>
<b>U. S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT:</b>			
Passed through Georgia Department of Community Affairs			
ARRA CDBG Entitlement Grant	14.255	09-cr-5104	<u>\$ 144,716</u>
<b>U.S DEPARTMENT OF AGRICULTURE:</b>			
Passed through Southwest Georgia United Empowerment			
Empowerment Zones Program	10.772	Task/Project B	36,000
Empowerment Zones Program	10.772	Task/Project E	20,000
			<u>\$ 56,000</u>
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>			
Passed through Georgia Department of Natural Resources			
NonPoint Source Program	66.460	751-90106	<u>\$ 80,000</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 995,532</b></u>

# **CITY OF CORDELE, GEORGIA**

## **NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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### **NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

#### **Measurement Focus**

The determination of when an award is expended is based on when the activity related to the award occurred.

#### **Program Type Determination**

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$300,000 or three percent of total federal expenditures. The threshold of \$300,000 was used in distinguishing between Type A and Type B programs.

#### **Method of Major Program Selection**

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2010.

# CITY OF CORDELE, GEORGIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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### 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?

X yes \_\_\_\_ no

#### **Federal Awards**

Internal Control over major programs:  
Material weaknesses identified?

\_\_\_\_ yes X no

Significant deficiencies identified not considered  
to be material weaknesses?

\_\_\_\_ yes X none reported

Type of auditor's report issued on compliance for  
major programs

Unqualified

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?

\_\_\_\_ yes X no

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

U.S. Department of Commerce:

Passed through Economic Development

Administration:

Public Works Program

11.300

U.S. Department of Justice:

ARRA-Assistance to Rural Law Enforcement

16.810

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_ yes X no



# **CITY OF CORDELE, GEORGIA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010**

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### **SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES**

#### **2010 - 1. Grant Management**

Criteria: Generally accepted accounting principles require that grant revenues be recognized at the time any grant-related expenditures are made, regardless of when grant reimbursements are actually received. In addition, grant-related revenues should be recorded through the income statement as grant proceeds.

Condition: The City did not make the necessary full accrual adjustments related to grant expenditures incurred during the year ended June 30, 2010. The City also failed to properly recognize the receipt and expense of certain grant funds which were disbursed to other governments.

Context: See above condition.

Effect: An audit adjustment to increase grant receivables and revenues by \$38,623 was recorded in the Water and Sewer Fund to properly reflect grant revenues earned during the fiscal year ended June 30, 2010. An audit adjustment to increase grant revenues and increase expenditures by \$30,382 was recorded in the General Fund.

Recommendation: We recommend the City begin recognizing and recording grant revenues as grant-related expenditures are incurred. We recommend that all grant payments to other governments be properly recorded.

Views of Responsible Officials and Planned Corrective Action: The Finance Department has taken necessary steps to ensure that all grant funding and expenditures are recorded correctly and in a timely fashion so as to avoid any errors in recognizing revenues when expenditures are incurred. The Assistant Finance Director will maintain a spreadsheet for each grant-funded project and will now book the revenue when the expenditure is recorded as a check method to assure this entry is made. Also, grant proceeds received by the City and due to other governments will, in the future, be booked as a full revenue and expense, and not netted as to the amounts paid.

#### **2010 - 2. Recording of Lease Purchases**

Criteria: Generally accepted accounting principles require the issuance of long-term debt in a governmental fund to be treated as an other financing source. The amount so reported should equal the face value of the debt.

Condition: The City entered into certain new lease purchase agreements. These were not recorded by the City during the year ended June 30, 2010.

Context: During our audit of the City's debt, an adjustment was required to record an other financing source from lease purchases.

**CITY OF CORDELE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010 - 2. Recording of Capital Lease Transactions (Continued)**

Effect: An audit adjustment of \$53,737 to increase other financing sources from lease purchases and expenditures was required to be reported in the General Fund.

Recommendation: We recommend that the City carefully review all issuances of debt to ensure that the transactions are properly recorded.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. As lease purchases are made in the future, the appropriate revenues and expenditures will be recorded in the month that they occur.

**2010 - 3. Recording of Accounts Receivable/Accounts Payable**

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they are earned. Generally accepted accounting principles also require the 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 provides interruptible gas services to certain industrial customers. These services are billed one month after the provision of services. The gas purchased for these customers is also paid for in the month after the provision of services. The City did not record interruptible gas revenues provided in June 2010. In addition, the City did not record expenses for interruptible gas purchased in June 2010.

Context: We addressed this matter with City officials, and they were able to determine the adjustments necessary to properly state the City's accounts receivable and accounts payable related to interruptible gas services for the month of June 2010.

Effect: An audit adjustment of \$36,492 was recorded to increase revenues and accounts receivable in the Gas Fund for the year ended June 30, 2010. In addition, an audit adjustment of \$47,347 was recorded to increase expenses and accounts payable in the Gas Fund.

Recommendation: We recommend the City carefully review the year-end closing entries to ensure that the related journal entries are accurate and complete.

**CITY OF CORDELE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010 - 3. Recording of Accounts Receivable/Accounts Payable (Continued)**

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. At year-end, all closing entries will be reviewed by the Finance Director and Assistant Finance Director before posting. Also, a spreadsheet has been set up to reflect the closing entries required as of the June 30<sup>th</sup> year-end. Entries will be checked against the spreadsheet to ensure none are missed at year-end.

**2010 - 4. Management of Capital Asset Accounts**

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost.

Condition: The City accrued a payable amount to a contractor during the year ended June 30, 2009. This payable was correctly recorded at that time as an increase to capital assets. However, during the year ended June 30, 2010, it was determined that the payable was not required. The City incorrectly recorded this transaction as miscellaneous income, rather than as a decrease to capital assets.

Context: See above condition.

Effect: An audit adjustment of \$17,666 to decrease capital assets and decrease miscellaneous income in the Water and Sewer Fund was required to be recorded during the year ended June 30, 2010.

Recommendation: The City should carefully review all capital asset activity to ensure that transactions are properly recorded in order to report capital assets at their actual historical cost.

Views of Responsible Officials and Planned Corrective Action: This transaction was an unusual situation in which the contractor defaulted on the contract. In the future, the Finance Director will notify the Assistant Finance Director of the circumstances and will advise the appropriate entry to be made, so as not to have the transaction incorrectly recorded.

**CITY OF CORDELE, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010 - 5. Management of SPLOST Funds**

Criteria: Official Code of Georgia (OCGA) Section 48-8-121 requires that proceeds from SPLOST (Special Purpose Local Option Sales Taxes) be kept in separate accounts from other funds and not commingled with other funds prior to expenditure.

Condition: The City has set up a separate bank account for SPLOST funds. However, the City continued to deposit SPLOST proceeds into the General Fund during the year ended June 30, 2010. Each fiscal quarter, the funds were transferred to the SPLOST Fund.

Context: See above condition.

Effect: The City is not in compliance with the Official Code of Georgia Section 48-8-121.

Recommendation: The City should not commingle SPLOST funds with other funds at any point in time.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. The City receives SPLOST funds in connection with other remittances from the County government. In the future, once the check is processed through the cash office, a copy of the check and receipt will be provided to the Finance Director who immediately will make the transfer of funds to the SPLOST bank account on the same date. This transfer will be provided to the Assistant Finance Director so that the appropriate entry can be made in the month received.

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted.

**CITY OF CORDELE, GEORGIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**2009 - 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, 2009, 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.

Auditee Response/Status – Resolved. Additional personnel have been hired by the City, and the responsibilities for general ledger management and access to securities and cash are now appropriately segregated.

**2009 - 2. Grant Management**

Criteria: Generally accepted accounting principles require that grant revenues be recognized at the time any grant-related expenditures are made, regardless of when grant reimbursements are actually received. In addition, grant-related revenues should be recorded through the income statement as grant proceeds.

Condition: The City records grant transactions on a cash basis, and did not make the necessary full accrual adjustments related to grant expenditures incurred during the year ended June 30, 2009. The City also failed to properly recognize the receipt and expense of certain grant funds which were disbursed to sub-recipients. In addition, the City recorded certain other grant-related inter-fund contributions as direct increases to fund balance, rather than recording the proceeds through the appropriate revenue accounts.

Auditee Response/Status – Unresolved. See current year finding 2010-1.

**2009 – 3. Recording of Inventories**

Criteria: The City uses the consumption method for accounting for inventories, which requires that expendable supplies and items acquired for further use be recorded as assets when purchased, and then expensed as consumed.

Condition: As of June 30, 2009, the City did not properly record the value of certain gas inventory on hand.

Auditee Response/Status – Resolved. The City properly recorded gas inventory on hand at June 30, 2010.

**CITY OF CORDELE, GEORGIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**2009 – 4. Management of SPLOST Funds**

Criteria: Official Code of Georgia (OCGA) Section 48-8-121 requires that proceeds from SPLOST (Special Purpose Local Option Sales Taxes) be kept in separate accounts from other funds and not commingled with other funds prior to expenditure.

Condition: The City currently deposits SPLOST proceeds into the General Fund. As a result, the SPLOST fund shows a receivable of \$460,971 from the General Fund as of June 30, 2009.

Auditee Response/Status – Partially resolved. See current year finding 2010-5.

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